



China National Accord Medicines Corporation Ltd.

Annual Report 2019

April 2020

Section I. Important Notice, Contents and Interpretation

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of China National Accord Medicines Corporation Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Lin Zhaoxiong, Principal of the Company, Wei Pingxiao, person in charge of accounting works and Wang Ying, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2019 Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

Affected by various risk factors, the company's business operations are facing risks in terms of changes in industry policies and intensified market competition. The company has made a specific statement on the "Future Development Prospects" of the fourth section "Discussion and Analysis of the Operation" in this annual report, and all investors should pay attention to it.

The profit distribution plan that deliberated and approved by the Board is: based on total stock issued 428,126,983 shares, distributed 6 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.

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Interpretation

Items	Refers to	Contents
Listed Company, Company, the Company, Sinopharm Accord, the Group	Refers to	China National Accord Medicines Corporation Ltd.
SINOPHARM	Refers to	China National Pharmaceutical Group Corporation
Sinopharm Holding	Refers to	Sinopharm Group Co., Ltd, Controlling shareholder of the Company
<i>Company Law</i>	Refers to	<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>	Refers to	<i>Securities Law of the People's Republic of China</i>
Yuan, 10 thousand Yuan, 100 million Yuan	Refers to	RMB, RMB 10 thousand, RMB 100 million
Terminology:	Refers to	
4D business	Refers to	SPD hospital logistics supply chain extension business, IVD diagnostic reagent business, CSSD disinfection service, and MED equipment life cycle management business
GPO	Refers to	Group purchasing organizations
Abbreviation:	Refers to	
Sinopharm Holding Guangzhou	Refers to	Sinopharm Holding Guangzhou Co., Ltd.
Guoda Drugstore	Refers to	Sinopharm Holding Guoda Drugstore Co., Ltd.
Sinopharm Holding Guangxi	Refers to	Sinopharm Holding Guangxi Co., Ltd.
Foshan Nanhai	Refers to	Foshan Nanhai Pharmaceutical Group Co., Ltd.
Nanfang Pharmaceutical Foreign Trade	Refers to	Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.
China National Zhijun, Zhijun Pharmaceutical	Refers to	China National Zhijun (Shenzhen) Pharmaceutical Co., Ltd.
Zhijun Pharmacy Trade	Refers to	Shenzhen Zhijun Pharmacy Trade Co., Ltd.
Zhijun Pingshan, Pingshan Pharmaceutical	Refers to	China National Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.
Main Luck Pharmaceuticals	Refers to	Shenzhen Main Luck Pharmaceuticals Inc.

Section II Company Profile and Main Financial Indexes

I. Company profile

Short form of the stock	Sinopharm Accord, Accord B	Stock code	000028, 200028
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	国药集团一致药业股份有限公司		
Short form of the Company (in Chinese)	国药一致		
Foreign name of the Company (if applicable)	China National Accord Medicines Corporation Ltd.		
Short form of foreign name of the Company (if applicable)	Sinopharm Accord		
Legal representative	Lin Zhaoxiong		
Registrations add.	Accord Pharm. Bldg , No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Code for registrations add	518029		
Offices add.	Accord Pharm. Bldg, No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Codes for office add.	518029		
Company's Internet Web Site	http://www.szaccord.com.cn		
E-mail	gyyz0028@sinopharm.com		

II. Person/Way to contact

	Secretary of the Board	Securities affairs representative
Name	Chen Changbing	Wang Zhaoyu
Contact 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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Fax.	+(86)755 25195435	+(86)755 25195435
E-mail	gyyzinvestor@sinopharm.com	gyyz0028@sinopharm.com

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times; China Securities Journal; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	http://www.szse.cn ; http://www.cninfo.com.cn
Preparation place for annual report	Secretariat of the Board of Directors

IV. Registration changes of the Company

Organization code	91440300192186267U
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Changes of main business since listing (if applicable)	No change.
Previous changes for controlling shareholders (if applicable)	No change.

V. Other relevant information

CPA engaged by the Company

Name of CPA	Ernst & Young CPA (Special General partnership)
Offices add. for CPA	21/F, China Resources Building, No. 5001, Shennan East Road, Luohu District, Shenzhen
Signing accountant	Li Jianguang, Li Yuanfen

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

VI. Main accounting data and financial indexes

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

Yes No

	2019	2018	Changes over last year	2017
Operating income (RMB)	52,045,764,143.21	43,122,385,521.23	20.69%	41,263,393,427.41
Net profit attributable to shareholders of the listed company (RMB)	1,271,289,183.01	1,210,742,435.78	5.00%	1,057,791,930.67
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	1,226,765,271.97	1,175,971,967.39	4.32%	1,035,461,581.00
Net cash flow arising from operating activities (RMB)	2,000,352,083.20	1,322,606,352.27	51.24%	1,285,291,911.82
Basic earnings per share (RMB/Share)	2.97	2.83	4.95%	2.47
Diluted earnings per share (RMB/Share)	2.97	2.83	4.95%	2.47
Weighted average ROE	10.43%	11.56%	1.13 percentage points down	11.91%
	End of 2019	End of 2018	Changes over end of last year	End of 2017
Total assets (RMB)	33,520,609,123.67	28,930,300,519.97	15.87%	22,343,643,527.77
Net assets attributable to shareholder of listed company (RMB)	12,806,410,865.92	11,618,432,603.28	10.22%	9,396,572,345.88

Note: Weighted average ROE was down by 1.13 percentage points from a year earlier, mainly due to the impact of the industry policy, gross margin decline in the period and profit margin narrowing.

VII. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	11,879,309,078.82	13,348,838,298.61	13,647,793,431.64	13,169,823,334.14
Net profit attributable to shareholders of the listed company	300,149,012.08	350,684,348.32	311,310,706.52	309,145,116.09
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	297,420,355.99	342,280,091.96	303,365,280.52	283,699,543.50
Net cash flow arising from operating activities	-759,367,352.29	1,923,124,933.64	-90,795,420.13	927,389,921.98

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes No

IX. Items and amounts of extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

Item	2019	2018	2017	Note

Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	2,340,925.97	7,048,337.10	-203,279.86	The gains from fixed assets disposal .
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	49,299,242.48	30,098,383.86	26,854,027.03	Mainly for receiving of all kinds of special subsidies and fiscal interest discount in the period.
Investment costs while acquiring subsidiaries, joint ventures and associated enterprise, less than fair value of the identifiable net assets from invested enterprise which should be enjoined	14.65	729.29	58,022.12	Negative goodwill from subsidiary acquisition.
Current net gain/losses of the subsidiary merger under the same control from beginning of the period to combination date			-1,096.00	
Switch back of provision for depreciation of account receivable and contract assets that are individually tested for impairment	1,310,345.38	5,301,091.66	1,642,360.26	
Gains and losses from external entrusted loans	3,460,037.16	3,246,925.69	1,907,519.89	The gains obtained from offering entrust loans to China National Zhijun (Suzhou).
Consigning fee received for consigned operation		516,929.44		
Other non-operating income and expenditure except for the aforementioned items	17,179,002.78	5,069,438.37	377,281.07	The non-operating income recognized for written off the unpaid payments
Other gains/losses satisfy a definition of extraordinary gains/losses	508,168.93	1,445,926.01	134,740.70	
Less: Impact on income tax	17,317,723.70	12,137,071.11	6,690,220.38	
Impact on minority shareholders' equity (post-tax)	12,256,102.61	5,820,221.92	1,749,005.16	
Total	44,523,911.04	34,770,468.39	22,330,349.67	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

The Company complies with the disclosure requirement of *Information Disclosure Guidelines for the Shenzhen Stock Exchange No. 8- Listing Company Engaged in Retailing Industry*

In the reporting period, the main business of Sinopharm Accord includes pharmaceutical distribution and pharmaceutical retail, specifically as follows:

(i) In the pharmaceutical distribution field, the company continues to integrate the distribution and logistics business, deeply penetrates into the end markets, improves the stepped distribution network, creates intelligent supply chain, and devotes to become a provider for pharmaceutical and health care products and services with the strongest influence, the highest share, the most complete variety, the best service, and the fastest delivery in south district of China.

1. The Company's pharmaceutical distribution business is established in Guangdong and Guangxi, the company has completed the network construction of Guangdong and Guangxi in 2013, and the business has extended to the county-level regions; in 2014, we accelerating the integration of three-tier companies and the Company achieved an operation all over the network in 2015. The network further expanded in 2019 and main development direction is retail terminals which includes: After optimizing and adjusting the types of customers in 2019, there are 959 second- and third-tier medical institutions, 6,807 primary-level medical customers, and 4,479 retail terminal customers (chain pharmacies, single stores, and self-paying pharmacies in hospitals).

2. The Company's pharmaceutical distribution business has achieved the first scale in Guangdong and Guangxi and the leading position in market segment of Guangdong and Guangxi, and has obtained the relatively leading position in vaccine, instrument, and e-commerce industries.

(ii) In the pharmaceutical retail field, Guoda Drugstore is a pharmaceutical retail enterprise that ranks the first in the sales volume throughout the country, and is one of the few enterprises in China with national direct sales drug retail network.

By the end of 2019, Guoda Drugstore has operated 5021 stores, covering 20 provinces, autonomous regions and municipalities, entering nearly 71 large and medium sized cities, which has formed a drugstore networks covering eastern and northern China, southern coastal cities, and gradually expanded into northeast, central plains and inland cities, the sales scale of which has exceeded 10 billions, ranking the first within industry; Guoda drugstore, the business of which were mainly relying on modern retail drugstores, has been putting great attention on the development of professional service system with medical resources as core competitiveness, building a group of stores with professional commercial activities, which are able to provide retails and therapy services that integrating medical service and health-care products sales and cooperate with hospitals; at the same time, the Company has been vigorously developing new business, exploring and expanding new sales channels, improving

professional services, being dedicated to transit from a traditional medical retail into an innovative service enterprise. By means of conventional products retail management, improving major brands and exploring business cooperation with supplier, accelerating the establishment and improvement of DTP business and continuation of health care service system, Guoda has built industry-leading professional service ability.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	Increased 327.0559 million Yuan over that of period-begin with 17.27% rate of change, mainly because the investment income from joint ventures increased and change of the fair value of other equity instrument investment.
Fixed assets	Increased 4.6661 million Yuan over that of period-begin with 0.77% rate of change, no major changes in the reporting period.
Intangible assets	Increased 739,600 Yuan over that of period-begin with 0.23% rate of change, no major changes in the reporting period.
Construction in progress	Decreased 4.83 million Yuan over that of period-begin with -13.26% rate of change, mainly because the ERP system construction was transferred to intangible assets for completion and the supply chain extension project transferred to fixed assets in the period .
Right-of-use assets	Increased 1955.4611 million Yuan over that of period-begin with 100% rate of change, mainly due to the implementation of new lease standards in the period.

2. Main overseas assets

Applicable Not applicable

III. Core competitiveness analysis

1. Strong network coverage and layout

Relying on the perfect distribution network and variety resources, Sinopharm Accord has unified the wholesale and retail resources. The company has a complete drug distribution network in the Guangdong and Guangxi regions, comprehensively covering the second- and third-tier medical institutions and retail chain terminals of Guangdong and Guangxi provinces, in recent years, it has seized the opportunity of developing retail customers, and vigorously expanded distribution-related retail pharmacies, small-scale social medical services and other related formats, of which the business sales have achieved rapid growth.

Sinopharm Accord has retail network leading in scale and covering the whole country, Guoda Drugstore has retail chain network spreading over 20 provinces, municipalities and autonomous regions, covering nearly 71 cities nationwide.

2. Abundant variety resources

In the pharmaceutical distribution, the company has established extensive cooperative relations with thousands of domestic manufacturers and commercial enterprises and established stable business relationships with hundreds of import and joint venture manufacturers, and has rich variety resources.

Guoda Drugstore operates nearly 120,000 merchandises. With its relatively comprehensive purchasing network and years of experience in commodity management, Guoda Drug Store has established a merchandise system with wide coverage, high professionalization, and rich varieties.

3. Complete logistics and distribution system

Sinopharm Accord distribution adopts supply chain management and warehouse management solutions system, it has built large-scale first-grade logistics centers in Guangzhou, Nanning, Shenzhen and other places and established distribution centers in Guangdong and Guangxi which has formed ladder logistics and distribution networks, it is the first enterprise in Guangdong and Guangxi that has achieved the third-party logistics qualification and has the professional pharmaceutical logistics capabilities with the largest scale, the most extensive network, and the most complete modes in southern China.

Guoda Drugstore has a nationwide modern logistics and distribution system, and the logistics warehouses are located in 17 provinces, has 27 large-and-small logistics warehouses, covering an area of about 100,000 square meters in total.

4. The advantages of medical insurance resources

Regarding medicine retails, the subsidiaries of Guoda Drugstore have featured generally higher medical insurance acquiring ability, with higher medical insurance sales ratio and steady operation.

5. The advantages of Compliance

The Company had a big lead under an increasingly stringent regulatory environment for the reason that it has kept emphasizing legalization and compliance in the process of operation and management.

6. Unique-influence Sinopharm brand

Brand of the Company and distribution, industry child-brand and controlling shareholder and actual controller's brand come down in one continuous line, depending on powerful force of central enterprises, the Company's popularity and influence are prominent day by day in the industry.

Section IV. Discussion and Analysis of Business

1. Introduction

In 2019, the country continued to deepen medical reform, policies were intensively introduced, and the pace of reform in the medical field was accelerated. The three-medical reform linkage mechanism is becoming more mature, with the centralized purchase and use of medicines as the breakthrough, the fee control of medical insurance has achieved initial results, and the purchase amount policy is becoming more normal, and the industrial structure of driving supply end has undergone in-depth reforms, the adjustment of the product structure at the payment end has accelerated, and the concentration at the circulation end has accelerated while bearing pressure, the business model, transaction form, and industry pattern have continued to change. Sinopharm Accord has seized opportunities in the change, closely centered on Sinopharm Holding's "3 + 2" strategic guidance, and continuously promoted the strategic measures with "technology empowerment, service upgrade, wholesale-retail integration, and production-financing dual drive" as the core, and grasped the three themes of "solid foundation, transformation and innovation, and ensuring development", focused on market share and supply chain performance improvement, and achieved stable growth in scale and overall operating efficiency.

In 2019, the operating income of the Company accumulated to 52.046 billion yuan with a y-o-y of 20.69% up; operation profit amounted to 1.836 billion yuan, a 9.85% growth from a year earlier; the net profit attributable to shareholders of listed company amounted to 1.271 billion yuan, a y-o-y growth of 5.00%.

In 2019, the operating income from distribution business of the Company accumulated to 40.014 billion yuan with a y-o-y growth of 22.15%, all types of the business have achieved rapid growth by further expanding and consolidating the advantages of direct selling business, enhancing the coverage of grassroots medical institutions in breadth and depth. Of which: hospital direct selling has a growth of 21.84% on a y-o-y basis, direct selling from other medical institutions have growth of 31.64% on a y-o-y basis, direct selling from retail achieved a 32.94% up from a year earlier, equipment consumables business have 47.65% growth on a y-o-y basis, retail diagnosis and treatment business have 63.05% growth on a y-o-y basis and the distribution business of Sinopharm Accord achieved a net profit of 846 million yuan for year of 2019, a y-o-y growth of 18.19%.

The operating income from Guoda Drugstore accumulated to 12.754 billion yuan with a y-o-y growth of 17.24% in 2019. All business have developed steadily, of which, the direct operation has a y-o-y growth of 12.97%, DTP growth 32.10% on a y-o-y basis, OTO has a y-o-y growth of 33.11%, wholesale business have a y-o-y growth of 64% and the franchise business growth rate was 6.00%. Guoda Drugstore achieved net profit of 312 million yuan in 2019, a 3.37% up from a year earlier and the cumulative net profit attributable to parent company amounted as 246million yuan with a y-o-y growth of 5.95%.

In 2019, the investment income to associated enterprise accumulated as 331 million yuan, a y-o-y growth of 3.52%.

(i) Work overview for year of 2019

1. Continued to promote the core strategy of wholesale-retail integration, and enhanced the synergy of business formats

Deeply implemented the development strategy of wholesale-retail integration, and promoted the wholesale-retail integration within distribution companies and the wholesale-retail integration of distribution companies and Guoda. On the basis of network linkage, coordinated the effective allocation and circulation of resources among various formats and regions, enhanced coordination and complementarity, formed synergy, and explored the formation of organizational integration model, business integration model, equity integration model, and member store model, coordinated logistics, supply chain, information and other background systems, gave full play to scale and sharing effects, simplified the operation process, and realized the interoperability of supply chain management systems.

2. Speeded up mergers and acquisitions, continued to optimize network layout, and constantly expanded strategic layout

Actively promoted investment projects and achieved breakthroughs in outbound mergers and acquisitions. During the reporting period, the company initiated the acquisition of Shanghai Dingqun Enterprise Management Consulting Co., Ltd. (indirectly purchased Sinopharm Holding Tianhe Jilin Pharmaceutical Co., Ltd.), Pudong New Area of Shanghai Pharmaceutical Medicine Ltd., Pu'er Songmao Ji'antang Pharmaceutical Co., Ltd., and Guoda Drugstore (Chaoyang) Renai Pharmacy Co., Ltd., the retail layout strategy has advanced into Jilin Province and Yunnan Province; completed investment in the establishment of Sinopharm Accord Pharmaceutical Supply Chain (Shenzhen) Co., Ltd., Sinopharm Holding Guozhi Drug Store (Heyuan) Co., Ltd., Liaoning Guoda Pharmaceutical Co., Ltd., Sinopharm Holding Guoda Drugstore Yongxingtang Chain (Chaoyang) Co., Ltd., and Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd.

As of the end of 2019, the number of holding subsidiaries of Sinopharm Accord has increased to 110, and the stores of Guoda Drugstore reached 5,021 (excluding new mergers and acquisitions of Jilin Tianhe and Yanghetang, Jilin Tianhe and Pudong New Area of Shanghai Pharmaceutical Medicine completed the industry and commerce changes in January 2020 which are not included in the scope of consolidated financial statement for 2019), a total of 83 retail stores.

3. Technology energized, promoted digital transformation, and improved supply chain efficiency

Started digital transformation, upgraded service capabilities, and built digital management and control platforms such as supply chain services, omni-channel membership services, and new business services. Externally improved the external supply chain docking system, expanded the whole medicine network, GPO, provincial platform, medical insurance interface functions and the upstream and downstream customer information interconnection, independently developed FYCMS system and AVG, intelligent conveyor line and other automated equipment docking system, and upgraded C-end users experience; internally upgraded the internal

supply chain systems, including retail system upgrades, distribution system upgrades, logistics visualization upgrades, and collaborative sharing and expansion.

4. In distribution business segment, maintained strategic strength, focused on service transformation and upgrading, and continued to enhance business advantages

(1) Took the initiative to seize policy opportunities such as “4 + 7”, GPO, national talks, etc., and effectively gained market share under the general trend of drug price reduction. The leading position in Guangdong and Guangxi provinces continued to be stable, Guangzhou and Shenzhen have achieved a good start in 4 + 7 centralized procurement and expansion, and obtained 25 varieties of distribution rights, including 5 exclusive varieties, and the gross profit margin of the winning variety increased by 1.75% over the previous year. In terms of GPO, many subsidiaries overcame the difficulties and drove the market share increase when facing multi-platform parallel; at the same time, each subsidiary responded quickly and carried out an “ice-breaking action” against the original trustee hospitals to increase the hospitals’ market shares.

(2) Continued to promote the four major business directions and push the transformation and upgrading of business structure

The traditional business was further enlarged and strengthened, the market share continuously increased, and the leading advantage was constantly consolidated. The direct sales format increased by 23% on a year-on-year basis, and the four major business directions of retail direct sales, retail diagnosis and treatment, primary medical care, and equipment consumables have maintained double-digit growth.

1) Retail diagnosis and treatment: the retail network layout of Guangdong and Guangxi has been further improved, as of the end of the reporting period, a total of 83 retail pharmacies have been opened. In 2019, the company opened 15 new pharmacies, completed the positioning in 20 cities in Guangdong and Guangdong, and carried out the second stage of in-depth deployment in Guangdong Province; integrated medical insurance and realized 20 prescription hospitals; accelerated development of key products, introduced 27 new DTP products; increased 4 new areas with medical insurance qualification; created a patient-centered professional pharmacy management service system to achieve brand specialization, management and control refinement, and high-quality service.

2) Retail direct sales: the sales scale of the top 100 national chain customers has maintained rapid growth, and the channel gathering strength of wholesale-retail integration projects has been continuously intensified; the terminal network coverage of Guangzhou and Shenzhen has exceeded 35%, and cooperated with the subsidiaries in various regions to maximize resources; upgraded and improved the B2B platform operation function module, PC online payment, APP Hengxing member area, mobile terminal application capabilities have been significantly improved; expanded 320 member stores, empowered terminals, and improved member store management and service models.

3) Instrument consumables: SPD medical consumables comprehensive service platform version 2.0 was developed and launched to realize the upgrade of information such as the orthopedics management module of the

new consignment model; gradually established comprehensive service solution provider brands with industry influence by creating model hospital projects and copying and promoting, among which, 8 projects including “multi-warehousing integrated smart supply chain”, “Fine Management of Medical Consumables of Guangzhou Women and Children’s Medical Center” and so on were awarded the “Best Practice Case of Pharmaceutical Supply Chain in 2019” and “Top Ten Pharmaceutical Supply Chain Service Innovation Cases” by China Association of Pharmaceutical Commerce.

4) 4D business: the reagent business has established the top three hospital model, and sales and gross profit margins have continued to increase; equipment maintenance business has completed the signing of contract for 24 projects; disinfection supply business has achieved cooperation with 21 medical institutions.

(3) Continued to promote the advantages of integrated operations and empower the entire business chain

Gave full play to the “management and guide” advantages of the integrated management platform, energized the operation integration of subsidiaries in Guangdong Province, and stimulated the transformation and innovation of the subsidiaries; promoted the distribution integration platform construction of Guangxi, launched full integration comprehensive integration from the aspects of organizational structure construction, procurement, logistics, functions, etc.; carried out integrated docking and comprehensive budget system construction for new merging companies.

5. In retail business segment, continued to deepen the network layout, focused on brand building, and explored new business models

(1) Continued to promote the rapid expansion of stores and improve the quantity and quality of store expansion

At the end of 2019, the total number of stores of Guoda Drugstore was 5,021, of which 3,744 were direct-operated stores; the net increase in the number of stores was 746, of which 608 were newly opened direct-operated stores and franchised stores, and a net increase of 138 mergers and acquisitions (excluding Jilin Tianhe, Yanghetang); the expansion of stores around the hospitals continued to grow, with a net increase of 74 in 2019. The retail layout strategy has advanced into Jilin and Yunnan, newly developed seven cities in the existing provinces, continued to expand the advantageous regions such as Shenyang, Inner Mongolia, Wanmin and Yiyuan, achieved new breakthroughs in the expansion in Guangdong, Shandong, Xinjiang, Guangxi and Quanzhou, and the enterprise scale and market share have further increased.

(2) WBA cooperation was further promoted, and brand and service were continuously optimized

Since WBA increased its capital to enter Guoda Drugstore in 2018, after nearly two years of running-in, the two sides have formed a good project team cooperation mechanism. Learned the advanced methodology of WBA, connected and repeatedly discussed with the WBA professional team, sorted out and optimized the existing products, determined the localized brand promotion strategy and specific path, vigorously developed new varieties and cultivated potential varieties. In January 2019, Guoda Drugstore and WBA launched the “new concept” pilot

pharmacy in Shanghai, which achieved good results and summarized the experience to facilitate the replication and promotion of the model.

(3) Accelerated the layout of innovative business, and comprehensively developed multiple formats of e-commerce business

E-commerce business increased by 29.7% on a year-on-year basis, e-commerce O2O business covered more than 2,800 stores, with an average daily order volume of 12,000 orders. B2C business developed yaofang.com, 1 Drugstore, pinduoduo and other channels. With the advantages of existing networks, products, shop assistants, etc., improved self-operated O2O platforms such as WeChat Mall and APP, realized value-added services, realized seamless connection of member center + mall + healthy community system; realized home delivery of drugs, online drug search, and online and offline consumption records.

(4) Optimized member management mechanism and built a professional pharmacy system with chronic disease as the core

Continued to promote the customer health management system, increased customer stickiness through member management, online health community APP, and patient education. Developed member management applets to achieve online and offline integration of members, integrated member center, micro mall, healthy community, POS system consumption data interflow, and increased 2.26 million new active members during the year. In order to continuously strengthen the team of pharmacists and continue to optimize pharmaceutical services, more than 1,000 offline pharmacy professional trainings and more than 3,600 patient educations were conducted in 2019, the internal licensed pharmacist training has achieved remarkable results, and more than 1,700 diabetes specialists and more than 1,500 hypertension specialists have been trained to realize the normalization of chronic disease training.

(5) Promoted the construction of provincial-level platforms and strengthened regional network cultivation

Established and implemented provincial-level platform areas, explored provincial-level platform construction schemes from corporate governance, business architecture, platform characteristics, etc., determined business structure and positioning, combined different regional policies, and promoted the development of multiple models based on business characteristics. The Inner Mongolia Guoda provincial-level platforms, the Fujian Guoda provincial-level platforms, and the Shenyang Guoda provincial-level platforms have been established; the provincial-level platforms of Jiangsu, Beijing, Guangdong, and Anhui are under construction.

The Company complies with the disclosure requirement of “Information Disclosure Guidelines for the Shenzhen Stock Exchange No. 8- Listing Company Engaged in Retailing Industry”

(ii) Operation of the retail stores in reporting period:

1. By the end of 2019, Guoda Drugstore has 3,744 direct-sale stores, sales revenue (tax-free) amounted to 9.956 billion yuan; and has 1,277 franchised stores, the distribution revenue (tax-free) amounted as 1.101 billion yuan.

Region	Direct-sale store	Franchised outlet
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	Numbers	Sales revenue (in 10 thousand Yuan)	Numbers	Distribution revenue (in 10 thousand Yuan)
North	1,798	526,177.54	449	43,460.03
East China	858	219,119.99	589	52,956.27
South China	543	142,588.33	123	8,307.84
Central China	285	51,799.48	116	5,354.30
Northwest	260	55,898.78	-	-
Total	3,744	995,584.12	1,277	110,078.44

Note: North: Liaoning, Shanxi, Inner Mongolia, Beijing, Tianjin, Hebei

East China: Shanghai, Jiangsu, Anhui, Shandong, Fujian, Zhejiang

South China: Guangdong, Guangxi

Central China: Henan, Hunan

Northwest: Ningxia Xinjiang

(1) Top ten stores in sales:

Serial	Region	Store name	Opening year	Operating mode	Business format	Actual operating area(M ²)	Property ownership
1	Shanxi	Zhongli Branch	2002	Direct-sale	5+X	821.80	Property rental
2	Guangdong	Shenzhen exhibition hall	2006	Direct-sale	Modern Pharmacy	260.00	Property rental
3	Shaanxi	Eryuan Branch	2011	Direct-sale	5+X	629.90	Property rental
4	Yangzhou	Jiangsu Baiyulan	1991	Direct-sale	Modern Pharmacy	970.00	Property rental
5	Inner Mongolian	Headquarter	2003	Direct-sale	5+X store	1,689.26	Property rental
6	Beijing	Xidan Jinxiang	1997	Direct-sale	Modern Pharmacy	773.16	Property rental
7	Fujian	Xiamen New Special Medicine	2005	Direct-sale	Modern Pharmacy	132.90	Property rental
8	Beijing	Yongdingmen store	2009	Direct-sale	Modern Pharmacy	100.00	Property rental
9	Hebei	Le Ren Tang Headquarter	2010	Direct-sale	Traditional Chinese Medicine outpatient store	1,206.00	Property rental
10	Guangdong	Shenzhen Lianhua North	2003	Direct-sale	Modern Pharmacy	120.33	Property rental

(2) In 2019, the Company has 777 new stores and closed 169 stores, with a net increase of 608 stores

Region	Direct-sale store			Franchised outlet	
	Number of store increased	Total area (square meters)	Number of stores shut down	Number of store increased	Number of stores shut down
North	307	33,361.38	-59	133	-6
East China	98	14,767.67	-33	34	-23
South China	48	4,493.89	-12	65	-9
Central China	25	2,734.38	-7	14	-4
Northwest	53	5,290.50	-16	-	-
Total	531	60,647.81	-127	246	-42

(3) Medical insurance qualification of the stores

As of 31 December 2019, the Company has 3,744 chain stores with directly selling, and 3,201 pharmacy stores obtained the qualification of “Designated retail pharmacies of medical insurance”, representing 85% of the total pharmacies of the Company.

Region	Number of stores	Stores obtained the qualification of “Designated retail pharmacies of medical insurance”	Ratio in total pharmacies in regions
North	1798	1599	89%
East China	858	648	76%
South China	543	478	88%
Central China	285	246	86%
Northwest	260	230	88%
Total	3744	3201	85%

2.Change of main selling index

Year	Per customer transaction (RMB)	Proportion of prescription drugs	Proportion of medical insurance sales in direct-sale stores	Proportion of the direct member sales	Proportion of transaction times of direct members
2018	74	51%	39%	67%	55%
2019	86	53%	38%	67%	57%

(1) Classify according to region

Region	Amount of sales growth (tax-free, in 10 thousand yuan)	Gross margin	Net profit ratio
North	108839	25%	3%
East China	35780	24%	3%
South China	24457	25%	2%
Central China	6927	30%	1%
Northwest	10137	31%	3%

(2) Operating efficiency of direct-sale stores in reporting period

Region	Number of stores	Operating area of the stores (square meters)	Daily average efficiency (tax-included, Yuan/Square Meters)	Rental efficiency (tax-included, annual sales volume/rental)
North	1798	231659	72	16
East China	858	109032	62	15
South China	543	60006	72	15
Central China	285	34093	47	12
Northwest	260	32371	53	19

Note: Daily average efficiency=Average daily operating income/Operating area of the stores;

Average daily operating revenue=Operating revenue (tax-included) of the store in the Year/Operating days of store in the Year.

Rental efficiency=Annual sales volume/Rental

3. Structure of the category at retail terminal

Category	2019	2018
Health food	5.54%	6.62%
Convenience food	0.82%	1.01%
Rx Drug	53.00%	50.71%
OTC	25.97%	26.56%
Personal care	1.07%	1.25%
Home convenience	0.21%	0.24%
Household health products	4.37%	4.35%
Chinese Herbal Medicine	4.44%	5.10%
Proportion of other categories	4.59%	4.16%

4. Purchasing and supplies:

Goods suppliers of Guoda Drugstore are mainly external suppliers and assist affiliated enterprise of SINOPHARM and private brands. Top five suppliers for year of 2019:

Suppliers	Purchase amount (tax included)	Procurement ratio
No.1	190,416,568	13%
No.2	156,099,814	10%
No.3	117,609,986	8%
No.4	111,068,408	7%
No.5	94,709,145	6%

5. Warehousing logistics:

In 2019, Guoda Drugstore has 27 large and small sized logistic warehouses in total, covering more than 100,000 square meters, spreading out across 17 provinces.

Province	Region	Warehouse area (M ²)	Management ownership
Liaoning	Shenyang	18,821	Self-management
Guangdong	Guangzhou	/	Delegation
	Shenzhen		
	Jiangmen	/	Delegation
Shanxi	Shanxi Wanmin	10,919	Self-management
	Shanxi Yiyuan	/	Delegation
Jiangsu	Dadesheng	4,869	Self-management
	Nanjing	2,200	Self-management
	Liyang	1,920	Self-management
Fujian	Fujian	5,688	Self-management
	Quanzhou	1,096	Self-management
Hebei	Hebei	4,300	Self-management
Shandong	Shandong	4,800	Self-management
Ningxia	Ningxia	3,300	Self-management
Hunan	Hunan	3,600	Self-management
Henan	Henan	3,610	Self-management
Inner Mongolia	Inner Mongolia	5,236	Self-management
Guangxi	Guangxi	1,950	Self-management
Beijing	Beijing Guoda	/	Delegation
	Beijing Jinxiang		
Tianjin	Tianjin	/	Delegation
Anhui	Anhui	1,000	Self-management
Xinjiang	Xinjiang	3,517	Self-management
Shanghai	Shanghai Fumei	20,000	Self-management

	Shanghai Guoda		
	Hangzhou	974	Self-management
Guoda Headquarter	Headquarter	/	Delegation
Total		97,799	

II. Main business analysis

1. Overview

Found more in I. Introduction in Discussion and Analysis of Business

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2019		2018		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	52,045,764,143.21	100%	43,122,385,521.23	100%	20.69%
According to industries					
Pharmaceutical distribution	38,886,408,981.79	74.72%	31,866,749,848.53	73.90%	22.03%
Retail pharmacy	13,000,514,605.28	24.98%	11,110,718,685.75	25.77%	17.01%
Others	158,840,556.14	0.30%	144,916,986.95	0.33%	9.61%
According to products					
Pharmaceuticals	48,181,069,748.36	92.57%	40,634,670,075.31	94.23%	18.57%
Medical devices and disposables	2,756,591,633.83	5.30%	1,589,598,645.85	3.69%	73.41%
Diagnostic reagents	692,370,435.53	1.33%	548,790,740.10	1.27%	26.16%
Medical equipments	256,891,769.35	0.49%	204,409,073.02	0.47%	25.68%
Others	158,840,556.14	0.31%	144,916,986.95	0.34%	9.61%
According to region					
Domestic revenue	52,045,764,143.21	100.00%	43,122,385,521.23	100.00%	20.69%

(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

√Applicable □ Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Pharmaceutical distribution	38,886,408,981.79	36,461,461,480.13	6.24%	22.03%	22.67%	-0.49%
Retail pharmacy	13,000,514,605.28	9,783,657,583.20	24.74%	17.01%	18.45%	-0.92%
According to products						
Pharmaceuticals	48,181,069,748.36	42,826,247,612.34	11.11%	18.57%	19.65%	-0.80%
According to region						
Domestic revenue	52,045,764,143.21	46,292,408,840.53	11.05%	20.69%	21.74%	-0.77%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

(3) Income from physical sales larger than income from labors

Yes

(4) Fulfillment of the company's signed significant sales contracts up to this reporting period

Applicable Not applicable

(5) Constitute of operation cost

In RMB

Industries	Item	2019		2018		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Pharmaceutical distribution	Sales cost	36,461,461,480.13	78.77%	29,722,775,504.05	78.17%	22.67%
Retail pharmacy	Sales cost	9,783,657,583.20	21.13%	8,259,946,674.34	21.72%	18.45%
Others	Other cost	47,289,777.20	0.10%	41,386,452.76	0.11%	14.26%

(6) Whether the changes in the scope of consolidation in Reporting Period

Yes No

Details of the changes in the scope of consolidation in reporting Period can be seen in Note VI of Financial Report.

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	2,343,009,103.83
Proportion in total annual sales volume for top five clients	4.50%
Ratio of related parties in annual total sales among the top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales amount (RMB)	Proportion in total annual sales
1	No. 1	584,218,124.68	1.12%
2	No. 2	542,230,388.31	1.04%
3	No. 3	449,040,746.73	0.86%
4	No. 4	395,485,398.09	0.76%
5	No. 5	372,034,446.02	0.72%
Total	--	2,343,009,103.83	4.50%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	7,333,904,753.96
Proportion in total annual purchase amount for top five suppliers	19.27%
Ratio of related parties in annual total sales among the top five suppliers	2.79%

Information of top five suppliers of the Company

Serial	Suppliers	Purchase amount (RMB)	Proportion in total annual purchases
1	No. 1	3,759,825,072.02	9.88%
2	No. 2	1,072,847,935.86	2.82%
3	No. 3	1,061,854,652.99	2.79%
4	No. 4	727,478,368.72	1.91%
5	No. 5	711,898,724.37	1.87%
Total	--	7,333,904,753.96	19.27%

Other notes of main suppliers of the Company

Applicable Not applicable

3. Expenses

In RMB

	2019	2018	Increase/decrease y-o-y	Note of major changes
Sales expense	3,055,403,668.16	2,762,789,885.77	10.59%	No major changes occurred
Management expense	842,014,983.53	783,338,308.19	7.49%	No major changes occurred
Financial expense	119,972,954.79	51,490,020.59	133.00%	Mainly due to the implementation of new lease standards in the period, the interest expenses of the lease liability is calculated according to the discount rate during each period of the lease term, while there was no such matter occurred in same period of last year

4. R&D expenses

Applicable Not applicable

5. Cash flow

In RMB

Item	2019	2018	Y-o-y changes
Subtotal of cash in-flow from operation activity	56,559,206,916.41	47,475,381,467.60	19.13%
Subtotal of cash out-flow from operation activity	54,558,854,833.21	46,152,775,115.33	18.21%
Net cash flow from operation activity	2,000,352,083.20	1,322,606,352.27	51.24%
Subtotal of cash in-flow from investment activity	161,121,607.20	238,641,593.44	-32.48%
Subtotal of cash out-flow from investment activity	401,568,622.84	461,099,860.32	-12.91%
Net cash flow from investment activity	-240,447,015.64	-222,458,266.88	-8.09%
Subtotal of cash in-flow from financing activity	379,185,917.92	3,363,461,854.03	-88.73%
Subtotal of cash out-flow from financing activity	1,348,355,547.51	504,680,787.88	167.17%
Net cash flow from financing activity	-969,169,629.59	2,858,781,066.15	-133.90%
Net increased amount of cash and cash equivalent	790,559,744.71	3,958,618,329.29	-80.03%

Main reasons for y-o-y major changes in aspect of relevant data

Applicable Not applicable

- (1) Net cash flow from operation activity: has 51.24% up from a year earlier, mainly because sales of growth in the period was better than that of the previous year, the cash received from sales of goods and service providing are increased accordingly; and due to the implementation of new lease standards, the payment of rental was recorded in item of Payment of Other Cash Related to Financing Activities while no such matter occurred in the same period last year;
- (2) Subtotal of cash in-flow from investment activity: has 32.48% down from a year earlier, mainly because at same period last year, received payment for plant and equipment of modern pharmaceutical Pingshan base and the repayment of entrusted loans from associated enterprise Zhijun Suzhou, and no such matter occurred in the period;
- (3) Subtotal of cash in-flow from financing activity: has 88.73% down from a year earlier, mainly because at same period last year, received a capital increase for subsidiary Guoda Drugstore from strategic investor while no such matter occurred in the period;
- (4) Subtotal of cash out-flow from financing activity: has 167.17% up from a year earlier, mainly due to the implementation of new lease standards in the Period, the payment of rental was recorded in item of Payment of Other Cash Related to Financing Activities and increase of the distribution dividend;
- (5) Net cash flow from financing activity: has 133.90% down from a year earlier, mainly because at same period last year, received a capital increase for subsidiary Guoda Drugstore from strategic investor while no such matter occurred in the period;
- (6) Net increased amount of cash and cash equivalent : has 80.03% down from a year earlier, mainly because at same period last year, received a capital increase for subsidiary Guoda Drugstore from strategic investor while no such matter occurred in the period.

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable Not applicable

III. Analysis of the non-main business

Applicable Not applicable

IV. Assets and liability

1. Major changes of assets composition

The Company initially implemented the new financial instrument standard, new revenue standard or new lease standards since 2019, and relevant items of the financial statement at year-beginning of the implementation year were adjusted

Applicable Not applicable

In RMB

	Year-end of 2019		Year-begin of 2019		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Cash and bank balances	8,882,334,845.79	26.50%	8,096,158,013.24	26.49%	0.01%	No major changes occurred
Accounts receivable	10,617,981,893.52	31.68%	9,336,861,647.92	30.55%	1.13%	No major changes occurred
Inventories	4,947,424,591.53	14.76%	4,389,335,942.19	14.36%	0.40%	No major changes occurred
Investment properties	138,900,358.30	0.41%	144,894,495.97	0.47%	-0.06%	No major changes occurred
Long-term equity investment	2,105,114,410.88	6.28%	1,880,393,786.10	6.15%	0.13%	No major changes occurred
Fix assets	612,599,944.11	1.83%	594,067,973.91	1.94%	-0.11%	No major changes occurred
Construction in progress	31,582,575.84	0.09%	36,412,614.61	0.12%	-0.03%	Mainly because the ERP system construction was transferred to intangible assets for completion and the supply chain extension project transferred to fixed assets in the period .
Short-term borrowings	1,453,018,300.01	4.33%	2,608,626,099.82	8.53%	-4.20%	Mainly due to the decrease of supply chain financing.
Long-term borrowings			31,638,984.25	0.10%	-0.10%	Mainly because the long-term loans are re-classified as non-recurrent liability due within one year

2. Assets and liability measured by fair value

Applicable Not applicable

1. Assets and liabilities at fair value

2019

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	

	Level 1	Level 2	Level 3	
Continuous measurement of fair value				
Receivable financing	-	446,342,588.46	-	446,342,588.46
Other investment in equity instruments	-	116,021,000.00	-	116,021,000.00
Other non-current financial assets	-	-	140,000,000.00	140,000,000.00
	-	562,363,588.46	140,000,000.00	702,363,588.46

2018

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Continuous measurement of fair value				
Receivable financing	-	567,775,275.40	-	567,775,275.40
Other investment in equity instruments	-	13,685,760.00	-	13,685,760.00
Other non-current financial assets	-	-	140,000,000.00	140,000,000.00
	-	581,461,035.40	140,000,000.00	721,461,035.40

2. Assets and liabilities disclosed at fair value

2018

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Long-term borrowings	-	31,638,984.25	-	31,638,984.25

Other changes

Whether the measurement attribute for main assets of the Company have changed significantly in the reporting period

Yes No

3. Assets right restriction till end of reporting period

Nil

V. Investment

1. Overall situation

Applicable Not applicable

During the reporting period, the Company achieved the enterprises combined under the different control for the follow three enterprises by cash acquisition of Sinopharm Accord (Guangzhou) Pharmaceutical Co., Ltd. (70%), Guoda Drugstore (Chaoyang) Renai Pharmacy Co., Ltd. (51%) and Guoda Drugstore (Pu'er) Song Mao Co., Ltd. (60%). The new subsidiaries including Liaoning Guoda Pharmaceutical Co., Ltd. (100%), Sinopharm Holding Guoda Drugstore Yongxingtang Chain (Chaoyang) Co., Ltd. (51%), Sinopharm Accord Medical Supply Chain (Shenzhen) Co., Ltd. (60%), Sinopharm Holding Guozhi Pharmacy (Heyuan) Co., Ltd. (70%) and Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd. (60%) were established in the period including.

During the reporting period, the fund contribution was completed for the Sinopharm Holding Guoda Drugstore Bayabaoer Co., Ltd. (80%) and Inner Mongolia Guoda Medicine Co., Ltd. (100%) and completed the capital increased to Sinopharm Holding Guangzhou Medical Supply Chain Service Co., Ltd. (51%), after capital increased, the shareholding ratio remains unchanged.

The Company has 30% equity participated in Shanghai Renbei Pharmacy Co., Ltd and 10% equity participated in Guangdong Jianhui Construction Investment Management Co., Ltd in the reporting period; and completed the capital increased (29%) to associated enterprise - Sinopharm Jienuo Medical Service Guangdong Co., Ltd, after capital increased, the shareholding ratio remains unchanged.

For more investment details, see the Note (vi) and Note (vii) in Financial Report

2. The major equity investment obtained in the reporting period

Applicable Not applicable

3. The major non-equity investment doing in the reporting period

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The company had no securities investment in the reporting period.

(2) Derivative investment

Applicable Not applicable

The company had no derivative investment in the reporting period.

5. Application of raised proceeds

Applicable Not applicable

(1) Overall application of raised proceeds

Applicable Not applicable

In 10 thousand Yuan

Year	Way	Total raised capitals	Total raised capital used in Period	Total accumulative raised capitals used	Total raised capital has purpose of uses changed in Period	Cumulative raised capitals has purpose of uses changed in total	Ratio of cumulative raised capitals has purpose of uses changed	Total accumulative raised capitals unused	Usage of the retained raised capitals and what is expected to invested with those capitals	Raised capitals idle for more than two years
2016	Non-public offering of shares	27,361.49	0	22,469.34	0	0	0.00%	4,892.15	Deposit bank	0
Total	--	27,361.49	0	22,469.34	0	0	0.00%	4,892.15	--	0
Explanation on General usage of raised capital										
More details of the use of raised capitals can be seen in <i>Special report on the storage and the actual use of raised capitals of Sinopharm Accord in 2019</i> disclosed on 22 April 2020										

(2) Situation of committed project of raised proceeds

Applicable Not applicable

In 10 thousand Yuan

Committed investment projects and capital invested in areas with fund raising out of the plan	Projects changed or not (including changed partially)	Total committed investment of raised capitals	Total investment after adjustment (1)	Amount invested in report period	Amount of accumulated investment till the period-end (2)	Investment program till the period-end (3)=(2)/(1)	The date when the project reaches its intended availability	Realized interests in Period	Reach the predicted interest or not	Project feasibility was changed hugely or not
Committed investment projects										
Cash consideration of 49% equity of Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd. paid	N	26,781.67	26,781.67	0	21,889.52	81.73%		0	Not applicable	N
Payment of issuance cost	N	579.82	579.82	0	579.82	100.00%		0	Not applicable	N
Subtotal of committed investment projects	--	27,361.49	27,361.49	0	22,469.34	--	--	0	--	--
Capital invested in areas with fund raising out of the plan										
Not applicable										
Total	--	27,361.49	27,361.49	0	22,469.34	--	--	0	--	--
Situation about not coming up to schemed progress or expected revenue and the reason(In specific project)	Not applicable									
Explanation on major changes on project feasibility	Not applicable									
Amount, usage and progress of using for fund raising out of the plan	Not applicable									
Change of implementation place of investment project of raised capitals	Not applicable									

Regulation of implementation ways of investment project of raised capitals	Not applicable
Preliminary investment and replacement of investment project of raised capitals	Not applicable
Temporarily supplement for the current capitals with idle raised capitals	Not applicable
Amount and reason for surplus of raised capitals when implementing projects	Not applicable
Usage of the retained raised fund and what is expected to invested with those fund	Deposited in a special account for raised funds, purpose of the raised funds have not been changed
Issues or other conditions found in use of fund raised and disclosure	Use of the fund raised are strictly execute in line with the <i>tri-party supervision agreement for fund raised</i> , and no related issues or other conditions been found

(3) The changed project of raised proceeds

Applicable Not applicable

The Company has no project of raised proceeds changed in the Period.

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

The Company has no sales of major assets in the Period.

2. Sales of major equity

Applicable Not applicable

VII. Analysis of main holding company and stock-jointly companies

√ Applicable □ Not applicable

Subsidiary and joint-stock enterprise with an impact of more than 10% on the Company's net profit

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Sinopharm Holding Guangzhou Co., Ltd.	Subsidiary	Sales of drugs, medical apparatus and instruments, freight transportation, storage, loading and unloading, glass wares, cosmetics and daily merchandise; other business services, other professional consultation, various goods agency and for self-operation, import & export of technology, houses leasing	3,553,249,393.17	13,903,583,691.99	4,533,117,185.36	29,348,890,454.01	746,082,755.81	560,749,042.99
Sinopharm Holding Guoda Drugstore Co., Ltd.	Subsidiary	Chinese traditional patent medicine, chemical preparations, antibiotics, bio-chemical medicine, biological medicine, diagnosis medicine, biological medicine with features of treatment and diagnosis, shaped packing food, chemical products, and various commodity and technique hold by self-support and agency as well as import & export of technology	1,683,333,333.00	11,173,757,597.94	4,993,009,760.28	12,753,608,498.70	422,228,850.74	311,908,115.16

Sinopharm Holding Guangxi Co., Ltd.	Subsidiary	Retail and distribution in respect of pharmaceutical products and medical apparatus and instruments, wholesale and retails of health products	521,407,965.79	4,006,269,159.15	1,108,937,908.73	6,170,121,266.85	220,472,710.34	193,137,920.08
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Particular about subsidiaries obtained or disposed in report period

√ Applicable □ Not applicable

Company Name	The method of obtaining and handling subsidiaries during the report period	The influence to the whole production and performance
Sinopharm Accord (Guangzhou) Pharmaceutical Co., Ltd.	Acquisition	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Guoda Drugstore (Chaoyang) Renai Pharmacy Co., Ltd.	Acquisition	Expand local medicine retail business layout, and without major influence on performance of the Company
Guoda Drugstore (Pu'er) Song Mao Co., Ltd.	Acquisition	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Holding Guoda Drugstore Yongxingtang Chain (Chaoyang) Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Accord Medical Supply Chain (Shenzhen) Co., Ltd.	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Guozhi Pharmacy (Heyuan) Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Liaoning Guoda Pharmaceutical Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd.	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Qinghuangdao Guoda Drugstore Chain Co., Ltd.	Transfer	No major influence.

VIII. Structured vehicle controlled by the Company

□ Applicable √ Not applicable

IX. Future Development Prospects

(i) Industry environment and its impact on the company

Under the goal of “Healthy China”, the linkage of medicine, medical care, and medical insurance continues to accelerate, and a large number of interlocking major policies are changing and will change the entire medicine and medical ecosystem. The overall growth rate of the industry is showing a slowing trend, and the profit space is constantly reduced, and the shuffling is intensified. In addition, the sudden novel coronavirus pneumonia epidemic in early 2020 has a great impact on the domestic and foreign economies, the slowdown in GDP growth may have a short-term negative impact on medical expenditures, resulting in increased downward pressure on drug prices, and the operation and capital chain of various enterprises face heavy pressure and test, the industrial structure has accelerated to rebuild. However, the long-term development trend of the pharmaceuticals industry

has not changed, policy and environmental changes have also driven the continuous improvement of the concentration of the pharmaceutical circulation industry, and the core competitive advantages of leading enterprises have been continuously enhanced.

The epidemic will promote national and social investment in disease prevention and control, accelerate the construction of national emergency supply system and comprehensive supervision system, increase investment in technological innovation, and accelerate the popularization of LiveApp of digital technology and management. Faced with the new environment at home and abroad, changes in industrial policies and competition patterns of new phase and new model, the company will fully explore new profit growth points, upgrade service capabilities, improve operating quality, and actively respond to challenges and opportunities through continuous technological innovation and exploration of new ideas.

(ii) Company business plan

1. Strengthen the responsibility of central enterprises and strengthen development confidence

Firstly, as the designated medical equipment reserve units of governments at all levels, we continue to undertake the procurement, storage and distribution of epidemic emergency supplies, actively obtain the distribution rights of drugs in the epidemic diagnosis and treatment scheme and shortage of drugs, and adopt various methods to assist in the admission of medicines; summarize the experience of epidemic prevention and control, and actively participate in the construction of government and community public health systems;

Secondly, pay attention to market changes, quickly adjust the structure, promote new business models, achieve wider coverage and deeper sinking of sales and channel resources, prepare for graded diagnosis and treatment; accelerate the promotion of online to offline integrated pharmaceutical new retail, C-end , B-end multi-channel services.

2. Continue to promote the strategy of wholesale-retail integration, improve the efficiency of supply chain integration

Summarize the experience of the typical model of wholesale-retail integration, establish a nationwide work mechanism for wholesale-retail integration; comprehensively promote the “member store”, and coordinate the management of the brand of the member store; accelerate the transformation of retail direct sales customers of the distribution companies and the wholesale-retail jointly expand local small and medium-sized chain pharmacies.

Collaborate procurement resources to form a “unified negotiation and separate procurement” distribution model of upstream manufacturers + distribution + retail tripartite linkage, promote logistics planning and information construction, and enhance the local market shares and competitiveness of retail formats.

Integrate the national logistics resources, plan the national logistics network, and realize the national multi-warehouse linkage; establish a national logistics center supply chain and logistics operation monitoring system, unify the standardized index system, and improve the overall operation efficiency and service quality.

3. Make every effort to accelerate digital transformation and empower new business models with technology

Build a digital management platform to empower management, control and services, including financial sharing

platform, remuneration evaluation digital platform, property rental management digital platform, risk management and control digital platform, and security management digital platform, etc.

It is planned to establish an information technology center to simulate “corporate” operation and management, accelerate the digital transformation of business management and control, and use new technologies to build a hospital supply chain management information platform and a retail professional supply chain management information platform to support the deepening of the online to offline supply chain of the business, and improve the responsiveness of providing solutions to different entities in the upstream and downstream of the supply chain.

4. Invest in mergers and acquisitions to seize opportunities and accelerate the nationwide deployment and multi-field layout

Deepen the distribution network layout, accelerate the completion of the layout of the blank areas in Guangdong and Guangxi, and carry out the secondary layout of regional and county markets and key regions; expand the investment cooperation of innovative businesses around the upstream and downstream of the supply chain and take value-added demand as the starting point; accelerate the expansion of the national retail network, make full use of the “direct sales + franchise + mergers and acquisitions” troika to improve the efficiency of store expansion, and speed up the opening of stores.

5. In distribution business segment, promote the deployment of “one body and two wings” business, and accelerate the development of efficiency

One body refers to the traditional business, and two wings refer to “retail direct sales + retail diagnosis and treatment” and “innovative service products”.

(1) Focus on market share and strengthen traditional business: follow the trend, adjust product structure, lay out in advance, and go all out to grab new products; on the basis of logistics and delivery services, customize according to customer needs, and extend a series of services to form product service packages and solutions.

(2) Retail direct sales + retail diagnosis and treatment: accelerate the development of distribution and retail business, and strengthen terminal control. Carry out network construction around the top three hospitals, prioritize the layout of medical insurance and prescription circulation project intention cities, build the patient-centric full-chain service system, develop remote diagnosis and treatment cooperation platforms, and improve its own remote review system; retail direct sales continue to develop resources and carry out terminal networks construction, increase the retail market share, quickly copy and promote the membership store model, and establish a new profit model.

(3) Innovative service products: use integrated platforms to share resources and enrich service products around the upstream and downstream of the supply chain; promote the rapid expansion of innovative businesses to subsidiaries, make key layout in each region, comprehensive output, promote scale development and income increase, and promote the profit contributions of innovative service products.

6. Guoda Drugstore: continue to accelerate network layout and accelerate innovation and development

(1) Continue to promote network expansion and sinking, and accelerate the store layout through “direct

sales + franchise”: strengthen resource integration in the areas already entered and enhance regional market influence. In terms of the expansion of direct stores, it quickly seized the advantageous business districts around the hospital and further settled the distribution points; encourage all subsidiaries to vigorously develop franchise business; promote the construction of provincial-level platforms by classification and grading, integrate new M & A enterprises and control risks, and play synergy effects.

(2) Actively promote the digital transformation of retail formats and promote the Internet + service model: land CRM systems, upgrade member management and assessment mechanisms, and establish an innovative member model based on big data; make full use of existing network, products, and store staff advantages, and establish its own e-commerce platform.

(3) Improve OEM brand planning and promote the development of private brand business: improve brand planning and system construction, establish product planning and evaluation system, establish quality management system, improve marketing strategy system, enhance product quality and service awareness, and enhance brand influence.

(4) Continue to integrate WBA resources: continue to strengthen comprehensive project cooperation in information technology, retail terminal operation, category optimization, private brand, new store model, etc., optimize retail service system and business model, and improve management level.

(iii) Possible risks

1. Risks of changes in industry policy

With the continuous deepening of new medical reform, the pharmaceutical industry frequently releases policies, and the operating environment of the industry has major changes, affected by the “4 + 7” centralized procurement linkage and expansion, the GPO in Guangdong and Guangxi provinces, and the continuous expansion of the national talks, and other policies, the drug price has continued to drop sharply, and the company’s profit margin is facing the risk of further compression. The supervision has been continuously upgraded, the introduction of the new Drug Administration Law and the implementation of the “four strictest” put forward higher requirements for the compliance operation of pharmaceutical enterprises, the pharmaceutical circulation industry faces increased risks of uncertain compliance. The company will respond to the impacts of industry policies by transforming and upgrading its business structure, exploring new profit models, and improving its risk management and control capabilities.

2. Management risks of the continuous expansion of marketing network of Guoda Drugstore

Through the continuous opening of new stores and extended M & A, the marketing network of Guoda Drugstore has maintained a steady growth trend in recent years. The expansions of the sales areas and the increase in the number of stores have put pressure on the store location, distribution, cash management, marketing and human resource management of Guoda Drugstore. The company will strengthen management and construction in the commodity procurement, logistics and delivery, sales and other links, and formulate corresponding management measures in each link to ensure unified standards and management quality for store expansion, and at the same time strengthen integration and control of new merged stores.

3. Risks of intensifying market competition

As the country continues to introduce corresponding policies to encourage the integration of pharmaceutical retail industry, the major pharmaceutical retail enterprises in the industry have accelerated the pace of mergers and acquisitions, and continued to expand the marketing networks, improve the logistics center constructions, and innovate the business and profit models so that the sales scale and comprehensive strength continuously strengthen. At the same time, with the upgrading of consumption and the gradual opening of market, the foreign pharmaceutical distribution enterprises with powerful strength are entering the domestic pharmaceutical distribution markets through a variety of ways, so the industry competition is further intensifying. In addition, the cross-border competitors with internet genes have quickly penetrated into the company's traditional business fields, which brought certain challenges to the company's business model.

The company will continue to integrate existing resources, deepen the strategic development initiatives with wholesale-retail integration as the core, and deeply give play to the synergies, directly face the terminal patients and consumers through complementary varieties, capital collaboration, supply chain collaboration, and international promotion, at the same time, it will realize brand globalization by capital operation, and continuously increase investment in scientific and technological innovation, and actively respond to cross-border competition.

4. Risks of facing the horizontal competition

In the pharmaceutical retail field, Sinopharm Holding's affiliated distribution subsidiaries have also opened some social retail pharmacies, which constitute a certain degree of horizontal competition with the subordinate Guoda Drugstore. Sinopharm Holding and SINOPHARM have pledged to take effective measures to resolve the possible horizontal competition.

5. The risk of goodwill impairments

On 31 December 2019, the book value of goodwill in consolidate financial statement listed as 944,079,884.56 Yuan, and distributed to the assets group of distribution business and retail business. In accordance with the Accounting Standards for Business Enterprises, the Company carried out annual impairment test for the goodwill. Impairment of goodwill will released on the Note V.-17 and Note III-17 & 34 listed under the Financial Statement

X. Reception of research, communication and interview

1. In the report period, reception of research, communication and interview

√Applicable Not applicable

Time	Way	Type	Basic situation index of investigation
17 May 2019	Field research	Institute	Resolution of Annual General Meeting 2018 (Notice No.: 2019-26)
13 November 2019	Field research	Institute	Resolution of Third Extraordinary Shareholders' General Meeting of 2019 (Notice No.: 2019-45)
Reception (times)			2

Number of hospitality	65
Number of individual reception	5
Number of other reception	0
Disclosed, released or let out major undisclosed information	No disclosed, released or let out major undisclosed information

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

√Applicable □ Not applicable

On 17 May 2019, the profit distribution plan for year of 2018 was deliberated and approved by annual general meeting of 2018, that is taking total 428,126,983 shares as base, distributed 4.00 yuan (tax included) for each 10 shares in cash. The announcement of 2018 interest distribution implementation was released on 11 June 2019 by the Board (published in *Securities Times*, *China Securities Journal*, *Hong Kong Commercial Daily* and Juchao Website <http://www.cninfo.com.cn>), the profit distribution plan for year of 2018 was completed, and dividend for public shares was distributed to the account of shareholders dated 19 June 2019 (A-share) and 21 June 2019 (B-share) respectively.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Y/N):	Y
Well-defined and clearly dividend standards and proportion (Y/N):	Y
Completed relevant decision-making process and mechanism (Y/N):	Y
Independent directors perform duties completely and play a proper role (Y/N):	Y
Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N):	Y
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N):	Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

(1) Profit distribution plan for year of 2017

Taking the total 428,126,983 shares as base, cash bonus of 3.00 yuan (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

(2) Profit distribution plan for year of 2018

Taking the total 428,126,983 shares as base, cash bonus of 4.00 yuan (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

(3) Profit distribution plan for year of 2019

Taking the total 428,126,983 shares as base, cash bonus of 6.00 yuan (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways (i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2019	256,876,189.80	1,271,289,183.01	20.21%	0.00	0.00%	256,876,189.80	20.21%
2018	171,250,793.20	1,210,742,435.78	14.14%	0.00	0.00%	171,250,793.20	14.14%
2017	128,438,094.90	1,057,791,930.67	12.14%	0.00	0.00%	128,438,094.90	12.14%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	6
Increments per 10 shares (Share)	0
Equity base of the distribution plan (Share)	428,126,983
Amount of cash dividend(RMB) (Tax included)	256,876,189.80
Amount of cash dividend in other ways(i.e. share repurchase)(RMB)	0.00
Total cash dividend (including other way) (RMB)	256,876,189.80
Profit available for distribution (RMB)	4,996,184,257.34
Proportion of total cash dividend (including other ways) to total profit distribution	20.21%

Cash dividend situation

If the company's development is at the growth stage with significant capital expenditures, the minimum proportion of cash dividend in the profit distribution should reach 40%.

III. Implementation of commitment

1. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

√Applicable □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform						
Commitments in report of acquisition or equity change	Sinopharm Holding	Commitment of shareholders	"As a large pharmaceutical commercial enterprise whose business involves pharmaceutical wholesale and retail, Sinopharm Holding may overlap with the Company in geographical segmentation during its future business development. To avoid the potential peer competition brought by such geographical overlap, Sinopharm Holding undertakes that, upon the transfer of shares of Sinopharm Holding Guangzhou it held to Sinopharm Accord, "1. it will not newly-establish or broaden within Guangdong any business operation that actually compete with that of Sinopharm Accord, or set up any new subsidiaries or subordinate enterprises who engage in such business. 2. It will enter into business delineation with Sinopharm Accord and Sinopharm Holding Guangzhou, thereby giving the three parties clear geographical areas to carry out pharmaceutical wholesale and retail businesses, so as to avoid potential peer competition. Apart from above, Sinopharm Holding will no longer newly-establish any enterprise that may compete with Sinopharm Accord in the production and R&D of pharmaceutical products."	21 June 2005	Long-term effective	Normally implementing

Commitments in assets reorganization	Sinopharm Group Co., Ltd.;China National Pharmaceutical Foreign Trade Corporation	Commitment on restricted shares	“Sinopharm Holding and Sinopharm Foreign Trade made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the non-public offering of shares of Sinopharm Accord obtained from this transaction shall not be transferred within 36 months since the finish date of issuance and shall be unlocked after 36 months since the date of listing. Within 6 months after the completion of this transaction, if the closing price of the stock of Sinopharm Accord is less than the issue price in continuous 20 trading days, or the closing price at the end of 6 months after the completion of this transaction is less than the issue price, the lockup period of the stock of Sinopharm Group and Sinopharm Foreign Trade obtained from Sinopharm Accord by this transaction will automatically prolong at least 6 months. The shares derived from stock dividends allocation and capital reserve increase transferring of Sinopharm Accord based on the non-public offering of shares of Sinopharm Accord obtained by this transaction should also abide by the above stock restricted arrangements.”	31 May 2016	36 months	Normally implementing
	Ping'an Assets Management Co., Ltd.	Commitment on restricted shares	"Ping An Asset Management Co., Ltd. made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the non-public offering of shares of Sinopharm Accord obtained from this transaction shall not be transferred within 36 months since the finish date of issuance and shall be unlocked after 36 months since the date of listing. After placement completed, the shares of the listed company increased due to bonus shares and turning to increase capital should pursuit to the restriction arrangement the above mentioned.	31 May 2016	36 months	Normally implementing

	Sinopharm Group Co., Ltd	<p>“Sinopharm Holding made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall be the controlling shareholder of China National Accord Medicines Corporation Ltd. (hereinafter referred to as Sinopharm Accord) up to the issue date of this commitment letter, after the completion of this major assets reorganization (hereinafter referred to as “this reorganization”), Sinopharm Accord shall no longer hold shares or operate relevant businesses of pharmaceutical industry, the main business will become the national pharmaceutical retail and pharmaceutical distribution business in Guangdong and Guangxi. In order to support the business development of Sinopharm Accord and avoid horizontal competition with Sinopharm Accord and its controlling enterprises, the Company made following irrevocable commitments and promises:1, after the completion of this reorganization, as for the social retail drugstore assets except for Sinopharm Holding Guoda Drugstore Co., Ltd. and its subsidiaries and branches owned or controlled by the Company, the Company promised to take appropriate measures to solve the horizontal competition problem in the pharmaceutical retail business between the Company and Sinopharm Accord within 5 years since the completion date of this reorganization. 2. The Company's way of resolving horizontal competition problems includes and is not limited to purchasing the social retail drugstore assets subordinated to the Company by Sinopharm Accord, taking the entrusted operation, leasing or contracting operation by Sinopharm Accord and its controlling enterprises in accordance with the methods permitted to national laws to hold or control the social retail drugstore assets, or transferring the controlling stake of the social retail drugstore assets by the Company. 3. If the shareholders of the social retail drugstore assets (hereinafter referred to as "the third party") of the Company or the enterprises controlled by the Company have or are going to perform the preemptive rights under the same conditions in accordance with relevant laws and corresponding Articles of Association, then the above commitment will not be applicable, but in this case, the Company should try its utmost to urge the third party to waive its preemptive rights. If the Company is unable to urge the third party to give up the preemptive rights, the Company will urge the enterprises controlled by the Company to transfer the social retail drugstore assets to the third party to solve the horizontal competition problem. 4. The pharmaceutical distribution assets currently owned or controlled by the Company are distributed outside Guangdong and Guangxi regions, there is no horizontal competition with Sinopharm Accord, the Company will not engage in the same or similar operation businesses to Sinopharm Accord in Guangdong and Guangxi in the future, if the Company and its holding enterprises obtain the new business opportunities constituting substantial horizontal competition (hereinafter referred to as competitive new business)</p>	28 Dec. 2016	Long-term effective	Normally implementing
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	SINOPHARM	<p>“SINOPHARM made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall be the actual controller of China National Accord Medicines Corporation Ltd. (hereinafter referred to as Sinopharm Accord) up to the issue date of this commitment letter, after the completion of this major assets reorganization (hereinafter referred to as “this reorganization”), Sinopharm Accord shall no longer hold shares or operate relevant businesses of pharmaceutical industry, the main business will become the national pharmaceutical retail and pharmaceutical distribution business in Guangdong and Guangxi. In order to support the business development of Sinopharm Accord and avoid horizontal competition with Sinopharm Accord and its controlling enterprises, the Company made following irrevocable commitments and promises:1, after the completion of this reorganization, as for the social retail drugstore assets except for Sinopharm Group Guoda Drugstore Co., Ltd. and its subsidiaries and branches owned or controlled by the Company, the Company promised to take appropriate measures to solve the horizontal competition problem in the pharmaceutical retail business between the Company and Sinopharm Accord within 5 years since the completion date of this reorganization. 2. The Company's way of resolving horizontal competition problems includes and is not limited to purchasing the social retail drugstore assets subordinated to the Company by Sinopharm Accord, taking the entrusted operation, leasing or contracting operation by Sinopharm Accord and its controlling enterprises in accordance with the methods permitted to national laws to hold or control the social retail drugstore assets, or transferring the controlling stake of the social retail drugstore assets by the Company. 3. If the shareholders of the social retail drugstore assets (hereinafter referred to as "the third party") of the Company or the enterprises controlled by the Company have or are going to perform the preemptive rights under the same conditions in accordance with relevant laws and corresponding Articles of Association, then the above commitment will not be applicable, but in this case, the Company should try its utmost to urge the third party to waive its preemptive rights. If the Company is unable to urge the third party to give up the preemptive rights, the Company will urge the enterprises controlled by the Company to transfer the social retail drugstore assets to the third party to solve the horizontal competition problem. 4. The pharmaceutical distribution assets currently owned or controlled by the Company are distributed outside Guangdong and Guangxi regions, there is no horizontal competition with Sinopharm Accord, the Company will not engage in the same or similar operation businesses to Sinopharm Accord in Guangdong and Guangxi in the future, if the Company and its holding enterprises obtain the new business opportunities constituting substantial horizontal competition (hereinafter referred to as competitive new business)</p>	28 Dec. 2016	Long-term effective	Normally implementing
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Commitments made in initial public offering or re-financing	Sinopharm Holding	Commitment of shareholders	Sinopharm Holding made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Avoid Horizontal Competition: "First, the Company and the Company's wholly-owned, controlling or other enterprises with actual control (in addition to Sinopharm Accord and its controlling enterprises, hereinafter the same) don't have businesses and operations constituting the substantial horizontal competition to Sinopharm Accord and its controlling enterprises. Second, the Company and the Company's wholly-owned, controlling or other enterprises with actual control shall not engage, participate in or do businesses and activities in Guangdong and Guangxi which constitute substantial competition to Sinopharm Accord and pharmaceutical business services. Third, the Company and the Company's wholly-owned, controlling or other enterprises with actual control shall not engage, participate in or do businesses and activities which constitute substantial competition to Sinopharm Accord and pharmaceutical industry businesses. Fourth, the Company shall not take advantage of the control to Sinopharm Accord to damage the legitimate rights and interests of Sinopharm Accord and other shareholders (especially medium and small shareholders). This commitment letter takes effect from the issue date, and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord. Within the effective period of the commitment, if the Company violates this commitment and causes a loss to Sinopharm Accord, the Company will timely make full compensation for Sinopharm Accord."	5 Sept. 2013	Long-term effective	Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
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	Sinopharm Holding	<p>Commitment of shareholders</p> <p>Sinopharm Holding made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Regulate the Related Transactions with China National Accord Medicines Corporation Ltd.: “First, when the Company is controlling Sinopharm Accord, the Company and the companies and enterprises directly and indirectly controlled by the Company (“related party” for short) will strictly regulate the related transactions with Sinopharm Accord and its controlling enterprises. Second, for the related transactions that can not be avoided nor have reasonable reasons to occur, the Company and related party shall sign normative related transaction agreement in accordance with relevant laws with Sinopharm Accord. Sinopharm Accord implements the approval procedures and fulfills the information disclosure obligations of the related transactions according to relevant laws, regulations, rules, other normative documents and the constitutions of Sinopharm Accord. Third, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall abide by the open, fair and just market principles and confirm the price of related transactions in accordance with the price that the independent third party without association sets for the same and similar transactions, and ensure the fairness of the price of the related transactions. Fourth, when the board of directors and the general meeting of stockholders of Sinopharm Accord vote on the related transactions involving the Company and other enterprises controlled by the Company, the Company shall fulfill the necessary obligations that the associated directors and associated shareholders abstain from voting in accordance with the relevant provisions, and abide by the legal procedures for approving related transactions and the information disclosure obligations. Fifth, the Company guarantees to participate in the shareholders' general meeting, equally exercise the corresponding rights and take the corresponding obligations in accordance with the constitutions of Sinopharm Accord, not to take advantage of controlling shareholder status to seek improper benefits or utilize related transactions to illegally transfer the funds and profits of Sinopharm Accord, and not to damage the legitimate rights and interests of other shareholders (especially the medium and small shareholders) of Sinopharm Accord. Sixth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord. Within the effective period of the commitment, if the Company violates this commitment and causes a loss to Sinopharm Accord, the Company will timely make full compensation for Sinopharm Accord.”</p>	5 Sept. 2013	Long-term effective	Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
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	SINOPHARM	Commitment of actual controller	"SINOPHARM made commitments in the Commitment Letter About China National Pharmaceutical Group Corporation to Avoid Horizontal Competition with China National Accord Medicines Corporation Ltd.: "First, in the next five years, Sinopharm plans to take appropriate measures (including assets replacement or acquisition, equity reorganization, etc.) to resolve the horizontal competition between Sinopharm Weiqida and Sinopharm Accord. Second, in addition to the past matters and matters disclosed in this commitment letter, the Company and the Company's wholly-owned, controlling or other enterprises with actual control rights (except for Sinopharm Accord and its controlling enterprises, the same as below) shall not directly engaged in, participate in or do the businesses an activities constituting actual competition to the production and operation of Sinopharm Accord in China. The relevant commitments about avoiding horizontal competition that the Company made in the past still remain in effect. Third, the Company shall not take advantage of the control relationship to Sinopharm Accord to damage the legitimate rights and interests of Sinopharm Accord and its shareholders (especially the medium and small shareholders). Fourth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord."	16 Oct. 2013	Long-term effective	Actual Controller is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
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	SINOPHARM	Commitment of actual controller	<p>"SINOPHARM made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Regulate the Related Transactions with China National Accord Medicines Corporation Ltd.: "First, when the Company is controlling Sinopharm Accord, the Company and the companies and enterprises directly and indirectly controlled by the Company ("related party" for short) will strictly regulate the related transactions with Sinopharm Accord and its controlling enterprises. Second, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall sign normative related transaction agreement in accordance with relevant laws with Sinopharm Accord. Sinopharm Accord implements the approval procedures and fulfills the information disclosure obligations of the related transactions according to relevant laws, regulations, rules, other normative documents and the constitutions of Sinopharm Accord. Third, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall abide by the open, fair and just market principles and confirm the price of related transactions in accordance with the price that the independent third party without association sets for the same and similar transactions, and ensure the fairness of the price of the related transactions. Fourth, when the board of directors and the general meeting of stockholders of Sinopharm Accord vote on the related transactions involving the Company and other enterprises controlled by the Company, the Company shall fulfill the necessary obligations that the associated directors and associated shareholders abstain from voting in accordance with the relevant provisions, and abide by the legal procedures for approving related transactions and the information disclosure obligations. Fifth, the Company guarantees not to take advantage of actual controller status to seek improper benefits or utilize related transactions to illegally transfer the funds and profits of Sinopharm Accord, and not to damage the legitimate rights and interests of other shareholders (especially the medium and small shareholders) of Sinopharm Accord. Sixth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the actual controller or its related party of Sinopharm Accord.</p>	22 Sept. 2013	Long-term effective	Actual Controller is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
Completed on time (Y/N)	Y					

2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

IV. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable Not applicable

(i) New lease standard:

In 2018, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 - Leases (referred to as “new lease standard”). The new lease standards adopt a single model similar to the current accounting treatment of financial leases, requiring the lessee to affirm the right-of-use assets and lease liabilities of all leases other than short-term leases and low-value asset leases, and respectively affirm the depreciation and interest expenses. Since January 1, 2019, the Group has carried out accounting treatment in accordance with the revised new lease standards, for the contracts existing before the first execution date, it chooses not to re-evaluate whether they are leases or include leases, and according to the connection regulations, no adjustments are made to the information in the comparable period, and the difference between the new lease standards on the first execution date and the current lease standards are adjusted retroactively for retained earnings at the beginning of 2019.

(ii) Changes in the presentation mode of financial statements

In accordance with the requirements of the “Notice on the Revision and Issuance of the Format of General Enterprise Financial Statements for 2019” (CK [2019] No. 6) and the “Notice on the Revision and Issuance of the Format of Consolidated Financial Statements (2019 Version)” (CK [2019] No. 16), in the balance sheet, the “bills receivable and accounts receivable” items are split into “bills receivable” and “accounts receivable”, and the “bills payable and accounts payable” items are split into “bills payable” and “accounts payable”, bills and receivables that were originally included in “other current assets” item and measured at fair value and whose changes are included in other comprehensive income are separately listed in the “receivables financing” item, the “interest receivables” in the “other receivables” item is changed to only reflect the interests of relevant financial

instruments that have been due and should be received but not yet received on the balance sheet date (interests of financial instruments accrued based on the effectively interest rate method are included in the book balance of the corresponding financial instruments), the “interest payable” in the “other payables” item is changed to only reflect the interests of relevant financial instruments that have been due and should be paid but not yet paid on the balance sheet date (interests of financial instruments accrued based on the effectively interest rate method are included in the book balance of the corresponding financial instruments). The “derecognized gains of financial assets measured at amortized cost” item in the “investment income” item reflects the gains and losses arising from derecognition of financial assets measured at amortized cost due to transfers and other circumstances. The Group has retrospectively adjusted the comparative data accordingly. This accounting policy change has no impact on the merger and the company’s net profit and owner’s equity.

Found more on 35. Change of accounting policy and accounting estimate carry in Note III. Important accounting policy and estimate

VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

Applicable Not applicable

Details of changes in consolidation statement’s scope can be seen in Note VI of Financial Report.

IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	Ernst & Young CPA (Special General partnership)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	396.81
Continuous life of auditing service for domestic accounting firm	4
Name of domestic CPA	Li Jianguang, Li Yuanfen
Continuous life of CPA from the domestic accounting firm for auditing service	4
Name of foreign accounting firm (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA (if applicable)	N/A
Continuous life of CPA from the foreign accounting firm for auditing service (if applicable)	N/A

Re-appointed accounting firms in this period

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable Not applicable

In the Period, the Company engaged Ernst & Young CPA (Special General partnership) as the audit body for internal control, and auditing charge for internal control amounting as 871,900 yuan.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII. Significant litigations and arbitration of the Company

Applicable Not applicable

No significant litigations and arbitration occurred in the reporting period.

XIII. Penalty and rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers

Applicable Not applicable

In reporting period, controlling shareholder and actual controller of the Company has a sound integrity , and there are no cases of failure to implement the effective judgement of the court and the large amount of debt due and unliquidated

XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives

Applicable Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

XVI. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

(1) Related transaction with routine operation concerned can be found in “X. Related party and related transaction” carried in Section XII. Financial Report;

(2) The related transactions are settled in cash and by notes, according to the *Proposal of Expected Routine Related Transactions with Subordinate Enterprise for Year of 2019* deliberated and approved by 10th session of 8th BOD held on 23 April 2019 and AGM of 2018 held on 17 May 2019, as well as the *Notice on Expected Routine Related Transaction for Year of 2019* (Notice No.: 2019-18) released on 25 April 2019, the related sales takes 68.47% in total expected amount for the whole year, and related procurement takes 82.33% in total expected amount for the whole year.

2. Related transactions by assets acquisition and sold

Applicable Not applicable

3. Main related transactions of mutual investment outside

Applicable Not applicable

No main related transactions of mutual investment outside for the Company in reporting period.

4. Contact of related credit and debt

Applicable Not applicable

Whether the Company had non-operating contact of related credit and debt

Yes No

The Company had no non-operating contact of related credit and debt in the reporting period.

5. Other related transactions

Applicable Not applicable

In reporting period, the *Proposal on 100% Equity of Shanghai Dingqun Enterprise Management Consulting Co., Ltd. Acquisition by Sinopharm Holding Guoda Drugstore Co., Ltd* and *Proposal on 75% Equity of Pudong New Area of Shanghai Pharmaceutical Medicine Ltd. Acquisition by Sinopharm Holding Guoda Drugstore Co., Ltd* were deliberated and approved by 13th session of 8th BOD and Third Extraordinary Shareholders' General Meeting of 2019. The above mentioned target enterprises completed the delivery in January 2020 and has no impact on the results of the Company for 2019 therefore.

Relevant queries on the website of interim notices of major related party transaction disclosed

Interim Notice	Date for disclosed	Website for notice released
<i>Sinopharm Accord: 75% Equity of Pudong New Area of Shanghai Pharmaceutical Medicine Ltd. Acquisition by Sinopharm Holding Guoda Drugstore Co., Ltd-controlling subsidiary of the Company and Related Party Transaction</i>	29 October 2019	Juchao Website http://www.cninfo.com.cn
<i>Sinopharm Accord: 100% Equity of Shanghai Dingqun Enterprise Management Consulting Co., Ltd. Acquisition by Sinopharm Holding Guoda Drugstore Co., Ltd-controlling subsidiary of the Company and Related Party Transaction of the 85% Equity Acquisition of Sinopharm Holding Tianhe Jiling Medical Co., Ltd.</i>	29 October 2019	Juchao Website http://www.cninfo.com.cn

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

The Company had no trusteeship in the reporting period.

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period.

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period.

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company and the subsidiaries (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee between the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Sinopharm Holding Guangzhou Co., Ltd.	24 Aug. 2019	35,000	24 Sept. 2019	18,642.78	Joint liability assurance	2019.9.24-2020.8.21	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	24 Aug. 2019	60,000	25 Dec. 2019	54,390.28	Joint liability assurance	2019.12.25-2020.12.24	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	24 Aug. 2019	60,000	29 Nov. 2019	51,367.85	Joint liability assurance	2019.11.29-2020.11.27	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	19 Sept. 2019	25,000	18 Jan. 2019	4,910.64	Joint liability assurance	2019.1.18-2020.1.17	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	25 Apr. 2019	15,000	7 Aug. 2019		Joint liability assurance	2019.8.7-2020.8.6	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	25 Apr. 2019	70,000	20 May 2019	52,011.39	Joint liability assurance	2019.5.20-2020.5.19	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	19 Sept. 2019	5,000	25 Jan. 2019		Joint liability assurance	2019.1.25-2020.1.24	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	24 Aug. 2019	35,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	25 Apr. 2019	52,000	26 Jul. 2019	30,200.11	Joint liability assurance	2019.7.26-2020.7.25	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	25 Apr. 2019	10,000	13 Aug. 2019	1,705.82	Joint liability assurance	2019.8.13-2020.8.12	N	Y
Sinopharm Holding Guangzhou Co., Ltd.	25 Apr. 2019	60,000	6 Aug. 2019		Joint liability assurance	2019.8.6-2020.8.5	N	Y
Sinopharm Holding Guangdong Yuexing Co., Ltd.	24 Aug. 2019	5,000	24 Sept. 2019	1,723.37	Joint liability assurance	2019.9.24-2020.8.21	N	Y
Sinopharm Holding Guangdong Yuexing Co., Ltd.	24 Aug. 2019	15,000	15 Oct. 2019	8,118.82	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Guangdong Yuexing Co., Ltd.	24 Aug. 2019	10,000	25 Dec. 2019	4,320.53	Joint liability assurance	2019.12.25-2020.12.24	N	Y

Sinopharm Holding Guangdong Yuexing Co., Ltd.	25 Apr. 2019	5,000	6 Aug. 2019		Joint liability assurance	2019.8.6-2020.8.5	N	Y
Sinopharm Holding Guangdong Yuexing Co., Ltd.	24 Aug. 2019	5,000	26 Sept. 2019		Joint liability assurance	2019.9.26-2020.9.25	N	Y
Sinopharm Holding Guangdong Hengxing Co., Ltd.	24 Aug. 2019	10,000	28 Nov. 2019	4,648.94	Joint liability assurance	2019.11.28-2020.10.18	N	Y
Sinopharm Holding Guangdong Hengxing Co., Ltd.	24 Aug. 2019	3,000	26 Nov. 2019		Joint liability assurance	2019.11.26-2020.11.25	N	Y
Sinopharm Holding Foshan Co., Ltd.	24 Aug. 2019	3,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Foshan Co., Ltd.	24 Aug. 2019	2,500	7 Nov. 2019	138.97	Joint liability assurance	2019.11.7-2020.11.6	N	Y
Sinopharm Holding Foshan Co., Ltd.	25 Apr. 2019	3,000	31 May 2019	68.49	Joint liability assurance	2019.5.31-2020.5.30	N	Y
Sinopharm Holding Zhaoqing Co., Ltd.	24 Aug. 2019	2,000	15 Oct. 2019	1,943.64	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Zhaoqing Co., Ltd.	24 Aug. 2019	2,000	23 Dec. 2019	1,998.98	Joint liability assurance	2019.12.23-2020.12.22	N	Y
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	25 Apr. 2019	15,000	1 Jul. 2019	11,123.22	Joint liability assurance	2019.7.1-2020.6.30	N	Y
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	24 Aug. 2019	10,000	24 Sept. 2019	6,331.19	Joint liability assurance	2019.9.24-2020.9.23	N	Y
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	24 Aug. 2019	20,000	8 Nov. 2019	20,000	Joint liability assurance	2019.11.8-2020.9.30	N	Y
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	24 Aug. 2019	10,000	30 Aug. 2019	1,597.25	Joint liability assurance	2019.8.30-2020.8.13	N	Y
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	24 Aug. 2019	3,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y

Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	24 Aug. 2019	10,000	8 Nov. 2019	1	Joint liability assurance	2019.11.8-2020.10.22	N	Y
Foshan Nanhai Medicine Co., Ltd.	24 Aug. 2019	5,000	15 Oct. 2019	295.31	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Foshan Nanhai Medicine Co., Ltd.	25 Apr. 2019	10,000	31 May 2019	1,843.58	Joint liability assurance	2019.5.31-2020.5.30	N	Y
Foshan Nanhai Medicine Co., Ltd.	24 Aug. 2019	7,000	7 Nov. 2019	1,913.94	Joint liability assurance	2019.11.7-2020.11.6	N	Y
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	24 Aug. 2019	6,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	25 Apr. 2019	10,000	31 May 2019	5,262.56	Joint liability assurance	2019.5.31-2020.5.30	N	Y
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	24 Aug. 2019	7,000	7 Nov. 2019	1,789.35	Joint liability assurance	2019.11.7-2020.11.6	N	Y
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	24 Aug. 2019	3,000	20 Nov. 2019	847.95	Joint liability assurance	2019.11.20-2020.11.19	N	Y
Sinopharm Holding (Jiangmen) Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	492.66	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding (Jiangmen) Co., Ltd.	24 Aug. 2019	1,000	13 Dec. 2019	999.52	Joint liability assurance	2019.12.13-2020.12.12	N	Y
Sinopharm Holding Meizhou Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	1,000	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Meizhou Co., Ltd.	25 Apr. 2019	2,000	29 Jul. 2019	2,000	Joint liability assurance	2019.7.29-2020.7.28	N	Y
Sinopharm Holding Zhongshan Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	927	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Zhongshan Co., Ltd.	24 Aug. 2019	2,000	24 Sept. 2019	627.44	Joint liability assurance	2019.9.24-2020.9.23	N	Y
Sinopharm Holding Shantou Co., Ltd.	24 Aug. 2019	500	15 Oct. 2019	500	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Shantou Co., Ltd.	24 Aug. 2019	1,000	23 Dec. 2019	1,000	Joint liability assurance	2019.12.23-2020.12.22	N	Y
Sinopharm Holding Huizhou Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	501.51	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Huizhou Co., Ltd.	24 Aug. 2019	1,000	18 Sept. 2019		Joint liability assurance	2019.9.18-2020.9.17	N	Y
Sinopharm Holding Huizhou Co., Ltd.	24 Aug. 2019	3,000	10 Dec. 2019	505.34	Joint liability assurance	2019.12.10-2020.12.9	N	Y

Sinopharm Holding Zhanjiang Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	1,000	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Zhuhai Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	993.92	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Zhuhai Co., Ltd.	24 Aug. 2019	2,000	24 Sept. 2019	1,830.16	Joint liability assurance	2019.9.24-2020.9.23	N	Y
Sinopharm Holding Dongguan Co., Ltd.	24 Aug. 2019	2,000	15 Oct. 2019	2,000	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Dongguan Co., Ltd.	25 Apr. 2019	2,000	6 Aug. 2019		Joint liability assurance	2019.8.6-2020.8.5	N	Y
Sinopharm Holding Dongguan Co., Ltd.	24 Aug. 2019	3,000	6 Sept. 2019	2,000	Joint liability assurance	2019.9.6-2020.9.5	N	Y
Guangdong Dongfang New Special Medicine Co., Ltd	19 Sept. 2019	5,000	10 Jan. 2019	4,997.89	Joint liability assurance	2019.1.10-2020.1.9	N	Y
Guangdong Dongfang New Special Medicine Co., Ltd	25 Apr. 2019	2,000	14 Jun. 2019		Joint liability assurance	2019.6.14-2020.6.13	N	Y
Guangdong Dongfang New Special Medicine Co., Ltd	25 Apr. 2019	5,000	31 May 2019	2,705.64	Joint liability assurance	2019.5.31-2020.5.30	N	Y
Guangdong Dongfang New Special Medicine Co., Ltd	25 Apr. 2019	3,000	15 Jul. 2019	2,770.25	Joint liability assurance	2019.7.15-2020.1.14	N	Y
Guangdong Dongfang New Special Medicine Co., Ltd	24 Aug. 2019	9,000	17 Oct. 2019	2,273.51	Joint liability assurance	2019.10.17-2020.10.16	N	Y
Guangdong Dongfang New Special Medicine Co., Ltd	24 Aug. 2019	4,000	15 Oct. 2019	3,313.53	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Maoming Co., Ltd.	25 Apr. 2019	2,000	16 Aug. 2019	1,214.62	Joint liability assurance	2019.8.16-2020.8.15	N	Y
Sinopharm Holding Guangzhou Huadu Co., Ltd.	25 Apr. 2019	1,000	23 Jul. 2019	713.88	Joint liability assurance	2019.5.17-2020.5.16	N	Y
Sinopharm Holding Guangzhou Huadu Co., Ltd.	25 Apr. 2019	2,500	23 Jul. 2019	2,243.87	Joint liability assurance	2019.7.23-2020.7.22	N	Y
Sinopharm Holding Guangzhou Huadu Co., Ltd.	24 Aug. 2019	1,500	9 Dec. 2019		Joint liability assurance	2019.12.9-2020.9.30	N	Y
Sinopharm Holding Heyuan Co., Ltd.	24 Aug. 2019	2,000	18 Dec. 2019	2,000	Joint liability assurance	2019.12.18-2020.12.17	N	Y

Sinopharm Holding Foshan Medical Supplies Supply Chain Co., Ltd.	24 Aug. 2019	1,000	7 Nov. 2019	4.49	Joint liability assurance	2019.11.7-2020.11.6	N	Y
Sinopharm Holding Guangxi Co., Ltd.	24 Aug. 2019	30,000	3 Sept. 2019	23,962.77	Joint liability assurance	2019.9.3-2020.9.2	N	Y
Sinopharm Holding Guangxi Co., Ltd.	24 Aug. 2019	28,000	15 Oct. 2019	15,765.44	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Guangxi Co., Ltd.	19 Sept. 2019	25,000	15 Nov. 2018	1,025.47	Joint liability assurance	2018.11.15-2019.11.7	N	Y
Sinopharm Holding Guangxi Co., Ltd.	25 Apr. 2019	10,000	9 Aug. 2019	8,079.53	Joint liability assurance	2019.8.9-2020.8.8	N	Y
Sinopharm Holding Guangxi Co., Ltd.	19 Sept. 2019	15,000	13 Dec. 2018	2,583.76	Joint liability assurance	2018.12.13-2019.11.27	N	Y
Sinopharm Holding Guangxi Co., Ltd.	24 Aug. 2019	25,000	25 Dec. 2019		Joint liability assurance	2019.12.25-2020.12.25	N	Y
Sinopharm Holding Guangxi Co., Ltd.	25 Apr. 2019	5,000	26 Jul. 2019	4,499.79	Joint liability assurance	2019.7.26-2020.7.25	N	Y
Sinopharm Holding Guangxi Co., Ltd.	25 Apr. 2019	10,000	18 Jun. 2019	9,933.32	Joint liability assurance	2019.6.18-2020.6.18	N	Y
Sinopharm Holding Guangxi Co., Ltd.	25 Apr. 2019	20,000	3 Jul. 2019	337.07	Joint liability assurance	2019.7.3-2020.7.3	N	Y
Sinopharm Holding Liuzhou Co., Ltd	24 Aug. 2019	9,000	15 Oct. 2019	2,000	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Liuzhou Co., Ltd	25 Apr. 2019	10,000	21 Jun. 2019	6,472.69	Joint liability assurance	2019.6.21-2020.6.20	N	Y
Sinopharm Holding Liuzhou Co., Ltd	19 Sept. 2019	6,000	27 Feb. 2019	1,263.46	Joint liability assurance	2019.2.27-2020.2.26	N	Y
Sinopharm Holding Liuzhou Co., Ltd	25 Apr. 2019	5,000	9 Jul. 2019	3,696.72	Joint liability assurance	2019.7.9-2020.7.8	N	Y
Sinopharm Holding Liuzhou Co., Ltd	24 Aug. 2019	9,000	29 Oct. 2019	2,100	Joint liability assurance	2019.10.29-2020.10.28	N	Y
Sinopharm Holding Liuzhou Co., Ltd	24 Aug. 2019	10,000	20 Dec. 2019	7,958.78	Joint liability assurance	2019.12.20-2020.12.19	N	Y
Sinopharm Holding Medicine Supply Chain Service (Guangxi) Co., Ltd.	24 Aug. 2019	1,059	8 Oct. 2019		Joint liability assurance	2019.10.8-2020.10.7	N	Y
Sinopharm Holding Wuzhou Co., Ltd.	24 Aug. 2019	3,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Guilin Co., Ltd.	24 Aug. 2019	2,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Beihai Co., Ltd.	24 Aug. 2019	4,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y

Sinopharm Holding Baise Co., Ltd.	24 Aug. 2019	3,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Guigang Co., Ltd.	24 Aug. 2019	2,500	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Guigang Co., Ltd.	19 Sept. 2019	3,000	19 Feb. 2019		Joint liability assurance	2019.2.19-2020.2.18	N	Y
Sinopharm Holding Yulin Co., Ltd.	24 Aug. 2019	2,000	15 Oct. 2019		Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Shenzhen Jianmin Co., Ltd.	19 Sept. 2019	1,000	24 Dec. 2018	915.61	Joint liability assurance	2018.12.24-2019.12.24	N	Y
Sinopharm Holding Shenzhen Jianmin Co., Ltd.	24 Aug. 2019	2,000	15 Oct. 2019	1,978.52	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Shenzhen Medicinal Materials Co., Ltd.	24 Aug. 2019	1,000	15 Oct. 2019	654.55	Joint liability assurance	2019.10.15-2020.10.14	N	Y
China National Accord Medicines Corporation Ltd.	24 Aug. 2019	10,000	28 Nov. 2019	7,634.04	Joint liability assurance	2019.11.28-2020.5.28	N	Y
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	24 Aug. 2019	12,000	15 Oct. 2019	5,935.15	Joint liability assurance	2019.10.15-2020.10.14	N	Y
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	24 Aug. 2019	5,000	28 Nov. 2019	3,380	Joint liability assurance	2019.11.28-2020.5.28	N	Y
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	25 Apr. 2019	7,000	6 Aug. 2019		Joint liability assurance	2019.8.6-2020.8.6	N	Y
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	24 Aug. 2019	5,000	3 Sept. 2019	4,199	Joint liability assurance	2019.9.3-2020.9.3	N	Y
Total amount of approving guarantee for subsidiaries in report period (B1)			911,559		Total amount of actual occurred guarantee for subsidiaries in report period (B2)			1,482,452.67
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			952,559		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)			440,186.86
Guarantee between the subsidiaries and the subsidiaries								

Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Sinopharm Holding Guoda Drugstore Yangzhou Dadasheng Chain Co., Ltd.	24 Aug. 2019	2,000	10 Oct. 2019	1,717.75	Joint liability assurance	2019.10.10-2020.10.09	N	Y
Fujian Guoda Drugstore Chain Co., Ltd.	25 Apr. 2019	5,000	18 May 2019	2,562.47	Joint liability assurance	2019.05.18-2020.05.17	N	Y
Fujian Guoda Drugstore Chain Co., Ltd.	25 Apr. 2019	2,000	10 May 2019	251.58	Joint liability assurance	2019.05.10-2020.05.09	N	Y
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd.	24 Aug. 2019	8,000	10 Oct. 2019	5,634.2	Joint liability assurance	2019.10.10-2020.10.09	N	Y
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd.	24 Aug. 2019	3,000	18 Dec. 2019	2,375.33	Joint liability assurance	2019.12.18-2020.12.17	N	Y
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd.	19 Sept. 2019	3,000	28 Sept. 2018	385.8	Joint liability assurance	2018.09.28-2019.09.27	N	Y
Taishan Sinopharm Holding Daqun Kangda Drugstore Chain Co., Ltd.	25 Apr. 2019	500	2 Jun. 2019	314.6	Joint liability assurance	2019.06.02-2020.06.01	N	Y
Sinopharm Holding Guoda Drugstore Guangxi Chain Co., Ltd.	24 Aug. 2019	3,000	10 Oct. 2019	1,919.38	Joint liability assurance	2019.10.10-2020.10.09	N	Y
Sinopharm Hebei Lerentang Medicine Chain Co., Ltd.	24 Aug. 2019	3,000	10 Oct. 2019	3,000	Joint liability assurance	2019.10.10-2020.10.09	N	Y
Sinopharm Holding Guoda Drugstore Henan Chain Co., Ltd.	24 Aug. 2019	3,000	6 Dec. 2019	630.13	Joint liability assurance	2019.12.06-2020.12.05	N	Y
Hunan Guoda Minshengtang Drugstore Chain Co., Ltd.	24 Aug. 2019	3,000	10 Oct. 2019	3,000	Joint liability assurance	2019.10.10-2020.10.09	N	Y

Sinopharm Holding Guoda Drugstore Jiangmen Chain Co., Ltd.	24 Aug. 2019	3,000	10 Oct. 2019	2,624.19	Joint liability assurance	2019.10.10- 2020.10.09	N	Y
Sinopharm Holding Guoda Drugstore Jiangmen Chain Co., Ltd.	19 Sept. 2019	2,000	1 Apr. 2019	1,909.57	Joint liability assurance	2019.04.01- 2020.04.01	N	Y
Sinopharm Holding Guoda Drugstore Jiangmen Chain Co., Ltd.	19 Sept. 2019	2,000	28 Sept. 2018	665.19	Joint liability assurance	2018.09.28- 2019.09.27	N	Y
Beijing Jinxiang Drugstore Medicine Chain Co., Ltd.	19 Sept. 2019	4,000	28 Sept. 2018	2,780.46	Joint liability assurance	2018.09.28- 2019.09.27	N	Y
Sinopharm Holding Guoda Drugstore Nanjing Chain Co., Ltd.	19 Sept. 2019	1,000	28 Sept. 2018	872.91	Joint liability assurance	2018.09.28- 2019.09.27	N	Y
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd.	24 Aug. 2019	3,000	18 Oct. 2019	2,049.59	Joint liability assurance	2019.10.18- 2020.10.17	N	Y
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd.	25 Apr. 2019	3,000	30 Apr. 2019	0	Joint liability assurance	2019.04.30- 2020.04.29	N	Y
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd.	24 Aug. 2019	9,500	10 Oct. 2019	6,188.81	Joint liability assurance	2019.10.10- 2020.10.09	N	Y
Ningxia Guoda Drugstore Chain Co., Ltd.	24 Aug. 2019	4,000	29 Aug. 2019	2,855	Joint liability assurance	2019.08.29- 2020.08.28	N	Y
Sinopharm Holding Guoda Drugstore Shandong Co., Ltd.	24 Aug. 2019	4,000	14 Oct. 2019	3,849.71	Joint liability assurance	2019.10.14- 2020.10.13	N	Y
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	24 Aug. 2019	5,000	8 Nov. 2019	4,560	Joint liability assurance	2019.11.08- 2020.11.07	N	Y
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	25 Apr. 2019	6,000	13 Jun. 2019	4,171.8	Joint liability assurance	2019.06.13- 2020.06.12	N	Y

ShanxSinopharm Holding Guoda Drugstore Shanghai Chain Co., Ltd.	24 Aug. 2019	5,000	10 Dec. 2019	1,487.98	Joint liability assurance	2019.12.10-2020.12.09	N	Y
ShanxSinopharm Holding Guoda Drugstore Shanghai Chain Co., Ltd.	24 Aug. 2019	4,000	25 Oct. 2019	779.28	Joint liability assurance	2019.10.25-2020.10.24	N	Y
ShanxSinopharm Holding Guoda Drugstore Shanghai Chain Co., Ltd.	24 Aug. 2019	4,000	10 Oct. 2019	0	Joint liability assurance	2019.10.10-2020.10.09	N	Y
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd.	19 Sept. 2019	5,000	28 Nov. 2018	4,986.04	Joint liability assurance	2018.11.28-2019.11.27	N	Y
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd.	24 Aug. 2019	10,000	11 Sept. 2019	9,225.33	Joint liability assurance	2019.09.11-2020.09.10	N	Y
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd.	24 Aug. 2019	4,000	28 Oct. 2019	614.61	Joint liability assurance	2019.10.28-2020.10.27	N	Y
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd.	19 Sept. 2019	6,000	17 Nov. 2018	2,457.33	Joint liability assurance	2018.11.17-2019.11.16	N	Y
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd.	24 Aug. 2019	25,000	10 Oct. 2019	14,776.62	Joint liability assurance	2019.10.10-2020.10.09	N	Y
Sinopharm Holding Guoda Drugstore Xinjiang New Special Medicine Chain Co., Ltd	24 Aug. 2019	5,000	29 Oct. 2019	2,693.6	Joint liability assurance	2019.10.29-2020.10.28	N	Y
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	25 Apr. 2019	6,000	21 Jun. 2019	0	Joint liability assurance	2019.06.21-2020.06.20	N	Y

Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	19 Sept. 2019	7,000	2 Apr. 2019	4,828.27	Joint liability assurance	2019.04.02- 2020.04.01	N	Y
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	25 Apr. 2019	5,600	14 Jun. 2019	4,567.64	Joint liability assurance	2019.06.14- 2020.06.13	N	Y
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	25 Apr. 2019	5,000	28 Jun. 2019	2,426.81	Joint liability assurance	2019.06.28- 2020.06.27	N	Y
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	25 Apr. 2019	3,000	25 Jun. 2019	0	Joint liability assurance	2019.06.25- 2020.06.24	N	Y
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	24 Aug. 2019	15,000	10 Oct. 2019	14,994.91	Joint liability assurance	2019.10.10- 2020.10.09	N	Y
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd.	19 Sept. 2019	10,500	9 Jan. 2019	2,167.31	Joint liability assurance	2019.01.09- 2020.01.08	N	Y
Sinopharm Holding Guoda Drugstore Xinjiang New Special Medicine Chain Co., Ltd	24 Aug. 2019	5,000	30 Oct. 2019	1,752.74	Joint liability assurance	2019.10.30- 2020.10.29	N	Y
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	19 Sept. 2019	6,000	18 Jan. 2019	0	Joint liability assurance	2019.01.18- 2020.01.17	N	Y
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	19 Sept. 2019	4,000	19 Feb. 2019	750	Joint liability assurance	2019.02.19- 2020.02.19	N	Y
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd.	19 Sept. 2019	8,000	2 Apr. 2019	4,175.78	Joint liability assurance	2019.04.02- 2020.04.01	N	Y
ShanxSinopharm Holding Guoda Drugstore Shanghai Chain Co., Ltd.	25 Apr. 2019	5,000	24 Jun. 2019	4,326.2	Joint liability assurance	2019.06.24- 2020.06.23	N	Y

Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	25 Apr. 2019	5,000	13 Jun. 2019	3,620.17	Joint liability assurance	2019.06.13- 2020.06.12	N	Y
Sinopharm Holding Guoda Fumei Drugstore Shanghai Chain Co., Ltd.	25 Apr. 2019	3,000	24 Jun. 2019	1,085.58	Joint liability assurance	2019.06.24- 2020.06.23	N	Y
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	24 Aug. 2019	6,000	10 Oct. 2019	6,000	Joint liability assurance	2019.10.10- 2020.10.09	N	Y
Taishan Sinopharm Holding Daqun Kangda Drugstore Chain Co., Ltd.	24 Aug. 2019	500	10 Oct. 2019	14	Joint liability assurance	2019.10.10- 2020.10.09	N	Y
Total amount of approving guarantee for subsidiaries in report period (C1)		223,600			Total amount of actual occurred guarantee for subsidiaries in report period (C2)			378,052.26
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		244,600			Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)			142,048.67
Total amount of guarantee of the Company (total of three above mentioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		1,135,159			Total amount of actual occurred guarantee in report period (A2+B2+C2)			1,860,504.93
Total amount of approved guarantee at the end of report period (A3+B3+C3)		1,197,159			Total balance of actual guarantee at the end of report period (A4+B4+C4)			582,235.53
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)								45.46%

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

The Company had no trust financing in the reporting period.

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XVIII. Social responsibility

1. Execution of social responsibility

“Social Responsibility Report of Sinopharm Accord in 2019” can be seen in Juchao website released on the same date (<http://www.cninfo.com.cn>)

2. Execution of social responsibility of targeted poverty alleviation

The Company has not carried out targeted poverty alleviation in the reporting period and has no follow-up plan of targeted poverty alleviation

3. Environment protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

Company/subsidiary	Name of Major Pollutants and Particular Pollutants	Emission Method	Quantity of Discharge Outlet	Distribution of Discharge Outlet	Emission Concentration	Executed Pollutant Discharge Standards	Total Emissions	Approved Total Emissions	Excessive Discharge
China National Zhijun	COD	Nanotubes emissions	1	Discharge Outlet of Waste Water	17.87mg/L	Landmark A-level of 2 nd Time Period	1.248 ton/year	7.306 ton/year	N/A
China National Zhijun	Ammonia Nitrogen	Nanotubes emissions	1	Discharge Outlet of Waste Water	0.69mg/L	Landmark A-level of 2 nd Time Period	0.048 ton/year	0.812 ton/year	N/A
China National Zhijun	Phosphate	Nanotubes emissions	1	Discharge Outlet of Waste Water	0.034mg/L	Landmark A-level of 2 nd Time Period	0.002 ton/year	0.041 ton/year	N/A

Zhijun Pingshan	COD	Nanotubes emissions	1	Discharge Outlet of Waste Water	16.64mg/L	Discharge Standards of Water Pollutants for Pharmaceutical industry Mixing/Compounding and Formulation Category (GB21908-2008)	1.1467 ton/year	2.16 ton/year	N/A
Zhijun Pingshan	Total phosphorus	Nanotubes emissions	1	Discharge Outlet of Waste Water	0.01mg/L	Discharge Standards of Water Pollutants for Pharmaceutical industry Mixing/Compounding and Formulation Category (GB21908-2008)	0.0069 ton/year	0.0216 ton/year	N/A
Zhijun Pingshan	Ammonia Nitrogen	Nanotubes emissions	1	Discharge Outlet of Waste Water	0.768mg/L	Class IV water (Ammonia Nitrogen up to Class V) standard in Environmental Quality Standard for Surface Water (GB3838-2002)	0.0529 ton/year	0.144 ton/year	N/A
Main Luck Pharmaceuticals	COD	Nanotubes emissions	1	Discharge Outlet of Waste Water	15mg/L	DB44/26-2001- A-level of 2 nd Time Period	0.018 ton/year	0.108 ton/year	N/A
Main Luck Pharmaceuticals	Ammonia Nitrogen	Nanotubes emissions	1	Discharge Outlet of Waste Water	0.5mg/L	DB44/26-2001- A-level of 2 nd Time Period	0.0006 ton/year	0.012 ton/year	N/A
Main Luck Pharmaceuticals	Phosphate	Nanotubes emissions	1	Discharge Outlet of Waste Water	0.05mg/l	DB44/26-2001- A-level of 2 nd Time Period	0.00006 ton/year	0.0006 ton/year	N/A
Main Luck Pharmaceuticals	BOD	Nanotubes emissions	1	Discharge Outlet of Waste Water	10mg/L	DB44/26-2001- A-level of 2 nd Time Period	0.012 ton/year	0.024 ton/year	N/A
Main Luck Pharmaceuticals	SS	Nanotubes emissions	1	Discharge Outlet of Waste Water	2mg/L	DB44/26-2001- A-level of 2 nd Time Period	0.0024 ton/year	0.072 ton/year	N/A

Construction and operation of pollution prevention and control facilities

At present, the above-mentioned environmental pollution key monitoring units in which the Company has a shareholding have established pollution prevention and control facilities for waste water. In the daily management process, enterprises establish management procedures and operating instructions for environmental protection facilities, and ensure the normal and compliant

operation of anti-pollution facilities through system implementation and responsibility implementation. All enterprises are continuously investing funds and stepping up the transformation and improvement of pollution prevention and control facilities to ensure the stable operation of pollution prevention facilities and improve the disposal capacity of environmental protection facilities.

Environmental impact assessment of construction projects and other environmental protection administrative licenses

At present, the projects of all key monitoring units have carried out environmental impact assessments and obtained approvals. The projects to be built also carry out the relevant administrative review procedures according to the “three simultaneous” requirements of the environmental protection facilities of the construction project.

Emergency plan for environmental emergencies

At present, the above-mentioned environmental pollution key monitoring units in which the Company has a shareholding have formulated the Emergency Plan for Environmental Emergencies and reported them according to the regulatory requirements of the local regulatory authorities. According to the management requirements of the emergency plan, the key units regularly carry out emergency plan drills to further provide the enterprises’ emergency response capability.

Environmental self-monitoring scheme

At present, the above-mentioned environmental pollution key monitoring units in which the Company has a shareholding have established environmental self-detection scheme and plan, and implemented self-inspection, third-party detection and other monitoring methods according to the government requirements. Relevant monitoring data and reports have been archived and saved.

Other environmental information that should be disclosed

The above two companies are joint stock companies of the Company. The Company and its holding subsidiaries are not listed as key pollutant discharge units announced by the environmental protection department.

Relevant information on environment protection

Nil

XIX. Explanation on other significant events

Applicable Not applicable

No other significant events need to explain in the reporting period.

XX. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	65,498,153	15.30%						65,498,153	15.30%
2. State-owned legal person's shares	60,380,743	14.10%						60,380,743	14.10%
3. Other domestic shareholding	5,117,410	1.20%						5,117,410	1.20%
Including: Domestic legal person's shares	5,114,297	1.19%						5,114,297	1.19%
Domestic nature person shares	3,113	0.00%						3,113	0.00%
II. Unrestricted shares	362,628,830	84.70%						362,628,830	84.70%
1. RMB Ordinary shares	307,744,355	71.88%						307,744,355	71.88%
2. Domestically listed foreign shares	54,884,475	12.82%						54,884,475	12.82%
III. Total shares	428,126,983	100.00%						428,126,983	100.00%

Reasons for share changed

Applicable Not applicable

Approval of share changed

Applicable Not applicable

Ownership transfer of share changed

Applicable Not applicable

Progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

Applicable Not applicable

The major assets reorganization non-public offering of shares for year of 2016 were lifted on 6 Jan. 2020,

59,989,270 shares are released for trading, representing 14.01% of the total share capital of the Company.

2. Changes of restricted shares

Applicable Not applicable

In Share

Shareholders	Opening shares restricted	Restricted shares increased in the Period	Shares released in Period	Ending shares restricted	Restricted reasons	Date for released
Sinopharm Group Co., Ltd	55,057,700	0	0	55,057,700	Non-public offering share	On January 6, 2020, 49,551,930 shares were released for sale, and 5,505,770 lock-up shares.
China National Pharmaceutical Foreign Trade Corp.	5,323,043	0	0	5,323,043	Non-public offering share	The 5,323,043 shares has been lifted on January 6, 2020.
Ping An Asset-ICBM -Ping An Asset Xinxiang No. 7 Insurance Asset Management Product	2,557,148	0	0	2,557,148	Non-public offering share	The 2,557,148 shares has been lifted on January 6, 2020.
Ping An Asset-ICBM - Xinxiang No. 3 Asset Management Product	2,557,149	0	0	2,557,149	Non-public offering share	The 2,557,149 shares has been lifted on January 6, 2020.
Total	65,495,040	0	0	65,495,040	--	--

II. Securities issuance and listing

1. Security offering (without preferred stock) in Reporting Period

Applicable Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

3. Current internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	20,191	Total common stock shareholders at end of last month before annual report disclosed	26,399	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of lock-up shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Sinopharm Group Co., Ltd	State-owned Corporation	56.06%	239,999,991		55,057,700	184,942,291		
Hong Kong Securities Clearing Company Ltd	Foreign Corporation	5.13%	21,952,787			21,952,787		
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign Corporation	2.68%	11,469,644			11,469,644		
China National Pharmaceutical Foreign Trade Corp.	State-owned Corporation	1.24%	5,323,043		5,323,043	0		
Fidelity Investment Management (Hong Kong) Limited - Client's fund	Foreign Corporation	1.13%	4,825,907			4,825,907		
Central Huijin Investment Ltd.	State-owned Corporation	0.89%	3,804,400			3,804,400		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign Corporation	0.78%	3,358,761			3,358,761		
Bank of China – Harvest Medical Care Securities Investment Fund	Domestic non state-owned Corporation	0.71%	3,028,525			3,028,525		
Basic endowment insurance fund-portfolio 1003	Domestic non state-owned Corporation	0.69%	2,933,056			2,933,056		
VALUE PARTNERS CLASSIC FUND	Foreign Corporation	0.64%	2,747,418			2,747,418		
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 person acting in concert among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.							
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
Sinopharm Group Co., Ltd	239,999,991	RMB ordinary shares	239,999,991					
Hong Kong Securities Clearing Company Ltd	21,952,787	RMB ordinary shares	21,952,787					
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	11,469,644	Domestic listed foreign shares	11,469,644					

Fidelity Investment Management (Hong Kong) Limited - Client's fund	4,825,907	RMB ordinary shares	4,825,907
Central Huijin Investment Ltd.	3,804,400	RMB ordinary shares	3,804,400
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	3,358,761	Domestic listed foreign shares	3,358,761
Bank of China – Harvest Medical Care Securities Investment Fund	3,028,525	RMB ordinary shares	3,028,525
Basic endowment insurance fund-portfolio 1003	2,933,056	RMB ordinary shares	2,933,056
VALUE PARTNERS CLASSIC FUND	2,747,418	Domestic listed foreign shares	2,747,418
National Social Security Fund-portfolio 413	2,550,024	RMB ordinary shares	2,550,024
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	It is unknown that there exists no associated relationship or belongs to the consistent person acting in concert among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.		

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

2. Controlling shareholder of the Company

Nature of controlling shareholders: central state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business

Sinopharm Group Co., Ltd	Li Zhiming	2003-01-08	74618434-4	Industrial investment holding; management and assets reorganization entrusted by pharmaceutical enterprise; Chinese medicine, Chinese medicine tablets, chemical medicine preparations, chemical raw materials, antibiotics, biochemical drugs, biological products, narcotic drugs, psychotropic substances, toxic drugs for medical use (compatible with the business scope), medicine IVD Reagents, vaccine, anabolic agents, peptide hormone medical device management, food sales management (non-physical method), technology development, technology transfer, technical consultation, technical service in the field of medical technology, chemical raw materials and products (except hazardous chemicals, monitoring chemicals, fireworks and firecrackers, flammables and explosives, explosives for civilian use), business management consulting, business consulting, market information consulting and investigation (no social surveys, social investigation, opinion surveys, or opinion polls), data processing services, e-commerce (no value-added telecommunications financial services), sales, design, production agency, publishing various domestic and foreign advertisements of disinfection products, daily necessities, textiles and knitwear, sporting goods, household appliances, electronic products, furniture, toys, edible agricultural products, cosmetics, and cultural and sports goods, domestic trade (except special license), logistics and related consulting services, operating various types of goods and import and export of technology (not attached directory of import and export commodities), but excluded the import and export of goods and technology the State limits or prohibit the company. If an enterprise's operation involves an administrative license, it shall be operated on the basis of the license.
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	by Sinopharm Group Co., Ltd. hold 54.72 percent equity of China National Medicines Corporation Ltd (Stock code: 600511) up to the end of Period.			

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period.

3. Actual controller of the Company and persons acting in concert

Nature of actual controller: central state-owned assets management

Type of actual controller: legal person

Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
China National Pharmaceutical Group Corporation	Liu Jingzhen	1987-03-26	10000588-8	Chinese patent drug, traditional Chinese medicines prepared in ready-to-use forms, traditional Chinese medicinal materials, chemical API, chemical medicine preparation, antibiotics, biochemical drug and biologic pharmacy (License for pharmaceutical trading runs until 12 May 2020); mandatory for pharmaceutical enterprise, asset reorganization; consulting service of medicine industrial investment; exhibition of medical devices; consulting services with main business concerned. (the enterprise has independent choices on operation items for business; in right of exequatur to run if refers to permission operation ; operation activity that prohibited or restricted by the City Government are not allowed)

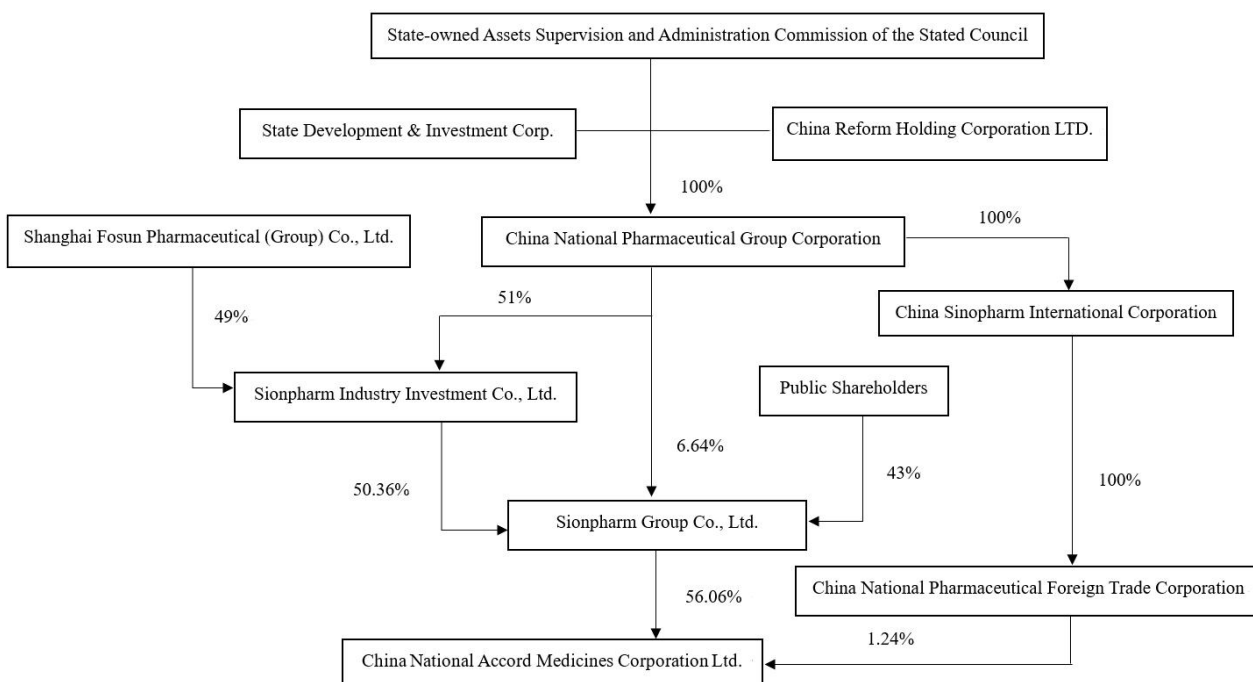
Equity of domestic/oversea listed company control by actual controller in report period	Name	Name of listed company with shares held	Total shareholders held (10 thousand shares)	Proportion of shares held
	SINOPHARM	Jianmin Group	132.35	0.86%
	SINOPHARM	Sinopharm Holding	20,728.95	6.64%
	Sinopharm Holding Industrial Investment Co., Ltd.	Sinopharm Holding	157,155.60	50.36%
	Sinopharm Holding	Sinopharm Holding	41,284.17	54.72%
	Sinopharm Holding	Sinopharm Accord	24,000.00	56.06%
	Sinopharm Holding	Lianhuan Pharmaceutical	375.21	1.30%
	SIPS	Shyndec Pharmaceutical	23,951.26	22.68%
	China National Pharmaceutical Investment Co., Ltd.	Hengrui Medicine	18,511.94	4.16%
	China National Biotech Group Co., Ltd.	BTBP	52,228.04	49.96%
	SINOPHARM H.K. Co., Ltd.	China TCM	163,468.56	32.46%

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Convertible Bonds

Applicable Not applicable

The Company had no convertible bonds in the Period

Section IX. Particulars about Directors, Supervisors, Senior Executives and Employees

I. Changes of shares held by directors, supervisors and senior executives

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Chen Shengqun	Independent director	Currently in office	M	57	2018-04-17		1,500	0	0	0	1,500
Chen Changbin	Deputy GM, Secretary of the Board	Currently in office	M	52	2015-01-13		2,651	0	0	0	2,651
Total	--	--	--	--	--	--	4,151	0	0	0	4,151

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Liu Tianrao	Deputy GM	Appointment and removal	2019-01-11	New Deputy GM
Ma Zhanjun	Director	Appointment and removal	2019-01-24	New Director of 8th BOD
Ma Zhanjun	Deputy Chairman	Appointment and removal	2019-01-31	New Deputy Chairman of 8th BOD
Su Weiwei	Independent Director	Appointment and removal	2019-01-24	New Independent Director of 8th BOD
Wu Yijian	Chairman of the board of supervisors, supervisor	Office leaving	2019-05-17	Resign from chairman of the board of supervisors, supervisor for job arrangement
Wen Deyong	Supervisor	Appointment and removal	2019-05-17	New Supervisor of 8th Board of supervisors
Wen Deyong	Chairman of the board of supervisors	Appointment and removal	2019-07-10	New Chairman of the board of supervisors of 8th Board of supervisors

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive at the present

1. Members of BOD

Mr. Liu Yong, joined Sinopharm Group Co., Ltd in January 2003 and serves as executive director and president of Sinopharm Holding since November 2017 and acts as deputy party secretary of Sinopharm Holding since January 2018; Mr. Liu own over 26 years of working experience, among which, over 23 years are related to management experience in medicine and health care products industry. He is a pharmacist-in-charge and licensed pharmacist. During the period from July 1992 to July 1999, Mr. Liu worked in the Shanghai Pharma, and successively served as deputy general manager of the marketing department of Shanghai Branch of China National Pharmaceutical Group Corporation and Shanghai Guoda Drugstore Chain Company Limited from July 1999 to April 2003. Mr. Liu served as GM and party secretary of the Sinopharm Holding Shenyang Co., Ltd from April 2003 to November 2009; a deputy president of Sinopharm Holding from January 2009 to November 2017; the Secretary of the Board of Sinopharm Holding from October 2016 to November 2017 and General Counsel of Sinopharm Holding from January 2014 to December 2017. Currently, he also acts as the Director of SINOPHARM, Sinopharm Holding Guoda Drugstore Co., Ltd., China National Scientific Instruments & Materials Co., Ltd and China National Medical Equipment Co., Ltd.; and Director and GM of Sinopharm Holding H.K. Co., Ltd. Mr. Liu serves as Director of the 7th BOD of the Company since January 2017 and Chairman of the 7th and 8th BOD of the Company since October 2017.

Mr. Ma Zhanjun served as president of Wuhan Ruipu Pharmaceutical Co., Ltd. from December 2000 to December 2003, from January 2004 to April 2005, he served as general manager of Sinopharm Group Pharmaceutical Holding Wuhan Co., Ltd., from April 2005 to December 2005, he served as executive deputy general manager of Sinopharm Holding Hubei Co., Ltd., and he served as general manager of Sinopharm Group Hubei Co., Ltd. from January 2006 to December 2014, from January 2015 to October 2018, he served as president of Sinopharm Holding Hubei Co., Ltd., since November 2018, he has concurrently been serving as vice president of Sinopharm Holding Hubei Co., Ltd. Since January 2019, he has been serving as vice president of the eighth board of directors of the Company.

Mr. Li Zhiming, chairman of the board and the deputy Party Secretary of Sinopharm Group Co., Ltd, he joined the Sinopharm Holding in May 2010 as deputy president, served as executive director and president of Sinopharm Holding from November 2013 to March 2017; He serves as chairman of Sinopharm Holding since November 2017 and he is the deputy party secretary of Sinopharm Holding since November 2018. Mr. Li held the position of General counsel, Secretary of Committee for Discipline Inspection, chairman of the labor union, deputy Party Secretary and party secretary of Sinopharm Holding from October 2012 to March 2017. He owns more than 37 years of working experience, among which, 33 years are related to management experience in medicine and health care products industry. He is a senior economist and pharmacist-in-charge. During the period from July 1985 to July 1996, Mr. Li successively served as deputy director of the financing department of Xinjiang Xinte Nationality Pharmacy Company Limited, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trading Corporation, deputy general manager and chief accountant of Xinjiang Xinte Nationality Pharmacy Corporation, and deputy director of the preparation office of Xinjiang Autonomous Region Medicine Administration Bureau. From July 1996 to February 2016, Mr. Li worked in Xinjiang Xinte Nationality

Pharmacy Corporation as general manager, chairman of the board and party secretary, and worked in Xinjiang Pharmaceutical Group Corporation (currently known as Sinopharm Group (Xinjiang) Co., Ltd.) as its general manager, Deputy Chairman of the board, chairman of the board and party secretary. Currently, he also serves as Director of China National Xinjiang Medicine Co., Ltd, Sinopharm Holding Senyi Tech. (Shanghai) Co., Ltd, China National Pharmaceutical Co., Ltd and Sinopharm Holding Guoda Drugstore Co., Ltd.; the deputy chairman of Shanghai Shyndec Pharmaceutical Co., Ltd and Chairman of Sinopharm Holding H.K. Co., Ltd, Sinopharm Holding (China) Finance Leasing Co., Ltd, China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd and Sinopharm Holding Medicine Investment Co., Ltd; He served as Chairman of the Company from February 2014 to August 2016 and acts as Director of the 7th and 8th BOD of the Company since August 2016.

Mr. Jiang Xiuchang, entered into Sinopharm Holding as the CFO in May 2010, and he has also acted as vice president of Sinopharm Holding since July 2013. Mr. Jiang owns over 31 years of working experiences, among which, 20 years of management experiences are related to medicine and health-care industries. He is a senior economist and senior accountant. Mr. Jiang has worked as deputy director of information department, deputy director of restructuring office, deputy director of financial department as well as deputy director of pharmaceutical department in China National Pharmaceutical Group Corporation from July 1986 to March 2002; he has also served as deputy director, director of financial department and chief financial officer of China National Medicines Corporation Ltd. in succession from March 2002 to May 2010. Currently, Mr. Jiang serves as Chairman of Sinopharm Holding Jiangxi Co., Ltd, Sinopharm Holding Shanxi Co., Ltd, Sinopharm Holding Tianjin Co., Ltd. and China National Medicines Corporation Ltd; Director of Sinopharm Holding H.K. Co., Ltd and China National Finance Corporation Ltd; and executive Director of Beijing Sinopharm Taiyuan Property Management Co., Ltd and SINOPHARM Shanghai Co., Ltd; he serves as Director of the 6th, 7th and 8th BOD of the Company since March 2011.

Mr. Lian Wanyong is vice president of Sinopharm Group Co., Ltd. He joined China National Pharmaceutical (Group) Corporation Guangzhou Company in 1996 and successively served as product director of Yuexing Pharmaceutical Co., Ltd. and senior product manager of Hong Kong Tianjian International Co., Ltd. From August 2002 to January 2004, he served as deputy manager of the financial department of Barr laboratories, Inc., USA. From January 2004 to June 2005, he was appointed as manager of operational audit department of China Medicinal Materials Group Company. From July 2005 to January 2008, he was appointed as deputy director of financial asset management department and director of investment management department of China National Pharmaceutical (Group) Corporation. From December 2010 to February 2014, he served as deputy general manager of Beijing Sinopharm Asset Management Center, from April 2014 to January 2018, he served as deputy director of the Policy Research Office of China National Pharmaceutical Group Corporation.

Since January 2018, he has been serving as vice president of Sinopharm Group Co., Ltd., and Mr. Lian is concurrently serving as chairman of Sinopharm Holding Anhui Co., Ltd., Sinopharm Holding Hubei Co., Ltd., and Sinopharm Holding Changsha Co., Ltd., and director of China National Medicines Corporation Ltd., director

of China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd, and director of West China Dental Co., Ltd. He serves as Director of 8th BOD of the Company since April 2018.

Mr. Li Dongjiu is vice president and general counsel of Sinopharm Group Co., Ltd. From April 1997 to January 2002, he served as deputy general manager of North China Pharmaceutical Huasheng Co., Ltd., from January 2002 to December 2009, he served as deputy general manager of North China Pharmaceutical Co., Ltd., and concurrently served as general manager of North China Pharmaceutical Group Sales Company, and property representative of North China Pharmaceutical Group Southern Company (concurrently), from December 2009 to June 2010, he served as executive president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., and from June 2010 to September 2011, he was appointed as vice president of Shanghai Fosun Pharmaceutical (Group) Limited and director of the Pharmaceutical Management Committee, and president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., from September 2011 to January 2018, he served as senior vice president of Shanghai Fosun Pharmaceutical (Group) Limited, and concurrently served as director of pharmaceutical business and consumer goods management committee and chairman, president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. and concurrently vice-president of pharmaceutical industry management committee, responsible for strategy, investment, operation and management of pharmaceutical business and consumer product. Since January 2018, he has been serving as vice president of Sinopharm Group Co., Ltd. Mr. Li is concurrently director of China National Medicines Corporation Ltd., and chairman of Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd., Sinopharm Holding Guizhou Co., Ltd., Sinopharm Holding Yunnan Co., Ltd., Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd., Sinopharm Holding Hainan Co., Ltd., China National Health Online Co., Ltd., Sinopharm Chemical Reagent Co., Ltd. and Sinopharm Holding Hutchison Whampoa Medicine Co., Ltd., Sinopharm Holding Shanxi Co., Ltd. and Sinopharm Holding Gansu Co., Ltd. He serves as Director of 8th BOD of the Company since April 2018.

Mr. Lin Zhaoxiong: Director and GM of Sinopharm Accord. Has served as deputy manager and manager of pharmaceutical department, manager of Pharmaceutical corporations and director of operation and management department during his work in China Pharmaceutical (Group) Guangzhou Co.,Ltd from January 1999 to December 2003 in succession; He has acted as the deputy general manager of Sinopharm Holding Guangzhou Co.,Ltd; the general manager of Sinopharm Holding Guangzhou Co.,Ltd from December 2006 to December 2008; He has served as the deputy general manager of the Company from December 2008 to March 2016; Mr Lin serves as the chairman of Sinopharm Holding Guoda Drugstore Co.,Ltd since October 2017; and GM of the Company since March 2016, Director of the 7th and 8th BOD of the Company since April 2016.

Mr. Chen Honghui, professor of Lingnan (University) College of Sun Yat-Sen University, a doctoral supervisor of management. He worked in school of management, Wuhan University of Science & Technology from July 1993 to June 2003 and successively acted as a tutor and instructor; he works in Lingnan (University) College of Sun Yat-Sen University since July 2003 and also served as deputy professor and professor; vice president of the Lingnan (University) College of Sun Yat-Sen University from 2007 to 2012; the director of department of

business administration in Lingnan College from 2008 to 2019, the director of Corporate Social Responsibility Research Center in Lingnan College since 2018, currently Mr. Chen serves as deputy chairman of the GDISR, independent director of Cabbeen Fashion Co., Ltd and Guangzhou Grandbuy Co., Ltd. He serves as independent director of the 7th and 8th BOD of the Company since March 2017.

Mr. Ou Yongliang is a Chinese practicing lawyer, vice chairman of All China Lawyers Association, vice chairman of Guangdong Province Law Society, president of the 9th and 10th Session of Guangdong Lawyers Association, director of Guangdong Hopesun Law Firm, member of the 12th Session of Guangdong Provincial Committee of the CPPCC, expert advisor of the 11th Party Congress of Guangdong Provincial Party Committee of the Communist Party of China, legislative consultant of the 12th Session of Standing Committee of Guangdong Provincial People's Congress, specially invited member of the 11th Session of Guangdong Provincial Committee of the CPPCC, member of the Guangdong Provincial Judge and Prosecutor Selection Committee, representative of the 9th Congress of Guangzhou Municipality of the Communist Party of China, arbitrator of China International Economic and Trade Arbitration Commission, arbitrator of Shenzhen International Arbitration Commission, arbitrator of Shanghai International Arbitration Commission, and arbitrator of Guangzhou Arbitration Commission. He serves as independent director of the 8th BOD of the Company since April 2018.

Mr. Chen Shengqun is an associate researcher and senior accountant, he has been teaching at the Shanghai National Accounting Institute since 2013. Mr. Chen came out of the postdoctoral research station of Shanghai University of Finance and Economics in 1998 as the first postdoctoral fellow in management accounting. He was employed as a senior researcher at the CAFR Center of the Hong Kong Polytechnic University and is currently a visiting professor of EDP curriculum at the Xiamen University. Since 1998, Mr. Chen has served as director of the finance division of China Pacific Insurance Co., Ltd., in 2002, he was transferred to serve as deputy general manager of the financing plan department of China Pacific Insurance Co., Ltd. (presiding work), at the end of 2003, he joined China Reinsurance Group and successively served as general manager of the fund application department of China Continent Insurance (concurrently general manager of the strategic development department, and general manager assistant of China Re Asset Management Company. He serves as independent director of the 8th BOD of the Company since April 2018.

Ms. Su Weiwei: Doctor of pharmacy, professor of School of Life Sciences of Sun Yat-Sen University and a doctoral supervisor. She worked in Guangdong pharmaceutical University from July 1987 to April 2000, and successively served as a teaching assistant, lecturers, associate professor and professor, she serves as a professor in Sun Yat-Sen University since May 2000. Ms. Su Weiwei have devoted herself to the research and development of innovative drugs for many years, and achieved two chemical clinical permission for first-type new drugs and one clinical permission for the fifth-type new drugs of TCM (traditional Chinese medicine) which have independent intellectual property rights.

2. Members of BOS:

Mr. Wen Deyong, joined Sinopharm Group Co., Ltd. in September 2017, and has been serving as a non-executive director of Sinopharm Group Co., Ltd. to this day. From September 1995 to May 2016, Mr. Wen served as a technician in the hydro-acupuncture workshop of Chongqing No. 6 Pharmaceutical Factory, field salesman of sales department of Chongqing YaoPharma, sales director of Chongqing YaoPharma Co., Ltd., general manager of sales department 2 of Chongqing YaoPharma Co., Ltd., general manager of Northern Company of Chongqing Haisiman Pharmaceutical Co., Ltd., vice president of Chongqing YaoPharma, president of Chongqing YaoPharma, currently serves as vice president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., director of pharmaceutical business management committee, general manager of centralized procurement and procurement management department, and executive vice president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. He has been the chairman of the board of supervisors of the eighth board of supervisors of the Company since July 2019.

Ms. Liu Jingyun, postgraduate background. Currently she serves as the director of financial and asset management and director of assets and credit management dept. in Sinopharm Group Co., Ltd. and he successively hold a teaching post in Nanjing Radio and Television University, works in Sinopharm Group Co., Ltd. since November 2003 and serves as deputy director of assets management department, director of the financial & assets management dept. and Director of ministry of finance and credit management. She serves as supervisor of the 7th and 8th supervisory committee of the Company since September 2016.

Ms. Chen Guojing: she worked in Shenzhen Accord Medicinal Materials Company in December 1999, now she serves as the office director and director of security department in the Company. Ms. Chen served as the financial manager and deputy chief of Finance and Funds Department of the Company from June 2005 to December 2013, she is the member of trade union federations of the Company and chairman of the first trade union since March 2009; she served as chief (part-time) of the auditing department of the Company from January 2013 to August 2017, and chief (part-time) of the risk and operation management of the Company from January 2014 to May 2016. She serves as staff supervisor of the 8th supervisory committee of the Company since August 2018

3. Senior executive

Mr. Lin Zhaoxiong, found in aforesaid previous work experience

Mr. Lin Min: Deputy GM of the Company. worked in China Pharmaceutical (Group) Guangzhou Co.,Ltd with successively taking the posts of assistant to manager, deputy general manager of Pharmacy Department and deputy general manager of purchasing in Pharmaceutical Company from Jan. 2001 to Nov. 2003; the city medical sales director of Sinopharm Holding Guangzhou Co., Ltd. From November 2003 to January 2005; took deputy general manager of Sinopharm Holding Guangzhou Co., Ltd from Jan. 2005 to Dec. 2008; he also acting as the GM of distribution business dept. of the Sinopharm Accord and Sinopharm Holding Guangzhou Co., Ltd. he serves as deputy GM of the Company since December 2008.

Mr. Zhao Xiaochuan: Deputy GM of the Company. He has served as the general manager of Liaoning Accord Chain Co., Ltd from December 2001 to April 2008; served as the general manager of Sinopharm Holding Guoda Tian Yi Tang Drugstore Chain (Shenyang) Co., Ltd and Sinopharm Holding Guoda Shenyang Chain Co., Ltd from May 2008 to June 2015; he has acted as general manager of Sinopharm Holding Guoda Drugstore Co., Ltd since June 2015; He has worked as the deputy general manager of the Company since July 2017.

Mr. Liu Tianyao is deputy general manager of the Company. From August 2002 to April 2009, he served as senior director of human resources department of China National Pharmaceutical Group Corporation. From April 2009 to May 2017, he successively served as deputy director of human resources department, director of talent development department, director of human resources department, and director of retail medical business development department of Sinopharm Group Co., Ltd., from December 2013 to July 2016, he concurrently served as general manager of Shanghai Management Consulting Branch, from July 2016 to May 2017, he concurrently served as general manager of Sinopharm Holding Medical Management (Shanghai) Co., Ltd., from May 2017 to January 2019, he has been serving as director of human resources and director of human resources department of Sinopharm Group Co., Ltd and he serves as Deputy GM of the Company since January 2019.

Mr. Lin Xinyang: Deputy GM of the Company. He took the turns of deputy GM of Nanfang Pharm. Co., deputy GM of China Pharmaceutical (Group) Guangzhou Company Yuexing Company, general supervisor of PD of Sinopharm Holding Guangzhou Company successively since January 1996; took the post of deputy GM of Sinopharm Holding Guangzhou Company from Jan. to Dec. 2004; serves as deputy GM of the Company since January 2005.

Mr. Lang Baochun is deputy secretary of the party committee, secretary of the disciplinary committee, chairman of the labor union and general counsel of the Company. From September 2007 to March 2008, he served as deputy director of general office of Sinopharm Group Co., Ltd., from March 2008 to December 2009, he served as general manager of Shanghai Chuanghui Investment Co., Ltd., from January 2010 to May 2010, he served as director of the research office of Shanghai Shibe Hi-Tech (Group) Co., Ltd., from June 2010 to September 2011, he served as deputy director of the president's office of Sinopharm Group Co., Ltd., from October 2011 to December 2015, he served as director of the strategic planning department of Sinopharm Group Co., Ltd., from January 2016 to June 2017, he served as secretary of the party committee of Sinopharm Guoda Drugstore Co., Ltd., from March 2016 to February 2018, he served as deputy secretary of the party committee and secretary of the disciplinary committee of the Company. Since March 2018, he has been serving as deputy secretary of the party committee, secretary of the disciplinary committee, and chairman of the labor union of the Company. He serves as General Counsel of the Company since August 2018

Mr. Wei Pingxiao: CFO of the Company. He took the turns of deputy section chief of financial department of China Electronic Information Industry Group, financial director of AMOI, section chief of planning financial department of China Electronic Finance Leasing Company, Deputy GM of AMOI Beijing branch, financial

charger of AMOI and director of its subsidiary since April 1993; and he hold the post of CFO of the Company since December 2004.

Mr. Chen Changbin: Deputy GM of the Company, and Secretary of the Board. He has served as secretary of board of directors of the Company since December 2000; he has also worked as the director of planning investment management department of the Company as well as assistant general manager, in charge of strategic planning, investment and mergers and acquisitions, capital operation, affairs related to three major meetings and international co-operation. He has acted as the deputy general manager of the Company since April 2017.

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term
Liu Yong	Sinopharm Group Co., Ltd	Executive Director, President	November 2017
Liu Yong	Sinopharm Group Co., Ltd	Deputy party secretary	January 2018
Li Zhiming	Sinopharm Group Co., Ltd	Chairman	November 2017
Li Zhiming	Sinopharm Group Co., Ltd	Deputy party secretary	November 2018
Jiang Xiuchang	Sinopharm Group Co., Ltd	CFO	May 2010
Jiang Xiuchang	Sinopharm Group Co., Ltd	Deputy President	July 2013
Lian Wanyong	Sinopharm Group Co., Ltd	Deputy President	January 2018
Li Dongjiu	Sinopharm Group Co., Ltd	Deputy President	January 2018
Li Dongjiu	Sinopharm Group Co., Ltd	General counsel	January 2018
Liu Jingyun	Sinopharm Group Co., Ltd	Director of ministry of finance and credit management, director of the financial & assets management dept.	July 2016

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term
Liu Yong	China National Medicines Corporation Ltd	Director	November 2017
Liu Yong	Sinopharm Holding Guoda Drugstore Co., Ltd.	Director	October 2017
Liu Yong	China National Scientific Instruments & Materials Co., Ltd	Director	December 2018
Liu Yong	China National Medical Equipment Co., Ltd.	Director	December 2018
Liu Yong	Sinopharm Holding H.K. Co., ltd	Director, GM	May 2018
Li Zhiming	China National Xinjiang Medicine Co., Ltd	Director	June 2017
Li Zhiming	China National Medicines Corporation Ltd	Director	May 2016
Li Zhiming	Sinopharm Holding Guoda Drugstore Co., Ltd.	Director	July 2014
Li Zhiming	Shanghai Shyndec Pharmaceutical Co., Ltd	Vice Chairman	November 2016
Li Zhiming	Sinopharm Holding H.K. Co., ltd	Chairman	April 2017
Li Zhiming	Sinopharm Holding (China) Finance Leasing Co., Ltd	Chairman	November 2014
Li Zhiming	China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd	Chairman	September 2016
Li Zhiming	Sinopharm Holding Medicine Investment Co., Ltd	Chairman	October 2017
Jiang Xiuchang	Sinopharm Holding Jiangxi Co., Ltd	Chairman	June 2013
Jiang Xiuchang	Sinopharm Holding Shanxi Co., ltd	Chairman	December 2013
Jiang Xiuchang	Sinopharm Holding Tianjin Co., ltd	Chairman	December 2013
Jiang Xiuchang	China National Medicines Corporation Ltd	Chairman	November 2017
Jiang Xiuchang	Sinopharm Holding H.K. Co., ltd	Director	November 2011
Jiang Xiuchang	China National Finance Corporation Ltd	Director	November 2011

Jiang Xiuchang	Beijing Sinopharm Taiyuan Property Management Co., Ltd	Executive Director	December 2017
Jiang Xiuchang	SINOPHARM Shanghai Co., Ltd	Executive Director	November 2017
Ma Zhanjun	Sinopharm Holding Hubei Co., Ltd.	Vice Chairman	November 2018
Lian Wanyong	China National Medicines Corporation Ltd	Director	December 2017
Lian Wanyong	China National Zhongjiin (Shanghai) Medical Health Investment Management Co., Ltd	Director	July 2018
Lian Wanyong	West China Dental Co., Ltd	Director	January 2019
Lian Wanyong	Sinopharm Holding Anhui Co., Ltd.	Chairman	January 2019
Lian Wanyong	Sinopharm Holding Anhui Medicine Co., Ltd.	Chairman	June 2019
Lian Wanyong	Sinopharm Holding Changsha Co., Ltd.	Chairman	June 2019
Lian Wanyong	Sinopharm Holding Hubei Co., Ltd.	Chairman	January 2020
Li Dongjiu	China National Medicines Corporation Ltd	Director	December 2016
Li Dongjiu	Sinopharm Holding Fujian Co., Ltd	Chairman	February 2018
Li Dongjiu	Sinopharm Holding Fuzhou Co., Ltd	Chairman	February 2018
Li Dongjiu	Sinopharm Holding Guizhou Co., Ltd	Chairman	February 2018
Li Dongjiu	Sinopharm Holding Yuannan Co., Ltd	Chairman	February 2018
Li Dongjiu	Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	Chairman	February 2018
Li Dongjiu	Sinopharm Holding Hainan Co., Ltd.	Chairman	February 2018
Li Dongjiu	China National Health Online Co., Ltd.	Chairman	February 2018
Li Dongjiu	SINOPHARM Chemical Reagent Co., Ltd.	Chairman	December 2018
Li Dongjiu	Sinopharm Holding Hutchison Whampoa Medicine Co., Ltd	Chairman	December 2018
Li Dongjiu	Sinopharm Holding Shanxi Co., Ltd.	Chairman	January 2020
Li Dongjiu	Sinopharm Holding Gansu Co., Ltd.	Chairman	January 2020

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable Not applicable

IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

(i) Remuneration decision procedure of directors, supervisors, senior management:

The Company implemented the annual salary system for senior executives based on the 2019 annual performance appraisal (scheme) on management staff, paid annual salary remuneration according to the appraisal results. Remuneration and appraisal committee of the company's board of directors is responsible for the formulation and examination of salary plan and program as well as formulation and examination of salary plan and assessment standards of directors (not including the independent directors), supervisors and senior executives. They also evaluate the performance assessment of directors, supervisors and senior officers in accordance with the assessment criteria, compensation scheme.

(ii) Remuneration determining basis

The main principles of making standard of compensation are: (1) the company's overall business and the profit level; (2) the overall salary level and dynamic index over past years; (3) difference in position and duty; (4) relative importance and risks of position; (5) related post salary level in the same industry; (6) individual professional ability.

(iii) Actual payment

Executives get monthly basic salary and annual salary after the issuance of annual examination.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex (F/M)	Age	Post-holding status	Total remuneration before tax obtained from the Company	Received remuneration from related party of the Company (Y/N)
Liu Yong	Chairman	M	50	Currently in office		Y
Ma Zhanjun	Deputy Chairman	M	59	Currently in office	250	Y
Li Zhiming	Director	M	56	Currently in office		Y
Jiang Xiuchang	Director	M	56	Currently in office		Y
Lian Wanyong	Director	M	49	Currently in office		Y
Li Dongjiu	Director	M	54	Currently in office		Y
Lin Zhaoxiong	Director, GM	M	52	Currently in office	250	N
Chen Honghui	Independent Director	M	48	Currently in office	12	N
Ou Yongliang	Independent Director	M	50	Currently in office	12	N
Chen Shengqun	Independent Director	M	57	Currently in office	12	N
Su Weiwei	Independent Director	F	60	Currently in office	11.3	N
Wen Deyong	Chairman of supervisory committee	M	47	Currently in office		Y
Wu Yijian	Chairman of supervisory committee	M	49	Office leaving		Y
Liu Jingyun	Supervisor	F	43	Currently in office		Y
Chen Guojing	Staff supervisor	F	49	Currently in office	72.02	N
Lin Min	Party secretary, Deputy GM	M	55	Currently in office	225	N
Zhao Xiaochuan	Deputy GM	M	56	Currently in office	200	N
Liu Tianrao	Deputy GM	M	40	Currently in office	175	N
Lin Xinyang	Deputy GM	M	55	Currently in office	175	N
Lang Baochun	Deputy party secretary, Secretary of Committee for Discipline Inspection, General counsel	M	56	Currently in office	162.5	N
Wei Pingxiao	CFO	M	56	Currently in office	175	N
Chen Changbin	Deputy GM, Secretary of the Board	M	52	Currently in office	150	N
Total	--	--	--	--	1,881.82	--

Delegated equity incentive for directors and senior executives in reporting period

Applicable Not applicable

V. Particulars of workforce

1. Number of staff, professional composition and education background

The number of current employees of parent company (people)	119
The number of current employees of main subsidiaries (people)	27,128
Total number of current employees (people)	27,247
The total number of employees in payroll (people)	27,247
The total number of retired staff and workers that the parent company and main subsidiaries need to bear the costs (people)	1,914
Professional composition	
Category of professional composition	Number of professional composition (people)
Production staff	38
Salesman	19,030
Technical staff	201
Financial staff	635
Administrative staff	182
Other	7,161
Total	27,247
Education background	
Category of education	Number (people)
Post-graduate qualification and above	163
Undergraduate	4,109
Junior college	10,090
Junior college below	12,885
Total	27,247

2. Remuneration policy

Sinopharm Accord and the subordinate enterprises provide perfect compensation and benefits for the staff, the compensation level is closely combined with organization (total amount of labor, compensation strategy, job value), staff (capacity development, performance results), and market (market level, talent competition). The company adjusts the remuneration for staff having abilities and contributions every year by the responsibility sorting, position evaluation, target remuneration range positioning, and the staff annual work performance and ability assessment; at the same time, performance bonuses and performance closely link together, and realize win-win of the interests of company and the interests of employees. Pay attention to the income growth requirements of low-income groups, develop annual wage growth program, and implement after the deliberation and approval of the workers' congress.

3. Training programs

Sinopharm Accord and its subordinate companies attach great importance to building learning organizations, invest training resources every year to train and develop employees at all levels, and constantly improve the company's training and cultivating system.

Firstly, optimize the training management system, revise the training system management system, the employee training management system, the internal trainer management system, the employee continuing education management system, the intern management system, the internal lecturer management system, and the training integral management system, optimize internal trainers management process, annual training needs and plan management process, and training implementation process.

Secondly, the headquarters, operation headquarters, and key subsidiaries all set up full-time training posts to assist managers at all levels to carry out employee training. The company has promoted a three-level training model throughout the company, and conducted outstanding learning organizations, learning projects, excellent internal trainers, and excellent training managers on Teachers' Day.

Thirdly, vigorously promote online training, and use the online learning platform to organize online learning and online assessment for all employees. The per capital online learning hours for all employees exceed 30 hours, covering more than 3,000 people.

Fourthly, the types of training include training for new recruits, vocational training for employees, leadership training for managers, and internal trainer training. Courses include management courses, general quality courses, and vocational skills classes, the courses also include group coaching of action learning outcomes conducted by managers to employees.

Fifthly, as of the end of 2019, the training expenses of the headquarters and distribution operation headquarters of Sinopharm Accord and the headquarters of Guoda Drugstore were about 1.85 million yuan, and the per capital period reached more than 50 hours. In 2019, it won the Excellent Learning Project Award of the "Training" magazine and the Excellent Learning Case Award of Sinopharm.

4. Labor outsourcing

Applicable Not applicable

Total number of working hours of labor outsourcing (Hour)	799,704
Total remuneration paid of labor outsourcing (RMB)	30,726,586.84

Section X. Corporate Governance

I. Corporate governance of the Company

During the reporting period, the company strictly followed the requirements of the Company Law, Securities Law, Government Guidelines for Listed Companies and the relevant laws and regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange, continuously improved the company's corporate governance structure, and established and improved the company's internal control. The general meeting of shareholders, the board of directors and the board of supervisors have standardized operations, independent directors and special committees of the board of directors have performed their respective duties, continuously strengthened company management, controlled and prevented risks, standardized company operations, and improved operational efficiency. The company gradually formed a governance mechanism with clear powers and responsibilities, standardized operations, mutual coordination, and mutual checks and balances among power institutions, decision-making institutions, supervisory institutions, and managers.

During the reporting period, the company strengthened internal coordination and communication, revised and improved internal control related systems, and sorted out various work processes, and further improved the company's management quality and operational efficiency. At the same time, it continuously strengthened the management of inside information, further improved the process systems of inside information management, strengthened the disclosure of information, improved the management of investor relations, strengthened and improved the management of affiliated companies, so that the company's standard operation level has been further improved. In the future, the company will continue to strictly implement the specific requirements of the regulatory agencies, strengthen the implementation, improve the evaluation mechanism, and improve the corporate governance structure, at the same time, strengthen supervision, and strive to promote governance to a higher level.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independence of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The Company totally separates from the controlling shareholders in business, personnel, assets, institutions, financial and other aspects, with independent and complete self-management ability.

1. The business: the Company was independent from controlling shareholders, having a complete business system and self-managing ability; the company has independent procurement and sales system thus all procurement and sales of drugs and raw materials is in charge of the purchasing department and subordinate subsidiary, branch and production enterprises; production, supply, marketing and R & D separate from each other; the Company is a legal market person with independent operation.
2. Personnel: procedures of the controlling shareholder nominating directors and general and deputy general manager are legal; no intervene on the appointment and removal of personnel made by the board of directors and shareholders' meeting happened; the Company set up independent human resource department, responsible for assessment, training and salary review on staff, making rules and regulations and handbook the employees should abide by. Labor, personnel, wages and pension, medical insurance and other insurance are independently managed.
3. Institution: production and operation mechanism and administrative management is completely independent from the controlling shareholder or actual controller; offices and sites of business operation separate from the controlling shareholder; the Company established corporate governance structure where the board of directors, board of supervisors and managers carry out their duties and exercise their respective duties in accordance with relevant provisions of the articles of association.
4. Asset: property and rights relationship between the Company and the controlling shareholder is clear, with independent operations; the company has independent production system, auxiliary production system and supporting system; industrial property rights, trademarks, non-patented technology and other intangible assets owned by the Company and its subsidiary.
5. Financial aspects: the Company established independent financial departments and independent financial accounting system; the Company opened a bank account independently; the financial staff is independent without taking part-time and receiving remuneration in the controlling shareholder; the Company pays tax independently.

III. Horizontal competition

√ Applicable □ Not applicable

Type	Name of controlling shareholder	Nature of controlling shareholder	Reason	Solution measure	Work schedule and follow-up plan
Horizontal competition	Sinopharm Holding	State-owned control	Distribution subsidiary of Sinopharm Holding established some social retail pharmacy, which might have horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	In December 2016, Sinopharm Holding issued a commitment letter of avoiding horizontal competition with Sinopharm Accord, and promise to solve the horizontal competition in respect of pharmaceutical retail business in an appropriate way within five years since the date when reorganization completed	Normally implementing

Horizontal competition	SINOPHARM	State-owned control	Distribution subsidiary of SINOPHARM established some social retail pharmacy, which might have horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	In December 2016, SINOPHARM issued a commitment letter of avoiding horizontal competition with Sinopharm Accord, and promise to solve the horizontal competition in respect of pharmaceutical retail business in an appropriate way within five years since the date when reorganization completed	Normally implementing
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IV. AGM (Annual General Meeting) and extraordinary shareholders' general meeting held in the Period

1. AGM

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
First extraordinary general meeting of 2019	Extraordinary general meeting	62.79%	2019-01-24	2019-01-25	Juchao Website— (http://www.cninfo.com.cn) “Notice of Resolution of First extraordinary general meeting of 2019” No.: 2019-07
Annual General Meeting of 2018	AGM	65.67%	2019-05-17	2019-05-18	Juchao Website— (http://www.cninfo.com.cn) “Notice of Resolution of AGM of 2018” No.: 2019-26
Second extraordinary general meeting of 2019	Extraordinary general meeting	66.21%	2019-09-12	2019-09-13	Juchao Website— (http://www.cninfo.com.cn) “Notice of Resolution of Second extraordinary general meeting of 2019” No.: 2019-38
Third extraordinary general meeting of 2019	Extraordinary general meeting	68.52%	2019-11-13	2019-11-14	Juchao Website— (http://www.cninfo.com.cn) “Notice of Resolution of Third extraordinary general meeting of 2019” No.: 2019-45

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and shareholders general meeting

The attending of independent directors to Board Meeting & shareholders general meeting

Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times attending the shareholders general meeting
Chen Honghui	8	1	7	0	0	N	1
Ou Yongliang	8	1	7	0	0	N	1
Su Weiwei	7	1	6	0	0	N	1
Chen Shengqun	8	1	7	0	0	N	1

Explanation of absent the Board Meeting for the second time in a row

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes No

Independent directors have no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

During the reporting period, the independent directors performed their duties in a careful, diligent, dedicated attitude in accordance with requirements of the "Working System of Independent Director", offered some useful suggestions and opinions on business decision-making, legal affairs, financial management and other aspects; carefully examined important matters those needed opinions of independent directors, made independent judgments and issued a written independent opinion on major related transactions, daily related transactions, accountancy hiring and other matters, playing a positive role in safeguarding the legitimate rights and interests of small shareholders. Besides, independent directors played an important role in operation of special committee. At the same time, the Company can guarantee independent directors and other directors of the same right to know. During the reporting period, the independent directors have no objection on the related issues of the Company.

VI. Duty performance of the special committees under the board during the reporting period

(i) Duties fulfillment of the board of directors and audit committee on internal control over risk

Internal control on risk and Audit Committee of the board of directors of the company comprises three independent directors and three directors, including the convener (professional accountant) is an independent director. In accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock

Exchange and working system, Internal control on risk and Audit Committee of the board of directors seriously performed duties in a dedicated attitude. In the annual financial report audit, they acted as supervisors, maintained individuality of audit and issued a series of notices such as the Written Opinion on Financial Accounting Statements Issued by the Company before CPA of Annual Examination Entered, the Written Opinion on Financial Accounting Statements after Preliminary Audit Issued by CPA of Annual Examination, the Summary Report of Internal Risk Control and Audit Committee on the Annual Audit Work of CPA as well as the Resolution on Rehire the Audit Institution. Its main duties comprise the following:

1. Risk internal control and audit committee is responsible for determining the audit work schedule, negotiating with CPA who engages in audit;
2. Before CPA enters, audit committee should review the financial statements prepared by the Company and issue written opinions;
3. Strengthen communication with the CPA, and urge them to submit audit report within stipulated time with urgency letter;
4. Review again the financial statements after the CPA issues preliminary opinion, and issue written opinions;
5. The Committee held annual work conference 2019, approved proposal of financial accounting report, summary report of annual audit work of CPA and rehiring Ernst & Young CPA (Special General Partnership) as the audit institution, and then formed a resolution to submit to board of directors for approval.

(ii) Duties fulfillment of Remuneration and Appraisal Committee

As special working mechanism of the board of directors, the remuneration and appraisal committee are responsible for approving the assessment standard of directors and senior executives, formulating and reviewing compensation policies and programs of directors and executive. And they take charge in examining according to the standard and policies. The remuneration and appraisal committee is composed of three independent directors; convener is Chen Honghui, an independent director.

During the reporting period, remuneration and assessment committee actively performed duty; clearly defined their responsibilities; did serious research and appraisal on the remuneration and appraisal system, especially salary, assessment system and program over directors, supervisors and senior executive. According to working rules of the remuneration and appraisal committee, they have rights to check regular reports, meetings records, business planning and other materials by telephone, interviews and other methods to learn the performance of directors, executives. And they're required to submit problems existing in implementation of system to the Board of Directors and raise up suggestion on them. Their contents are as follows:

1. In 2019, the remuneration and appraisal committee carried out the performance evaluation of executives according to the 2018 Annual operation standard and performance.
2. It proposed the "2020 Evaluation Scheme of Operating Performance", and submitted it to the board of directors for approval.
3. The remuneration and appraisal committee approved salary of directors, supervisors and senior executives disclosed in 2019 annual report. And it issued the following opinions:

Compensation decision procedures of directors, supervisors and senior management personnel was in accordance with the provisions; the standard was in accordance with the remuneration system; the disclosure of 2019 annual report about personnel salary of the directors, supervisors and senior management is real and accurate.

VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

Senior executives of the Company took responsibility for the board of directors, in the reporting period, the board of directors implemented the performance checking mechanism that the remuneration of senior executives related with their performance checking, with achievement as direction, and made relevant reward and punishment according to target completion. The Company's relevant incentive and restriction mechanism gradually in order to further exert the enthusiasm and creativity of senior executives, urge the senior executives to perform the obligations of being honest and diligent. The Company had no incentive mechanism for senior executives such as stock option, purchase of management team and equity held by owner.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

Yes No

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	22 April 2020
Disclosure index of full internal control evaluation report	" Self-evaluation report of internal control for 2019" in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	98.90%
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	99.75%

Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>Financial report defects are mainly judged and decided by the degree of influence and the likelihood of occurrence to the misstatements of financial reports caused by defects. (1) Significant defects: a combination of one or multiple internal control defects that exists in internal control and may cause the material misstatements in financial statements cannot be prevented, found or corrected in time; (2) Major defects: a combination of one or multiple internal control defects that exists in internal control and has lower severity level than significant defects but still should be concerned by the superintendents of enterprise financial reports; (3) Common defects: other defects except for significant and major defects.</p>	<p>Non-financial report defects are mainly judged and decided by the degree of influence and the likelihood of occurrence of defects to the validity of business process. (1) Significant defects: a combination of one or multiple internal control defects that may cause the enterprise's serious deviation to internal control objectives; (2) Major defects: a combination of one or multiple internal control defects whose severity level and economic consequences are lower than significant defects but still may cause the enterprise's deviation to internal control objectives; (3) Common defects: other defects except for significant and major defects.</p>

Quantitative standard	<p>A quantitative criterion determines the degree of importance of misstatements (including missing reports) in the consolidated statements of listed companies based on the consolidated statement data. (1) Significant defects: equal to or greater than 5% of profit before tax; (2) Major defects: Between 1% and 5% of profit before tax; (3) Common defects: Less than or equal to 1% of profit before tax</p>	<p>Quantitative standard: A quantitative criterion determines the degree of importance of the company's defects based on the amount of direct loss and the degree of significant influence to the company. (1) Significant defects: the amount of direct property loss is or more than 10 million Yuan, or has been officially disclosed and caused negative effects to periodic report disclosure of the joint-stock companies; (2) Major defects: the amount of direct property loss is between 5 million and 10 million Yuan, or has been punished by the national government departments but has not caused negative effects to periodic report disclosure of the joint-stock companies;(3) Common defects: the amount of direct property loss is between 0.1 million and 5 million Yuan, or has been punished by the provincial or sub-provincial government departments but has not caused negative effects to periodic report disclosure of the joint-stock companies.</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

Applicable Not applicable

Deliberations in Internal Control Audit Report	
According to relevant regulations and "Basic Rules of Internal Control for Enterprises", China National Accord Medicines Corporation Ltd. in all major aspects, keeps an efficiency of internal control of financial report dated 31 December 2019	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	22 April 2020

Index of audit report of internal control (full-text)	Audit Report of Internal Control under the name of China National Accord Medicines Corporation Ltd. released on Juchao Website (http://www.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes No

Section XI. Corporate Bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due
No

Section XII. Financial Report



AUDITOR'S REPORT

Ernst & Young Hua Ming (2020) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

To the shareholders of China National Accord Medicines Corporation Ltd.

(I)Opinion

We have audited the financial statements of China National Accord Medicines Corporation Ltd. (the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2019, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2019, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II)Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III)Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(III) Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of goodwill</i>	
<p>The carrying value of goodwill amounted to RMB944,079,884.56 as at 31 December 2019 and was allocated to the Company's cash-generating units ("CGUs") of pharmaceutical distribution and retail pharmacy.</p> <p>Under ASBEs, the Company is required to annually perform the impairment test for goodwill. The impairment test is based on the recoverable amount of the respective CGUs to which the goodwill is allocated. The recoverable amount of the CGUs is determined by the higher of the present value of the forecasted future cash flows and the fair value of the asset net of its disposal cost. Assumptions such as the forecasted future cash flows and discount rate are set up by applying estimates and significant judgements by management. Therefore, we considered this to be a key audit matter.</p> <p>The Company's disclosures about impairment of goodwill are included in Note III (17, 34) and Note V (17) to the financial statements.</p>	<p>The procedures performed in order to address this matter are as follows:</p> <ol style="list-style-type: none"> 1) We invited internal evaluation experts to assist in evaluating the goodwill impairment method used and forecasted figures used in the impairment test, especially the discount rate and perpetual growth rate. 2) We assessed the rationality of the forecasts used with respect to future revenues and operating results, also compared the forecasts with the historical performance of the respective CGUs and the industry trends. In particular, we re-examined the future revenue growth rate, projected gross rate, related expenses and so on. 3) We also re-examined the sufficiency of disclosure regarding goodwill.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(III) Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of accounts receivable</i>	
<p>Major clients of the Company are medical establishments, pharmacy chain stores, monomer drugstores, community medical service centers, downstream distribution companies, etc. As at 31 December 2019, the Company had net accounts receivable of RMB10,617,981,893.52, representing 31.68% of the Group's total assets.</p> <p>According to <i>ASBE 22 – Recognition and measurement of Financial Instruments</i>, management utilizes the expected credit loss model to measure the impairment of financial assets. Management's estimation of the expected credit loss model is based on the historical default rate of the Group and other specific factors including types of client, aging of the ending balance, collection history, write-offs, the migration rate and estimated weighted financing cost. At the same time, management also takes into consideration forward-looking information including whether disputes exist, the expected macro-economic environment, etc. During the year, significant management judgement and estimates were involved during the classification of the credit exposure portfolio and assessment of the expected credit loss, and therefore, we considered this to be a key audit matter.</p> <p>The Company's disclosures about impairment of accounts receivable are included in Note III (8, 34) and Note V (3) to the financial statements.</p>	<p>The procedures performed in order to address this matter are as follows:</p> <ol style="list-style-type: none"> 1) We re-examined management's internal control that relates to impairment of accounts receivable. 2) We discussed the bad debt policy with management and evaluated the sufficiency of bad debt provision including the adequacy of the bad debt provision assessment method. 3) We discussed with management regarding the recoverability of individually significant accounts receivable for which provision for bad debts is recognised separately. 4) We tested the aging of accounts receivable, including a test of information system automatic controls related to information system automatically-generated aging analysis and carried out analytical reviewing procedures for the aging analysis in order to confirm the accuracy of basic data used by management for bad debt provision for accounts receivable. 5) We reviewed the credit profile and carried out background check for significant clients. 6) We reviewed and evaluated the sufficiency of the Group's disclosure related to accounts receivable.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(IV) Other information

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(V) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Li Jian Guang
(Engagement partner)

Chinese Certified Public Accountant: Li Yuan Fen

Beijing, the People's Republic of China

20 April 2020

Important Notice

This auditor's report is an English translation of the auditor's report for the audit engagements which adopt CSAs. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET

31 December 2019

ASSETS	Note V	31 December 2019	31 December 2018
Current assets			
Cash and bank balances	1	8,882,334,845.79	8,096,158,013.24
Notes receivable	2	793,301,688.64	789,536,654.23
Accounts receivable	3	10,617,981,893.52	9,336,861,647.92
Receivables financing	4	446,342,588.46	567,775,275.40
Advances to suppliers	5	384,882,547.24	583,484,515.95
Other receivables	6	477,988,244.98	637,116,650.64
Inventories	7	4,947,424,591.53	4,389,335,942.19
Other current assets	8	<u>102,198,564.38</u>	<u>95,347,629.18</u>
Total current assets		<u>26,652,454,964.54</u>	<u>24,495,616,328.75</u>
Non-current assets			
Long-term equity investments	9	2,105,114,410.88	1,880,393,786.10
Other equity instrument investment	10	116,021,000.00	13,685,760.00
Other non-current financial assets	11	140,000,000.00	140,000,000.00
Investment properties	12	138,900,358.30	144,894,495.97
Fixed assets	13	612,599,944.11	607,933,827.67
Construction in progress	14	31,582,575.84	36,412,614.61
Right-of-use assets	15	1,955,461,133.01	-
Intangible assets	16	319,946,727.04	319,207,126.15
Goodwill	17	944,079,884.56	833,547,800.60
Long-term prepaid expenses	18	366,462,139.01	311,328,706.46
Deferred tax assets	19	60,631,015.99	74,914,209.95
Other non-current assets	20	<u>77,354,970.39</u>	<u>72,365,863.71</u>
Total non-current assets		<u>6,868,154,159.13</u>	<u>4,434,684,191.22</u>
Total assets		<u><u>33,520,609,123.67</u></u>	<u><u>28,930,300,519.97</u></u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2019

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note V	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	22	1,453,018,300.01	2,608,626,099.82
Notes payable	23	5,555,697,557.53	3,416,755,681.80
Accounts payable	24	6,554,105,124.13	6,468,535,961.17
Contract liabilities	25	302,650,567.97	255,590,612.37
Employee benefits payable	26	255,827,721.66	231,866,407.40
Tax payable	27	250,118,388.14	241,980,412.72
Other payables	28	1,756,858,461.02	1,528,424,590.29
Non-current liabilities due within one year	29	601,427,093.62	5,861,324.37
Other current liabilities	30	<u>749,710.19</u>	<u>292,465.75</u>
Total current liabilities		<u>16,730,452,924.27</u>	<u>14,757,933,555.69</u>
Non-current liabilities			
Long-term borrowings	31	-	31,638,984.25
Lease liabilities	32	1,182,407,085.08	-
Long-term payables	33	800,000.00	4,563,978.52
Long-term employee benefits payable	34	1,433,000.00	2,050,000.00
Deferred income	35	88,704,272.88	91,491,170.40
Deferred tax liabilities	19	83,717,486.28	67,605,161.88
Other non-current liabilities	36	<u>73,256,514.93</u>	<u>69,241,176.18</u>
Total non-current liabilities		<u>1,430,318,359.17</u>	<u>266,590,471.23</u>
Total liabilities		<u>18,160,771,283.44</u>	<u>15,024,524,026.92</u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2019

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note V	31 December 2019	31 December 2018
Shareholders' equity			
Share capital	37	428,126,983.00	428,126,983.00
Capital surplus	38	4,363,007,511.57	4,320,984,981.51
Other comprehensive income	39	45,917,342.77	-
Surplus reserves	40	214,063,491.50	214,063,491.50
Retained earnings	41	<u>7,755,295,537.08</u>	<u>6,655,257,147.27</u>
Shareholders' equity attributable to shareholders of the parent		12,806,410,865.92	11,618,432,603.28
Non-controlling interests		<u>2,553,426,974.31</u>	<u>2,287,343,889.77</u>
Total shareholders' equity		<u>15,359,837,840.23</u>	<u>13,905,776,493.05</u>
Total liabilities and shareholders' equity		<u><u>33,520,609,123.67</u></u>	<u><u>28,930,300,519.97</u></u>

The accompanying notes form an integral part of these financial statements.

The financial statements have been signed by:

Legal representative:

Financial controller:

Head of Accounting Department:

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

Expressed in Renminbi Yuan

	Note V	2019	2018
Operating revenue	42	52,045,764,143.21	43,122,385,521.23
Less: Operating costs	42	46,292,408,840.53	38,024,108,631.15
Taxes and surcharges	43	136,293,695.54	121,012,139.02
Selling expenses	44	3,055,403,668.16	2,762,789,885.77
Administrative expenses	45	842,014,983.53	783,338,308.19
Finance costs	46	119,972,954.79	51,490,020.59
Including: Interest expense		271,718,934.85	140,315,267.43
Interest income		139,842,489.11	81,119,506.63
Add: Other income	47	43,413,430.42	28,458,401.31
Investment income	48	246,185,242.97	258,524,453.70
Including: Investment income from associates		331,171,902.87	319,903,890.47
Income from the derecognition of financial assets measured at amortised cost		(86,377,492.55)	(61,372,718.53)
Credit impairment losses	49	(53,163,490.61)	(298,479.55)
Impairment losses	50	(3,108,889.20)	(2,744,605.36)
Gain on disposal of assets	51	<u>2,551,175.02</u>	<u>7,392,547.56</u>
Operating profits		1,835,547,469.26	1,670,978,854.17
Add: Non-operating income	52	25,586,916.14	12,715,353.51
Less: Non-operating expenses	53	<u>4,476,248.90</u>	<u>4,764,850.15</u>
Total profit		1,856,658,136.50	1,678,929,357.53
Less: Income tax expenses	56	<u>372,439,441.37</u>	<u>330,498,245.68</u>
Net profit		<u>1,484,218,695.13</u>	<u>1,348,431,111.85</u>
Net profit classified by continuing operations			
Profit or loss from continuing operations		1,484,218,695.13	1,348,431,111.85
Net profit classified by attribution of ownership			
Net profit attributable to owners of the parent		1,271,289,183.01	1,210,742,435.78
Non-controlling interests		212,929,512.12	137,688,676.07
Other comprehensive income, net of tax		76,618,063.81	-
Other comprehensive income, net of tax, attributable to owners of the parent,	39	45,917,342.77	-
Other comprehensive income that will not be reclassified to profit or loss			
Change in the fair value of other equity investments		<u>46,050,708.96</u>	<u>-</u>
Other comprehensive income that may be reclassified to profit or loss			
Other comprehensive income using the equity method that may be reclassified to profit or loss		<u>(133,366.19)</u>	<u>-</u>
Other comprehensive income, net of tax, attributable to non-controlling interests	39	<u>30,700,721.04</u>	<u>-</u>
Total comprehensive income		<u>1,560,836,758.94</u>	<u>1,348,431,111.85</u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

	Note V	2019	2018
Total comprehensive income		<u>1,560,836,758.94</u>	<u>1,348,431,111.85</u>
Including:			
Total comprehensive income attributable to owners of the parent		1,317,206,525.78	1,210,742,435.78
Total comprehensive income attributable to non-controlling interests		243,630,233.16	137,688,676.07
Earnings per share	57		
Basic earnings per share		<u>2.97</u>	<u>2.83</u>
Diluted earnings per share		<u>2.97</u>	<u>2.83</u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

2019	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Subtotal		
Opening balance of the current year	428,126,983.00	4,320,984,981.51	-	214,063,491.50	6,655,257,147.27	11,618,432,603.28	2,287,343,889.77	13,905,776,493.05
Movements in the current year	-	42,022,530.06	45,917,342.77	-	1,100,038,389.81	1,187,978,262.64	266,083,084.54	1,454,061,347.18
(1) Total comprehensive income	-	-	45,917,342.77	-	1,271,289,183.01	1,317,206,525.78	243,630,233.16	1,560,836,758.94
(2) Capital paid and reduced by owners	-	42,022,530.06	-	-	-	42,022,530.06	62,799,658.33	104,822,188.39
1.Capital injection by owners	-	-	-	-	-	-	48,136,000.00	48,136,000.00
2.Others	-	42,022,530.06	-	-	-	42,022,530.06	14,663,658.33	56,686,188.39
(3) Profit distribution	-	-	-	-	(171,250,793.20)	(171,250,793.20)	(40,346,806.95)	(211,597,600.15)
1.Distribution to equity owners	-	-	-	-	(171,250,793.20)	(171,250,793.20)	(40,346,806.95)	(211,597,600.15)
Closing balance of the current year	428,126,983.00	4,363,007,511.57	45,917,342.77	214,063,491.50	7,755,295,537.08	12,806,410,865.92	2,553,426,974.31	15,359,837,840.23

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

2018	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital surplus	Surplus reserves	Retained earnings	Subtotal		
Opening balance of the current year	428,126,983.00	3,181,429,064.99	214,063,491.50	5,572,952,806.39	9,396,572,345.88	530,930,411.26	9,927,502,757.14
Movements in the current year	-	1,139,555,916.52	-	1,082,304,340.88	2,221,860,257.40	1,756,413,478.51	3,978,273,735.91
(1) Total comprehensive income	-	-	-	1,210,742,435.78	1,210,742,435.78	137,688,676.07	1,348,431,111.85
(2) Capital paid and reduced by owners	-	1,139,555,916.52	-	-	1,139,555,916.52	1,679,926,889.17	2,819,482,805.69
1.Capital injection by owners	-	1,120,284,623.39	-	-	1,120,284,623.39	2,793,191,200.00	3,913,475,823.39
2.Others	-	19,271,293.13	-	-	19,271,293.13	(1,113,264,310.83)	(1,093,993,017.70)
(3) Profit distribution	-	-	-	(128,438,094.90)	(128,438,094.90)	(61,202,086.73)	(189,640,181.63)
1.Distribution to equity owners	-	-	-	(128,438,094.90)	(128,438,094.90)	(61,202,086.73)	(189,640,181.63)
Closing balance of the current year	428,126,983.00	4,320,984,981.51	214,063,491.50	6,655,257,147.27	11,618,432,603.28	2,287,343,889.77	13,905,776,493.05

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

Expressed in Renminbi Yuan

	Note V	2019	2018
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		55,803,880,635.86	46,794,007,122.39
Receipts of taxes and surcharges refunds		14,595,925.20	1,777,623.17
Other cash receipts relating to operating activities	58	<u>740,730,355.35</u>	<u>679,596,722.04</u>
Total cash inflows from operating activities		<u>56,559,206,916.41</u>	<u>47,475,381,467.60</u>
Cash payments for goods and services		49,939,998,830.19	41,436,895,750.53
Cash payments to and on behalf of employees		2,175,588,129.28	1,893,939,719.20
Payments of all types of taxes and surcharges		1,270,243,180.50	1,096,228,714.78
Other cash payments relating to operating activities	58	<u>1,173,024,693.24</u>	<u>1,725,710,930.82</u>
Total cash outflows from operating activities		<u>54,558,854,833.21</u>	<u>46,152,775,115.33</u>
Net cash flows from operating activities	59	<u>2,000,352,083.20</u>	<u>1,322,606,352.27</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from returns of investments		151,841,842.08	131,401,264.72
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,299,820.29	5,978,720.99
Net cash received for acquisition of subsidiaries and other business units	59	-	2,468,522.33
Net cash receipts from disposal of subsidiaries and other business units	59	791,464.76	-
Other cash receipts relating to investing activities	58	<u>3,188,480.07</u>	<u>98,793,085.40</u>
Total cash inflows from investing activities		<u>161,121,607.20</u>	<u>238,641,593.44</u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

Expressed in Renminbi Yuan

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

	Note V	2019	2018
2. CASH FLOWS FROM INVESTING ACTIVITIES (Continued)			
Cash payments to acquire fixed assets, intangible assets and other long-term assets		245,167,920.77	255,481,604.79
Cash payments for investments		56,001,023.17	124,575,351.00
Net cash payments for acquisition of subsidiaries and other business units	59	97,801,928.16	-
Other cash payments relating to investing activities	58	<u>2,597,750.74</u>	<u>81,042,904.53</u>
Total cash outflows from investing activities		<u>401,568,622.84</u>	<u>461,099,860.32</u>
Net cash flows from investing activities		<u>(240,447,015.64)</u>	<u>(222,458,266.88)</u>
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		46,093,966.84	2,793,191,200.00
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		46,093,966.84	2,793,191,200.00
Cash receipts from borrowings		83,786,182.96	86,231,834.83
Other cash receipts relating to financing activities	58	<u>249,305,768.12</u>	<u>484,038,819.20</u>
Total cash inflows from financing activities		<u>379,185,917.92</u>	<u>3,363,461,854.03</u>
Cash repayments for debts		99,846,808.49	79,670,200.30
Cash payments for distribution of dividends or profit and interest expenses		529,835,909.14	340,534,805.52
Including: Dividends or profit paid to non-controlling shareholders of subsidiaries		39,827,223.10	66,702,208.88
Other cash payments relating to financing activities	58	<u>718,672,829.88</u>	<u>84,475,782.06</u>
Total cash outflows from financing activities		<u>1,348,355,547.51</u>	<u>504,680,787.88</u>
Net cash flows from financing activities		<u>(969,169,629.59)</u>	<u>2,858,781,066.15</u>
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>(175,693.26)</u>	<u>(310,822.25)</u>
5. NET INCREASE IN CASH AND CASH EQUIVALENTS		790,559,744.71	3,958,618,329.29
Add: Cash and cash equivalents at beginning of the year		<u>7,632,117,020.77</u>	<u>3,673,498,691.48</u>
6. CASH AND CASH EQUIVALENTS AT END OF YEAR	59	<u><u>8,422,676,765.48</u></u>	<u><u>7,632,117,020.77</u></u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY BALANCE SHEET

31 December 2019

Expressed in Renminbi Yuan

<u>ASSETS</u>	<u>Note XIV</u>	31 December 2019	31 December 2018
Current assets			
Cash and bank balances		2,909,417,289.71	1,821,351,681.34
Notes receivable	1	14,900,068.42	34,154,774.75
Accounts receivable	2	571,544,784.65	631,236,593.94
Receivables financing	3	30,194,682.11	29,716,205.64
Advances to suppliers		7,996,243.28	4,760,182.00
Other receivables	4	1,928,941,595.38	1,538,283,800.17
Inventories		169,422,075.78	158,166,185.65
Other current assets		<u>39,482.38</u>	<u>39,482.38</u>
Total current assets		<u>5,632,456,221.71</u>	<u>4,217,708,905.87</u>
Non-current assets			
Long-term equity investments	5	7,698,756,525.83	7,432,906,692.24
Other non-current financial assets		140,000,000.00	140,000,000.00
Investment properties		1,484,198.56	1,955,854.46
Fixed assets		14,763,656.62	21,362,422.03
Right-of-use assets		6,217,504.50	-
Intangible assets		5,838,737.17	2,452,222.51
Long-term prepaid expenses		6,130,534.55	7,481,809.53
Deferred tax assets		9,327,850.53	-
Other non-current assets		<u>9,000,000.00</u>	<u>7,000,000.00</u>
Total non-current assets		<u>7,891,519,007.76</u>	<u>7,613,159,000.77</u>
Total assets		<u><u>13,523,975,229.47</u></u>	<u><u>11,830,867,906.64</u></u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY BALANCE SHEET (CONTINUED)

31 December 2019

Expressed in Renminbi Yuan

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current liabilities		
Short-term borrowings	121,350,644.36	539,000,000.00
Notes payable	751,577,900.22	252,317,800.78
Accounts payable	322,436,681.01	442,049,241.22
Contract liabilities	7,293,184.46	4,182,083.40
Employee benefits payable	30,469,777.88	36,233,563.12
Tax payables	22,909,124.90	13,426,601.90
Other payables	2,120,794,765.05	1,481,778,872.31
Non-current liabilities due within one year	32,640,325.77	-
Other current liabilities	<u>338,196.81</u>	<u>226,427.99</u>
Total current liabilities	<u>3,409,810,600.46</u>	<u>2,769,214,590.72</u>
Non-current liabilities		
Long-term borrowings	-	31,638,984.25
Lease liabilities	5,461,257.38	-
Long-term payables	800,000.00	800,000.00
Long-term employee benefits payable	-	118,000.00
Deferred income	1,276,698.66	1,687,899.50
Deferred tax liabilities	<u>-</u>	<u>2,298,426.39</u>
Total non-current liabilities	<u>7,537,956.04</u>	<u>36,543,310.14</u>
Total liabilities	<u><u>3,417,348,556.50</u></u>	<u><u>2,805,757,900.86</u></u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**COMPANY BALANCE SHEET (CONTINUED)****31 December 2019****Expressed in Renminbi Yuan**

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	31 December 2019	31 December 2018
Shareholders' equity		
Share capital	428,126,983.00	428,126,983.00
Capital surplus	4,468,385,307.32	4,426,362,777.26
Other comprehensive income	(133,366.19)	-
Surplus reserves	214,063,491.50	214,063,491.50
Retained earnings	<u>4,996,184,257.34</u>	<u>3,956,556,754.02</u>
Total shareholders' equity	<u>10,106,626,672.97</u>	<u>9,025,110,005.78</u>
Total liabilities and shareholders' equity	<u>13,523,975,229.47</u>	<u>11,830,867,906.64</u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY INCOME STATEMENT

Year ended 31 December 2019

Expressed in Renminbi Yuan

	<u>Note XIV</u>	2019	2018
Operating revenue	6	4,108,399,019.34	3,481,446,876.93
Less: Operating costs	6	3,916,035,572.52	3,317,568,640.99
Taxes and surcharges		6,459,864.79	4,618,925.42
Selling expenses		69,400,890.32	61,120,258.01
Administrative expenses		73,489,681.09	77,784,120.97
Finance costs		(64,025,013.54)	(44,503,498.58)
Including: Interest expense		46,025,863.16	41,179,105.37
Including: Interest income		111,805,557.75	86,569,728.06
Add: Other income		4,810,134.29	4,916,458.17
Investment income	7	1,158,737,566.83	702,555,982.30
Including: Investment income from associates		353,856,432.16	342,730,085.14
Income from the derecognition of financial assets measured at amortised cost		(4,379,465.57)	(1,688,557.15)
Credit impairment losses		(45,728,840.12)	983,688.72
Impairment losses		(371,833.95)	(466,647.08)
Gain on disposal of assets		155,014.05	11,116.50
Operating profits		1,224,640,065.26	772,859,028.73
Add: Non-operating income		741,954.13	46,446.88
Less: Non-operating expenses		280.00	183,374.99
Total profit		1,225,381,739.39	772,722,100.62
Less: Income tax expenses		14,503,442.87	17,140,073.18
Net profit		1,210,878,296.52	755,582,027.44
Including: Profit or loss from continuing operations		1,210,878,296.52	755,582,027.44
Other comprehensive income, net of tax		(133,366.19)	-
Other comprehensive income that may be reclassified to profit or loss			
Other comprehensive income using the equity method that may be reclassified to profit or loss		(133,366.19)	-
Total comprehensive income		1,210,744,930.33	755,582,027.44

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Expressed in Renminbi Yuan

2019	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Total equity
Opening balance of the current year	428,126,983.00	4,426,362,777.26	-	214,063,491.50	3,956,556,754.02	9,025,110,005.78
Movements in the current year	-	42,022,530.06	(133,366.19)	-	1,039,627,503.32	1,081,516,667.19
(1) Total comprehensive income	-	-	(133,366.19)	-	1,210,878,296.52	1,210,744,930.33
(2) Capital paid and reduced by owners	-	42,022,530.06	-	-	-	42,022,530.06
1. Others	-	42,022,530.06	-	-	-	42,022,530.06
(3) Profit distribution	-	-	-	-	(171,250,793.20)	(171,250,793.20)
1. Distribution to equity owners	-	-	-	-	(171,250,793.20)	(171,250,793.20)
Closing balance of the current year	428,126,983.00	4,468,385,307.32	(133,366.19)	214,063,491.50	4,996,184,257.34	10,106,626,672.97

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

2018	Share capital	Capital surplus	Surplus reserves	Retained earnings	Total equity
Opening balance of the current year	<u>428,126,983.00</u>	<u>4,407,091,484.13</u>	<u>214,063,491.50</u>	<u>3,329,412,821.48</u>	<u>8,378,694,780.11</u>
Movements in the current year	-	19,271,293.13	-	627,143,932.54	646,415,225.67
(1) Total comprehensive income	-	-	-	755,582,027.44	755,582,027.44
(2) Capital paid and reduced by owners	-	19,271,293.13	-	-	19,271,293.13
1. Others	-	19,271,293.13	-	-	19,271,293.13
(3) Profit distribution	-	-	-	(128,438,094.90)	(128,438,094.90)
1. Distribution to equity owners	-	-	-	(128,438,094.90)	(128,438,094.90)
Closing balance of the current year	<u><u>428,126,983.00</u></u>	<u><u>4,426,362,777.26</u></u>	<u><u>214,063,491.50</u></u>	<u><u>3,956,556,754.02</u></u>	<u><u>9,025,110,005.78</u></u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**COMPANY STATEMENT OF CASH FLOWS****Year ended 31 December 2019****Expressed in Renminbi Yuan**

	2019	2018
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from the sale of goods and the rendering of services	4,484,950,773.68	3,650,605,970.28
Other cash receipts relating to operating activities	<u>55,105,150.55</u>	<u>107,373,506.99</u>
Total cash inflows from operating activities	<u>4,540,055,924.23</u>	<u>3,757,979,477.27</u>
Cash payments for goods and services	4,272,419,447.94	3,406,447,268.87
Cash payments to and on behalf of employees	90,592,261.08	79,402,008.01
Payments of all types of taxes and surcharges	56,746,556.88	36,195,123.57
Other cash payments relating to operating activities	<u>36,680,891.34</u>	<u>55,863,168.11</u>
Total cash outflows from operating activities	<u>4,456,439,157.24</u>	<u>3,577,907,568.56</u>
Net cash flows from operating activities	<u>83,616,766.99</u>	<u>180,071,908.71</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from returns of investments	958,057,018.50	525,074,396.36
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	3,961,383.00	44,700.00
Other cash receipts relating to investing activities	<u>2,293,944,952.05</u>	<u>1,574,115,586.01</u>
Total cash inflows from investing activities	<u>3,255,963,353.55</u>	<u>2,099,234,682.37</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	11,264,989.90	11,649,093.77
Cash payments for investments	19,998,000.00	90,000,000.00
Other cash payments relating to investing activities	<u>2,669,650,683.28</u>	<u>1,749,321,606.82</u>
Total cash outflows from investing activities	<u>2,700,913,673.18</u>	<u>1,850,970,700.59</u>
Net cash flows from investing activities	<u>555,049,680.37</u>	<u>248,263,981.78</u>

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CASH FLOW STATEMENT (Continued)

For the Year ended 31 December 2016

(Expressed in Renminbin Yuan)

	2019	2018
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from borrowings	10,000,000.00	10,000,000.00
Other cash receipts relating to financing activities	<u>26,701,067,083.61</u>	<u>17,388,748,779.90</u>
Total cash inflows from financing activities	<u>26,711,067,083.61</u>	<u>17,398,748,779.90</u>
Cash repayments for debts	10,000,000.00	10,000,000.00
Cash payments for distribution of dividends, profit or interest expenses	210,404,986.68	161,361,930.89
Other cash payments relating to financing activities	<u>26,052,473,492.66</u>	<u>17,614,453,662.11</u>
Total cash outflows from financing activities	<u>26,272,878,479.34</u>	<u>17,785,815,593.00</u>
Net cash flows from financing activities	<u>438,188,604.27</u>	<u>(387,066,813.10)</u>
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(175,693.26)</u>	<u>(310,822.25)</u>
5. NET INCREASE IN CASH AND CASH EQUIVALENTS		
Add: Cash and cash equivalents at beginning of the year	<u>1,076,679,358.37</u>	<u>40,958,255.14</u>
	<u>1,817,654,598.01</u>	<u>1,776,696,342.87</u>
6. CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>2,894,333,956.38</u>	<u>1,817,654,598.01</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CASH FLOW STATEMENT (Continued)

For the Year ended 31 December 2016

(Expressed in Renminbin Yuan)

The accompanying notes form an integral part of these financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2019

I Profile of the Company

As approved by the People's Government of Shenzhen (SFBF (1993) No.356), China National Accord Medicines Corporation Ltd. (hereinafter referred to as the "the Company"), formerly known as Shenzhen Health Mineral Water Corp., Ltd., was registered as a joint stock liability limited company on 1 February 1993 through stock transformation. In March 1993, with the approval from the Shenzhen Branch of the People's Bank of China, the Company issued 30 million A shares (including 16.5 million public shares, 3.5 million employee shares and 10 million corporation shares) and 20 million B shares. After this issuance, the Company's share capital was RMB105.00 million. Through converting capital surplus into share capital, bonus issues and issuance of shares for years, the share capital of the Company increased to 428.13 million as at 31 December 2019.

In November 2000, the Company entered into an Asset Exchange Agreement with Shenzhen Investment Management Company, the original major shareholder of the Company, to exchange all the assets and liabilities of the Company as of 31 August 2000 for Shenzhen Investment Management Company's 100% equity interests in 11 pharmaceutical companies and certain properties as well as 51% equity interests in Shenzhen Tefa Modern Computer Co., Ltd. The above asset exchange proposal was approved by shareholders in the Second Extraordinary General Meeting on 29 December 2000. The transaction was completed on 8 January 2001.

On 18 February 2004, the Company's original major shareholder, Shenzhen Investment Management Company, entered into a stock transfer agreement with Sinopharm Group Co., Ltd. (hereinafter referred to as "Sinopharm Group") to transfer its 43.33% shares in the Company to Sinopharm Group. The legal procedures of the above equity transfer were completed on 9 December 2004. At the same time, as approved by the State-owned Assets Supervision and Administration Commission of the State Council (GZCQ (2004) No.525) and the China Securities Regulatory Commission (ZJGSZ (2004) No.94), the nature of these shares changed from state-owned stock to state-owned legal entity stock and Sinopharm Group became the largest shareholder of the Company.

On 14 April 2006, the Company's proposal on reformation of segregated stocks was approved. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of 27 April 2006, the Company issued bonus shares on 28 April 2006 at the ratio of 3 shares to every 10 A shares to liquidated A-shareholders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of shareholdings.

On 14 March 2014, the Company issued 74,482,543 ordinary shares (A shares) through the non-public offering. The par value per share is RMB1.00 yuan. The shares shall not be transferred within 36 months since the issue date. The total number of shares of the Company was 362,631,943 since the date of issue.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

I Profile of the Company (Continued)

The Company acquired the companies under common control, including Sinopharm Holding Guoda Pharmacy Co., Ltd. (“Guoda Pharmacy”), Foshan Nanhai Medicine Group Co., Ltd. (“Foshan Nanhai”), Guangdong South Pharmaceutical Foreign Trade Co., Ltd. (“South Pharma & Trade”) and Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. (“Guangdong Uptodate & Special Medicines”) by issuing shares and raised supporting funds by issuing shares to Ping An Asset Management Co., Ltd. to acquire the non-controlling interest of South Pharma & Trade. The relevant shares were successfully issued and listed on 5 January 2017. Afterwards, the total number of shares of the Company increased to 428,126,983.

As of 31 December 2019, the total share capital was 428,126,983.

The Company is registered with Shenzhen Administration for Industry & Commerce. Its Uniform Social Credit Code is 91440300192186267U. The operation period of the Company is from 2 August 1986 to the long term. The registered capital of the Company is RMB428.13 million. The legal representative of the Company is Lin Zhaoxiang.

The approved scope of business of the Company and its subsidiaries (together “the Group”) includes: the wholesale of Chinese herbal slices, traditional Chinese medicine preparations, bulk pharmaceutical drugs, chemical preparations, bulk antibiotic drugs, antibiotic preparations, biochemical drugs, biological products (including vaccines and in vitro diagnostic reagents psychotropic drugs and preparations, narcotic drugs, toxic drugs for medical use, protein assimilation preparation and peptide hormones; trading of dietary supplements; industrial investment holding; domestic trade; material supply and the marketing industry (other than special licensing); the sale of ambulances; trading of second-class and third-class medical equipment; project investment; property management and leasing of self-owned properties; pharmacovigilance and medical information consulting; parking operation; logistics and related services; the package agency business; logistic design; import and export services (excluding projects that are prohibited by the country; and limited projects have to be approved before operating).

Subsidiaries consolidated in the financial statements for the current year and change in the consolidation scope are shown in Note VI.

The Group’s parent and ultimate parent companies are Sinopharm Group and China National Pharmaceutical Group Corporation (“CNPGC”), respectively.

These financial statements were authorized for issue by the board of directors of the Company on 20 April 2020.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

II Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance and the specific accounting standards, application guidance, interpretation and other relevant regulations issued or amended thereafter (hereafter collectively referred to as "Accounting Standards for Business Enterprises" or "CAS").

These financial statements are prepared on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared using the historical cost as the principle of measurement. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

III Summary of significant accounting policies and accounting estimates

The Group determines the specific accounting policies and estimates based on its features of production and operation, primarily comprising the methods of provision for expected credit losses on receivables, valuation of inventories, depreciation of fixed assets and amortisation of intangible assets, the measurement model of investment properties, recognition and measurement of revenue, etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2019, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting year

The Group's accounting year begins on 1 January and ends on 31 December.

3. Functional currency

The functional currency is Renminbi. The Company's functional and presentation currency is Renminbi (RMB). The currency unit is RMB Yuan unless otherwise stated.

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

III Summary of significant accounting policies and accounting estimates (Continued)

4. Business combinations (Continued)

(a) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing entity, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

Assets and liabilities (including goodwill arising from the ultimate controlling shareholder's acquisition of the party being absorbed) that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(b) Business combinations involving enterprises not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving entities under common control, the entity that, on the acquisition date, obtains control of another combining entity is the acquirer, while that other combining entity is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date.

Goodwill is initially recognised and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. If after that reassessment, the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

III Summary of significant accounting policies and accounting estimates (Continued)

4. Business combinations (Continued)

(b) Business combinations involving enterprises not under common control (Continued)

Where the business combination not involving enterprises under common control is achieved in stages, the acquirer's previously held equity interests in the acquiree are remeasured at the fair value on the acquisition date, with the difference between the fair value and carrying amount recognised as investment income for the current period. If the acquirer's previously held equity interests of the acquiree involve other comprehensive income ("OCI") under the equity method, the accounting treatment is conducted on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities, and the changes in shareholders' equity other than net profit or loss, OCI and profit distributions are charged to profit or loss for the current period on the acquisition date. For financial assets at fair value through OCI held before the acquisition date, changes in fair value that were accumulated through OCI will transfer to retained earnings.

5. Preparation of consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In the preparation of the consolidated financial statements, the financial statements of subsidiaries are prepared for the same accounting year as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against the non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

III Summary of significant accounting policies and accounting estimates (Continued)

5. Preparation of consolidated financial statements (Continued)

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, if each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of the equity investment in subsidiaries where control is retained. If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

6. Cash and cash equivalents

Cash comprises the Group's cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

7. Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the balance sheet date using the spot exchange rates at the dates of the transactions.

Foreign currency cash flows are translated using the spot exchange rates prevailing on the dates of cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments

Financial instruments are the contracts that formed the financial assets of one entity, and at the same time formed the financial liabilities or equity instruments of other entities.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset, part of a financial asset or group of financial assets, i.e., offset from the accounts and statement of financial position, if either of the following conditions is satisfied:

- (1) The contractual rights to the cash flows from the financial asset expire; or
- (2) The contractual rights to the cash flows from the financial asset are transferred out, or obligated to transfer out all generated cash flows on receipt; and (a) substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee; or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but has not retained control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at fair value through profit or loss, financial assets at amortised cost, or financial assets at fair value through other comprehensive income, according to the Group's business model for managing financial assets and the contract cash flow characteristics of the financial assets.

Financial assets are measured at fair value at initial recognition, provided that accounts receivable or bills receivable not containing significant financing components or for which financing components of not more than 1 year are not taken into consideration shall be measured at their transaction prices at initial recognition.

For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss; while for other financial assets, the relevant transaction costs are recognised in their initial recognition amount.

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortised cost

The Group measures financial assets at amortized cost if both of the following conditions are met: The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income of this kind of financial assets is recognised using the effective interest method. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Debt investments at fair value through other comprehensive income

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in fair values are recognised in other comprehensive income except that interest income, impairment losses and exchange differences are recognised in current profit or loss. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is transferred to profit or loss.

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Equity investments at fair value through other comprehensive income

The Group irrevocably chooses to designate some non-tradable equity instrument investments as financial assets at fair value through other comprehensive income. Only the relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are included in other comprehensive income without provision for impairment. When financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive gains are transferred from other comprehensive income and recognised in retained earnings.

Financial assets at fair value through profit or loss

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss except for the derivatives designated as hedging instruments in an effective hedge.

Only when an accounting mismatch is eliminated or significantly decreased, financial assets are designated as financial assets at fair value through profit or loss at initial recognition.

When an enterprise initially designates a financial asset as a financial asset at fair value through profit or loss, it cannot be reclassified to other financial assets; and other financial assets cannot be re-designated after initial recognition as financial assets measured at fair value through profit or loss.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss, and the related transaction costs of other financial liabilities are recognised in their initial amount.

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (Continued)

Classification and measurement of financial liabilities (Continued)

Subsequent measurement of financial liabilities is determined by its classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments attributable to financial liabilities) and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value. All changes in fair value of such financial liabilities are recognised in profit or loss. Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value and gains or losses are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income. If gains or losses arising from the Group's own credit risk which are presented in other comprehensive income will lead to or expand accounting mismatch in profit or loss, the Group will include all the changes in fair value (including the amount affected by changes in the Group's own credit risk) of such financial liabilities in profit or loss.

Only if one of the following conditions is met can financial liabilities be designated as financial liabilities at fair value through profit or loss on initial recognition:

- (1) It can eliminate or significantly reduce the accounting mismatch.
- (2) The formal written document of the risk management or investment strategy has stated that the portfolio of financial instruments is managed, evaluated and reported to key managers on the basis of fair value.
- (3) The financial liability is a hybrid instrument that contains one or more embedded derivatives, unless the embedded derivatives have no significant change in the cash flows of the hybrid instrument, or the embedded derivatives should obviously not be separated from the related hybrid instruments.
- (4) Mixed instruments contain embedded derivatives that need to be split but cannot be measured separately at the time of acquisition or on subsequent balance sheet days.

When an enterprise designates a financial liability as a financial liability at fair value through profit or loss, it cannot be reclassified as other financial liabilities; nor can other financial liabilities be re-designated as financial liabilities at fair value through profit or loss after initial recognition.

Other financial liabilities

For such financial liabilities, subsequent measurement is made at amortized cost using the effective interest rate method.

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (Continued)

Impairment of financial assets

Based on the expected credit losses (“ECLs”), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost, debt investments at fair value through other comprehensive income and contract assets.

For accounts receivable and contract assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provisions in accordance with the amount of expected credit losses equivalent to the entire life cycle.

For accounts receivable and contract assets with significant financing components, the Group uses a simplified measurement method to measure loss provisions in accordance with the amount of the expected credit loss equivalent to the entire lifetime.

For financial assets other than those measured with simplified valuation methods, the Group evaluates at each balance sheet date whether its credit risk has significantly increased since initial recognition. The period during which credit risk has not significantly increased since initial recognition is considered the first stage, at which the Group shall measure the loss provision based on the amount of the expected credit loss for the next 12 months and shall compute interest income according to the book balance and effective interest rate; the period during which credit risk has significantly increased since initial recognition although no credit impairment has occurred is considered the second stage, at which the Group shall measure the loss provision based on the amount of the expected credit loss for the entire valid period and shall compute interest income according to the book balance and effective interest rate; and the period during which credit impairment has occurred after initial recognition is considered the third stage, at which the Group shall measure the loss provision based on the amount of the expected credit loss for the entire period and shall compute interest income according to the amortised cost and effective interest rate. For financial instruments with relatively low credit risk at the balance sheet date, the Group assumes that its credit risk has not significantly increases since initial recognition.

The Group evaluates the expected credit losses on financial instruments on a single and combined basis. Taking into account the credit risk characteristics of different customers, the Group evaluates the expected credit losses on accounts receivable based on the aging portfolio.

Refer to Note VIII (3) for the disclosure of the Group's criteria for judging the significant increase in credit risk, the definition of assets with impaired credit losses, and the assumption of measuring expected credit losses.

When the Group no longer reasonably expects to be able to recover all or part of the contract cash flows of the financial assets, the Group directly writes down the carrying amount of the financial asset.

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, the related accounting treatments of such financial assets are as follows: the Group derecognises financial assets when it retains no control on them, and associated assets and liabilities are recognised at the same time. If the Group retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

Continuing involvement that takes the form of a financial guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the financial guarantee. The amount of the financial guarantee is the maximum amount of consideration that the Group could be required to repay.

9. Inventories

Inventories include raw materials, work in progress, finished goods, delegate processing supplies and turnover materials, and are measured at the lower of cost and net realizable value.

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. Cost is determined on the weighted average basis. Turnover materials include low-value consumables and packing materials, which are on the immediate write-off basis.

The Group adopts the perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. The inventories are written down below cost to net realisable value and the write-down is recognised in profit or loss if the cost is higher than the net realisable value. When the circumstances that previously caused the inventories to be written down below cost no longer exist, in which case the net realisable value of inventories becomes higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down, and is recognised in profit or loss.

III Summary of significant accounting policies and accounting estimates (Continued)

9. Inventories (Continued)

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Finished goods are written down category by category.

10. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For long-term equity investments arising from business combination involving enterprises under common control, the initial investment cost shall be the share of the carrying amount of equity of the acquiree in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the initial investment cost and book value of consideration of combination is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Other comprehensive income recognised before the combination date is accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss. Equity which still involves a long-term investment after disposal is reclassified to profit or loss on a pro-rata basis and equity which switches to a financial instrument after disposal is fully reclassified to profit or loss. For long-term equity investments arising from business combination involving enterprises not under common control, the investment cost shall be the combination cost. (For a business combination achieved in stages, the initial investment cost is determined as the sum of the carrying amount of equity of the acquiree and the additional investment costs on the combination date.) The combination cost involves the assets paid by the acquirer, liabilities incurred and the fair value of equity securities. Other comprehensive incomes recognised using the equity method before the combination date is accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss. Equity which still involves a long-term investment after disposal is reclassified to profit or loss on a pro-rata basis and equity which switches to a financial instrument after disposal is fully reclassified to profit or loss. The accumulated changes in the fair value of financial assets at fair value through other comprehensive income is reclassified to retained earnings when adopting the cost method. Depending on the way of acquisition of long-term equity investments, the initial investment cost is determined as follows: For long-term equity investments acquired by way of cash payment, the initial investment cost includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. For long-term equity investments acquired by way of issuing equity securities, the initial investment cost includes the fair value of equity securities. For long-term equity investments acquired by way of the swap of non-monetary assets, the initial investment cost shall be determined in accordance with "ASBE No. 7 — Swap of Non-monetary Assets." For long-term equity investments acquired by way of debt restructuring, the initial investment cost shall be determined in accordance with "ASBE No. 12 — Debt Restructuring."

III Summary of significant accounting policies and accounting estimates (Continued)

10. Long-term equity investments (Continued)

The Company's financial statements using the cost method of accounting for long-term equity can exercise control over the investee. Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable.

For long-term equity investments accounted for using the cost method, they are measured at the initial Investment costs. The cost of long-term equity investments is adjusted with additional investment or divestment. Cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after the Group has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures (except for assets that constitute a business). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume further losses. The Group's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.

III Summary of significant accounting policies and accounting estimates (Continued)

10. Long-term equity investments (Continued)

Upon disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the equity method due to disposal, all amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss in its entirety. When the Group continues to use the equity method, the amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities and reclassified to profit or loss on a pro-rata basis. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss on a pro-rata basis.

11. Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

Investment properties are measured initially at cost. Subsequent expenditures incurred in relation to investment properties are included in the cost of investment properties when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

III Summary of significant accounting policies and accounting estimates (Continued)

11. Investment properties (Continued)

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortization) rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortization) rates
Buildings and constructions	12-35 years	0-5%	2.71-7.92%
Land use rights	30-50 years	-	2.00-3.33%

When an investment property is transferred to owner-occupied property, it is reclassified as a fixed asset or intangible asset at the date of transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as an investment property at its carrying amount at the date of transfer.

The investment properties' useful life, net residual value and depreciation (amortization) method applied are reviewed and adjusted as appropriate at the end of each year.

III Summary of significant accounting policies and accounting estimates (Continued)

12. Fixed assets

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered. The cost of a fixed asset is the aggregate cost of purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings and constructions	20-35 years	0-5%	2.71-5.00%
Machinery	5-14 years	3-6%	6.79-19.40%
Motor vehicles	3-10 years	0-5%	9.50-33.33%
Office equipment	3-10 years	0-5%	9.50-33.33%
Electronic equipment	within 5 years	0%	20% and above

The Group reviews the useful life, estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year end, and adjusts for any change when necessary.

III Summary of significant accounting policies and accounting estimates (Continued)

13. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset disbursements have already incurred;
- (2) The borrowing costs have already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Borrowing costs incurred after the intended use or sale shall be recorded in the current profits and losses.

During the period of capitalization, the capitalized amount of interest in each accounting period shall be calculated and determined in the ways below:

- (1) The enterprise shall calculate and determine the interest of a specific loan by deducting interest income of the loan capital deposit in the bank or investment income obtained from a temporary investment.
- (2) The enterprise shall calculate and determine the to-be-capitalized amount of interest on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

III Summary of significant accounting policies and accounting estimates (Continued)

14. Right-of-use assets (applicable from 1 January 2019)

The right-of-use assets of the Group mainly include buildings, machinery, vehicles, office equipment and other assets such as land use rights.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

15. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction is ready for its intended use, and other relevant expenditures.

An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use.

III Summary of significant accounting policies and accounting estimates (Continued)

16. Intangible assets

Intangible assets are recognised and measured on initial recognition at cost only if the related economic benefits will probably flow into the Group and their costs can be measured reliably. However, the intangible assets acquired through a business combination not involving enterprises under common control should be measured at fair value separately as intangible assets when their fair values can be reliably measured.

The useful life of the intangible assets shall be assessed according to the estimated beneficial period expected to generate economic benefits for the Group. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

<u>Categories</u>	<u>Useful lives</u>
Land use rights	Between the approved useful period and the Company's operating period
Software	3-5 years
Trademarks	5-10 years
Technology patents	5 years
Distribution network	20 years
Franchis	10 years
Favorable leases	17-20 years

Land use rights obtained by the Group are usually accounted for as intangible assets. As for the construction of plants, factories and other buildings of the Group, the related land use rights and other buildings were accounted for as intangible assets and fixed assets, respectively. Purchase costs of land use rights and buildings were allocated to intangible assets and fixed assets separately. Purchase costs were recognised as cost of fixed assets, only if the separation was impracticable.

Intangible assets with a finite useful life are amortised over their estimated useful lives using the straight-line method. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least once at each financial year end, and makes adjustments when necessary.

Land use rights allocated by the State are regarded as an intangible asset with an indefinite useful life due to an uncertain useful life. The impairment test should be conducted for the intangible assets with the indefinite service life every year to determine whether the impairment exists. The intangible assets with the indefinite service life shall not be amortized, and the Company shall make the review of the service life of the intangible assets during every accounting period. If evidence prove that useful lives are finite, the Group accounts for the intangible assets in accordance with intangible assets with a finite useful life.

III Summary of significant accounting policies and accounting estimates (Continued)

16. Intangible assets (Continued)

Internal research and development project

The Group classifies the expenses for internal research and development as research costs and development costs. All research costs are charged to the current profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such), the availability of technical and financial resources to complete the project and procure the use or sale of the intangible asset, and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Expenditure for investigation, evaluation and selection of production process and new drug researches is recognised in profit or loss in the period in which it is incurred. Expenditure on the designation, measurement of the final utilization of the production process and new drugs before mass production is capitalized only if all of the following conditions are satisfied:

- (1) development of the production process and new drugs has been fully demonstrated by the technical team;
- (2) management has approved the budget of drug production development and new drugs;
- (3) market research analysis suggests that the products produced by the new production technology are able to be promoted;
- (4) adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development costs that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

III Summary of significant accounting policies and accounting estimates (Continued)

17. Impairment of long-term assets

The Group determines the impairment of assets, other than the impairment of inventories, investment properties measured using the fair value model, deferred tax assets, financial assets and assets classified as held for sale, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for their intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups unless it is impossible to allocate to the related asset groups, in which case it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When testing an asset group (a set of asset groups) to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group (set of asset groups), excluding the amount of goodwill allocated, for impairment, i.e., the Group determines and compares the recoverable amount with the related carrying amount and recognises any impairment loss. After that, the Group tests the asset group (set of asset groups), including goodwill, for impairment, the carrying amount of the related asset group (set of asset groups) is compared to its recoverable amount. If the carrying amount of the asset group (set of asset groups) is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group (set of asset groups), and then used to reduce the carrying amount of other assets (other than the goodwill) within the asset group (set of asset groups), on a pro-rata basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

III Summary of significant accounting policies and accounting estimates (Continued)

18. Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

19. Governmental medical reserve funds and specially approved reserving materials

Appointed by the PRC Government, CNPGC is responsible for purchasing, allocating and providing the governmental medical reserves, which include the medical products, traditional Chinese medicine and medical appliances for nation-wide emergency rescue and disaster relief. Appointed by the Government of Guangxi Province and Guangdong Province, the Company, Sinopharm Medicine Holding Guangxi Co., Ltd. ("Sinopharm Guangxi") and Sinopharm Medicine Holding Guangzhou Co., Ltd. ("Sinopharm Guangzhou") are responsible for purchasing, allocating and providing the medical reserves, which include the medical products needed for serious disasters, epidemics and other emergencies as well as endemic diseases in Guangxi Province and Guangdong Province. In accordance with the regulation of CNPGC, being the enterprise which bears the obligation for specially approved medical reserving materials, the medical reserve funds received from the PRC Government or local government are recognised as other non-current liabilities. The Group reserves the specially approved medical reserving materials according to the reserve program (by category and by quantity), applies dynamic management and recognizes them as other non-current assets.

20. Employee benefits

Employee benefits mainly include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labor relation.

Short-term employee benefits

The actual occurred short-term employee benefits are recognized as liabilities during the accounting period in which the service has been rendered by the employees and as costs of assets or expenses to whichever the employee service is attributable.

Post-employment benefits (defined contribution plans)

The employees in the Group participate in social insurance and unemployment insurance schemes administrated by the local governments, and the related expenditures are recorded in cost of related assets or profit or loss in the period when they incurred.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

20. Employee benefits (Continued)

Post-employment benefits (defined benefit plans)

The Group operates a defined benefit pension scheme. No funds have been injected into the scheme. The cost of benefits provided under the defined benefit scheme is calculated using the expected benefit accrual unit approach.

Remeasurement arising from defined benefit pension schemes, including actuarial gains or losses, changes in the asset cap effect (deducting amounts included in net interest) and returns on scheme assets (deducting amounts included in net interest), is instantly recognised in the balance sheet and charged to shareholders' equity through other comprehensive income for the period during which it is incurred. It will not be reversed to profit and loss in subsequent periods.

Previous service costs are recognised as current expenses when: the defined benefit scheme is revised, or the relevant restructuring costs or termination benefits are recognised by the Group, whichever earlier.

Net interest is arrived at by multiplying net liabilities or net assets of defined benefits with a discount rate. Changes in net obligations of defined benefits are recognised as operating costs and administration expenses in the income statement. Service costs include current services costs, past service costs and settlement of profit or loss. Net interest include interest income from scheme assets, interest expenses for scheme obligations and interest of the asset cap effect.

Termination benefits

The Group recognizes a liability for termination benefits and charges to profit or loss at the earlier of the following dates: a) when the Group can no longer withdraw from the termination plan or the redundancy offer; and b) when the Group recognizes costs or expense for a restructuring plan which involves the payment of termination benefits.

The Group offers termination benefits to the employees who accept internal retirement arrangements. Termination benefits refers to salaries and social securities paid to the employees who voluntarily retire and approved by the management before the legal retirement age. The Group pays termination benefits from the date of the starting of internal retirement arrangements to legal retirement age. When meeting the recognition criteria, termination benefits are recognised as liabilities from the date on which the employees stop offering services to the legal retirement date and recognised in profit or loss as incurred. The change of termination benefits' actuarial assumptions and difference incurred by the adjustment of welfare standards are recognised in profit or loss as incurred.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

Other long-term employee benefits

Other long-term employee' benefits provided to employees shall be recognised and measured as net liabilities or net assets where provisions regarding post-employment benefits are applicable, provided that changes shall be included in the current profit and loss or related asset costs.

III Summary of significant accounting policies and accounting estimates (Continued)

21. Lease liabilities (applicable from 1 January 2019)

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease, the Group remeasures lease liabilities with changed present value of the lease payments when fixed payment, expected unguaranteed residual value payable, the interest rate implicit in the lease as the discount rate, purchase options, options to extend the lease or determination of the lease term change.

22. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving enterprises under common control:

- (1) The obligation is a present obligation of the Group;
- (2) It is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) The amount of the obligation can be measured reliably.

The provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. The carrying amount of provisions is reviewed at the balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

For business combinations not under common control, contingent liabilities of the acquiree obtained in a business combination shall be measured at fair value in initial recognition. After initial recognition, subsequent measurement is conducted using the higher of the amount recognised by provisions and the amount of initial recognition deducting the accumulated amortization amount determined by the principles of revenue recognition.

III Summary of significant accounting policies and accounting estimates (Continued)

23. Share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payment" refers to a transaction in which the group grants shares or other equity instruments as a consideration in return for services.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the Group shall make the best estimate of the number of vested equity instruments based on the latest movement of the granted employee, the content of prescribed performance and other conditions. Based on the best estimate, the services obtained in the current period shall be included in the relevant costs or expenses and the capital reserves at the fair value of the equity instruments on the date of the grant. The fair value of the equity instruments is determined using the binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in capital reserves, over the period in which the specified performance or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

For awards that do not ultimately vest because non-market performance and service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

III Summary of significant accounting policies and accounting estimates (Continued)

23. Share-based payments (Continued)

A cash-settled share-based payment shall be measured in accordance with the fair value of the liability calculated and confirmed based on the shares or other equity instruments undertaken by an enterprise. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Group. The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

24. Revenue from contracts with customers

The group recognizes revenue when it has fulfilled its obligations under the contract, i, e. when the customer acquires control relevant goods or services. Acquiring control over the goods or services refers to the ability to dominate the use of the goods or the portion of services and to derive almost all the economic benefits therefrom.

Contracts for sale of goods

The contracts for the sale of goods between the Group and its customer usually only contain the performance obligations for the transfer of goods. The Group generally recognizes revenue at the point of transferring the control of goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

Service contracts

The service contracts between the Group and its customers usually consist of performance obligations such as storage and logistics and so on. As the Group's performance of contracts is at the same time when the customer obtains and consumes the economic benefits of the performance of the Group, and the Group has the right to collect receivables from the performance of contracts that has been completed to date, the Group regards it as a contract obligation over a period of time, except that the progress of performance cannot be reasonably determined. The Group determines the progress of the performance of contracts in accordance with the input method. If the progress of performance of contracts cannot be reasonably determined and the cost incurred by the Group is expected to be compensated, the revenue is recognised on the basis of the incurred costs until the progress of performance of contracts can be reasonably measured.

III Summary of significant accounting policies and accounting estimates (Continued)

24. Revenue from contracts with customers (Continued)

Variable consideration

Some of the Group's contracts with customers including arrangements of sales rebates (list items in accordance with the customer's actual conditions, such as early completion awards or others) result in variable consideration. The Group determines the best estimate of variable consideration by using the expected value method or the most likely amount method. However, the transaction price including variable consideration is only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Consideration payable to customers

Where consideration is payable by the Group to a customer, such consideration payable shall be deducted against the transaction price, and against current revenue upon the recognition of revenue or the payment of (or the commitment to pay) the consideration to the customer (whichever is later), save for consideration payable to the customer for the purpose of acquiring from the customer other clearly separable products.

Return clauses

In connection with sales with a return clause, revenue is recognised according to the amount of consideration it expects to be entitled to for the transfer to a customer when the customer acquires control of the relevant products. Amounts expected to be refunded for the return of sales are recognised as liabilities. At the same time, the balance of the carrying value of the product expected to be returned upon transfer less expected costs for the recall of such product (including an impairment loss of the recalled product) shall be recognised as an asset (i.e. cost of return receivables), and the net amount of the carrying value of the transferred product upon the transfer less the aforesaid asset cost shall be transferred to cost. At each balance sheet date, the Group reassesses the future return of sales and remeasures the above assets and liabilities.

Significant financing component

Where a contract contains a significant financing component, the Group determines transaction prices based on amounts payable assumed to be settled in cash by customers immediately upon the acquisition of control over the products. The difference between such transaction price and contract consideration is amortised over the contract period using the effective interest rate method based on a ratio that discounts the nominal contractual consideration to the current selling price of the products.

The Group shall not give consideration to any significant financing component in a contract if the gap between the customer's acquisition of control over the products and payment of consideration is expected to be less than 1 year.

III Summary of significant accounting policies and accounting estimates (Continued)

24. Revenue from contracts with customers (Continued)

Warranty clauses

The Group provides quality assurance for products sold and assets built in accordance with contract terms and laws and regulations. The accounting treatment of quality assurance in the form of warranty assuring customers products sold are in compliance with required standards is set out in Note III (22). Where the Group provides a service warranty for a standalone service in addition to the assurance of compliance of products with required standards, such warranty is treated as a stand-alone contractual performance obligation, and a portion of the transaction price shall be allocated to the service warranty based on a percentage of the stand-alone price for the provision of the product and service warranty. When assessing whether a warranty is rendering a stand-alone service in addition to providing guarantee to customers that all sold goods are in compliance with required standards, the Group will consider whether or not such warranty is a statutory requirement, the term of the warranty and the nature of the Group's undertaking to perform its obligations.

Reward points program

The Group grants reward points to customers when selling goods. Customers can use reward points to redeem free or discounted goods provided by the Group. This reward points program provides significant rights to customers, and the Group considers it as an individual performance obligation, and apportions part of the transaction prices to reward points based on pricing of goods or services with warranty clauses. Revenue is recognised when customers obtain goods redeemed or when reward points expire.

Principal responsible person/proxy

For goods or other assets obtained from a third party which were transferred later to customers, the Group has the right to decide, independently, the pricing of goods. This means that the Group has obtained control over related goods before transferring to customers. Therefore, the Group is the principal responsible person, and revenue is recognised based on the total amount of consideration received or receivable. Otherwise, the Group is proxy, and revenue is recognised based on expected commission. This amount should be the total amount of consideration received or receivable net of the amount payable to other parties, or based on the fixed amount or percentage.

III Summary of significant accounting policies and accounting estimates (Continued)

25. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities on the balance sheet according to the relationship between contractual performance obligations and customer payments. Contract assets and contract liabilities under the same contract are presented on a net basis after set-off.

Contract assets

The right to receive consideration following the transfer of products to customers which is dependent on factors other than the passage of time is presented as contract assets.

For details of the Group's determination and accounting treatment of expected credit losses from contract assets, please refer to Note III (8).

Contract liabilities

The obligation to pass products to customers in connection with customer consideration received or receivable is presented as contract liabilities, for example, amounts received prior to the transfer of the promised products.

III Summary of significant accounting policies and accounting estimates (Continued)

26. Assets relating to contract cost

The Group's assets relating to contract costs include the contract acquisition costs and contract performance costs, presented respectively under inventories, other current assets and other non-current assets.

Where the Group expects the incremental costs for acquiring a contract to be recoverable, such contract acquisition costs are recognised as an asset (unless the amortisation period of the asset is not more than 1 year).

Costs incurred by the Group for the performance of a contract are recognised as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, fixed assets or intangible assets but meet all the following conditions:

- (1) They are directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;
- (2) they will increase the resources to be utilised in the Company's future performance of its contractual obligations; and
- (3) they are expected to be recoverable.

The Group amortises assets relating to contract costs on the same basis as that for the recognition of revenue relating to such assets and recognises the amortised assets in current profit or loss.

For assets relating to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognised as asset impairment losses:

- (1) The remaining consideration expected to be obtained as a result of the transfer of goods relating to such assets;
- (2) Estimated costs to be incurred in connection with the transfer of relevant goods

In the event that the difference between (1) and (2) becomes higher than the carrying value of such assets as a result of changes in the factors of impairment for previous periods, previous provisions for asset impairment losses should be written back and included in current profit or loss, provided that the asset's carrying value following the write-back shall not exceed the carrying value that such assets would have on the date of write-back were there no provision for impairment.

III Summary of significant accounting policies and accounting estimates (Continued)

27. Government grants

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets refer to government assets which are granted to enterprises for the long-term assets formed by acquisition, construction or in other manners. Government grants related to income refer to government grants other than those related to assets.

Government grants related to income to be used as compensation for future expenses or losses shall be recognised as deferred income and shall be charged to current profit or loss or be used to write down the relevant loss, during the recognition of the relevant cost expenses or losses; or used as compensation for relevant expenses or losses already incurred by enterprises shall be directly charged to the profit or loss account in the current period or used to write down the relevant cost.

The government grants related to assets shall be used to write down the book value of the relevant assets or be recognised as deferred income. The government grants related to assets, recognised as deferred income, shall be charged to profit and loss reasonably and systematically in stages over the useful lives of the relevant assets. The government grants measured at a nominal amount shall be directly charged to current profit or loss. If any related asset is sold, transferred, written off or destroyed before the end of its useful life, the balance of the undistributed deferred income shall be transferred to the current gain or loss on disposal of the asset.

III Summary of significant accounting policies and accounting estimates (Continued)

28. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss, or recognised directly in equity if it arises from a business combination or relates to a transaction or event which is recognised directly in equity.

Current tax liabilities or assets arising from the current and prior periods at the amount expected to be paid by the Group or returned by the tax authority are calculated according to related tax laws.

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (1) when the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss; and
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

- (1) when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

III Summary of significant accounting policies and accounting estimates (Continued)

28. Income tax (Continued)

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

29. Leases (applicable from 1 January 2019)

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Identification of separate lease components

For a contract that contains multiple separate lease components, the Group separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- (1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and
- (2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

III Summary of significant accounting policies and accounting estimates (Continued)

29. Leases (applicable from 1 January 2019) (Continued)

Separating lease components and non-lease components

For a contract that contains lease components and non-lease components, the Group accounts for lease components and non-lease components separately as a lessor or a lessee.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

The Group accounts as a lessee applying Note III (15) and Note III (21).

Lease modifications

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

III Summary of significant accounting policies and accounting estimates (Continued)

29. Leases (applicable from 1 January 2019) (Continued)

As lessee (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

- (1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- (2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB40,000 when it is new as a lease of low-value assets. If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

III Summary of significant accounting policies and accounting estimates (Continued)

30. Leases (applicable in 2018)

Finance leases are leases with the whole risks and rewards related to the asset substantially transferred. The other kinds of leases are nominated operating leases.

As lessee of operating leases

Rental expenses under operating leases are recognised as relevant asset costs or in current profit or loss on the straight-line basis over the lease term. Contingent rental is charged to current profit or loss when incurred.

As lessor of operating leases

Rental income under operating leases are recognised as profit/loss for the current period on a straight-line basis over the lease term. Contingent rental is charged to current profit or loss when incurred.

As lessee under finance leases

An asset held under finance leases is initially recognised at the lower of the leased assets' fair value and the present value of minimum lease payments on the lease commencement date. The amount of long-term payables will be recognised as minimum lease payments accordingly, and the differences between the leased assets' fair value and the present value of minimum lease payments will be recorded as unrecognised financing costs which will be amortised using the effective interest method over the term of the relevant lease. Contingent rentals will be recognised in profit or loss for the period when they are actually incurred.

Fixed assets that are held under finance leases are depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

31. Dividend distribution

Cash dividend distribution is recognised as a liability in the period in which it is approved by shareholders at the annual shareholders' meeting.

III Summary of significant accounting policies and accounting estimates (Continued)

32. Fair value measurement

At each balance sheet date, the Group measures the fair value of equity instrument investments. Fair value means the price receivable from the disposal of an asset or required to be paid for the transfer of a liability in an orderly transaction incurred by market participants on the measurement date. The Group measures assets or liabilities at fair value with the assumption that the orderly transaction of asset disposal or the transfer of liabilities takes place in the major market for the relevant assets or liabilities. Where there is no major market, the Group assumes that such transaction takes place in the most favourable market for the relevant assets or liabilities. The major market (or most favourable market) is a trading market which the Group has access to on the measurement date. The Group adopts assumptions used by market participants when they price the asset or liability with the aim of maximising its economic benefits.

The measurement of non-financial assets measured at fair value should take into account the ability of market participants to utilise the asset in the best way for generating economic benefits, or the ability to dispose of such asset to other market participants who are able to utilise the asset in the best way for generating economic benefits.

The Group adopts valuation techniques that are appropriate in the current circumstances and supported by sufficient usable data and other information. Observable input will be used first and foremost. Unobservable input will only be used when it is not possible or practicable to obtain observable input.

The fair value hierarchy in which an asset or liability is measured or disclosed in the financial statements at fair value will be determined on the basis of the lowest level of input which is significant for the fair value measurement as a whole. Input at the first level represents unadjusted quoted prices in an active market for the acquisition of the same asset or liability on the measurement date. Input at the second level represents directly or indirectly observable assets or liabilities apart from input at the first level. Input at the third level represents unobservable input for the asset or liability.

At each balance sheet date, the Group reassesses assets and liabilities measured at fair value on an ongoing basis recognised in the financial statements to determine whether the level of fair value measurement should be changed.

33. Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) the component's operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating leases – as lessor

The Group signed lease contracts for investment properties. The Group considers these leases as operating leases because according to the lease contract terms, the Group reserves all significant risks and rewards of ownership of the properties.

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flows, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics, and the judgements on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, including when assessing the modification of the time value of money, the judgement on whether there is any significant difference from the benchmark cash flow and whether the fair value of the prepayment features is insignificant for financial assets with prepayment features, etc.

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may cause material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Impairment of non-current assets other than financial assets (excluding goodwill)

The Group assesses whether there are any indicators of impairment for non-current assets other than financial assets at the date of statement of financial position. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indicator exists. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows. Refer to Note V (12), (13), (14), (15), (16).

Impairment of goodwill

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, the present value of future cash flows, which are generated from asset groups or sets of asset groups considered together with allocated goodwill, is estimated. The Group estimates the present value of future cash flows from asset groups or sets of asset groups by forecasting the related cash flows and selecting a suitable discount rate. Refer to Note V (17).

Deferred tax assets

To the extent that it is probable that there are sufficient taxable profits to offset the deductible losses, deferred tax assets shall be recognised for all unused deductible losses. Substantial management's judgements regarding the timing and amount of future taxable profit are needed when estimating the amount of deferred tax assets.

Fair value of non-listed equity investments

Non-listed equity investments are valued as expected future cash flows based on the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate future cash flows, credit risks, fluctuations and discount rates and is therefore uncertain.

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Reward points

The Group considers the observable separate selling price of the redeemable free or discounted goods, the probability of redeeming and all the related information, after which estimates a reasonable reward points separate selling price. When estimating the probability of redeeming, the Group bases on historical data, current data and takes into consideration future change of the client, also market trends and other factors. The Group re-evaluates the separate selling price of reward points at least once every balance sheet date, and allocates it to the reward points transaction price based on the result.

Return clauses

The Group reasonably estimates the return rate for contract groups with similar characteristics according to the historical return rate, current conditions of return, the change of customers and markets. The Group at least reassesses the return rate at every balance sheet date and determines return payables and cost of return receivables.

Warranty

The Group makes reasonable estimates on warranty fee rates in respect of contract groups with similar characteristics based on the historical data and current conditions of warranty, taking into consideration all relevant information such as product improvements and market changes, among others. The Group reassesses the warranty fee rates at least annually at each balance sheet date and determines its estimated liabilities based on the reassessed warranty fee rates.

Evaluating limitations of variable consideration

When estimating variable consideration, the Group considers all the reasonable information obtained, including historical information, current information and forecasted information, and also estimates all the possible consideration amount and possibility within a reasonable range. For contracts that are likely to have multiple different outcomes, the Group estimates the consideration amount based on the expected value method. For contracts with only two possible outcomes, the Group estimates the consideration amount based on the most likely outcome. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group re-evaluates the amount of variable consideration on every balance sheet date, including re-evaluating whether the estimations used are limited, to reflect changes which occurred in the financial statement period.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates

Changes in accounting policies

The New Leases Standard

In 2018, the MOF issued revised Accounting Standard for Business Enterprises No. 21 – Leases (the “New Leases Standard”). The New Leases Standard introduces a single model similar to the current accounting treatment of finance leases, requiring the lessor to recognise right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognise depreciation and interest expense, respectively. The Group has accounted for leases under the revised leases standard since 1 January 2019. As a practical expedient, the Group did not reassess whether a contract is, or contains, a lease at the date of initial application. According to the transitional requirements, the Group did not restate comparative information. Instead, the Group recognised the cumulative effect of the initial application of the New Leases Standard as an adjustment to the opening balance of retained earnings of 2019 at the date of initial application:

- (1) the Group recognised the right-of-use asset and the lease liabilities at the amount of the carrying amount of the lease asset and lease liability under the original standards applicable at the date of initial application for leases previously classified as finance leases;
- (2) for leases previously classified as operating leases, the Group recognised lease liabilities based on the present value of the remaining lease payments discounted at the incremental borrowing rate at the date of initial application, and measured right-of-use assets based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised; and
- (3) the Group applied Note III (17) to perform its impairment test of right-of-use assets and account for the impairment.

For operating leases of low-value assets and operating leases for which the lease term ends within 12 months before initial application, the Group applied a simplified approach and did not recognise the right-of-use assets and lease liabilities. For leases previously classified as operating leases, the Group also applied the available practical expedients wherein it:

- (1) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- (2) used hindsight in determining the lease term where the contract contained options to extend or terminate the lease;
- (3) relied on its assessment of whether leases are onerous applying Note III (17) immediately before the date of initial application as an alternative to performing an impairment review, and adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application; and
- (4) accounted for the changes in leases before the date of initial application based on the final arrangement for such changes.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The New Leases Standard (Continued)

As an intermediate lessor, the Group reassessed subleases that were classified as operating leases before and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease applying the New Leases Standard. Except for these, the Group did not adjust the leases for which it is an intermediate lessor.

The Group reconciled the outstanding minimum lease payments for operating leases with lease liabilities included in the balance sheet as at 1 January 2019 based on the present value of the minimum lease payments discounted using the incremental borrowing rate of the Group as the lessee as at 1 January 2019 as follows:

Minimum lease payments for operating leases as at 31 December 2018	1,873,246,508.02
Less: Practical expedients	81,858,324.15
Including: Short-term leases	62,717,394.74
Leases with lease term that ends within 12 months	14,646,195.26
Leases of low-value assets with lease term that ends in more than 12 months	4,494,734.15
Add: Payments for optional extension periods not recognised as at 31 December 2018	-
	<u>1,791,388,183.87</u>
Weighted average incremental borrowing rate	4.39%
Discounted operating lease commitments as at 1 January 2019	1,636,342,934.06
Add: Finance lease payables as at 31 December 2018	9,625,302.89
Add (or less): Other adjustments	-
Lease liabilities as at 1 January 2019	<u>1,645,968,236.95</u>

The effect of implementation of the New Leases Standard on the balance sheet as at 1 January 2019 is as follows:

Consolidated balance sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	1,833,958,765.93	-	1,833,958,765.93
Advances to suppliers	414,434,268.91	583,484,515.95	(169,050,247.04)
Other non-current assets	58,168,919.11	72,365,863.71	(14,196,944.60)
Fixed assets	594,067,973.91	607,933,827.67	(13,865,853.76)
Intangible assets	318,693,082.72	319,207,126.15	(514,043.43)
	<u>3,219,323,010.58</u>	<u>1,582,991,333.48</u>	<u>1,636,331,677.10</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The New Leases Standard (Continued)

The effect of implementation of the New Leases Standard on the balance sheet as at 1 January 2019 is as follows: (Continued)

Consolidated balance sheet (Continued)

	Carrying amount	Under the original standard	Effect
Liabilities			
Lease liabilities	1,107,537,419.92	-	1,107,537,419.92
Non-current liabilities due within one year	538,430,817.03	5,861,324.37	532,569,492.66
Other payables	1,528,413,333.33	1,528,424,590.29	(11,256.96)
Long-term payables	800,000.00	4,563,978.52	(3,763,978.52)
	<u>3,175,181,570.28</u>	<u>1,538,849,893.18</u>	<u>1,636,331,677.10</u>

The Company's balance sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	6,827,192.24	-	6,827,192.24
Advances to suppliers	4,757,318.65	4,760,182.00	(2,863.35)
	<u>11,584,510.89</u>	<u>4,760,182.00</u>	<u>6,824,328.89</u>

	Carrying amount	Under the original standard	Effect
Liabilities			
Lease liabilities	6,038,239.60	-	6,038,239.60
Non-current liabilities due within one year	786,089.29	-	786,089.29
	<u>6,824,328.89</u>	<u>-</u>	<u>6,824,328.89</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The New Leases Standard (Continued)

The effect of implementation of the New Leases Standard on the financial statements for the year ended 31 December 2019 is as follows:

Consolidated balance sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	1,955,461,133.01	-	1,955,461,133.01
Advances to suppliers	384,882,547.24	615,222,683.69	(230,340,136.45)
Other non-current assets	77,354,970.39	100,466,171.39	(23,111,201.00)
Fixed assets	612,599,944.11	622,528,263.55	(9,928,319.44)
Intangible assets	319,946,727.04	320,329,827.67	(383,100.63)
Deferred tax assets	60,631,015.99	48,148,235.29	12,482,780.70
	<u>3,410,876,337.78</u>	<u>1,706,695,181.59</u>	<u>1,704,181,156.19</u>
Liabilities			
Lease liabilities	1,182,407,085.08	-	1,182,407,085.08
Non-current liabilities due within one year	601,427,093.62	35,174,327.51	566,252,766.11
Other payables	1,756,858,461.02	1,758,047,509.65	(1,189,048.63)
Long-term payables	800,000.00	1,126,365.68	(326,365.68)
	<u>3,541,492,639.72</u>	<u>1,794,348,202.84</u>	<u>1,747,144,436.88</u>

Consolidated income statement

	Carrying amount	Under the original standard	Effect
Operating costs	46,292,408,840.53	46,293,105,089.37	(696,248.84)
Selling expenses	3,055,403,668.16	3,072,829,651.71	(17,425,983.55)
Administrative expenses	842,014,983.53	843,205,630.95	(1,190,647.42)
Finance costs	119,972,954.79	43,351,250.41	76,621,704.38
Gain on disposal of assets (loss expressed with positive value)	2,551,175.02	688,411.84	1,862,763.18
Income taxes	372,439,441.37	384,922,222.07	(12,482,780.70)
	<u>50,679,688,713.36</u>	<u>50,636,725,432.67</u>	<u>42,963,280.69</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The New Leases Standard (Continued)

The effect of implementation of the New Leases Standard on the financial statements for the year ended 31 December 2019 is as follows: (Continued)

The Company's balance sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	6,217,504.50	-	6,217,504.50
Advances to suppliers	7,996,243.28	8,029,735.59	(33,492.31)
Deferred tax assets	9,327,850.53	9,265,861.07	61,989.46
	<u>23,541,598.31</u>	<u>17,295,596.66</u>	<u>6,246,001.65</u>
Liabilities			
Lease liabilities	5,461,257.38	-	5,461,257.38
Non-current liabilities due within one year	32,640,325.77	31,638,984.25	1,001,341.52
	<u>38,101,583.15</u>	<u>31,638,984.25</u>	<u>6,462,598.90</u>

The Company's income statement

	Carrying amount	Under the original standard	Effect
Administrative expenses	73,489,681.09	73,493,681.60	(4,000.51)
Finance costs	(64,025,013.54)	(64,307,600.76)	282,587.22
Income taxes	14,503,442.87	14,565,432.33	(61,989.46)
	<u>23,968,110.42</u>	<u>23,751,513.17</u>	<u>216,597.25</u>

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The New Leases Standard (Continued)

In addition, the cash paid by the Group for repayment of the principal and interest of the lease liability is included in the statement of cash flows as cash outflows from financing activities, and the payments for short-term leases and leases of low-value assets accounted for using the practical expedients and variable lease payments not included in the measurement of the lease liability are still included in cash outflows from operating activities.

Change in the reporting format of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (2019 edition) (Cai Kuai [2019] No.16), in the balance sheet, the amount previously presented in “notes receivable and accounts receivable” shall be presented separately in “notes receivable” and “accounts receivable”; the amount previously presented in “notes payable and accounts payable” shall be presented separately in “notes payable” and “accounts payable”; the notes and receivables at fair value through other comprehensive income previously presented in “other current assets” are separately presented in “receivables financing”; the “interest receivable” in “other receivables” is changed to reflect only the outstanding interest on financial instruments that expired and can be collected at the balance sheet date (the interest on the financial instrument accrued using the effective interest method is included in the outstanding amount of the corresponding financial instrument); the “interest payable” in “other payables” is changed to reflect only the outstanding interest on financial instruments that expired and should be paid at the balance sheet date (the interest on the financial instrument accrued using the effective interest method are included in the outstanding amount of the corresponding financial instrument). In the income statement, the amount presented in “income from the derecognition of financial assets measured at amortised cost” of “investment income” include profit or loss incurred when derecognising financial assets measured at amortised cost. The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the net profit and equity in the consolidated and company financial statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The cumulative effects of the retrospective adjustments caused by the above changes in accounting policies on the financial statements are as follows:

The Group

2019

	Before changes Closing balance for 2018	Changes in accounting policies		After changes Opening balance for 2019
		Effect of the New Leases Standard	Other changes in presentation of financial statements	
Cash and bank balances	8,089,781,304.56	-	6,376,708.68	8,096,158,013.24
Notes receivable	-	-	789,536,654.23	789,536,654.23
Accounts receivable	-	-	9,336,861,647.92	9,336,861,647.92
Receivables financing	-	-	567,775,275.40	567,775,275.40
Notes receivable and accounts receivable	10,694,173,577.55	-	(10,694,173,577.55)	-
Advances to suppliers	583,484,515.95	(169,050,247.04)	-	414,434,268.91
Other receivables	643,493,359.32	-	(6,376,708.68)	637,116,650.64
Fixed assets	607,933,827.67	(13,865,853.76)	-	594,067,973.91
Intangible assets	319,207,126.15	(514,043.43)	-	318,693,082.72
Right-of-use assets	-	1,833,958,765.93	-	1,833,958,765.93
Other non-current financial assets	72,365,863.71	(14,196,944.60)	-	58,168,919.11
Short-term borrowings	2,597,652,702.43	-	10,973,397.39	2,608,626,099.82
Notes payable	-	-	3,416,755,681.80	3,416,755,681.80
Accounts payable	-	-	6,468,535,961.17	6,468,535,961.17
Notes payable and accounts payable	9,885,291,642.97	-	(9,885,291,642.97)	-
Other payables	1,539,436,971.93	(11,256.96)	(11,012,381.64)	1,528,413,333.33
Non-current liabilities due within one year	5,861,324.37	532,569,492.66	-	538,430,817.03
Lease liabilities	-	1,107,537,419.92	-	1,107,537,419.92
Long-term borrowings	31,600,000.00	-	38,984.25	31,638,984.25
Long-term payables	4,563,978.52	(3,763,978.52)	-	800,000.00

2018

	Before changes Closing balance for 2018	Changes in accounting policies		After changes Opening balance for 2019
		Effect of the New Leases Standard	Other changes in presentation of financial statements	
Finance costs	112,862,739.12	-	(61,372,718.53)	51,490,020.59
Investment income	319,897,172.23	-	(61,372,718.53)	258,524,453.70

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

III Summary of significant accounting policies and accounting estimates (Continued)

35. Changes in accounting policies and estimates (Continued)

Changes in accounting policies (Continued)

The cumulative effects of the retrospective adjustments caused by the above changes in accounting policies on the financial statements are as follows: (Continued)

The Company

2019

	Before changes Closing balance for 2018	Changes in accounting policies		After changes Closing balance for 2018
		Effect of the New Leases Standard	Other changes in presentation of financial statements	
Cash and bank balances	1,817,654,598.01	-	3,697,083.33	1,821,351,681.34
Notes receivable	-	-	34,154,774.75	34,154,774.75
Accounts receivable	-	-	631,236,593.94	631,236,593.94
Receivables financing	-	-	29,716,205.64	29,716,205.64
Notes receivable and accounts receivable	695,107,574.33	-	(695,107,574.33)	-
Advances to suppliers	4,760,182.00	(2,863.35)	-	4,757,318.65
Other receivables	1,541,980,883.50	-	(3,697,083.33)	1,538,283,800.17
Right-of-use assets	-	6,827,192.24	-	6,827,192.24
Notes payable	-	-	252,317,800.78	252,317,800.78
Accounts payable	-	-	442,049,241.22	442,049,241.22
Notes payable and accounts payable	694,367,042.00	-	(694,367,042.00)	-
Other payables	1,481,817,856.56	-	(38,984.25)	1,481,778,872.31
Non-current liabilities due within one year	-	786,089.29	-	786,089.29
Lease liabilities	-	6,038,239.60	-	6,038,239.60
Long-term borrowings	31,600,000.00	-	38,984.25	31,638,984.25
	Before changes Closing balance for 2018	Changes in accounting policies		After changes Opening balance for 2019
		Effect of the New Leases Standard	Other changes in presentation of financial statements	
Finance costs	(42,814,941.43)	-	(1,688,557.15)	(44,503,498.58)
Investment income	704,244,539.45	-	(1,688,557.15)	702,555,982.30

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

IV Taxation

1. Main categories and rates of taxes:

Categories	Tax base	Tax rate
Corporate income tax ("CIT")	Taxable income	10%, 15%, 20% or 25%
	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of the current period)	0%, 3%, 5%, 6%, 9%, 10%, 13% or 16%
Value-added tax ("VAT")		
City maintenance and construction tax	Amount of VAT paid	5% or 7%
Educational surcharge	Amount of VAT paid	3%
Local educational surcharge	Amount of VAT paid	2%

2. Tax preferences

In 2011, the Urumqi Head Office, Changji Branch and Karamay Branch of Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd. ("Xinjiang New & Special Medicines"), subsidiaries of the Group, shall pay tax at a rate of 15% by jurisdiction. According to the Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Concerning Tax Policies for the Further Development of the Western Regions (Cai shui [2011] No.58), enterprises from encouraged industries in the Western Regions could enjoy a reduced CIT rate of 15% from 1 January 2011 to 31 December 2020.

In 2014, the Group's subsidiary, Sinopharm Holding Guangxi Logistics Co., Ltd. ("Sinopharm Guangxi Logistics"), was approved by the Guangxi Local Tax Bureau to enjoy a tax discount applicable to corporations in the region of Western Development to pay income tax at a tax rate of 15% from 1 January 2014 to 31 December 2020..

In 2015, eight subsidiaries of the Group in the Guangxi Province, including Sinopharm Guangxi, Sinopharm Holding Liuzhou Co., Ltd. ("Sinopharm Liuzhou"), Sinopharm Holding Beihai Co., Ltd ("Sinopharm Beihai"), Sinopharm Holding Guilin Co., Ltd. ("Sinopharm Guilin"), Sinopharm Holding Guigang Co., Ltd. ("Sinopharm Guigang"), Sinopharm Holding Yulin Co., Ltd. ("Sinopharm Yulin"), Sinopharm Holding Baise Co., Ltd ("Sinopharm Baise") and Sinopharm Holding Wuzhou Co., Ltd. ("Sinopharm Wuzhou"), were all approved by the Guangxi Local Tax Bureau to enjoy a tax concession of Western Development at a preferential CIT rate of 15%. The applicable period for Sinopharm Guangxi, Sinopharm Liuzhou and Sinopharm Beihai is from 1 January 2014 to 31 December 2020, and that for the other five subsidiaries is from 1 January 2015 to 31 December 2020.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

IV Taxation (Continued)

2. Tax preferences (Continued)

In 2019, according to the Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Concerning Tax Policies for the Further Development of the Western Regions (Cai shui [2011] No.58), Sinopharm Holding Guoda Inner Mongolia Pharmacy Chain Store Co., Ltd. (“Guoda Inner Mongolia”), Sinopharm Holding Hulun Buir Pharmacy Chain Store Co., Ltd., Sinopharm Holding Guoda Drug Store Manchuria Co., Ltd., Inner Mongolia Guoda Medicine Co., Ltd., Sinopharm Holding Guoda Guangxi Pharmacy Chain Store Co., Ltd, Ningxia Guoda Pharmacy Chain Store Co., Ltd, Guoda Pharmacy (Pu’er) Songmao Co., Ltd (“Guoda Pu’er”), Sinopharm Holding Qinzhou Co., Ltd., Sinopharm Holding Hezhou Co., Ltd. and Sinopharm Holding Hechi Co., Ltd., subsidiaries of the Group, shall pay CIT at a rate of 15% by jurisdiction.

In 2019, according to the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation, the portion of annual taxable income of the Group's subsidiaries, Shanghai Guoda Dongsheng Pharmacy Co., Ltd., Shanghai Guoda Haohai Pharmacy Co., Ltd., Shanghai Guoda Ruijing Pharmacy Co., Ltd., Shanghai Guoda Dongxin Pharmacy Co., Ltd., Sinopharm Guoda Yongsheng Pharmacy (Shanghai) Co., Ltd., Zhejiang Sinopharm Pharmacy Dongshan Pharmacy Co., Ltd., Sinopharm Holding Guoda Pharmacy Guangzhou Chain Co., Ltd., Taishan Sinopharm Holding Guoda Qunkang Pharmacy Chain Store Co., Ltd. (“Guoda Taishan”), Sinopharm Holding Guoda Pharmacy Yongxingtang Chain Store (Chaoyang) Co., Ltd., Liaoning Guoda Medicine Co., Ltd., Sinopharm Holding Guoda Pharmacy Bayannur Co., Ltd., Sinopharm Holding Guoda Pharmacy Ulanqab Co., Ltd., Sinopharm Holding Baiyi Pharmacy Guangxi Co., Ltd. and Sinopharm Accord (Guangzhou) Medicine Co., Ltd. (“Guangzhou Medicine”), is subject to CIT at the rate of 20%.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements

1. Cash and bank balances

	31 December 2019	31 December 2018
Cash on hand	5,077,406.65	5,587,191.18
Cash at banks	8,434,585,141.71	7,632,906,538.27
Cash and cash equivalents	8,417,599,358.83	7,626,529,829.59
Undue interest receivable	16,985,782.88	6,376,708.68
Other cash balances	442,672,297.43	457,664,283.79
Deposits for letters of credit	124,806.00	4,191,246.00
Deposits for bank acceptance bills	442,547,491.43	453,473,037.79
	<u>8,882,334,845.79</u>	<u>8,096,158,013.24</u>

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 1 month to 6 months depending on the fund arrangements of the Group, and the deposits earn interest at the respective deposit rates. The maturities of bank notice deposits are 7 days depending on the fund arrangement of the Group, and the deposits earn interest at the respective deposit rates.

2. Notes receivable

	31 December 2019	31 December 2018
Commercial acceptance bills	<u>793,301,688.64</u>	<u>789,536,654.23</u>

At 31 December 2019 and 2018, there were no notes receivable that were pledged.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

2. Notes receivable (Continued)

Notes receivable endorsed or discounted by the Group to other parties which were not yet due at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	-	64,038,348.12	-	170,314,843.11

As at 31 December 2019 and 31 December 2018, notes receivable that were converted into accounts receivable due to the drawer's inability to settle the notes on the maturity date are as follows:

	31 December 2019	31 December 2018
Commercial acceptance bills	1,174,861.29	-

3. Accounts receivable

The credit period for accounts receivable normally ranges from 0 to 90 days. Accounts receivable are interest-free.

An aging analysis of accounts receivable is as follows:

	31 December 2019	31 December 2018
Within 1 year	10,622,827,598.95	9,339,491,654.21
1 to 2 years	19,945,711.69	15,786,120.79
2 to 3 years	896,129.90	4,825,981.07
Over 3 years	14,941,871.10	16,279,326.59
Less: Bad debt provision for accounts receivable	40,629,418.12	39,521,434.74
	<u>10,617,981,893.52</u>	<u>9,336,861,647.92</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

Changes in provision for bad debts are presented as follows:

	Opening balance	Reversal of write-off in previous years	Increases in the year	Increases in merger	Reversal in the year	Written off in the year	Closing balance
2019	39,521,434.74	22,080.00	25,098,772.50	56,980.49	(20,246,309.59)	(3,823,540.02)	40,629,418.12
2018	43,925,465.41	221,031.35	12,467,357.34	-	(16,899,781.64)	(192,637.72)	39,521,434.74

The carrying amount of accounts receivable that affected the changes in provision this year is as follows:

	31 December 2019			
	Carrying amount		Bad debt provisions	
	Amount	Proportion	Amount	Proportion
Items for which provision for bad debts is recognised separately	590,399,747.84	5.54%	(18,329,609.15)	3.10%
Items for which provision for bad debts is recognised by group (credit risk characteristics)	10,068,211,563.80	94.46%	(22,299,808.97)	0.22%
	10,658,611,311.64	100.00%	(40,629,418.12)	0.38%
	31 December 2018			
	Carrying amount		Bad debt provisions	
	Amount	Proportion	Amount	Proportion
Items for which provision for bad debts is recognised separately	595,919,487.29	6.36%	(16,766,679.23)	2.81%
Items for which provision for bad debts is recognised by group (credit risk characteristics)	8,780,463,595.37	93.64%	(22,754,755.51)	0.26%
	9,376,383,082.66	100.00%	(39,521,434.74)	0.42%

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

At 31 December 2019, accounts receivable that are individually significant and individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Expected Credit Loss Rate	Assessment for impairment
Receivable of medical insurance	425,784,659.32	-	0.00%	The receivable of medical insurance has lower-tier default risk.
Client A	11,559,178.29	(11,559,178.29)	100.00%	Debtor had irregular operations of subject to serious financial difficulties and related to multiple lawsuits, is with lower-tier recoverability.
Client B	2,447,976.74	(2,447,976.74)	100.00%	Debtor had irregular operations of subject to serious financial difficulties, and has been placed on a national list of defaulters, with highly risk of going bankruptcy or financial restructuring.
Client C	2,365,253.03	(2,365,253.03)	100.00%	Debtor had irregular operations of subject to serious financial difficulties, and has been placed on a national list of defaulters, with highly risk of going bankruptcy or financial restructuring.
Others	<u>148,242,680.46</u>	<u>(1,957,201.09)</u>	1.32%	Part of the receivable takes longer than usual to recover, and has risk of recoverability
	<u>590,399,747.84</u>	<u>(18,329,609.15)</u>		

At 31 December 2018, accounts receivable that were individually significant and individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Expected Credit Loss Rate	Assessment for impairment
Receivable of medical insurance	380,933,117.06	(605,476.95)	0.16%	The receivable of medical insurance has lower-tier default risk.
Client A	11,559,178.29	(11,559,178.29)	100.00%	Debtor had irregular operations of subject to serious financial difficulties and related to multiple lawsuits, is with lower-tier recoverability.
Others	<u>203,427,191.94</u>	<u>(4,602,023.99)</u>	2.26%	Part of the receivable takes longer than usual to recover, and has risk of recoverability
	<u>595,919,487.29</u>	<u>(16,766,679.23)</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

The accounts receivable for which the Group recognised provision for bad debts using the aging analysis method are presented as follows:

	31 December 2019			31 December 2018		
	Estimated default amount	Expected credit loss rate	Expected credit loss in entire lifetime	Estimated default amount	Expected credit loss rate	Expected credit loss in entire lifetime
Within 1 year	10,046,467,724.08	0.20%	(19,806,004.64)	8,763,673,896.90	0.25%	(21,544,996.66)
1 to 2 years	18,859,269.14	10.47%	(1,974,732.42)	10,195,222.35	4.83%	(492,440.38)
2 to 3 years	896,129.90	13.34%	(119,533.01)	3,462,472.01	8.53%	(295,199.01)
Over 3 years	1,988,440.68	20.09%	(399,538.90)	3,132,004.11	13.48%	(422,119.46)
	<u>10,068,211,563.80</u>		<u>(22,299,808.97)</u>	<u>8,780,463,595.37</u>		<u>(22,754,755.51)</u>

The provision for bad debts amounted to RMB25,098,772.50 in 2019 (2018: RMB12,467,357.34), including RMB20,246,309.59 which was recovered or reversed (2018: RMB16,899,781.64).

Important recovered or reversed items of provision for individually assessed bad debts in 2019 are listed below:

	Reason for recoverability or reversal	Original assessment for impairment	Recovered or reversed amount	Method of recovery
Client A	Amount received	Uncertainty in recovery	167,280.00	Amount received
Client B	Amount received	Uncertainty in recovery	140,801.62	Amount received
Client C	Amount received	Uncertainty in recovery	117,446.10	Amount received
Client D	Amount received	Uncertainty in recovery	99,886.22	Amount received
			<u>525,413.94</u>	

Important recovered or reversed items of provision for individually assessed bad debts in 2018 are listed below:

	Reason for recoverability or reversal	Original assessment for impairment	Recovered or reversed amount	Method of recovery
Client A	Amount received	Uncertainty in recovery	4,083,065.20	Amount received
Client B	Amount received	Uncertainty in recovery	93,140.50	Amount received
Client C	Amount received	Uncertainty in recovery	54,698.00	Amount received
Client D	Amount received	Uncertainty in recovery	54,437.96	Amount received
			<u>4,285,341.66</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

Accounts receivable written off in 2019 are RMB3,823,540.02 (2018: RMB192,637.72).

Accounts receivable written off in 2019 are analysed below:

	Nature of the receivable	Amount	Reason	Fulfilled write-off procedures	Related party transaction or not
Client A	Payment for goods	793,588.14	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Client B	Payment for goods	506,604.84	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Client C	Payment for goods	280,324.00	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Client D	Payment for goods	276,000.00	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Others	Payment for goods	<u>1,967,023.04</u>	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
		<u>3,823,540.02</u>			

Accounts receivable written off in 2018 are analysed below:

	Nature of the receivable	Amount	Reason	Fulfilled write-off procedures	Related party transaction or not
Client A	Payment for goods	120,418.94	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Client B	Payment for goods	43,646.94	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Client C	Payment for goods	28,571.84	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
		<u>192,637.72</u>			

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

In 2019, the Group factored a small portion of accounts receivable at amortised cost to financial institutions. The amount of accounts receivable derecognised was RMB6,274,777,382.79 (2018: RMB3,665,602,250.53), and the amount of loss recognised through Investment income was RMB86,377,492.55 (2018: RMB61,372,718.53).

As at 31 December 2019, the top five accounts receivable by customer are summarised below:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	170,343,305.26	(651,626.93)	1.60%
Top 2 Account receivable	168,729,902.27	(1,268,752.66)	1.58%
Top 3 Account receivable	165,585,249.66	(834,284.84)	1.55%
Top 4 Account receivable	149,692,676.64	(497,239.72)	1.40%
Top 5 Account receivable	141,678,146.50	(522,091.42)	1.33%
	<u>796,029,280.33</u>	<u>(3,773,995.57)</u>	<u>7.46%</u>

As at 31 December 2018, the top five accounts receivable by customer are summarised below:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	153,684,242.23	(151,473.45)	1.64%
Top 2 Account receivable	150,595,649.56	(1,204,596.60)	1.61%
Top 3 Account receivable	138,844,133.79	(75,576.22)	1.48%
Top 4 Account receivable	136,286,804.49	(265,259.53)	1.45%
Top 5 Account receivable	130,575,790.77	(56,042.86)	1.39%
	<u>709,986,620.84</u>	<u>(1,752,948.66)</u>	<u>7.57%</u>

Refer to Note VIII (2) for details of transfer of accounts receivable.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

4. Receivables financing

	31 December 2019	31 December 2018
Bank acceptance bills	<u>446,342,588.46</u>	<u>567,775,275.40</u>

At 31 December 2019 and 2018, there were no receivables financing that were pledged.

Receivables financing endorsed or discounted by the Group to other parties which were not yet due at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	Derecognised	Not Derecognised	Derecognised	Not Derecognised
Bank acceptance bills	<u>2,280,123,957.94</u>	<u>-</u>	<u>1,273,262,524.19</u>	<u>-</u>

As at 31 December 2019 and 31 December 2018, receivables financing that was converted into accounts receivable due to the drawer's inability to settle the notes on the maturity date is as follows:

	31 December 2019	31 December 2018
Bank acceptance bills	<u>-</u>	<u>50,000.00</u>

5. Advances to suppliers

The aging of advances to suppliers is analyzed below:

	31 December 2019		1 January 2019		31 December 2018	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Within 1 year	383,626,398.63	99.67%	411,094,093.16	99.19%	580,144,340.20	99.43%
1 to 2 years	244,213.07	0.06%	873,351.85	0.21%	873,351.85	0.15%
2 to 3 years	815,319.09	0.21%	2,466,823.90	0.60%	2,466,823.90	0.42%
Over 3 years	196,616.45	0.06%	-	0.00%	-	0.00%
	<u>384,882,547.24</u>	<u>100.00%</u>	<u>414,434,268.91</u>	<u>100.00%</u>	<u>583,484,515.95</u>	<u>100.00%</u>

In accordance with the New Leases Standard, on 1 January 2019, the Group adjusted the prepaid rents except for short-term leases and low-value assets to right-of-use assets. Compared with 31 December 2018, the advances to suppliers by less than one year were reduced. Please refer to Note III (35) for details of the impact of the New Leases Standard on the opening of the statement.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

5. Advances to suppliers (Continued)

As at 31 December 2019, the top five advances to suppliers by customer are summarized below:

	Amount	Proportion of total balance
Total amount of top five advances to suppliers	<u>56,871,461.86</u>	<u>14.78%</u>

As at 31 December 2018, the top five advances to suppliers by customer are summarized below:

	Amount	Proportion of total balance
Total amount of top five advances to suppliers	<u>119,855,873.09</u>	<u>20.54%</u>

6. Other receivables

	31 December 2019	31 December 2018
Dividend receivable	834,914.61	-
Other receivables	<u>477,153,330.37</u>	<u>637,116,650.64</u>
	<u>477,988,244.98</u>	<u>637,116,650.64</u>

Dividend receivable

	31 December 2019	31 December 2018
Shanghai Dingqun Enterprise Management Consulting Co., Ltd ("Shanghai Dingqun")	<u>834,914.61</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

6. Other receivables (Continued)

Other receivables

The aging of other receivables is analysed below:

	31 December 2019	31 December 2018
Within 1 year	451,743,352.46	609,703,501.56
1 to 2 years	61,631,709.62	18,452,286.18
2 to 3 years	6,522,348.87	9,357,373.34
Over 3 years	<u>21,196,047.56</u>	<u>19,525,443.28</u>
Less: Bad debt provision for other receivables	<u>63,940,128.14</u>	<u>19,921,953.72</u>
	<u>477,153,330.37</u>	<u>637,116,650.64</u>

Categories of other receivables by nature are as follows:

	31 December 2019	31 December 2018
Deposits	273,189,294.54	278,455,623.30
Receivable of price reduction compensation and purchasing rebates	67,585,688.47	99,668,799.22
Receivable of the pharmaceutical electronic trading platform	49,597,763.58	83,826,127.02
Entrusted borrowings	45,360,333.35	44,000,000.00
Petty cash advance to employees	11,591,921.79	12,439,613.27
Receivable of equity transactions	8,980,000.00	8,980,000.00
Receivable due from related parties	3,786,279.26	8,119,399.79
Others	<u>81,002,177.52</u>	<u>121,549,041.76</u>
Less: Bad debt provision for other receivables	<u>63,940,128.14</u>	<u>19,921,953.72</u>
	<u>477,153,330.37</u>	<u>637,116,650.64</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

6. Other receivables (Continued)

Changes in bad debt provision for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

2019	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Balance at 1 January 2019	-	2,989,960.03	16,931,993.69	19,921,953.72
Balance at 1 January 2019 during the period	-	-	-	-
--Transfer to the Stage 2	-	-	-	-
--Transfer to the Stage 3	-	-	-	-
--Reverse to the Stage 2	-	-	-	-
--Reverse to the Stage 1	-	-	-	-
Provisions during the period	-	4,735,357.64	45,405,997.63	50,141,355.27
Reversal during the period	-	(909,367.44)	(920,960.13)	(1,830,327.57)
Transfer out during the period	-	-	-	-
Write-off during the period	-	-	(4,333,603.88)	(4,333,603.88)
Addition due to combination	-	200.00	-	200.00
Reversal of write-off in previous years	-	40,550.60	-	40,550.60
Balance at 31 December 2019	-	6,856,700.83	57,083,427.31	63,940,128.14

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

6. Other receivables (Continued)

2018	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Balance at 1 January 2018	-	2,782,712.61	12,328,337.26	15,111,049.87
Balance at 1 January 2018 during the period	-	-	-	-
--Transfer to the Stage 2	-	-	-	-
--Transfer to the Stage 3	-	-	-	-
--Reverse to the Stage 2	-	-	-	-
--Reverse to the Stage 1	-	-	-	-
Provisions during the period	-	1,601,047.86	5,539,406.43	7,140,454.29
Reversal during the period	-	(1,393,800.44)	(1,015,750.00)	(2,409,550.44)
Write-back during the period	-	-	-	-
Write-off during the period	-	-	-	-
Addition due to combination	-	-	80,000.00	80,000.00
Balance at 31 December 2018	-	2,989,960.03	16,931,993.69	19,921,953.72

The bad debt provision amount of other receivables in 2019 was RMB50,141,355.27 (2018:RMB7,140,454.29), with the recovered or reversed amount of RMB1,830,327.57 (2018: RMB2,409,550.44).

The write-off amount of other receivables in 2019 was RMB4,333,603.88 (2018: nil).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

6. Other receivables (Continued)

As at 31 December 2019, the top 5 parties that owed the largest amounts of other receivable balances are analysed below:

	Nature	Amount	Age	% of total amount	Provision of bad debts
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd. ("Zhijun Suzhou") (Note)	Entrusted borrowings	45,360,333.35	Within 2 years	8.38%	45,360,333.35
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform repayment not yet cleared	35,328,767.60	Within 1 year	6.53%	-
TCM-Integrated Cancer Center of Southern Medical University	Deposit of a logistics extension service project	20,000,000.00	Within 3 years	3.70%	-
Shenyang Society Medical Insurance Management Bureau	Medical insurance deposit	19,676,531.29	Within 1 year	3.64%	-
China Resources Pharmaceutical Business Group Co., Ltd	Price reduction compensation	15,649,769.94	Within 1 year	2.89%	-
		<u>136,015,402.18</u>		<u>25.14%</u>	<u>45,360,333.35</u>

As at 31 December 2018, the top 5 parties that owed the largest amounts of other receivable balances are analysed below:

	Nature	Amount	Age	% of total amount	Provision of bad debts
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform repayment not yet cleared	83,826,127.02	Within 1 year	12.76%	-
Zhijun Suzhou	Entrusted borrowings	45,846,618.96	Within 1 years	6.98%	-
TCM-Integrated Cancer Center of Southern Medical University	Deposit of a logistics extension service project	30,000,000.00	Within 2 years	4.57%	-
AstraZeneca (Wuxi) Trading Co., Ltd.	Price reduction compensation	22,811,275.77	Within 1 year	3.47%	-
Taiyuan Medical Insurance Management Service Center	Medical Insurance Guarantee Deposit	19,681,824.13	Within 1 year	3.00%	-
		<u>202,165,845.88</u>		<u>30.78%</u>	<u>-</u>

Note: With bad operation, declining solvency and increasing credit risk of Zhijun Suzhou in 2019, the Group accrued the total amount RMB45,360,333.35 of the entrusted borrowings of Zhijun Suzhou for bad debt provision.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

6. Other receivables (Continued)

As at 31 December 2019, the amount of government grants receivable is analysed below:

	Grants program	Amount	Ageing	Estimated collection time, amount and basis
Karamay Social Insurance Administration Bureau	Karamay Employment Promotion Award	15,128.72	Within 1 year	Based on "Measures of Karamay City for employment promotion"(Kerenshefa [2017] No.184), expected to be fully recovered in June 2020.

7. Inventories

Inventories by category are analysed below:

	31 December 2019			31 December 2018		
	Book value	Provision	Net book value	Book value	Provision	Net book value
Raw materials	645,627.66	-	645,627.66	1,410,012.28	-	1,410,012.28
Finished goods	4,951,220,747.35	(8,305,500.35)	4,942,915,247.00	4,392,144,746.88	(8,313,195.29)	4,383,831,551.59
Work in progress	140,458.20	-	140,458.20	1,011,007.23	-	1,011,007.23
Low cost consumables	3,723,258.67	-	3,723,258.67	3,083,371.09	-	3,083,371.09
	<u>4,955,730,091.88</u>	<u>(8,305,500.35)</u>	<u>4,947,424,591.53</u>	<u>4,397,649,137.48</u>	<u>(8,313,195.29)</u>	<u>4,389,335,942.19</u>

Provision for inventories is analysed below:

	1 January 2019	Back transfer of previous years' write-off	Increases		Decreases		31 December 2019
			Current	Addition due to combination	Reversal	Write-off	
Finished goods	<u>8,313,195.29</u>	<u>5,356.03</u>	<u>4,362,375.48</u>	<u>139,294.62</u>	<u>(3,110,765.80)</u>	<u>(1,403,955.27)</u>	<u>8,305,500.35</u>
	1 January 2018		Increases	Reversal	Write-off		31 December 2018
Finished goods	<u>6,840,110.55</u>		<u>5,422,984.90</u>	<u>(2,678,379.54)</u>	<u>(1,271,520.62)</u>		<u>8,313,195.29</u>

In 2019, due to the value recovery of partial inventories, provision for inventories was reversed by RMB3,110,765.80 (2018: RMB2,678,379.54); and due to the sales of goods in stock, provision for inventories was written off by RMB1,403,955.27 (2018: RMB1,271,520.62).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

V Notes to the consolidated financial statements (Continued)

8. Other current assets

	31 December 2019	31 December 2018
VAT tax credit	101,367,670.10	94,312,573.34
CIT to be deducted	513,305.14	723,000.46
Others	<u>317,589.14</u>	<u>312,055.38</u>
	<u>102,198,564.38</u>	<u>95,347,629.18</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

9. Long-term equity investments

2019

Investee	1 January 2019	Changes in the year						31 December 2019	Amount of provision for impairment
		Additional Investment	Profit or loss under equity method	Changes in other comprehensive income	Other changes in equity	Cash dividend declared by investee	Provision for impairment		
Shenzhen Main Luck Pharmaceutical Inc. ("Main Luck Pharmaceutical") (a)	265,316,653.68	-	87,216,213.59	-	-	(58,063,500.00)	-	294,469,367.27	-
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd. ("Shanghai Beiyi") (b)	11,029,918.10	-	987,426.88	-	-	(2,129,400.00)	-	9,887,944.98	-
Shanghai Liyi Pharmacy Co., Ltd. ("Shanghai Liyi") (c)	955,428.23	-	83,611.65	-	-	-	-	1,039,039.88	-
Shanghai Renbei Pharmacy Co., Ltd. ("Shanghai Renbei") (d)	-	1,800,000.00	-	-	-	-	-	1,800,000.00	-
Dongyuan Accord Pharmaceutical Chain Co., Ltd. ("Dongyuan Accord") (e)	396,638.32	-	-	-	-	-	-	-	(396,638.32)
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd. ("Guangdong Jienuo") (f)	6,802,156.19	1,740,000.00	(2,088,476.23)	-	-	-	-	6,453,679.96	-
Guangdong Jianhui Construction Investment Management Co., Ltd. ("Guangdong Jianhui") (g)	-	2,000,000.00	(145,352.19)	-	-	-	-	1,854,647.81	-
Zhijun Suzhou (h)	23,379,018.92	-	(21,521,739.40)	-	-	-	(1,857,279.52)	-	(1,857,279.52)
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd. ("Zhijun Medicine") (i)	355,353,196.15	-	106,436,143.29	-	-	(61,210,764.76)	-	400,578,574.68	-
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. ("Zhijun Trade") (i)	8,730,994.87	-	2,318,103.99	-	-	(773,841.25)	-	10,275,257.61	-
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd. ("Zhijun Pingshan") (i)	86,292,927.33	-	46,881,613.08	-	-	(12,296,521.67)	-	120,878,018.74	-
Shanghai Shyndec Pharmaceutical Co., Ltd. ("Shyndec Pharma") (i)	1,098,566,852.51	-	111,498,302.56	(133,366.19)	42,022,530.06	(16,714,220.15)	-	1,235,240,098.79	-
Shanghai Dingqun (j)	23,966,640.12	-	(493,944.35)	-	-	(834,914.61)	-	22,637,781.16	-
	<u>1,880,790,424.42</u>	<u>5,540,000.00</u>	<u>331,171,902.87</u>	<u>(133,366.19)</u>	<u>42,022,530.06</u>	<u>(152,023,162.44)</u>	<u>(1,857,279.52)</u>	<u>2,105,114,410.88</u>	<u>(2,253,917.84)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

9. Long-term equity investments (Continued)

2018

Investee	1 January 2018	Changes in the year					31 December 2018	Amount of provision for impairment
		Additional Investment	Profit or loss under equity method	Other changes in equity	Cash dividend declared by investee	Others		
Main Luck Pharmaceutical. (a)	239,046,738.14	-	79,054,915.54	-	(52,785,000.00)	-	265,316,653.68	-
Shanghai Beiyi (b)	9,518,694.65	-	1,511,223.45	-	-	-	11,029,918.10	-
Shanghai Liyi (c)	771,408.05	-	184,020.18	-	-	-	955,428.23	-
Dongyuan Accord (e)	396,638.32	-	-	-	-	-	-	(396,638.32)
Guangdong Jienuo (f)	8,502,884.50	-	(1,700,728.31)	-	-	-	6,802,156.19	-
Zhijun Suzhou (h)	46,199,728.91	-	(22,820,709.99)	-	-	-	23,379,018.92	-
Zhijun Medicine (i)	291,042,921.20	-	122,421,529.52	-	(58,111,254.57)	-	355,353,196.15	-
Zhijun Trade (i)	7,676,142.69	-	1,719,647.21	-	(664,795.03)	-	8,730,994.87	-
Zhijun Pingshan (i)	68,686,804.33	-	27,325,603.71	-	(9,719,480.71)	-	86,292,927.33	-
Shyndec Pharma (i)	979,174,050.62	-	108,241,749.04	19,599,266.75	(8,448,213.90)	-	1,098,566,852.51	-
Shanghai Dingqun (j)	-	20,000,000.00	3,966,640.12	-	-	-	23,966,640.12	-
	<u>1,651,016,011.41</u>	<u>20,000,000.00</u>	<u>319,903,890.47</u>	<u>19,599,266.75</u>	<u>(129,728,744.21)</u>	<u>-</u>	<u>1,880,393,786.10</u>	<u>(396,638.32)</u>

V Notes to the consolidated financial statements (Continued)

9. Long-term equity investments (Continued)

- (a) On 4 July 1990, the Group jointly established Main Luck Pharmaceutical with Mercian Kabushiki Kaisha and Main Life Co., Ltd., subscribing 35.19%, 34.15% and 30.66% of shareholdings, respectively. According to the Articles of Association, the board of directors of Main Luck Pharmaceutical consisted of six directors, in which two were appointed by the Group, accounting for 33.33% of voting rights. Therefore, the Group had significant influence over Main Luck Pharmaceutical, and thus, it was considered as an associate of the Group.
- (b) On 26 July 1994, the Group jointly established Shanghai Beiyi with Shanghai Beiyi (Group) Co., Ltd. and eight natural persons including Fuchun Zhu, with the share percentages being 26%, 26% and 48%, respectively. According to the Articles of Association, the board of directors of Shanghai Beiyi consisted of seven directors, in which two were appointed by the Group, accounting for 28.57% of voting rights. Therefore, the Group had significant influence over Shanghai Beiyi, and thus, it was considered as an associate of the Group.
- (c) On 25 November 2003, the Group jointly established Shanghai Liyi with Shanghai Pudong District Central Hospital and Shanghai Liyi, with the share percentages being 35%, 35% and 30%, respectively. According to the Articles of Association, the board of directors of Shanghai Liyi consisted of five directors, in which two were appointed by the Group, accounting for 40.00% of voting rights. Therefore, the Group had significant influence over Shanghai Liyi, and thus, it was considered as an associate of the Group.
- (d) On 3 March 2019, the Group acquired 30% shares of Shanghai Renbei. According to the Articles of Association, the board of directors of Shanghai Renbei was composed of three directors, one of whom was appointed by the Group, accounting for 33.33% of voting rights. Therefore, the Group has significant influence over Shanghai Renbei, and thus, it is considered as an associate of the Group.
- (e) In 2007, Dongyuan Accord, an associate of the Group, operated in poor conditions and its future operation would be significantly uncertain, so the Group made a full provision for impairment of the long-term equity investment on it.
- (f) On 23 February 2016, the Group jointly established Guangdong Jienuo with Sinopharm Jienuo Medical Treatment Service Co., Ltd. and Guangzhou Jinluo Investment Development Co., Ltd., with the share percentages being 29%, 51% and 20%, respectively. According to the Articles of Association, the board of directors of Guangdong Jienuo was composed of five directors, one of whom was appointed by the Group, accounting for 20% of voting rights. Therefore, the Group has significant influence over Guangdong Jienuo, and thus it, is considered as an associate of the Group. On 25 July 2019, the Group, together with current shareholders Sinopharm Jienuo Medical Treatment Service Co., Ltd. and Foshan Jiejianchengfeng Medical Equipment Co., Ltd., increased the capital of Sinopharm Jienuo Medical Treatment Service Co., Ltd. by 29%, 51% and 20% according to the shareholding ratio respectively, and the total amount of increased capital was RMB6,000 thousand.

V Notes to the consolidated financial statements (Continued)

9. Long-term equity investments (Continued)

- (g) On 23 November 2018, the Group jointly established Guangdong Jianhui with Guangdong Construction Engineering Group Co., Ltd., Suixi People's Hospital and Guangdong Jianke Architectural Design Institute Co., Ltd., with the share percentages being 10%, 79.90%, 10% and 0.10%, respectively. The registered capital of the company was RMB20,000 thousand. On 22 March 2019, the Group completed the investment of RMB2,000 thousand. According to the Articles of Association, the board of directors of Guangdong Jianhui was composed of five directors, one of whom was appointed by the Group, accounting for 20% of voting rights. Therefore, the Group has significant influence over Guangdong Jianhui, and thus, it is considered as an associate of the Group.
- (h) The Group disposed of its 67% equity interest of Zhijun Suzhou in April 2016. After the disposal, the Group held a 33% equity interest of Zhijun Suzhou. According to the Articles of Association, the board of directors of Zhijun Suzhou was composed of five directors, one of whom was appointed by the Group, accounting for 20% of voting rights. As a result, the Group has significant influence over Zhijun Suzhou, and thus, it is considered as an associate of the Group. In 2019, on account of mismanagement, there was significant uncertainty in the future operation of the Group's affiliated enterprise Zhijun Suzhou. Thus, the Group made full provision for impairment of long-term equity investment in Zhijun Suzhou.
- (i) The Group subscribed 15.56% of new issued shares of Shyndec Pharma, a related party, by the transferring of the productive assets in Pingshan base and its 51% equity interest of three pharmaceutical companies (Zhijun Medicines, Zhijun Pharma & Trade, Zhijun Pingshan) of the Group in 2016, respectively. After the completion of the reorganization, Shyndec Pharma holds a 51% equity interest of each of the three pharmaceutical companies, and the Group holds a 49% equity interest of each of the three pharmaceutical companies, and they have significant influence over the three pharmaceutical companies. At the same time, after the completion of the reorganization, the Group holds a 15.56% equity interest of Shyndec Pharma. Since Shyndec Pharma acquired the shares of subsidiaries with share-based payment in previous years, as at 31 December 2019, the Group held a 16.28% equity interest of Shyndec Pharma. Shyndec Pharma set up a board of directors that was responsible for the shareholders' meeting, with a total of nine members, among which, one was appointed by the Group. Each director shall represent one vote for resolutions of the board, accounting for 11.11% of the voting rights. The Group has significant influence over Shyndec Pharma. The above three pharmaceutical companies and Shyndec Pharma are considered as associates of the Group.
- (j) On May 2018, the Group jointly established Shanghai Dingqun with Ningbo Meishan bonded port area Qiling equity investment center LP, subscribing 2.53% and 97.47% of shareholdings, respectively. According to the Articles of Association, the board of directors of Shanghai Dingqun consisted of three directors and one of them was appointed by our Company. Each director shall represent one vote on the board's decisions, which shall be adopted if they are voted for by a simple majority of all the members of the board. Therefore, the Group has significant influence over Shanghai Dingqun, and thus, it is considered as an associate of the Group.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

10. Other equity instrument investment

2019

	Accumulated changes in fair value of other comprehensive income	Fair value	Dividend income for the current year		Reasons designated to be measured at fair value with changes included in other comprehensive income
			Equity instruments terminated in the current year	Equity instruments held in the current year	
Sinopharm Health Online Co., Ltd.	84,748,000.00	96,748,000.00	-	-	Non-trading equity instrument
Sinopharm Guoda Hubei Co., Ltd.	3,751,000.00	4,751,000.00	-	-	Non-trading equity instrument
Hunan Zhongbai Pharmaceutical Investment Co., Ltd.	138,000.00	453,000.00	-	-	Non-trading equity instrument
Shanghai Guoda Shuguang Pharmacy Co., Ltd	8,094,240.00	8,365,000.00	-	50,000.00	Non-trading equity instrument
Shanghai Guoren Pharmacy Co., Ltd.	5,604,000.00	5,704,000.00	-	421,386.60	Non-trading equity instrument
	<u>102,335,240.00</u>	<u>116,021,000.00</u>	<u>-</u>	<u>471,386.60</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

10. Other equity instrument investment(Continued)

2018

	Accumulated changes in fair value of other comprehensive income	Fair value	Dividend income for the current year		Reasons designated to be measured at fair value with changes included in other comprehensive income
			Equity instruments terminated in the current year	Equity instruments held in the current year	
Sinopharm Health Online Co., Ltd.	-	12,000,000.00	-	-	Non-trading equity instrument
Sinopharm Guoda Hubei Co., Ltd.	-	1,000,000.00	-	-	Non-trading equity instrument
Hunan Zhongbai Pharmaceutical Investment Co., Ltd.	-	315,000.00	-	31,500.00	Non-trading equity instrument
Shanghai Guoda Shuguang Pharmacy Co., Ltd	-	270,760.00	-	50,000.00	Non-trading equity instrument
Shanghai Guoren Pharmacy Co., Ltd.	-	100,000.00	-	437,919.36	Non-trading equity instrument
	-	13,685,760.00	-	519,419.36	

V Notes to the consolidated financial statements (Continued)**11. Other non-current financial assets**

	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss	<u>140,000,000.00</u>	<u>140,000,000.00</u>

As at 31 December 2019, the balance of other non-current financial asset is the fair value for the Sinopharm Zhongjin medical industry fund (“Industry fund”) that the Company had subscribed. At the 21st Meeting of the 7th board of directors which held on 6 January 2017, the Company deliberated and passed the proposal on investment subscription of the Industry fund and related party transaction of the company. The total investment which amounted to RMB200 million, will be paid by 3 payments. In 2017, the Company made the first payment in the amount of RMB60 million. However, as of 31 December 2017, the fund had neither obtained all the related licenses and approval documentations, nor started operating, therefore, the first payment amounting to RMB60 million was designated as other non-current asset. In 2018, the Company made the second payment in the amount of RMB80 million. As at 31 December 2019, the Company has made payments accumulated to RMB140 million. The industry fund has obtained all the related licenses and approval documentations in 2018, and also started operating. Since the cash flows obtained by the Company from the investment of the fund includes both the contractual cash flows generated by the basic assets during the investment period and the cash flows generated by the disposal of basic assets, which does not meet the requirement that the contractual cash flows generated by the financial assets on a specific date should only include the payment of the principal and the interest based on the outstanding principal amount. The Company classified the industrial fund investment assets as financial assets measured at fair value through profit or loss, which are presented as other non-current financial assets.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

12. Investment properties

Subsequent measurement under the cost model:

2019

	Buildings and constructions	Land use rights	Total
Original cost			
Opening balance	242,555,189.91	22,719,102.03	265,274,291.94
Purchase	-	-	-
Transfer from fixed assets	1,255,443.18	-	1,255,443.18
Transfer to intangible assets	-	-	-
Transfer to fixed assets	(200,000.00)	-	(200,000.00)
Closing balance	<u>243,610,633.09</u>	<u>22,719,102.03</u>	<u>266,329,735.12</u>
Accumulated depreciation and amortization			
Opening balance	(111,131,166.21)	(7,948,629.76)	(119,079,795.97)
Provision	(6,473,856.29)	(239,943.63)	(6,713,799.92)
Transfer from fixed assets	(395,846.48)	-	(395,846.48)
Transfer to intangible assets	-	-	-
Transfer to fixed assets	60,065.55	-	60,065.55
Closing balance	<u>(117,940,803.43)</u>	<u>(8,188,573.39)</u>	<u>(126,129,376.82)</u>
Provision for impairment			
Opening balance	(1,300,000.00)	-	(1,300,000.00)
Closing balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
Carrying amount			
At end of year	<u>124,369,829.66</u>	<u>14,530,528.64</u>	<u>138,900,358.30</u>
At beginning of year	<u>130,124,023.70</u>	<u>14,770,472.27</u>	<u>144,894,495.97</u>

V Notes to the consolidated financial statements (Continued)

12. Investment properties (Continued)

2018

	Buildings and constructions	Land use rights	Total
Original cost			
Opening balance	245,932,518.64	23,370,084.72	269,302,603.36
Purchase	45,481.13	-	45,481.13
Transfer from fixed assets	5,087,242.78	-	5,087,242.78
Transfer to intangible assets	-	(650,982.69)	(650,982.69)
Transfer to fixed assets	(8,510,052.64)	-	(8,510,052.64)
Closing balance	<u>242,555,189.91</u>	<u>22,719,102.03</u>	<u>265,274,291.94</u>
Accumulated depreciation and amortization			
Opening balance	(106,139,314.25)	(8,184,950.00)	(114,324,264.25)
Provision	(7,035,240.17)	(75,098.69)	(7,110,338.86)
Transfer from fixed assets	(1,480,401.05)	-	(1,480,401.05)
Transfer to intangible assets	-	311,418.93	311,418.93
Transfer to fixed assets	3,523,789.26	-	3,523,789.26
Closing balance	<u>(111,131,166.21)</u>	<u>(7,948,629.76)</u>	<u>(119,079,795.97)</u>
Provision for impairment			
Opening balance	(1,300,000.00)	-	(1,300,000.00)
Closing balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
Carrying amount			
At end of year	<u>130,124,023.70</u>	<u>14,770,472.27</u>	<u>144,894,495.97</u>
At beginning of year	<u>138,493,204.39</u>	<u>15,185,134.72</u>	<u>153,678,339.11</u>

V Notes to the consolidated financial statements (Continued)

12. Investment properties (Continued)

During 2019, depreciation and amortization of investment properties were RMB6,713,799.92 (2018: RMB7,110,338.86).

During 2019, properties with a carrying amount of RMB859,596.70 (original value: RMB1,255,443.18, accumulated depreciation: RMB395,846.48) were leased out to a third party in the form of operating leases. Since the date of change in purpose, and they have been transferred from fixed assets to investment properties.

During 2019, a property with a carrying amount of RMB139,934.45 (original value: RMB200,000.00, accumulated depreciation: RMB60,065.55) was transferred to an owner-occupied property. From the date of transfer, the property was reclassified as fixed assets.

As at 31 December 2019, there were no investment properties of which the certificates of title have not been obtained.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

13. Fixed assets

	31 December 2019	1 January 2019	31 December 2018
Fixed assets	612,599,944.11	594,067,973.91	607,933,827.67
Disposal of fixed assets	-	-	-
	<u>612,599,944.11</u>	<u>594,067,973.91</u>	<u>607,933,827.67</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2019

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Original cost						
Opening balance	489,661,268.82	185,444,104.09	89,613,300.13	294,575,902.89	54,661,564.43	1,113,956,140.36
Purchase	285,469.52	47,195,352.32	12,429,062.40	25,457,250.85	33,499,629.02	118,866,764.11
Transfer from construction in progress	-	8,769,821.87	-	878,820.54	-	9,648,642.41
Transfer from investment properties	200,000.00	-	-	-	-	200,000.00
Business combination not involving enterprises under common control	-	196,365.43	365,001.36	322,978.10	608,679.42	1,493,024.31
Transfer to investment properties	(1,255,443.18)	-	-	-	-	(1,255,443.18)
Disposal of subsidiaries	-	-	(305,010.00)	(298,683.01)	(124,535.84)	(728,228.85)
Disposal or retirement	(3,842,383.00)	(2,628,608.89)	(15,067,365.95)	(6,001,398.49)	(14,065,013.84)	(41,604,770.17)
Closing balance	<u>485,048,912.16</u>	<u>238,977,034.82</u>	<u>87,034,987.94</u>	<u>314,934,870.88</u>	<u>74,580,323.19</u>	<u>1,200,576,128.99</u>
Accumulated depreciation						
Opening balance	(164,477,441.12)	(85,085,743.31)	(59,523,264.14)	(173,741,971.45)	(38,364,970.83)	(519,888,166.45)
Provision	(15,582,180.14)	(30,506,506.49)	(8,239,110.97)	(23,191,050.44)	(22,011,784.80)	(99,530,632.84)
Transfer from investment properties	(60,065.55)	-	-	-	-	(60,065.55)
Transfer to investment properties	395,846.48	-	-	-	-	395,846.48
Recovered from disposal of subsidiaries	-	-	298,484.02	136,696.63	52,796.55	487,977.20
Disposal or retirement	182,520.72	2,154,833.53	11,185,794.58	4,445,889.85	12,649,817.60	30,618,856.28
Closing balance	<u>(179,541,319.61)</u>	<u>(113,437,414.27)</u>	<u>(56,278,096.51)</u>	<u>(191,045,213.01)</u>	<u>(47,674,141.48)</u>	<u>(587,976,184.88)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2019 (Continued)

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Provision for impairment						
Opening balance	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Carrying amount						
At end of year	305,507,592.55	125,539,620.55	30,756,891.43	123,889,657.87	26,906,181.71	612,599,944.11
At beginning of year	325,183,827.70	100,358,362.78	30,090,035.99	122,139,153.84	16,296,593.60	594,067,973.91

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2018

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Original cost						
Opening balance	456,161,611.21	183,752,571.14	87,999,790.56	259,281,585.41	30,111,198.47	1,017,306,756.79
Purchase	33,284,634.30	23,347,438.62	10,265,993.33	41,281,602.46	24,790,021.29	132,969,690.00
Transfer from construction in progress	416,909.49	3,060,420.86	-	2,286,152.37	6,595,411.97	12,358,894.69
Transfer from investment properties	8,510,052.64	-	-	-	-	8,510,052.64
Business combination not involving enterprises under common control	-	-	102,931.29	99,584.93	1,250.05	203,766.27
Transfer to investment properties	(5,087,242.78)	-	-	-	-	(5,087,242.78)
Disposal of subsidiaries	-	-	(151,443.00)	-	(244,344.76)	(395,787.76)
Disposal or retirement	(3,624,696.04)	(2,705,694.05)	(8,603,972.05)	(5,656,536.47)	(6,591,972.59)	(27,182,871.20)
Closing balance	<u>489,661,268.82</u>	<u>207,454,736.57</u>	<u>89,613,300.13</u>	<u>297,292,388.70</u>	<u>54,661,564.43</u>	<u>1,138,683,258.65</u>
Accumulated depreciation						
Opening balance	(149,119,755.22)	(73,601,067.33)	(59,221,772.87)	(154,689,144.23)	(28,964,583.12)	(465,596,322.77)
Provision	(15,341,234.41)	(22,747,402.07)	(7,596,679.69)	(23,835,198.48)	(15,155,803.18)	(84,676,317.83)
Transfer from investment properties	(3,523,789.26)	-	-	-	-	(3,523,789.26)
Transfer to investment properties	1,480,401.05	-	-	-	-	1,480,401.05
Disposal or retirement	2,026,936.72	1,706,685.96	7,143,745.42	4,778,544.36	5,519,585.61	21,175,498.07
Closing balance	<u>(164,477,441.12)</u>	<u>(94,641,783.44)</u>	<u>(59,523,264.14)</u>	<u>(173,741,971.45)</u>	<u>(38,364,970.83)</u>	<u>(530,749,430.98)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2018 (Continued)

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Provision for impairment						
Opening balance	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Carrying amount						
At end of year	325,183,827.70	112,812,953.13	30,090,035.99	123,550,417.25	16,296,593.60	607,933,827.67
At beginning of year	307,041,855.99	110,151,503.81	28,778,017.69	104,592,441.18	1,146,615.35	551,710,434.02

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019
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V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

Fixed assets held under finance leases are presented as follows:

2018

	Original cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	22,010,632.48	(9,556,042.13)	-	12,454,590.35
Other equipment	<u>2,716,485.81</u>	<u>(1,305,222.40)</u>	<u>-</u>	<u>1,411,263.41</u>
	<u>24,727,118.29</u>	<u>(10,861,264.53)</u>	<u>-</u>	<u>13,865,853.76</u>

As at 31 December 2019 and 31 December 2018, the Group has not owned any fixed assets for operating leases.

As at 31 December 2019, the fixed assets falling to accomplish certification of title are presented as follows:

	Book value	Reason for not obtaining certification of title
Houses and buildings	28,356,440.00	As at 31 December 2019, the Company has not yet obtained the certification of title for No.13 Jingxing North Street, Tiexi District Shenyang. The transferor, the State-owned Assets Supervision and Administration Commission, was still processing the case and had provided a relevant notification.

As at 31 December 2019 and 31 December 2018, there were no fixed assets that were temporarily idle.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

14. Construction in progress

	31 December 2019	31 December 2018
Construction in progress	<u>31,582,575.84</u>	<u>36,412,614.61</u>

	31 December 2019			31 December 2018		
	Carrying balance	Impairment	Carrying amount	Carrying balance	Impairment	Carrying amount
Warehouse improvement project	1,232,957.94	-	1,232,957.94	806,272.40	-	806,272.40
New office building project	110,090.53	-	110,090.53	188,251.26	-	188,251.26
Supply chain extension project	8,081,340.80	-	8,081,340.80	12,617,953.89	-	12,617,953.89
Software project	13,197,683.52	-	13,197,683.52	12,930,498.53	-	12,930,498.53
Other projects	8,960,503.05	-	8,960,503.05	9,869,638.53	-	9,869,638.53
	<u>31,582,575.84</u>	-	<u>31,582,575.84</u>	<u>36,412,614.61</u>	-	<u>36,412,614.61</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

Changes of significant construction in progress in 2019 are presented as follows:

Project name	At beginning of the year	Increase	Decrease				At end of year	Source of funds	Proportion of investment to budget (%)
			Transferred to fixed assets	Transferred to intangible assets	Transferred to long term prepaid expense	Other			
Warehouse improvement project	806,272.40	3,859,186.68	(1,143,477.76)	-	(2,289,023.38)	-	1,232,957.94	Self-raised funds	67.37
New office building project	188,251.26	110,090.53	-	-	(188,251.26)	-	110,090.53	Self-raised funds	43.33
Supply chain extension project	12,617,953.89	8,728,170.28	(8,459,732.15)	(4,245,282.90)	-	(559,768.32)	8,081,340.80	Self-raised funds	71.99
Software project	12,930,498.53	13,216,765.17	(45,432.50)	(12,904,147.68)	-	-	13,197,683.52	Self-raised funds	99.98
Other construction projects	<u>9,869,638.53</u>	<u>446,074.08</u>	<u>-</u>	<u>-</u>	<u>(1,355,209.56)</u>	<u>-</u>	<u>8,960,503.05</u>	Self-raised funds	5.37
	<u>36,412,614.61</u>	<u>26,360,286.74</u>	<u>(9,648,642.41)</u>	<u>(17,149,430.58)</u>	<u>(3,832,484.20)</u>	<u>(559,768.32)</u>	<u>31,582,575.84</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

Changes of significant construction in progress in 2019 are presented as follows: (Continued)

Project name	Budget	Progress (%)	Accumulated amount of interest capitalized	Including: interest capitalized in current year	Capitalization rate (%)
Warehouse improvement project	7,008,129.53	67.37	-	-	-
New office building project	688,251.26	43.33	-	-	-
Supply chain extension project	30,933,538.69	71.99	-	-	-
Software project	26,151,831.20	99.98	-	-	-
Other construction projects	206,728,926.07	5.37	-	-	-
			-	-	-
			-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

Changes of significant construction in progress in 2018 are presented as follows:

Project name	At beginning of the year	Increase	Decrease			At end of year	Source of funds	Proportion of investment to budget (%)
			Transferred to fixed assets	Transferred to intangible assets	Transferred to long term prepaid expense			
Warehouse improvement project	1,009,314.93	9,284,604.35	-	-	(9,487,646.88)	806,272.40	Self-raised funds	65.94
New office building project	765,882.63	146,970.43	(724,601.80)	-	-	188,251.26	Self-raised funds	100.00
Supply chain extension project	8,193,935.70	16,374,550.40	(11,634,292.89)	(316,239.32)	-	12,617,953.89	Self-raised funds	66.56
Software project	3,926,271.33	9,004,227.20	-	-	-	12,930,498.53	Self-raised funds	54.98
Other construction projects	9,051,854.40	1,508,407.48	-	-	(690,623.35)	9,869,638.53	Self-raised funds	5.23
	<u>22,947,258.99</u>	<u>36,318,759.86</u>	<u>(12,358,894.69)</u>	<u>(316,239.32)</u>	<u>(10,178,270.23)</u>	<u>36,412,614.61</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

Changes of significant construction in progress in 2018 are presented as follows: (Continued)

Project name	Budget	Progress (%)	Accumulated amount of interest capitalized	Including: interest capitalized in current year	Capitalization rate (%)
Warehouse improvement project	15,616,610.85	65.94	-	-	-
New office building project	1,224,601.80	100.00	-	-	-
Supply chain extension project	52,673,236.26	65.56	-	-	-
Software project	12,956,849.38	54.98	-	-	-
Other construction projects	207,178,844.09	5.23	-	-	-
			-	-	-
			-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

15. Right-of-use assets

2019

	Houses and buildings	Machinery, transport and office equipment	Others	Total
Cost				
Opening balance	1,817,160,059.39	14,379,897.19	2,418,809.35	1,833,958,765.93
Increase	814,925,685.77	90,197.76	-	815,015,883.53
Disposal	(49,556,361.06)	-	-	(49,556,361.06)
Closing balance	<u>2,582,529,384.10</u>	<u>14,470,094.95</u>	<u>2,418,809.35</u>	<u>2,599,418,288.40</u>
Accumulated amortization				
Opening balance	-	-	-	-
Accrual	(650,986,768.21)	(4,075,450.60)	(95,734.70)	(655,157,953.51)
Disposal	11,200,798.12	-	-	11,200,798.12
Closing balance	<u>(639,785,970.09)</u>	<u>(4,075,450.60)</u>	<u>(95,734.70)</u>	<u>(643,957,155.39)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

15. Right-of-use assets (Continued)

2019 (Continued)

	Houses and buildings	Machinery, transport and office equipment	Others	Total
Provision for impairment				
Opening balance	-	-	-	-
Closing balance	-	-	-	-
Book value				
The end of the year	1,942,743,414.01	10,394,644.35	2,323,074.65	1,955,461,133.01
The beginning of year	1,817,160,059.39	14,379,897.19	2,418,809.35	1,833,958,765.93

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

16. Intangible assets

	31 December 2019		1 January 2019		31 December 2018		
Disposal of fixed assets	<u>319,946,727.04</u>		<u>318,693,082.72</u>		<u>319,207,126.15</u>		
	<u>319,946,727.04</u>		<u>318,693,082.72</u>		<u>319,207,126.15</u>		
2019	Land use rights	Software	Trademarks	Favorable leases	Distribution network	Franchis	Total
Original cost							
Opening balance	62,083,143.97	142,108,155.42	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	476,238,292.25
Purchase	-	13,442,842.51	-	-	-	-	13,442,842.51
Business combination not involving enterprises under common control	-	888,462.22	-	-	-	-	888,462.22
Transfer from construction in progress	-	17,149,430.58	-	-	-	-	17,149,430.58
Closing balance	<u>62,083,143.97</u>	<u>173,588,890.73</u>	<u>65,977,850.00</u>	<u>93,242,000.00</u>	<u>112,117,142.86</u>	<u>710,000.00</u>	<u>507,719,027.56</u>
Accumulated amortization							
Opening balance	(27,889,638.96)	(68,273,563.72)	(196,850.16)	(19,782,823.36)	(40,692,333.33)	(710,000.00)	(157,545,209.53)
Provision	(968,938.20)	(18,706,589.77)	-	(4,945,705.88)	(5,605,857.14)	-	(30,227,090.99)
Closing balance	<u>(28,858,577.16)</u>	<u>(86,980,153.49)</u>	<u>(196,850.16)</u>	<u>(24,728,529.24)</u>	<u>(46,298,190.47)</u>	<u>(710,000.00)</u>	<u>(187,772,300.52)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

16. Intangible assets (Continued)

2019 (Continued)	Land use rights	Software	Trademarks	Favorable leases	Distribution network	Franchise	Total
Provision for impairment							
Opening balance	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
Carrying amount							
At end of the year	<u>33,224,566.81</u>	<u>86,608,737.24</u>	<u>65,780,999.84</u>	<u>68,513,470.76</u>	<u>65,818,952.39</u>	<u>-</u>	<u>319,946,727.04</u>
At beginning of the year	<u>34,193,505.01</u>	<u>73,834,591.70</u>	<u>65,780,999.84</u>	<u>73,459,176.64</u>	<u>71,424,809.53</u>	<u>-</u>	<u>318,693,082.72</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

16. Intangible assets (Continued)

2018	Land use rights	Software	Trademarks	Favorable leases	Distribution network	Franchise	Total
Original cost							
Opening balance	60,481,989.28	126,128,809.36	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	458,657,791.50
Purchase	2,160,172.00	16,310,053.09	-	-	-	-	18,470,225.09
Business combination not involving enterprises under common control	-	7,754.51	-	-	-	-	7,754.51
Transfer from construction in progress	-	316,239.32	-	-	-	-	316,239.32
Transfer from investment properties	650,982.69	-	-	-	-	-	650,982.69
Disposal	(1,210,000.00)	-	-	-	-	-	(1,210,000.00)
Closing balance	<u>62,083,143.97</u>	<u>142,762,856.28</u>	<u>65,977,850.00</u>	<u>93,242,000.00</u>	<u>112,117,142.86</u>	<u>710,000.00</u>	<u>476,892,993.11</u>
Accumulated amortization							
Opening balance	(26,667,841.47)	(55,408,075.33)	(196,850.16)	(14,837,117.48)	(35,086,476.18)	(710,000.00)	(132,906,360.62)
Provision	(910,378.56)	(13,006,145.82)	-	(4,945,705.88)	(5,605,857.15)	-	(24,468,087.41)
Transfer from investment properties	(311,418.93)	-	-	-	-	-	(311,418.93)
Disposal	-	-	-	-	-	-	-
Closing balance	<u>(27,889,638.96)</u>	<u>(68,414,221.15)</u>	<u>(196,850.16)</u>	<u>(19,782,823.36)</u>	<u>(40,692,333.33)</u>	<u>(710,000.00)</u>	<u>(157,685,866.96)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

16. Intangible assets (Continued)

2018 (Continued)	Land use rights	Software	Trademarks	Favorable leases	Distribution network	Franchise	Total
Provision for impairment							
Opening balance	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
Carrying amount							
At end of the year	34,193,505.01	74,348,635.13	65,780,999.84	73,459,176.64	71,424,809.53	-	319,207,126.15
At beginning of the year	33,814,147.81	70,720,734.03	65,780,999.84	78,404,882.52	77,030,666.68	-	325,751,430.88

As at 31 December 2019 and 31 December 2018, no intangible assets were formed through internal research and development.

As at 31 December 2019 and 31 December 2018, there were no intangible assets of which the certificates of title have not been obtained.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

17. Goodwill

31 December 2019	Opening balance	Increase		Decrease during the year	Closing balance
		Merger of holdings not under common control	Business combination combinations not under common control		
Pharmaceutical distribution					
Jiangmen Renren Medical Co., Ltd. ("Sinopharm Jiangmen")	27,392,317.73	-	-	-	27,392,317.73
Sinopharm Holding Shenzhen Yanfeng Co., Ltd. ("Sinopharm Yanfeng")	16,868,644.87	-	-	-	16,868,644.87
Sinopharm Holding Zhaoqing Co., Ltd. ("Sinopharm Zhaoqing")	2,594,341.53	-	-	-	2,594,341.53
Sinopharm Holding Shaoguan Co., Ltd. ("Sinopharm Shaoguan")	1,686,496.80	-	-	-	1,686,496.80
Sinopharm Holding Meizhou Co., Ltd. ("Sinopharm Meizhou")	1,610,819.66	-	-	-	1,610,819.66
Sinopharm Holding Huizhou Co., Ltd. ("Sinopharm Huizhou")	923,184.67	-	-	-	923,184.67
Sinopharm Holding Zhanjiang Co., Ltd. ("Sinopharm Zhanjiang")	282,135.55	-	-	-	282,135.55
Sinopharm Holding Dongguan Co., Ltd. ("Sinopharm Dongguan")	1,499.02	-	-	-	1,499.02
South Pharma & Trade	2,755,680.62	-	-	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	-	-	88,877,850.51
Sinopharm Holding Zhuhai Co., Ltd. ("Sinopharm Zhuhai")	6,772,561.47	-	-	-	6,772,561.47
Sinopharm Holding Maoming Co., Ltd. ("Sinopharm Maoming")	66,417.07	-	-	-	66,417.07
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd. ("ForMe Medicines")	3,033,547.53	-	-	-	3,033,547.53

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

V Notes to the consolidated financial statements (Continued)

17. Goodwill (Continued)

31 December 2019 (Continued)	Opening balance	Increase		Decrease		Closing balance
		Merger of holdings not under common control	Business combination combinations not under common control			
Pharmaceutical retail						
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd. ("Hebei Lerentang")	29,482,149.57	-	-	-	-	29,482,149.57
Xiaoyi Guoda Wanmin Baicao Tang Pharmacy Chain Store Co., Ltd. ("Xiaoyi Wanmin")	15,866,680.00	-	-	-	-	15,866,680.00
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd. ("Shanxi Wanmin")	65,025,000.00	-	-	-	-	65,025,000.00
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd. ("ForMe Pharmacy Chain Store")	19,405,450.23	-	-	-	-	19,405,450.23
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	5,028,638.00	-	-	-	-	5,028,638.00
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	7,979,000.00	-	-	-	-	7,979,000.00
Zhejiang Guoda Pharmacy Co., Ltd.	3,045,183.85	-	-	-	-	3,045,183.85
Guoda Shenyang Tianyitang Pharmacy Chain	1,687,942.92	-	-	-	-	1,687,942.92
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	11,598,341.12	-	-	-	-	11,598,341.12
Fujian Guoda Pharmacy Chain Store Co., Ltd.	1,567,250.76	-	-	-	-	1,567,250.76
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	29,110,409.46	-	-	-	-	29,110,409.46
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd. ("Guoda Shenyang")	41,047,958.08	-	-	-	-	41,047,958.08
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	107,275,095.74	-	-	-	-	107,275,095.74
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	41,165,574.64	-	-	-	-	41,165,574.64
Quanzhou Guoda Pharmacy Chain Store Co., Ltd. ("Guoda Quanzhou")	41,298,622.59	-	-	-	-	41,298,622.59
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	22,666,179.77	-	-	-	-	22,666,179.77
Guoda Neimenggu	70,485,777.00	-	-	-	-	70,485,777.00
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	77,350,000.00	-	-	-	-	77,350,000.00
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	9,080,100.00	-	-	-	-	9,080,100.00
Shenzhen Guanganli Pharmacy Chain Store Co., Ltd. store acquisition	13,420,000.00	-	-	-	-	13,420,000.00
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	64,140,124.36	-	-	-	-	64,140,124.36
Guoda Taishan	26,826,120.55	-	-	-	-	26,826,120.55
Sinopharm Guoda Taiyuan Tongxinli Pharmacy Co., Ltd. (Taiyuan Tongxinli)	2,818,647.85	-	-	-	-	2,818,647.85
Chaoyang Yongxingtang Pharmacy Chain Store Co., Ltd ("Chaoyang Yongxingtang") stores' acquisition	-	-	25,973,399.17	-	-	25,973,399.17
Inner Mongolia Tongren Pharmacy Chain Store Co., Ltd. ("Inner Mongolia Tongren") stores' acquisition	-	-	13,494,000.00	-	-	13,494,000.00
Guoda Pu'er	-	71,064,684.79	-	-	-	71,064,684.79
	<u>858,547,800.60</u>	<u>71,064,684.79</u>	<u>39,467,399.17</u>			<u>969,079,884.56</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

17. Goodwill (Continued)

31 December 2018	Opening balance	Increase		Decrease		Closing balance
		Merger of holdings not under common control	Consolidation by merger under common control	Consolidation by merger under common control		
Pharmaceutical distribution						
Sinopharm Jiangmen	27,392,317.73	-	-	-	-	27,392,317.73
Sinopharm Yanfeng	16,868,644.87	-	-	-	-	16,868,644.87
Sinopharm Zhaoqing	2,594,341.53	-	-	-	-	2,594,341.53
Sinopharm Shaoguan	1,686,496.80	-	-	-	-	1,686,496.80
Sinopharm Meizhou	1,610,819.66	-	-	-	-	1,610,819.66
Sinopharm Huizhou	923,184.67	-	-	-	-	923,184.67
Sinopharm Zhanjiang	282,135.55	-	-	-	-	282,135.55
Sinopharm Dongguan	1,499.02	-	-	-	-	1,499.02
South Pharma & Trade	2,755,680.62	-	-	-	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	-	-	-	88,877,850.51
Sinopharm Zhuhai	6,772,561.47	-	-	-	-	6,772,561.47
Sinopharm Maoming	66,417.07	-	-	-	-	66,417.07
ForMe Medicines	3,033,547.53	-	-	-	-	3,033,547.53
Pharmaceutical retail						
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	29,482,149.57	-	-	(29,482,149.57)	-	-
Hebei Lerentang	-	-	29,482,149.57	-	-	29,482,149.57
Xiaoyi Wanmin	15,866,680.00	-	-	-	-	15,866,680.00
Shanxi Wanmin	65,025,000.00	-	-	-	-	65,025,000.00
ForMe Pharmacy Chain Store	19,405,450.23	-	-	-	-	19,405,450.23
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	5,028,638.00	-	-	-	-	5,028,638.00
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	7,979,000.00	-	-	-	-	7,979,000.00
Zhejiang Guoda Pharmacy Co., Ltd.	3,045,183.85	-	-	-	-	3,045,183.85
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	11,598,341.12	-	-	-	-	11,598,341.12
Fujian Guoda Pharmacy Chain Store Co., Ltd.	1,567,250.76	-	-	-	-	1,567,250.76
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	29,110,409.46	-	-	-	-	29,110,409.46
Guoda Shenyang	41,047,958.08	-	-	-	-	41,047,958.08
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	107,275,095.74	-	-	-	-	107,275,095.74
Sinopharm Holding Hunan Guoda Minshengliang Pharmacy Chain Co., Ltd.	41,165,574.64	-	-	-	-	41,165,574.64
Guoda Quanzhou	41,298,622.59	-	-	-	-	41,298,622.59
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	22,666,179.77	-	-	-	-	22,666,179.77
Guoda Neimenggu	70,485,777.00	-	-	-	-	70,485,777.00
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	77,350,000.00	-	-	-	-	77,350,000.00
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	9,080,100.00	-	-	-	-	9,080,100.00
Shenzhen Guanganli Pharmacy Chain Store Co., Ltd. store acquisition	13,420,000.00	-	-	-	-	13,420,000.00
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited ("Beijing Golden Elephant")	63,546,507.81	-	593,616.55	-	-	64,140,124.36
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	593,616.55	-	-	(593,616.55)	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

17. Goodwill (Continued)

31 December 2018 (Continued)	Opening balance	Increase		Decrease	Closing balance
		Merger of holdings not under common control	Consolidation by merger under common control	Consolidation by merger under common control	
Pharmaceutical retail (Continued)					
Guoda Taishan	26,826,120.55	-	-	-	26,826,120.55
Taiyuan Tongxinli	-	2,818,647.85	-	-	2,818,647.85
	<u>855,729,152.75</u>	<u>2,818,647.85</u>	<u>30,075,766.12</u>	<u>(30,075,766.12)</u>	<u>858,547,800.60</u>

Changes in provision for impairment of goodwill are presented as follows:

2019	Opening balance	Increase Provision	Decrease Disposal	Closing balance
Pharmaceutical retail				
Guoda Quanzhou	<u>25,000,000.00</u>	<u>-</u>	<u>-</u>	<u>25,000,000.00</u>
2018	Opening balance	Increase Provision	Decrease Disposal	Closing balance
Pharmaceutical retail				
Guoda Quanzhou	<u>25,000,000.00</u>	<u>-</u>	<u>-</u>	<u>25,000,000.00</u>

The carrying value of goodwill is apportioned according to the proportion of each CGU or CGU group at fair value of the total amount of goodwill at fair value. It is shown as follows:

	31 December 2019	31 December 2018
Pharmaceutical distribution	152,865,497.03	152,865,497.03
Pharmaceutical retail	<u>791,214,387.53</u>	<u>680,682,303.57</u>
	<u>944,079,884.56</u>	<u>833,547,800.60</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

17. Goodwill (Continued)

The Group had acquired the management right of 12 stores of Inner Mongolia Tongren in March 2019, which formed goodwill amounting to RMB13,494,000. Refer to Note VI (1.2) for more details.

The Group had acquired the management right of 31 stores of Chaoyang Yongxingtang in May 2019, which formed goodwill amounting to RMB25,973,399.17. Refer to Note VI (1.3) for more details.

The Group had acquired 60% shares of Pu'er Songmao Jiantang Pharmaceutical Co., Ltd. in November 2019, which formed goodwill amounting to RMB71,064,684.79. Refer to Note VI (1.4) for more details.

The recoverable amount of an asset group or a group of asset groups is determined based on a financial budget approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using the inflation rate.

Key assumptions were used for the calculation of the present values of future cash flow projections of the asset group consisting of pharmaceutical distribution and pharmaceutical retail as of 31 December 2019. Key assumptions made by management on projections of cash flows used in impairment testing are described as follows:

	Pharmaceutical distribution	Pharmaceutical retail
Revenue growth rate in the budget period	2.00%-40.00%	1.41%-35.00%
Sustainable growth rate	3.00%	3.00%
Gross margin	3.70%-6.94%	20.36%-41.22%
Discount rate	12.40%-15.00%	13.00%-15.00%

The budgeted gross margin and the revenue growth rate in the budget period are determined based on the past performance and expectation for market development. The discount rates used are pre-tax discount rates after reflecting specific risks of the relevant asset groups. The recoverable amount of the asset group consisting of pharmaceutical distribution and pharmaceutical retail was determined according to the key assumptions.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

18. Long-term prepaid expenses

2019	Opening balance	Additions	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	249,458,261.87	121,956,819.11	(86,002,425.40)	(2,970,454.66)	282,442,200.92
Acquisition expenditure to obtain the right to operate	57,617,166.63	15,785,422.51	(16,870,583.63)	-	56,532,005.51
Others	4,253,277.96	28,371,430.56	(5,099,503.83)	(37,272.11)	27,487,932.58
	<u>311,328,706.46</u>	<u>166,113,672.18</u>	<u>(107,972,512.86)</u>	<u>(3,007,726.77)</u>	<u>366,462,139.01</u>
2018	Opening balance	Increase	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	199,209,837.80	123,968,928.79	(72,027,492.28)	(1,693,012.44)	249,458,261.87
Acquisition expenditure to obtain the right to operate	49,013,331.48	24,687,711.48	(16,083,876.33)	-	57,617,166.63
Others	4,023,881.51	1,973,696.15	(1,744,299.70)	-	4,253,277.96
	<u>252,247,050.79</u>	<u>150,630,336.42</u>	<u>(89,855,668.31)</u>	<u>(1,693,012.44)</u>	<u>311,328,706.46</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

19. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities before offsetting are as follows:

	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for impairment of assets	113,202,938.51	26,745,819.50	68,153,222.07	15,676,020.10
Accrued expenses	101,057,882.46	24,536,658.05	94,108,769.33	22,301,617.95
Effect of the new lease standard	52,885,419.73	12,482,780.70	-	-
Deferred revenue	32,719,558.79	7,996,709.35	30,188,142.13	7,547,758.26
Deductible tax loss	30,789,517.62	7,536,230.76	77,791,621.20	19,311,837.06
Accrued payroll	11,868,705.75	2,454,711.04	64,598,625.74	15,656,015.32
Others	22,161,103.74	4,560,780.36	6,238,492.18	1,467,765.00
	<u>364,685,126.60</u>	<u>86,313,689.76</u>	<u>341,078,872.65</u>	<u>81,961,013.69</u>
	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustment for a business combination not involving enterprises under common control	216,027,393.92	54,006,848.47	227,900,345.39	56,975,086.34
Changes in fair value of financial assets through other comprehensive income	102,335,240.00	25,583,810.00	-	-
Fixed asset less than RMB5 million deducted at once	77,440,115.98	19,250,299.21	26,766,360.08	6,691,590.04
Changes in asset valuation due to change in company policy	20,286,498.64	5,071,624.66	21,858,742.02	5,464,685.51
Others	26,521,667.38	5,487,577.71	26,741,840.89	5,520,603.73
	<u>442,610,915.92</u>	<u>109,400,160.05</u>	<u>303,267,288.38</u>	<u>74,651,965.62</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

19. Deferred tax assets/liabilities (Continued)

Deferred tax assets and liabilities are presented after being offset against each other are as follows:

	31 December 2019		31 December 2018	
	The amount of offset	Deferred tax assets/liabilities - net	The amount of offset	Deferred tax assets/liabilities - net
Deferred tax assets	<u>25,682,673.77</u>	<u>60,631,015.99</u>	<u>7,046,803.74</u>	<u>74,914,209.95</u>
Deferred tax liabilities	<u>25,682,673.77</u>	<u>83,717,486.28</u>	<u>7,046,803.74</u>	<u>67,605,161.88</u>

The deductible temporary differences and deductible losses that were not recognised as deferred tax assets are presented as follows:

	31 December 2019	31 December 2018
Deductible temporary differences	1,480,000.00	1,480,000.00
Deductible losses (Note)	<u>49,106,535.92</u>	<u>29,391,422.33</u>
	<u>50,586,535.92</u>	<u>30,871,422.33</u>

Note: For those loss-making subsidiaries, as it is not considered probable that taxable profits will be available against which the tax losses can be utilized, the Group has not recognised deferred tax assets arising from accumulated losses amounting to RMB49,106,535.92 which are tax deductibles under the tax law.

The aforesaid unrecognised deductible losses will be due in:

	31 December 2019	31 December 2018
2019	-	2,864,062.85
2020	4,725,707.87	4,725,707.87
2021	2,563,056.08	2,563,056.08
2022	7,261,117.97	7,261,117.97
2023	11,977,477.56	11,977,477.56
2024	<u>22,579,176.44</u>	<u>-</u>
	<u>49,106,535.92</u>	<u>29,391,422.33</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

20. Other non-current assets

	31 December 2019	1 January 2019	31 December 2018
Specially approved reserving materials	55,550,834.89	47,576,273.75	47,576,273.75
Prepayment for project and equipment	21,713,763.10	10,592,645.36	10,592,645.36
Prepayment for a rental fee	90,372.40	-	14,196,944.60
	<u>77,354,970.39</u>	<u>58,168,919.11</u>	<u>72,365,863.71</u>

21. Provision for impairment of assets

	1 January 2019	Reversal of write-off in previous years	Increases		Decreases		31 December 2019
			Current	Increase due to reorganization	Reversal	Write-off	
Provision for bad debts	59,443,388.46	62,630.60	75,240,127.77	57,180.49	(22,076,637.16)	(8,157,143.90)	104,569,546.26
Provision for bad debts of accounts receivable	39,521,434.74	22,080.00	25,098,772.50	56,980.49	(20,246,309.59)	(3,823,540.02)	40,629,418.12
Provision for bad debts of other receivables	19,921,953.72	40,550.60	50,141,355.27	200.00	(1,830,327.57)	(4,333,603.88)	63,940,128.14
Provision for inventories	8,313,195.29	5,356.03	4,362,375.48	139,294.62	(3,110,765.80)	(1,403,955.27)	8,305,500.35
Impairment of investment properties	1,300,000.00	-	-	-	-	-	1,300,000.00
Impairment of goodwill	25,000,000.00	-	-	-	-	-	25,000,000.00
Impairment of long-term equity investments	396,638.32	-	1,857,279.52	-	-	-	2,253,917.84
	<u>94,453,222.07</u>	<u>67,986.63</u>	<u>81,459,782.77</u>	<u>196,475.11</u>	<u>(25,187,402.96)</u>	<u>(9,561,099.17)</u>	<u>141,428,964.45</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

21. Provision for impairment of assets (Continued)

	1 January 2018	Reversal of write-off in previous years	Increases		Decreases		31 December 2018
			Current	Increase due to reorganization	Reversal	Write-off	
Provision for bad debts	59,036,515.28	221,031.35	19,607,811.63	80,000.00	(19,309,332.08)	(192,637.72)	59,443,388.46
Provision for bad debts of accounts receivable	43,925,465.41	221,031.35	12,467,357.34	-	(16,899,781.64)	(192,637.72)	39,521,434.74
Provision for bad debts of other receivables	15,111,049.87	-	7,140,454.29	80,000.00	(2,409,550.44)	-	19,921,953.72
Provision for inventories	6,840,110.55	-	5,422,984.90	-	(2,678,379.54)	(1,271,520.62)	8,313,195.29
Impairment of investment properties	1,300,000.00	-	-	-	-	-	1,300,000.00
Impairment of goodwill	25,000,000.00	-	-	-	-	-	25,000,000.00
Impairment of long-term equity investments	396,638.32	-	-	-	-	-	396,638.32
	<u>92,573,264.15</u>	<u>221,031.35</u>	<u>25,030,796.53</u>	<u>80,000.00</u>	<u>(21,987,711.62)</u>	<u>(1,464,158.34)</u>	<u>94,453,222.07</u>

22. Short-term borrowings

	31 December 2019	31 December 2018
Credit borrowings	1,388,979,951.89	2,438,612,672.71
Discounted notes	<u>64,038,348.12</u>	<u>170,013,427.11</u>
	<u>1,453,018,300.01</u>	<u>2,608,626,099.82</u>

As at 31 December 2019, the annual interest rate for the above borrowings was 4.44% (31 December 2018: 4.65%).

As at 31 December 2019 and 31 December 2018, there were no short-term borrowings of the Group that were overdue but not yet paid.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)**23. Notes payable**

	31 December 2019	31 December 2018
Commercial acceptance bills	40,343,723.78	13,843,479.73
Bank acceptance bills	<u>5,515,353,833.75</u>	<u>3,402,912,202.07</u>
	<u>5,555,697,557.53</u>	<u>3,416,755,681.80</u>

At 31 December 2019, the total amount of notes payable that were due but not yet paid was nil (31 December 2018: nil).

24. Accounts payable

Accounts payable are interest-free and will be paid normally between 1 and 6 months.

	31 December 2019	31 December 2018
Payment for goods	<u>6,554,105,124.13</u>	<u>6,468,535,961.17</u>

At 31 December 2019, significant accounts payable aged over one year was analyzed below:

	Amount	Reason
Payment for goods	331,837,741.84	Not yet settled

25. Contract liabilities

	31 December 2019	31 December 2018
Contract liabilities	<u>302,650,567.97</u>	<u>255,590,612.37</u>

Contract liabilities are advance payments received. Contract obligations are normally performed, and revenue is recognised, within 6 months of receiving such advance payments by customers.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

26. Employee benefits payable

2019	At beginning of the year	Increase	Decrease	At end of the year
Short-term employee benefits	226,152,409.27	2,005,462,891.39	(1,980,782,154.51)	250,833,146.15
Post-employment benefits (defined contribution plan)	5,248,146.99	181,128,052.90	(181,714,446.08)	4,661,753.81
Termination benefits	465,851.14	1,431,023.12	(1,564,052.56)	332,821.70
	<u>231,866,407.40</u>	<u>2,188,021,967.41</u>	<u>(2,164,060,653.15)</u>	<u>255,827,721.66</u>
2018	At beginning of the year	Increase	Decrease	At end of the year
Short-term employee benefits	209,320,163.70	1,759,137,844.89	(1,742,305,599.32)	226,152,409.27
Post-employment benefits (defined contribution plan)	5,596,277.12	176,477,341.94	(176,825,472.07)	5,248,146.99
Termination benefits	740,085.72	1,555,451.66	(1,829,686.24)	465,851.14
	<u>215,656,526.54</u>	<u>1,937,170,638.49</u>	<u>(1,920,960,757.63)</u>	<u>231,866,407.40</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

26. Employee benefits payable (Continued)

Short-term employee benefits:

2019	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	210,723,820.21	1,745,458,052.03	(1,719,091,854.24)	237,090,018.00
Staff welfare	1,750,750.89	62,496,131.37	(62,856,557.73)	1,390,324.53
Social security contribution	1,622,271.12	95,074,567.23	(95,194,678.92)	1,502,159.43
Including: Medical insurance	1,362,150.59	85,088,807.47	(85,202,240.35)	1,248,717.71
Work injury insurance	30,755.69	2,904,043.69	(2,906,528.63)	28,270.75
Maternity insurance	229,364.84	7,081,716.07	(7,085,909.94)	225,170.97
Housing funds	1,063,993.02	70,390,806.56	(70,062,809.27)	1,391,990.31
Labor union funds and employee education funds	9,956,772.12	30,048,327.90	(31,605,806.94)	8,399,293.08
Other short-term benefits	1,034,801.91	1,995,006.30	(1,970,447.41)	1,059,360.80
	<u>226,152,409.27</u>	<u>2,005,462,891.39</u>	<u>(1,980,782,154.51)</u>	<u>250,833,146.15</u>
2018	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	193,078,506.49	1,526,865,265.07	(1,509,219,951.35)	210,723,820.21
Staff welfare	2,602,805.92	51,777,145.01	(52,629,200.04)	1,750,750.89
Social security contribution	1,363,649.32	89,203,979.18	(88,945,357.38)	1,622,271.12
Including: Medical insurance	1,130,984.41	79,707,594.13	(79,476,427.95)	1,362,150.59
Work injury insurance	10,541.55	3,335,240.34	(3,315,026.20)	30,755.69
Maternity insurance	222,123.36	6,161,144.71	(6,153,903.23)	229,364.84
Housing funds	929,089.33	59,408,331.39	(59,273,427.70)	1,063,993.02
Labor union funds and employee education funds	10,178,562.87	28,172,099.55	(28,393,890.30)	9,956,772.12
Other short-term benefits	1,167,549.77	3,711,024.69	(3,843,772.55)	1,034,801.91
	<u>209,320,163.70</u>	<u>1,759,137,844.89</u>	<u>(1,742,305,599.32)</u>	<u>226,152,409.27</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

26. Employee benefits payable (Continued)

Defined contribution plan:

2019	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	1,755,160.16	169,936,884.74	(170,089,263.47)	1,602,781.43
Unemployment insurance	122,350.65	5,168,661.43	(5,210,052.28)	80,959.80
Contribution to a pension fund	<u>3,370,636.18</u>	<u>6,022,506.73</u>	<u>(6,415,130.33)</u>	<u>2,978,012.58</u>
	<u>5,248,146.99</u>	<u>181,128,052.90</u>	<u>(181,714,446.08)</u>	<u>4,661,753.81</u>
2018	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	1,739,623.34	166,757,467.61	(166,741,930.79)	1,755,160.16
Unemployment insurance	221,831.21	4,731,258.82	(4,830,739.38)	122,350.65
Contribution to a pension fund	<u>3,634,822.57</u>	<u>4,988,615.51</u>	<u>(5,252,801.90)</u>	<u>3,370,636.18</u>
	<u>5,596,277.12</u>	<u>176,477,341.94</u>	<u>(176,825,472.07)</u>	<u>5,248,146.99</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

26. Employee benefits payable (Continued)

Termination benefits:

2019	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(34))	408,057.61	631,005.86	(791,197.41)	247,866.06
Other termination benefits (i)	<u>57,793.53</u>	<u>800,017.26</u>	<u>(772,855.15)</u>	<u>84,955.64</u>
	<u>465,851.14</u>	<u>1,431,023.12</u>	<u>(1,564,052.56)</u>	<u>332,821.70</u>
2018	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(34))	559,065.67	980,356.18	(1,131,364.24)	408,057.61
Other termination benefits (i)	<u>181,020.05</u>	<u>575,095.48</u>	<u>(698,322.00)</u>	<u>57,793.53</u>
	<u>740,085.72</u>	<u>1,555,451.66</u>	<u>(1,829,686.24)</u>	<u>465,851.14</u>

- (i) For year 2019, the Group provided other termination benefits for severing labor relations of RMB800,017.26 as at 31 December 2018, and the unpaid balance as at the year end was RMB84,955.64. (2018: Other termination benefits for severing labor relations of RMB575,095.48, and the unpaid balance at the year end was RMB57,793.53).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

27. Tax payable

	31 December 2019	31 December 2018
Corporate Income taxes	127,549,708.68	115,226,820.39
Value-added tax	86,412,534.51	90,356,534.09
City maintenance and construction surtax	6,746,231.85	6,854,426.95
Stamp duty	6,071,030.95	5,854,355.91
Water conservancy fund	5,488,930.64	5,421,280.43
Educational surcharge	4,898,828.26	4,937,147.17
Individual income tax	4,203,699.48	3,954,139.24
Property tax	532,454.30	1,123,276.37
Land use tax	11,137.20	209,179.29
Others	8,203,832.27	8,043,252.88
	<u>250,118,388.14</u>	<u>241,980,412.72</u>

28. Other payables

	31 December 2019	1 January 2019	31 December 2018
Interest payable	23,632,632.90	10,894,278.99	10,894,278.99
Dividend payable	6,389,320.96	6,389,320.96	6,389,320.96
Other payables	<u>1,726,836,507.16</u>	<u>1,511,129,733.38</u>	<u>1,511,140,990.34</u>
	<u>1,756,858,461.02</u>	<u>1,528,413,333.33</u>	<u>1,528,424,590.29</u>

Interest payable

	31 December 2019	31 December 2018
Factoring interest on accounts receivable	<u>23,632,632.90</u>	<u>10,894,278.99</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

28. Other payables (Continued)

Dividend payable

	31 December 2019	31 December 2018
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharm")	4,835,511.58	4,835,511.58
Dividend payable to Zhang Zhenfang	1,389,639.31	1,389,639.31
Meiluo Pharmaceutical Co., Ltd.	<u>164,170.07</u>	<u>164,170.07</u>
	<u>6,389,320.96</u>	<u>6,389,320.96</u>

As at 31 December 2019 and 31 December 2018, the Group had no significant dividend aged more than one year and not yet paid.

Other payables

	31 December 2019	1 January 2019	31 December 2018
Payables for factoring programs	849,490,467.87	724,272,060.30	724,272,060.30
Deposits	422,017,144.86	334,821,325.72	334,821,325.72
Accrued expenses	129,552,787.78	131,493,977.43	131,493,977.43
Payables arising from acquisition of subsidiaries	72,193,635.62	78,702,980.00	78,702,980.00
Payables for construction in progress and equipment	55,430,961.14	79,380,923.99	79,380,923.99
Equity subscription	46,023,136.00	10,000,000.00	10,000,000.00
Payables to individuals	29,757,769.47	22,730,210.22	22,730,210.22
Payables for rentals	26,348,921.76	29,287,578.50	29,298,835.46
Temporary loans	15,800,000.00	15,800,000.00	15,800,000.00
Payables for land transfer payments	12,597,500.00	18,071,000.00	18,071,000.00
Collection of others	11,844,558.24	7,525,379.59	7,525,379.59
Payables to related parties	9,028,812.08	5,436,532.76	5,436,532.76
Others	<u>46,750,812.34</u>	<u>53,607,764.87</u>	<u>53,607,764.87</u>
	<u>1,726,836,507.16</u>	<u>1,511,129,733.38</u>	<u>1,511,140,990.34</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

28. Other payables (Continued)

At 31 December 2019, significant other payables over 1 year are as follows:

	Amount payable	Reason for outstanding
Non-controlling interests in South Pharma & Trade Fu Yuequn and other 10 natural persons	54,722,980.00	Payment conditions not met
Taishan Qunkang Drugstore Co., Ltd.	13,860,000.00	Payment conditions not met
Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau	12,597,500.00	Payment conditions not met
Liuzhou Shengli Drugstore	9,195,734.90	Payment conditions not met
Shenzhen No.1 Construction Engineering Co., Ltd.	8,605,625.20	Payment conditions not met
Guangxi Zhongding Medicine Consulting Co., Ltd.	<u>6,836,433.21</u>	Payment conditions not met
	<u>105,818,273.31</u>	

29. Non-current liabilities due within one year

	31 December 2019	1 January 2019	31 December 2018
Long-term borrowings due within 1 year	31,638,984.25	-	-
Long-term payables due within 1 year (Note V(33))	-	-	5,861,324.37
Lease liabilities due within 1 year (Note V(32))	<u>569,788,109.37</u>	<u>538,430,817.03</u>	-
	<u>601,427,093.62</u>	<u>538,430,817.03</u>	<u>5,861,324.37</u>

30. Other current liabilities

	31 December 2019	31 December 2018
Output VAT to be recognised	<u>749,710.19</u>	<u>292,465.75</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

31. Long-term borrowings

	31 December 2019	31 December 2018
Entrusted loans	<u>-</u>	<u>31,638,984.25</u>

At 31 December 2019, the total amount of remaining entrusted loans is RMB31,638,984.25 (31 December 2018: RMB31,638,984.25). CNPGC entrusted Sinopharm Group Finance Co., Ltd. to provide the loan. Borrowings due within one year have been reclassified to non-current liabilities due within one year.

At 31 December 2019, the weighted average annual interest rate of the entrusted loans was 4.04% (31 December 2018: 4.04%).

32. Lease liabilities

	31 December 2019	1 January 2019
Lease payment	1,918,972,963.90	1,803,679,783.76
Unrecognised financing expenses	(166,777,769.45)	(157,711,546.81)
Less: Lease liabilities due within 1 year (Note V(29))	<u>569,788,109.37</u>	<u>538,430,817.03</u>
	<u>1,182,407,085.08</u>	<u>1,107,537,419.92</u>

33. Long-term payables

	31 December 2019	1 January 2019	31 December 2018
Long-term payables	-	-	3,763,978.52
Payables for specific projects	<u>800,000.00</u>	<u>800,000.00</u>	<u>800,000.00</u>
	<u>800,000.00</u>	<u>800,000.00</u>	<u>4,563,978.52</u>

Long-term payables

	31 December 2019	1 January 2019	31 December 2018
Finance lease payables	-	-	9,625,302.89
Less: Amount due within one year (Note V(29))	<u>-</u>	<u>-</u>	<u>5,861,324.37</u>
	<u>-</u>	<u>-</u>	<u>3,763,978.52</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

33. Long-term payables (Continued)

Payables for specific projects

2019	At beginning of year	Increase	Decrease	At end of year
Special funds granted by the government	<u>800,000.00</u>	<u>-</u>	<u>-</u>	<u>800,000.00</u>
2018	At beginning of year	Increase	Decrease	At end of year
Special funds granted by the government	<u>800,000.00</u>	<u>-</u>	<u>-</u>	<u>800,000.00</u>

Payables for specific projects are research fundings granted by the government, which are designated as payables for specific projects when granted.

34. Long-term employee benefits payable

	31 December 2019	31 December 2018
Early retirement benefits payable	1,680,866.06	2,458,057.61
Less: Retirement benefits payable within 1 year (Note V (26))	<u>247,866.06</u>	<u>408,057.61</u>
	<u>1,433,000.00</u>	<u>2,050,000.00</u>

Some employees of the Group have enrolled into early retirement. The primary actuarial assumptions adopted at the end of the reporting period are presented as follows:

	31 December 2019	31 December 2018
Discount rate	3.25%	3.50%
Growth rate of wages	6.00%	6.00%

The total post-employment benefits recognised in profit or loss of the current year are shown below:

	2019	2018
Included in administrative expenses	(49,994.14)	1,172,356.18
Included in finance costs	<u>64,000.00</u>	<u>81,000.00</u>
	<u>14,005.86</u>	<u>1,253,356.18</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

35. Deferred income

2019	Opening balance	Increase	Decrease	Closing balance
Government grants	<u>91,491,170.40</u>	<u>3,477,445.94</u>	<u>(6,264,343.46)</u>	<u>88,704,272.88</u>
2018	Opening balance	Increase	Decrease	Closing balance
Government grants	<u>96,725,183.34</u>	<u>-</u>	<u>(5,234,012.94)</u>	<u>91,491,170.40</u>

As at 31 December 2019, deferred income from government grants is as follows:

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Amount included in other income in the year	Closing balance	Asset related/ income related
Resettlement compensation (Note)	75,555,441.17	-	(2,698,408.56)	-	72,857,032.61	Asset related
Guangxi Logistics Project	6,453,426.58	-	-	(408,073.08)	6,045,353.50	Asset related
Guangzhou Logistics standardization project	2,815,012.55	-	-	(546,246.84)	2,268,765.71	Asset related
Comprehensive experimental modern service industry subsidies	1,500,000.00	-	-	(300,000.00)	1,200,000.00	Asset related
Shared logistics center (completed)	252,058.35	-	-	(18,800.40)	233,257.95	Asset related
Other projects	<u>4,915,231.75</u>	<u>3,477,445.94</u>	<u>-</u>	<u>(2,292,814.58)</u>	<u>6,099,863.11</u>	Asset/income related
	<u>91,491,170.40</u>	<u>3,477,445.94</u>	<u>(2,698,408.56)</u>	<u>(3,565,934.90)</u>	<u>88,704,272.88</u>	

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

35. Deferred income (Continued)

As at 31 December 2018, deferred income from government grants is as follows:

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Amount included in other incomes in the year	Closing balance	Asset related/income related
Resettlement compensation (Note)	78,253,849.73	-	(2,698,408.56)	-	75,555,441.17	Asset related
Guangxi Logistics Project	6,949,832.98	-	-	(496,406.40)	6,453,426.58	Asset related
Guangzhou logistics standardization project	3,361,259.39	-	-	(546,246.84)	2,815,012.55	Asset related
Comprehensive experimental modern service industry subsidies	1,800,000.00	-	-	(300,000.00)	1,500,000.00	Asset related
Shared logistics center (completed)	270,858.75	-	-	(18,800.40)	252,058.35	Asset related
Other projects	6,089,382.49	-	-	(1,174,150.74)	4,915,231.75	Asset/income related
	<u>96,725,183.34</u>	<u>-</u>	<u>(2,698,408.56)</u>	<u>(2,535,604.38)</u>	<u>91,491,170.40</u>	

Note: Due to the implementation of urban planning for old town reconstruction in Nanning, the operating center of Guangxi Logistics which was located in Longteng Road District, Nanning City, was to be reconstructed in another place. According to the agreement signed between Guangxi Logistics and the real estate developer, Guangxi Logistics would obtain a compensation of RMB120,250,000.00, including cash of RMB50,000,000.00 and a property in construction equal to a value of RMB70,250,000.00. Cash compensation of RMB50,000,000.00 was received in May 2012. In year 2015, construction properties with a value of RMB70,250,000.00 were built and delivered, and had been recognised as investment properties.

The compensation relating to the capital expenditure in the reconstruction of the new logistic center in another place, amounting to RMB93.32 million, was recognised as deferred revenue, and would be amortized and recognised in the income statement within the expected useful lives using the straight-line method, and the other cash compensation, of which the amount approximates to RMB26.93 million, was recognised in the income statement in 2012.

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V Notes to the consolidated financial statements (Continued)

36. Other non-current liabilities

	31 December 2019	31 December 2018
Governmental medical reserve funds	46,723,743.31	45,427,343.31
Product promotion accumulative points programme	26,478,986.49	23,813,832.87
Others	53,785.13	-
	<u>73,256,514.93</u>	<u>69,241,176.18</u>

Governmental medical reserve funds were received by the Group from the national and local governments for purchasing medical products (including medicines) required to respond to serious disasters, epidemics and other emergencies.

The Product promotion accumulative points programme refers to those product-originated accumulative points that remain more than one year surplus before the expiration date.

37. Share capital

2019	At beginning of the year	Increase during the current year			At end of the year
		Issue of new share	Others	Subtotal	
Listed shares without restriction of trading:					
-A shares, listed	307,744,355.00	-	-	-	307,744,355.00
-B shares, listed	54,884,475.00	-	-	-	54,884,475.00
Listed shares with restriction of trading:					
-State-owned legal person shares	60,380,743.00	-	-	-	60,380,743.00
-Legal person registered within China shares	5,114,297.00	-	-	-	5,114,297.00
-Natural person registered within China shares	3,113.00	-	-	-	3,113.00
	<u>428,126,983.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,126,983.00</u>
2018	At beginning of the year	Increase during the current year			At end of the year
		Issue of new share	Others	Subtotal	
Listed shares without restriction of trading:					
-A shares, listed	307,744,355.00	-	-	-	307,744,355.00
-B shares, listed	54,885,600.00	-	(1,125.00)	(1,125.00)	54,884,475.00
Listed shares with restriction of trading:					
-State-owned legal person shares	60,380,743.00	-	-	-	60,380,743.00
-Legal person registered within China shares	5,114,297.00	-	-	-	5,114,297.00
-Natural person registered within China shares	1,988.00	-	1,125.00	1,125.00	3,113.00
	<u>428,126,983.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,126,983.00</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

38. Capital surplus

2019	At beginning of the year	Increase	Decrease	At end of the year
Share premium	2,118,174,787.27	-	-	2,118,174,787.27
Other capital surplus -				
Significant reorganization	1,173,907,763.19	-	-	1,173,907,763.19
Transfer of capital surplus recognised under the previous accounting system	2,650,322.00	-	-	2,650,322.00
Other changes in equity of invested units under the equity method (a)	(94,032,514.34)	42,022,530.06	-	(52,009,984.28)
Others (b)	<u>1,120,284,623.39</u>	<u>-</u>	<u>-</u>	<u>1,120,284,623.39</u>
	<u>4,320,984,981.51</u>	<u>42,022,530.06</u>	<u>-</u>	<u>4,363,007,511.57</u>
2018	At beginning of the year	Increase	Decrease	At end of the year
Share premium	2,118,174,787.27	-	-	2,118,174,787.27
Other capital surplus -				
Significant reorganization	1,173,907,763.19	-	-	1,173,907,763.19
Transfer of capital surplus recognised under the previous accounting system	2,650,322.00	-	-	2,650,322.00
Other changes in equity of invested units under the equity method (a)	(113,303,807.47)	19,271,293.13	-	(94,032,514.34)
	<u>-</u>	<u>1,120,284,623.39</u>	<u>-</u>	<u>1,120,284,623.39</u>
	<u>3,181,429,064.99</u>	<u>1,139,555,916.52</u>	<u>-</u>	<u>4,320,984,981.51</u>

- (a) There was an increase of RMB42,022,530.06 in the current year's other capital reserves of the invested entity and this was due to the increase of the book value of a long-term equity investment of the Group's associate company, Shyndec Pharma, which resulted in a capital surplus of RMB42,022,530.06.

There was an increase of RMB19,271,293.13 in other capital reserves of the invested entity in 2018 and this was due to the decrease of the book value of a long-term equity investment of the Group's associate company, Shyndec Pharma, which resulted in a capital surplus of RMB139,312.34. Since the subsidiary of Shyndec Pharma failed to complete the Valuation Adjustment Mechanism, Shyndec Pharma's shares that the Group holds changed, which resulted in an increase of RMB19,410,605.47 in the capital surplus.

- (b) There was an increase of RMB1,120,284,623.39 in the current year's other capital reserves and this was due to the introduction of a strategic investor, Walgreens Boots Alliance (Hong Kong) Investments Limited, from the Group's subsidiary, Guoda Pharmacy. WBA investor increased capital by RMB2,766,700,000.00, which resulted in a capital premium of RMB1,120,284,623.39.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

39. Other comprehensive income

Accumulated balance of other comprehensive income attributable to shareholders of the parent company in the consolidated balance sheet

	1 January 2019	Increase or decrease	31 December 2019
Change in the fair value of other equity investments	-	46,050,708.96	46,050,708.96
Other comprehensive income using the equity method that may be reclassified to profit or loss	-	(133,366.19)	(133,366.19)
	-	45,917,342.77	45,917,342.77

The current occurrence amount of other comprehensive income in the consolidated income statement is as follows:

	Occurrence amount before tax	Minus: Income tax	Attributable to shareholders of owners of the parent	Attributable to non-controlling interests
Other comprehensive income items which will not be reclassified subsequently to profit or loss				
Change in the fair value of other equity investments	102,335,240.00	25,583,810.00	46,050,708.96	30,700,721.04
Other comprehensive income that may be reclassified to profit or loss				
Other comprehensive income using the equity method that may be reclassified to profit or loss	(133,366.19)	-	(133,366.19)	-
	<u>102,201,873.81</u>	<u>25,583,810.00</u>	<u>45,917,342.77</u>	<u>30,700,721.04</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan.

V Notes to the consolidated financial statements (Continued)

40. Surplus reserves

	31 December 2019	31 December 2018
Statutory surplus reserves	<u>214,063,491.50</u>	<u>214,063,491.50</u>

According to the provisions of the Company Law and the Company's articles of association, the Company appropriates statutory surplus reserves at 10% of the net profit. Where the accumulated amount of surplus reserves reaches 50% or more of the Company's registered capital, additional appropriation is not needed. After the appropriation of statutory surplus reserves, the Company may appropriate discretionary surplus reserves. When approved, the discretionary surplus reserves can be used to recover accumulated losses or increase share capital. The accumulated amount of the statutory surplus reserves of the Group has already reached 50% of the registered capital. According to the Company's articles of association, the Group did not extract the surplus reserves anymore.

41. Retained earnings

	31 December 2019	31 December 2018
Retained earnings at the end of the prior year	6,655,257,147.27	5,572,952,806.39
Add: Net profit attributable to the parent	1,271,289,183.01	1,210,742,435.78
Less: Withdrawal from the surplus reserves	-	-
Cash dividends payable for ordinary shares (a)	<u>171,250,793.20</u>	<u>128,438,094.90</u>
Retained earnings at end of year	<u>7,755,295,537.08</u>	<u>6,655,257,147.27</u>

- (a) Pursuant to the resolution of the General Meeting of the Shareholders on 17 May 2019, the Company paid a cash dividend of RMB4.00 for every 10 shares to all shareholders. The cash dividend was calculated on the basis of 428,126,983 shares in issue, with an aggregate amount of RMB171,250,793.20.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

42. Operating revenue and cost

	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal operations	51,672,871,710.12	46,245,490,002.68	42,778,939,792.90	37,991,076,562.19
Other operations	372,892,433.09	46,918,837.85	343,445,728.33	33,032,068.96
	<u>52,045,764,143.21</u>	<u>46,292,408,840.53</u>	<u>43,122,385,521.23</u>	<u>38,024,108,631.15</u>

Revenue is as follows:

	2019	2018
Revenue from contracts with customers	51,970,971,594.52	43,040,868,416.94
Rentals	74,792,548.69	81,517,104.29
	<u>52,045,764,143.21</u>	<u>43,122,385,521.23</u>

Disaggregation of revenue from contracts with customers is as follows:

	2019	2018
Place of business		
China	<u>51,970,971,594.52</u>	<u>43,040,868,416.94</u>
Type of major activities		
Pharmaceutical distribution	38,886,408,981.79	31,866,749,848.53
Retail pharmacy	13,000,514,605.28	11,110,718,685.75
Others	<u>84,048,007.45</u>	<u>63,399,882.66</u>
	<u>51,970,971,594.52</u>	<u>43,040,868,416.94</u>
Type of major goods		
Pharmaceuticals	48,181,069,748.36	40,634,670,075.31
Medical devices and disposables	2,756,591,633.83	1,589,598,645.85
Diagnostic reagents	692,370,435.53	548,790,740.10
Medical equipments	256,891,769.35	204,409,073.02
Others	<u>84,048,007.45</u>	<u>63,399,882.66</u>
	<u>51,970,971,594.52</u>	<u>43,040,868,416.94</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

42. Operating revenue and cost (Continued)

Disaggregation of revenue from contracts with customers is as follows: (Continued)

	2019	2018
Timing of revenue recognition		
At a point in time		
Sale of goods	51,886,923,587.07	42,977,468,534.28
Over time		
Providing services	40,334,878.35	26,942,724.22
Storage and logistics	43,713,129.10	36,457,158.44
	<u>51,970,971,594.52</u>	<u>43,040,868,416.94</u>

Revenue recognised that was included in contract liabilities at the beginning of the year:

	2019	2018
Sale of goods	<u>255,590,612.37</u>	<u>216,938,239.32</u>

The Group has recognised contract liabilities in total of RMB302,650,567.97 through the sale of goods and provision of services in the current year. The expected revenue recognition time for the Group's contract obligations above is in year 2020.

Information about the Group's performance obligations is summarised below:

- (1) Revenue is recognised when control of the goods has transferred and payment is generally due within 30 to 210 days from delivery;
- (2) Revenue is recognised in the service duration and the payment is generally due within 30 to 210 days since the service is completed.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

43. Taxes and surcharges

	2019	2018
City maintenance and construction tax	52,815,864.80	47,477,033.41
Educational surcharge	37,750,316.05	32,650,733.37
Stamp duty	36,114,032.58	32,467,464.05
Property tax	7,420,032.75	6,961,154.31
Land tax	1,021,455.29	830,516.37
River & embankment maintenance fee	778,070.25	250,164.71
Vehicle and vessel use tax	144,023.76	159,260.61
Others	249,900.06	215,812.19
	<u>136,293,695.54</u>	<u>121,012,139.02</u>

44. Selling expenses

	2019	2018
Employee benefits	1,600,018,824.19	1,388,569,241.35
Depreciation expenses of right-of-use assets	624,933,188.71	-
Rental expenses	124,901,006.05	667,385,735.96
Amortization of long-term deferred expenses	94,423,270.18	79,264,643.73
Transportation expenses	92,959,071.86	72,790,376.76
Technical service fee	80,597,774.81	122,040,418.95
Depreciation expenses of fixed assets	69,824,366.45	57,211,707.70
Utilities	66,594,129.68	58,460,806.07
Promotion and marketing expenses	50,135,450.66	44,772,075.33
Office allowance	44,962,674.71	37,866,925.91
Entertainment expenses	32,702,753.92	28,339,849.02
Property management fee	29,632,095.50	26,325,349.03
Storage expenses	26,872,236.68	26,735,260.77
Repairing fees	12,941,004.95	12,410,974.80
Conference expenses	11,996,153.12	9,254,374.47
Travel allowances	9,773,557.45	9,659,289.87
Market development fee	6,347,031.83	7,741,076.04
Others	75,789,077.41	113,961,780.01
	<u>3,055,403,668.16</u>	<u>2,762,789,885.77</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

45. Administrative expenses

	2019	2018
Employee benefits	577,208,734.38	540,166,368.56
Office allowance	29,676,021.12	25,785,743.03
Depreciation expenses of fixed assets	27,124,509.45	25,989,962.32
Depreciation expenses of right-of-use assets	22,873,594.08	-
Technical service fee	20,634,230.67	17,309,623.25
Amortization of intangible assets	19,679,232.79	16,833,469.40
Rental expenses	16,718,745.74	34,452,292.21
Entertainment expenses	15,897,238.79	15,124,722.99
Agency service fee	15,872,236.21	19,335,780.45
Promotion and marketing expenses	12,495,124.13	9,239,323.28
Amortization of long-term deferred expenses	12,267,769.44	9,609,145.68
Travel allowance	11,579,577.92	11,970,208.11
Vehicle management expenses	7,770,897.50	9,508,891.07
Repairing fee	6,592,921.58	4,726,047.17
Utilities	5,930,248.65	5,740,238.76
Property management fee	5,511,193.47	3,993,814.78
Others	34,182,707.61	33,552,677.13
	<u>842,014,983.53</u>	<u>783,338,308.19</u>

46. Finance costs

	2019	2018
Interest expenses	271,718,934.85	140,315,267.43
Less: Interest income	139,842,489.11	81,119,506.63
Cash discount from purchase	43,252,757.88	42,424,361.51
Exchanges (loss) / gain	(390,756.61)	325,611.60
Others	31,740,023.54	34,393,009.70
	<u>119,972,954.79</u>	<u>51,490,020.59</u>

A breakdown for interest income is as follows:

	2019	2018
Cash	<u>139,842,489.11</u>	<u>81,119,506.63</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

47. Other income

	2019	2018
Government grants related to daily operating activities	42,905,261.49	27,012,475.30
Taxation service charge refund	508,168.93	1,445,926.01
	<u>43,413,430.42</u>	<u>28,458,401.31</u>

Government grants relevant to daily operation:

	2019	2018	
Guangzhou logistics standardization project	546,246.84	546,246.84	Related to asset/income
Guangxi logistics project	408,073.08	496,406.40	Related to asset
Grants for a comprehensive experimental unit of the modern service industry	300,000.00	300,000.00	Related to asset
Third-party medicine modern logistics public information platform	18,800.40	18,800.40	Related to asset
Others	<u>1,699,402.11</u>	<u>1,174,150.74</u>	Related to asset
	<u>2,972,522.43</u>	<u>2,535,604.38</u>	
Job stabilization grants	8,704,495.35	2,371,741.63	Related to income
Tax return	7,944,738.61	9,153,184.19	Related to income
Government support funding	6,302,515.34	2,632,800.00	Related to income
VAT reduction for small-scale taxpayers	6,159,608.34	449,851.78	Related to income
Government grants for medicine reserve expenses	3,417,500.00	3,220,625.00	Related to income
Enterprise economy award	2,555,293.34	1,535,325.00	Related to income
Economic contribution award	300,000.00	150,000.00	Related to income
Others	<u>4,548,588.08</u>	<u>4,963,343.32</u>	Related to income
	<u>39,932,739.06</u>	<u>24,476,870.92</u>	
	<u>42,905,261.49</u>	<u>27,012,475.30</u>	

48. Investment income

	2019	2018
Long-term equity investment income under the equity method	331,171,902.87	319,903,890.47
Investment income from disposal of long-term equity investments	919,446.05	(526,137.60)
Dividend income from other equity investments that are still held	471,386.60	519,419.36
Investment income from the derecognition of financial assets measured at amortised cost	<u>(86,377,492.55)</u>	<u>(61,372,718.53)</u>
	<u>246,185,242.97</u>	<u>258,524,453.70</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

49. Credit impairment losses

	2019	2018
Impairment loss on accounts receivable	4,852,462.91	(4,432,424.30)
Impairment loss on other receivables	<u>48,311,027.70</u>	<u>4,730,903.85</u>
	<u>53,163,490.61</u>	<u>298,479.55</u>

50. Impairment losses

	2019	2018
Provision for inventories	1,251,609.68	2,744,605.36
Long-term equity investment provision	<u>1,857,279.52</u>	<u>-</u>
	<u>3,108,889.20</u>	<u>2,744,605.36</u>

51. Gain on disposal of assets

	2019	2018
Gain on disposal of intangible assets	-	3,892,019.91
Gain on disposal of fixed assets	688,411.84	3,500,527.65
Gain on disposal of right-of-use assets	<u>1,862,763.18</u>	<u>-</u>
	<u>2,551,175.02</u>	<u>7,392,547.56</u>

52. Non-operating income

	2019	2018
Gain from writing off the unnecessary payment	16,601,380.58	5,000,021.34
Government grants irrelevant to daily operation	5,015,608.56	2,698,408.56
Others	<u>3,969,927.00</u>	<u>5,016,923.61</u>
	<u>25,586,916.14</u>	<u>12,715,353.51</u>

Government grants are as follows:

	2019	2018	Related to asset/income
Resettlement Compensation of Guangxi Logistics	2,698,408.56	2,698,408.56	Asset related
Guangxi Logistics' ("Water supply, power supply, heating and property management") financial subsidies	<u>2,317,200.00</u>	<u>-</u>	Income related
	<u>5,015,608.56</u>	<u>2,698,408.56</u>	

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

53. Non-operating expenses

	2019	2018
Penalty expenses	1,067,800.75	1,097,787.61
Donation expenses	450,000.00	449,466.05
Loss on damage in non-current assets needed to be scrapped	210,249.05	345,180.28
Others	2,748,199.10	2,872,416.21
	<u>4,476,248.90</u>	<u>4,764,850.15</u>

54. Government grants

The government grants, which are offset against the carrying amounts of the related assets and expenses as set out below, are presented on a net basis.

	2019	2018
Government grants related to assets		
Offset against intangible assets	-	1,210,000.00
Government grants related to income		
Offset against finance costs (Note)	1,378,372.43	387,500.00
	<u>1,378,372.43</u>	<u>1,597,500.00</u>

Note: In 2019, the Group received the loan discount fund of RMB1,041,600.00 from an industrial development fund of Futian Development Service Center of Shenzhen, Guangdong Province and the loan discount fund of RMB336,772.43 from the Pharmaceutical Reserve Materials fund of the Department of Finance of Guangxi Zhuang Autonomous Region. According to the relevant provisions of "CAS 16", the Group would offset the above-mentioned loan discount fund which was received in 2019 against the finance costs of the current year.

For details of other government subsidies, please refer to Note V (35 & 47)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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V Notes to the consolidated financial statements (Continued)**55. Expenses by nature**

The operating costs, selling expenses and administrative expenses are classified by nature and listed as follows:

	2019	2018
Inventories of finished and work-in-progress goods/Cost of inventories	46,272,149,768.83	38,010,404,118.17
Employee benefits	2,184,975,042.37	1,937,354,409.70
Depreciation and amortization	899,601,990.12	206,110,412.41
Rental expenses	141,619,751.79	701,838,028.17
Technical service fee	101,232,005.48	139,350,042.20
Transportation expenses	92,959,071.86	72,790,376.76
Utilities	74,917,949.13	66,988,900.15
Office telecom and internet expenses	74,638,695.83	63,652,668.94
Promotion and marketing expenses	68,977,606.62	61,752,474.65
Entertainment expenses	48,599,992.71	43,464,572.01
Property management fee	35,143,288.97	30,319,163.81
Travel allowance	30,448,970.18	29,081,374.94
Storage expenses	26,872,236.68	26,735,260.77
Repairing fee	19,533,926.53	17,137,021.97
Conference expenses	18,138,447.03	12,927,363.12
Agency service fee	15,872,236.21	19,335,780.45
Others	84,146,511.88	130,994,856.89
	<u>50,189,827,492.22</u>	<u>41,570,236,825.11</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

56. Income taxes

	2019	2018
Current income tax	367,807,504.00	330,119,712.81
Deferred income tax	<u>4,631,937.37</u>	<u>378,532.87</u>
	<u><u>372,439,441.37</u></u>	<u><u>330,498,245.68</u></u>

The reconciliation of income tax calculated based on applicable tax rates and total profit presented in the consolidated financial statements to the income taxes is shown below:

	2019	2018
Profit before income taxes	1,856,658,136.50	1,678,929,357.53
Income taxes calculated at applicable tax rates	464,164,534.12	419,732,339.38
Lower tax rates enacted by local authorities	(28,039,776.17)	(26,400,897.47)
Income not subject to tax	(82,792,975.72)	(80,379,054.34)
Expenses not deductible for tax	16,311,566.26	12,549,148.66
Deductible loss on unconfirmed deferred tax assets at end of the year	5,644,794.11	2,994,369.39
Utilization of previously unrecognised tax losses	705,689.03	752,138.09
Adjustment of income tax expense of previous years	<u>(3,554,390.26)</u>	<u>1,250,201.97</u>
Income tax	<u><u>372,439,441.37</u></u>	<u><u>330,498,245.68</u></u>

57. Earnings per share

	2019 RMB/share	2018 RMB/share
Basic earnings per share		
Continuing operations	<u>2.97</u>	<u>2.83</u>
Diluted earnings per share		
Continuing operations	<u>2.97</u>	<u>2.83</u>

The basic earnings per share are calculated by dividing the consolidated net profit of the current year attributable to the ordinary shareholders of the Company by the adjusted weighted average number of ordinary shares outstanding.

In year 2019, the Company had no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

57. Earnings per share (Continued)

The calculation of basic and diluted earnings per share is as follows:

	2019	2018
Earnings	1,271,289,183.01	1,210,742,435.78
Consolidated net profit attributable to the shareholders of the parent	<u>1,271,289,183.01</u>	<u>1,210,742,435.78</u>
Net profit attributable to the calculation of earnings per share	<u><u>1,271,289,183.01</u></u>	<u><u>1,210,742,435.78</u></u>
Shares		
Adjusted weighted average number of ordinary shares outstanding	<u>428,126,983.00</u>	<u>428,126,983.00</u>
Basic and diluted earnings per share	<u>2.97</u>	<u>2.83</u>

58. Notes to items in the cash flow statement

Other cash receipts relating to operating activities

	2019	2018
Interest income	139,464,471.82	79,501,556.12
Rent income	62,779,668.72	70,082,395.95
Government grants except tax return	31,971,665.11	15,323,686.73
Others	<u>506,514,549.70</u>	<u>514,689,083.24</u>
	<u><u>740,730,355.35</u></u>	<u><u>679,596,722.04</u></u>

Other cash payments relating to operating activities

	2019	2018
Rental expenses	177,149,079.15	732,157,191.98
Advertising expenses	74,638,695.83	61,752,474.65
Office expenses	68,977,606.62	49,240,163.51
Entertainment expenses	48,599,992.71	43,464,572.01
Bank charges	30,448,970.18	39,831,488.02
Travel expenses	29,123,133.47	29,081,374.94
Conference expenses	18,138,447.03	12,927,363.12
Others	<u>725,948,768.25</u>	<u>757,256,302.59</u>
	<u><u>1,173,024,693.24</u></u>	<u><u>1,725,710,930.82</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

58. Notes to items in the cash flow statement (Continued)

Other cash receipts relating to investing activities

	2019	2018
Received entrusted loan interests	3,180,035.98	1,656,563.34
Receipts relating to plants and equipments of Shyndec Pharma's Pingshan base	-	51,695,586.01
Received entrusted loan payments	-	44,000,000.00
Others	8,444.09	1,440,936.05
	<u>3,188,480.07</u>	<u>98,793,085.40</u>

Other cash payments relating to investing activities

	2019	2018
Expense payment of "Water supply, power supply, heating and property management"	1,093,125.00	-
Entrusted borrowings paid to Zhijun Suzhou	-	44,000,000.00
Others	1,504,625.74	37,042,904.53
	<u>2,597,750.74</u>	<u>81,042,904.53</u>

Other cash receipts relating to financing activities

	2019	2018
Factoring payable received	114,349,993.77	335,542,301.71
Financing restricted monetary funds received	134,955,774.35	135,678,166.90
Others	-	12,818,350.59
	<u>249,305,768.12</u>	<u>484,038,819.20</u>

Other cash payments relating to financing activities

	2019	2018
Payment of the lease principal	708,869,138.96	-
Purchase of equity of minority shareholders	-	54,722,980.00
Others	9,803,690.92	29,752,802.06
	<u>718,672,829.88</u>	<u>84,475,782.06</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

59. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statement

Reconciliation of net profit to cash flows from operating activities

	2019	2018
Net profit	1,484,218,695.13	1,348,431,111.85
Add: Provision for asset impairment	56,272,379.81	3,043,084.91
Depreciation of fixed assets and investment properties	106,244,432.76	91,786,656.69
Depreciation of right-of-use assets	655,157,953.51	-
Amortization of intangible assets	30,227,090.99	24,468,087.41
Amortization of long-term prepaid expenses	107,972,512.86	89,855,668.31
Gains on disposal of fixed assets	(2,340,925.97)	(7,047,367.28)
Finance costs	207,214,696.42	81,747,385.77
Investment income	(246,185,242.97)	(258,524,453.70)
Increase in deferred tax assets	(4,532,447.06)	(2,488,130.63)
Increase in deferred tax liabilities	9,164,384.43	2,768,712.60
Increase in inventories	(524,154,050.42)	(608,950,788.81)
Increase in operating receivables items	(818,470,196.97)	(1,663,980,387.42)
Increase in operating payable items	1,059,506,443.67	2,296,682,476.23
Increase in restricted operating cash with restriction	<u>(119,943,642.99)</u>	<u>(75,185,703.66)</u>
Net cash generated from operating activities	<u>2,000,352,083.20</u>	<u>1,322,606,352.27</u>

Movement of cash

	2019	2018
Cash at the end of year	8,422,676,765.48	7,632,117,020.77
Less: Cash at the beginning of year	<u>7,632,117,020.77</u>	<u>3,673,498,691.48</u>
Net increase in cash	<u>790,559,744.71</u>	<u>3,958,618,329.29</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

59. Supplementary information of the cash flow statement (Continued)

(2) Acquisition and disposal of subsidiaries and other operating units

Acquisition of subsidiaries and other operating units

	2019	2018
Price of acquiring subsidiaries and other operating units	143,993,800.00	19,920,651.60
Including: Guoda Pu'er	90,000,000.00	-
Guoda Pharmacy Yongxingtang Chain Store (Chaoyang) Co., Ltd.	30,000,000.00	-
Inner Mongolia Tongren	17,320,000.00	-
Guangzhou Medicine	6,660,000.00	-
Guoda Pharmacy (Chaoyang) Renai Pharmacy Co., Ltd. ("Chaoyang Renai")	13,800.00	-
Sinopharm Guangzhou Huadu Co., Ltd. ("Sinopharm Huadu")	-	16,380,000.00
Sinopharm Holding Guoda Shanxi Pharmaceutical Co., Ltd. (Formerly as "Shanxi Zhongao Pharmaceutical Co., Ltd.")	-	450,651.60
Taiyuan Tongxinli	-	3,090,000.00
Cash and cash equivalents paid for acquisitions of subsidiaries and other operating units	106,262,760.00	19,920,651.60
Including: Guoda Pu'er	54,000,000.00	-
Guoda Pharmacy Yongxingtang Chain Store (Chaoyang) Co., Ltd.	30,000,000.00	-
Inner Mongolia Tongren	15,600,000.00	-
Guangzhou Medicine	6,660,000.00	-
Chaoyang Renai	2,760.00	-
Sinopharm Huadu	-	16,380,000.00
Sinopharm Holding Guoda Shanxi Pharmaceutical Co., Ltd.	-	450,651.60
Taiyuan Tongxinli	-	3,090,000.00
Less: Cash and cash equivalents held by subsidiaries and other operating units at the acquisition date	8,460,831.84	22,389,173.93
Including: Guoda Pu'er	3,160,882.96	-
Guangzhou Medicine	4,477,124.50	-
Chaoyang Renai	822,824.38	-
Guoda Taishan	-	21,146,145.15
Shanxi Zhong'ao	-	1,160,397.85
Taiyuan Tongxinli	-	82,630.93
Net cash outflow/(inflow) on acquisition of the subsidiaries and other operating units	97,801,928.16	(2,468,522.33)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V Notes to the consolidated financial statements (Continued)

59. Supplementary information of the cash flow statement (Continued)

(2) Acquisition and disposal of subsidiaries and other operating units (Continued)

Disposal of subsidiaries and other operating units

	2019
Price of disposing of subsidiaries and other operating units	1,530,000.00
Including: Qinhuangdao Guoda Pharmacy Chain Store Co., Ltd.	<u>1,530,000.00</u>
Cash and cash equivalents received for disposals of subsidiaries and other operating units	1,530,000.00
Less: Cash and cash equivalents held by former subsidiaries and other operating units	738,535.24
Including: Qinhuangdao Guoda Pharmacy Chain Store Co., Ltd.	<u>738,535.24</u>
Net cash inflow on disposal of the subsidiaries and other operating units	<u><u>791,464.76</u></u>

Cash

	2019	2018
Cash on hand	5,077,406.65	5,587,191.18
Bank deposits on demand	<u>8,417,599,358.83</u>	<u>7,626,529,829.59</u>
Cash balance at the end of the year	<u><u>8,422,676,765.48</u></u>	<u><u>7,632,117,020.77</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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V Notes to the consolidated financial statements (Continued)

60. Assets under restricted ownership or right to use

	2019	2018	Note
Cash and cash equivalents	442,672,297.43	457,664,283.79	Note 1
Notes receivable that were discounted	64,038,348.12	170,013,427.11	Note 2
Notes receivable that were endorsed	<u>-</u>	<u>301,416.00</u>	Note 3
	<u><u>506,710,645.55</u></u>	<u><u>627,979,126.90</u></u>	

Note 1: At 31 December 2019, the Group had bank acceptance bills deposits, deposits for letters of credit as well as fixed deposits or notice deposits of RMB442,672,297.43 (31 December 2018: RMB457,664,283.79) (Note V(1)).

Note 2: At 31 December 2019, the Group had commercial acceptance bills receivable of RMB64,038,348.12, discounted but not past due (31 December 2018: RMB170,013,427.11) (Note V (2)).

Note 3: At 31 December 2019, the Group had commercial acceptance bills receivable of RMB0.00, endorsed but not past due (31 December 2018: RMB301,416.00) (Note V (2)).

61. Foreign monetary items

	31 December 2019			31 December 2018		
	Original currency	Exchange rate	Equivalent to RMB	Original currency	Exchange rate	Equivalent to RMB
Short-term borrowings	-	-	-	-	-	-
United States dollar (Note)	-	-	<u>-</u>	10,585,564.96	6.9579	<u>73,653,234.88</u>
			<u><u>-</u></u>			<u><u>73,653,234.88</u></u>

Note: According to a related contract, currency exchange will be settled with the applicable sale exchange quotation on the date on which repayment is deducted.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in the scope of consolidation

1. Business combinations not involving enterprises under common control

1.1 Acquiring Guangzhou Medicine

In the current year, the Group acquired a 70% stake of Guangzhou Senmingyouhe Pharmaceutical Co., Ltd. for RMB6,660,000.00 to constitute a business combination involving enterprises not under common control. After the acquisition, the company was renamed as Sinopharm Accord (Guangzhou) Medicine Co., Ltd. The acquisition was completed on 31 August 2019.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Guangzhou Medicine on the acquisition date are presented as follows:

	31 August 2019 Fair value	31 August 2019 Carrying amount
Cash and bank balances	4,477,124.50	4,477,124.50
Accounts receivable	7,222,433.73	7,222,433.73
Advances to suppliers	153,846.66	153,846.66
Other receivables	74,747.62	74,747.62
Inventories	1,625,509.09	1,625,509.09
Other current assets	127,418.79	127,418.79
Fixed assets	86,346.76	86,346.76
Deferred tax assets	1,229.69	1,229.69
Accounts payable	3,163,385.02	3,163,385.02
Contract liabilities	12,208.44	12,208.44
Employee benefits payable	219,425.04	219,425.04
Tax payable	24,756.76	24,756.76
Other payables	834,595.87	834,595.87
	<u>9,514,285.71</u>	<u>9,514,285.71</u>
Net assets	9,514,285.71	9,514,285.71
Less: Non-controlling interests	<u>2,854,285.71</u>	<u>2,854,285.71</u>
Net assets acquired	<u>6,660,000.00</u>	<u>6,660,000.00</u>
Amount exceeding the cost of merger recognised as profit or loss in the current period	<u>-</u>	
	<u>6,660,000.00</u> (Note)	

Note: The amount refers to the cash payment of RMB6,660,000.00 that the Group paid in acquisition.

Operating results and cash flows of Guangzhou Medicine for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 August 2019 to 31 December 2019
Operating revenue	7,137,510.03
Net profit	156,140.70
Net cash flows	2,293,658.52

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.2 Acquiring the management right of 12 stores of Inner Mongolia Tongren

In the current year, Sinopharm Holding Guoda Pharmacy Bayannur Co., Ltd., a subsidiary of the Group, obtained the management right of 12 stores of Inner Mongolia Tongren with cash of RMB17,320,000.00. The acquisition was completed on 31 March 2019.

The fair values and carrying amounts of identifiable assets and liabilities as well as contingent liabilities of the management right of 12 stores of Inner Mongolia Tongren on the acquisition date are presented as follows:

	31 March 2019 Fair value	31 March 2019 Carrying amount
Fixed assets	513,000.00	513,000.00
Intangible assets	106,800.00	106,800.00
Inventories	3,206,200.00	3,206,200.00
Net assets	3,826,000.00	3,826,000.00
Net assets acquired	3,826,000.00	3,826,000.00
Goodwill arising from acquisition	13,494,000.00	
	17,320,000.00	(Note)

Note: The amount refers to the cash payment of RMB17,320,000.00 the Group paid in acquisition.

Operating results and cash flows of the management right of 12 stores of Inner Mongolia Tongren for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 March 2019 to 31 December 2019
Operating revenue	21,959,113.73
Net profit	833,651.52
Net cash flows	(4,225,240.76)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.3 Acquiring the management right of 31 stores of Chaoyang Yongxingtang

In the current year, Guoda Yongxingtang, a subsidiary of the Group, obtained the management right of 31 stores of Chaoyang Yongxingtang with cash of RMB30,000,000.00. The acquisition was completed on 31 May 2019.

The fair values and carrying amounts of identifiable assets and liabilities as well as contingent liabilities of the management right of 31 stores of Chaoyang Yongxingtang on the acquisition date are presented as follows:

	31 May 2019 Fair value	31 May 2019 Carrying amount
Inventories	4,800,000.00	4,800,000.00
Fixed assets	248,797.14	248,797.14
Intangible assets	17,126.97	17,126.97
Deferred tax assets	346,441.10	346,441.10
Other non-current liabilities	<u>1,385,764.38</u>	<u>1,385,764.38</u>
Net assets	<u>4,026,600.83</u>	<u>4,026,600.83</u>
Net assets acquired	<u>4,026,600.83</u>	<u>4,026,600.83</u>
Goodwill arising from acquisition	<u>25,973,399.17</u>	
	<u>30,000,000.00</u> (Note)	

Note: The amount refers to the cash payment of RMB30,000,000.00 the Group paid in the acquisition.

Operating results and cash flows of the management right of 31 stores of Chaoyang Yongxingtang for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 May 2019 to 31 December 2019
Operating revenue	44,268,861.28
Net profit	1,260,375.96
Net cash flows	(69,401.06)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.4 Acquiring Guoda Pu'er

In the current year, Guoda Pharmacy, a subsidiary of the Group, acquired 60% shares of Pu'er Songmao Jiantang Pharmaceutical Co., Ltd. with cash of RMB90,000,000.00. After the acquisition, the company was renamed as Guoda Pharmacy (Pu'er) Songmao Co., Ltd. The acquisition was completed on 30 November 2019.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Guoda Pu'er on the acquisition date are presented as follows:

	30 November 2019 Fair value	30 November 2019 Carrying amount
Cash and bank balances	3,160,882.96	3,160,882.96
Accounts receivable	11,146,573.20	11,146,573.20
Advances to suppliers	2,257,777.79	2,257,777.79
Other receivables	16,020,033.25	16,020,033.25
Inventories	30,951,227.65	30,951,227.65
Fixed assets	598,797.73	598,797.73
Intangible assets	764,535.25	764,535.25
Long-term prepaid expenses	4,962,412.84	4,962,412.84
Deferred tax assets	42,970.32	42,970.32
Accounts payable	25,863,250.94	25,863,250.94
Contract liabilities	780,565.05	780,565.05
Employee benefits payable	2,135,940.00	2,135,940.00
Tax payable	3,358,307.15	3,358,307.15
Other payables	6,208,289.17	6,208,289.17
	<hr/>	<hr/>
Net assets	31,558,858.68	31,558,858.68
	<hr/>	<hr/>
Less: Non-controlling interests	12,623,543.47	12,623,543.47
	<hr/>	<hr/>
Net assets acquired	18,935,315.21	18,935,315.21
	<hr/>	<hr/>
Goodwill arising from acquisition	71,064,684.79	
	<hr/>	
	90,000,000.00	(Note)

Note:

The amount refers to the cash payment of RMB90,000,000.00 the Group paid in acquisition.

Operating results and cash flows of Guoda Pu'er for the period from the acquisition date to the end of the year are presented as follows:

	Period from 30 November 2019 to 31 December 2019
Operating revenue	13,032,058.57
Net profit	(227,234.08)
Net cash flows	2,228,990.37

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VI Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.5 Acquiring Chaoyang Renai

In 2019, Guoda Shenyang, the subsidiary of the Group, acquired 51% equity of Chaoyang Renai from Chaoyang Mingyang Business Service Co., Ltd. with RMB13,800.00 and achieved the controlling stake of Chaoyang Renai. The acquisition was completed on 31 October 2019.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Chaoyang Renai on the acquisition date are presented as follows:

	31 October 2019 Fair value	31 October 2019 Carrying amount
Cash and bank balances	822,824.38	822,824.38
Accounts receivable	8,358.66	8,358.66
Advances to suppliers	77,059.76	77,059.76
Inventories	1,318,528.38	1,318,528.38
Fixed assets	46,082.68	46,082.68
Long-term prepaid expenses	95,977.68	95,977.68
Contract liabilities	13,020.00	13,020.00
Accounts payable	2,261,755.44	2,261,755.44
Employee benefits payable	10,560.00	10,560.00
Tax payable	33,073.49	33,073.49
Other payables	23,335.07	23,335.07
	<hr/>	<hr/>
Net assets	27,087.54	27,087.54
	<hr/>	<hr/>
Less: Non-controlling interests	13,272.89	13,272.89
	<hr/>	<hr/>
Net assets acquired	13,814.65	13,814.65
	<hr/>	<hr/>
Amount exceeding the cost of merger recognised as profit or loss in the current period	14.65	
	<hr/>	
	13,800.00	(Note)
	<hr/>	

Note: The amount refers to the cash payment of RMB13,800.00 the Group paid in acquisition.

Operating results and cash flows of Chaoyang Renai for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 October 2019 to 31 December 2019
Operating revenue	4,289,886.90
Net profit	71,324.46
Net cash flows	(270,002.50)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in scope of consolidation (Continued)

2. Disposal of subsidiaries

	Place of registration	Business nature	Total shareholding ratio of the Group (%)	Proportion of voting rights owned by the Group (%)	Reason for no longer being a subsidiary
Qinhuangdao Guoda Pharmacy Chain Store Co., Ltd.	Qinhuangdao	Commercial	51.00	51.00	Transfer

Hebei Lerentang, a subsidiary of the Group, signed an equity transfer agreement with Wengong to sell its 51% equity in Qinhuangdao Guoda Pharmacy Chain Store Co., Ltd. for RMB1,530,000.00. The disposal was completed on 1 January 2019. Therefore, from 1 January 2019, the Group would no longer include Qinhuangdao Guoda Pharmacy Chain Store Co., Ltd. in the scope of consolidation.

Relevant financial information of Qinhuangdao Guoda Pharmacy Chain Store Co., Ltd. is listed as follows:

	1 January 2019 Carrying amount	31 December 2018 Carrying amount
Current assets	2,846,730.64	2,846,730.64
Non-current assets	916,984.74	916,984.74
Current liabilities	2,561,667.49	2,561,667.49
Non-current liabilities	4,883.28	4,883.28
	<u>1,197,164.61</u>	<u>1,197,164.61</u>
Less: Non-controlling interests	<u>586,610.66</u>	<u>586,610.66</u>
Fair value of remaining equity	<u>610,553.95</u>	<u>610,553.95</u>
Disposal gains and losses	<u>919,446.05</u>	
Disposal consideration	<u>1,530,000.00</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in scope of consolidation (Continued)

3. Establishment of subsidiaries

	31 December 2019 Net assets	2019 Net profit
Liaoning Guoda Pharmaceutical Co., Ltd. (a)	24,028,617.28	4,028,617.28
Guoda Yongxingtang (b)	33,260,375.96	1,260,375.96
Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd. (c)	-	-
Sinopharm Accord Medicinal Supply Chain (Shenzhen) Co., Ltd. (d)	32,791,820.49	(538,179.51)
Sinopharm Holding Guozhi Pharmacy (Heyuan) Co., Ltd. (e)	3,800,554.06	(1,199,445.94)

- (a) On 13 August 2019, the Group invested RMB20,000.00 thousand to establish Liaoning Guoda Pharmaceutical Co., Ltd. As at the end of 2019, payment has been completed.
- (b) On 30 April 2019, the Group and Chaoyang Bowei Consulting Service Co., Ltd. ("Bowe Consulting") accumulatively invested RMB19,380.00 thousand and RMB18,620.00 thousand to establish Chaoyang Yongxingtang respectively. After the establishment, the Group held 51% of equity interest in the company. As at the end of 2019, the Group invested RMB16,320.00 thousand and Bowei Consulting invested RMB15,680.00 thousand.
- (c) On 26 March 2019, the Group and Zhanjiang Guangyi Pharmaceutical Technology Development Co., Ltd. accumulatively invested RMB300.00 thousand and RMB200.00 thousand to establish Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd., respectively. After the establishment, the Group held 60% of equity interest in the company. As at the end of 2019, payment has not been completed yet.
- (d) On 21 August 2019, the Group and Shenzhen Ketai Medicinal Science and Technology Co., Ltd. accumulatively invested RMB19,998.00 thousand and RMB13,332.00 thousand to establish Sinopharm Accord Medicinal Supply Chain (Shenzhen) Co., Ltd., respectively. After the establishment, the Group held 60% of equity interest in the company. As at the end of 2019, payment has been completed.
- (e) On 14 August 2019, the Group and Heyuan Mairui Trading Co., Ltd. accumulatively invested RMB3,500.00 thousand and RMB1,500.00 thousand to set up Sinopharm Holding Guozhi Pharmacy (Heyuan) Co., Ltd., respectively. After the establishment, the Group held 70% of equity interest in the company. As at the end of 2019, payment has been completed.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VI Changes in scope of consolidation (Continued)

4. Cancellation of subsidiary

	Principal place of business	Place of establishment	Registered capital (RMB '0,000)	Nature of business	Shareholding (%)		Reason for no longer being a subsidiary
					Direct	Indirect	
Beijing Jinxiang Fuxing Technology Co., Ltd.	Beijing	Beijing	100.00	Commercial	-	80.00	Cancellation of company
Sanhe Lixin Jinxiang Pharmacy Co., Ltd.(a)	Langfang	Langfang	1.00	Commercial	-	100.00	Cancellation of company

- (a) As at December 2019, Sanhe Lixin Jinxiang Pharmacy Co., Ltd.'s cancellation was approved, yet the procedures for industrial and commercial cancellation were still processing. As of the date of the financial statements, the procedures for industrial and commercial cancellation have not been completed.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VII Interests in other entities

1. Interests in subsidiaries

The subsidiaries of the Group

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB 0.000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Guilin	Guilin	Guilin	Commercial	2,000.00	-	100.00%	100.00%	Establishment
Sinopharm Baise	Baise	Baise	Commercial	3,500.00	-	100.00%	100.00%	Establishment
Sinopharm Holding Zhongshan Co., Ltd.	Zhongshan	Zhongshan	Commercial	3,000.00	-	100.00%	100.00%	Establishment
Sinopharm Guigang	Guigang	Guigang	Commercial	2,000.00	-	100.00%	100.00%	Establishment
Sinopharm Beihai	Beihai	Beihai	Commercial	1,500.00	-	100.00%	100.00%	Establishment
Sinopharm Holding Guangzhou Medical Treatment	Guangzhou	Guangzhou	Commercial	2,000.00	-	51.00%	51.00%	Establishment
Shenzhen Jianmin Pharmaceutical Co., Ltd. ("Sinopharm Jianmin")	Shenzhen	Shenzhen	Commercial	2,000.00	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Shenzhen Traditional & Herbal Medicine Co., Ltd. ("Sinopharm Traditional & Herbal Medicine")	Shenzhen	Shenzhen	Commercial	1,500.00	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Shenzhen Logistics Co., Ltd. ("Shenzhen Logistics")	Shenzhen	Shenzhen	Services	500.00	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Guangzhou	Guangzhou	Guangzhou	Commercial	355,325.00	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Hengxing Co., Ltd. ("Sinopharm Hengxing")	Guangzhou	Guangzhou	Commercial	9,600.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Yulin	Yulin	Yulin	Commercial	1,000.00	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital(RMB 0.000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Liuzhou	Liuzhou	Liuzhou	Commercial	2,053.06	-	51.00%	51.00%	Business combinations involving entities under common control
Guangdong Huixin Investment Co., Ltd. ("Huixin Investment")	Guangzhou	Guangzhou	Services	500.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Foshan Co., Ltd. ("Sinopharm Foshan")	Foshan	Foshan	Commercial	4,100.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Yuexing Co., Ltd. ("Sinopharm Yuexing")	Guangzhou	Guangzhou	Commercial	23,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Logistics Co., Ltd. ("Guangdong Logistic")	Guangzhou	Guangzhou	Services	1,300.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guangxi	Nanning	Nanning	Commercial	52,141.00	100.00%	-	100.00%	Business combinations involving entities under common control
Guangxi Logistic	Nanning	Nanning	Services	710.07.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Wuzhou	Wuzhou	Wuzhou	Commercial	1,000.00	-	99.90%	99.90%	Business combinations involving entities under common control
Sinopharm Dongguan	Dongguan	Dongguan	Commercial	7,300.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Zhanjiang	Zhanjiang	Zhanjiang	Commercial	13,100.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Yanfeng	Shenzhen	Shenzhen	Commercial	3,000.00	51.00%	-	51.00%	Business combinations involving entities not under common control
Sinopharm Meizhou	Meizhou	Meizhou	Commercial	4,800.00	-	100.00%	100.00%	Business combinations involving entities not under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Huizhou	Huizhou	Huizhou	Commercial	3,800.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Zhaoqing	Zhaoqing	Zhaoqing	Commercial	4,000.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Jiangmen (a)	Jiangmen	Jiangmen	Commercial	6,000.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Shaoguan Sinopharm Holding Shantou Co., Ltd. ("Sinopharm Shantou")	Shaoguan	Shaoguan	Commercial	360.00	-	70.00%	70.00%	Business combinations involving entities not under common control
	Shantou	Shantou	Commercial	2,100.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Foshan Nanhai Medicine Co., Ltd.	Foshan	Foshan	Commercial	7,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Foshan Nanhai Uptodate & Special Medicines Co., Ltd.	Foshan	Foshan	Commercial	4,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Foshan Nanhai Medicine Co., Ltd.	Foshan	Foshan	Commercial	4,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Guangdong Uptodate & Special Medicines	Guangzhou	Guangzhou	Commercial	5,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
South Pharma & Trade	Guangzhou	Guangzhou	Commercial	3,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Zhuhai	Zhuhai	Zhuhai	Commercial	3,000.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Maoming Sinopharm Holding	Maoming	Maoming	Commercial	200.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Guangzhou Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Commercial	588.00	-	51.00%	51.00%	Establishment
Sinopharm Holding Guangzhou Medical Supply Chain Service Co., Ltd. (b)	Guangzhou	Guangzhou	Commercial	2,000.00	-	51.00%	51.00%	Establishment
Sinopharm Holding Heyuan Co., Ltd.	Heyuan	Heyuan	Commercial	1,340.00	-	70.00%	70.00%	Business combinations involving entities not under common control
Guoda Pharmacy	Shanghai	Shanghai	Commercial	168,333.00	60.00%	-	60.00%	Business combinations involving entities under common control
Guoda Shanghai	Shanghai	Shanghai	Commercial	3,000.00	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Beijing Guoda Pharmacy Chain Store Co., Ltd.	Beijing	Beijing	Commercial	1,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Tianjin Guoda Pharmacy Chain Store Co., Ltd.	Tianjin	Tianjin	Commercial	1,000.00	-	80.00%	80.00%	Business combinations involving entities under common control
Guangxi Guoda Pharmacy Consulting Chain Store Co., Ltd.	Nanning	Nanning	Commercial	300.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangdong Co., Ltd.	Shenzhen	Shenzhen	Commercial	5,000.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Guangxi Chain Co., Ltd.	Liuzhou	Liuzhou	Commercial	200.00	-	100.00%	100.00%	Business combinations involving entities under common control
Zhejiang Guoda Pharmacy Co., Ltd.	Hangzhou	Hangzhou	Commercial	1,500.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	Yangzhou	Yangzhou	Commercial	4,400.00	-	93.68%	93.68%	Business combinations involving entities under common control
Ningxia Guoda Pharmacy Chain Store Co., Ltd.	Yinchuan	Yinchuan	Commercial	7,000.00	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	Nanjing	Nanjing	Commercial	800.00	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	Linyi	Linyi	Commercial	2,900.00	-	55.00%	55.00%	Business combinations involving entities under common control
Guoda Shenyang (c)	Shenyang	Shenyang	Commercial	5,000.00	-	51.00%	51.00%	Business combinations involving entities under common control
Fujian Guoda Pharmacy Chain Store Co., Ltd.	Xiamen	Xiamen	Commercial	3,750.00	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Anhui Guoda Pharmacy Chain Store Co., Ltd.	Hefei	Hefei	Commercial	1,000.00	-	60.00%	60.00%	Business combinations involving entities under common control
Guoda Quanzhou	Quanzhou	Quanzhou	Commercial	2,000.00	-	51.00%	51.00%	Business combinations involving entities under common control
Shanxi Wanmin Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	Taiyuan	Taiyuan	Commercial	2,000.00	-	85.00%	85.00%	Business combinations involving entities under common control
	Hengyang	Hengyang	Commercial	2,000.00	-	51.00%	51.00%	Business combinations involving entities under common control
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	Liyang	Liyang	Commercial	2,500.00	-	80.00%	80.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	Pingdingshan	Pingdingshan	Commercial	1,500.00	-	60.00%	60.00%	Business combinations involving entities under common control
Guoda Inner Mongolia	Hohhot	Hohhot	Commercial	5,000.00	-	96.70%	96.70%	Business combinations involving entities under common control
Hebei Lerentang	Shijiazhuang	Shijiazhuang	Commercial	3,500.00	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	Jiangmen	Jiangmen	Commercial	2,400.00	-	65.00%	65.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	Taiyuan	Taiyuan	Commercial	1,000.00	-	80.00%	80.00%	Business combinations involving entities under common control
Xinjiang New & Special Medicines	Urumqi	Urumqi	Commercial	612.24	-	51.00%	51.00%	Business combinations involving entities under common control
ForMe Medicines	Shanghai	Shanghai	Commercial	6,655.00	-	97.00%	97.00%	Business combinations involving entities under common control
ForMe Pharmacy Chain Store	Shanghai	Shanghai	Commercial	5,000.00	-	99.76%	99.76%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	Beijing	Beijing	Commercial	4,222.22	-	53.13%	53.13%	Business combinations involving entities under common control
Shanxi Tongfeng Pharmacy Logistics Co., Ltd.	Taiyuan	Taiyuan	Commercial	500.00	-	100.00%	100.00%	Business combinations involving entities under common control
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Changzhi	Changzhi	Commercial	320.00	-	51.00%	51.00%	Business combinations involving entities under common control
Shanxi Guoda Wanmin Clinic Management Chain Co., Ltd.	Taiyuan	Taiyuan	Medical services	120.00	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Shanghong Qibao Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	100.00	-	51.00%	51.00%	Business combinations involving entities under common control
Zhejiang Intlmedicine Pharmacy Dongshan Co., Ltd.	Hangzhou	Hangzhou	Commercial	50.00	-	51.00%	51.00%	Business combinations involving entities under common control
Shanghai Guoda Dongsheng Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	50.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd.	Shenzhen	Shenzhen	Commercial	1,080.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangzhou Chain Co., Ltd.	Guangzhou	Guangzhou	Commercial	200.00	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guodong Chinese Traditional Medicine Clinic Co., Ltd.	Shanghai	Shanghai	Medical clinic	20.00	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Dongxin Pharmacy Chain Store Co., Ltd.	Shanghai	Shanghai	Commercial	30.00	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Shanghai Yutaitang Chinese Traditional Medicine Clinic Co., Ltd.	Shanghai	Shanghai	Commercial	100.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sanhe Liyang Golden Elephant Pharmacy Co., Ltd.	Langfang	Langfang	Commercial	1.00	-	100.00%	100.00%	Business combinations involving entities under common control
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd.	Xiaoyi	Xiaoyi	Commercial	622.22	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Hulun Buir Co., Ltd.	Hulun Buir	Hulun Buir	Commercial	1000.00	-	51.00%	51.00%	Business combinations involving entities under common control
Shanghai ForMe Xuhui Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	25.00	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Ulanqab Co., Ltd.	Ulanqab	Ulanqab	Commercial	500.00	-	60.00%	60.00%	Establishment
Guoda Taishan.	Taishan	Taishan	Commercial	990.00	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Lerentang Shijiazhuang Pharmaceutical Co., Ltd.	Shijiazhuang	Shijiazhuang	Commercial	200.00	-	100.00%	100.00%	Business combinations involving entities under common control

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Holding Guoda Drug Store Manchuria Co., Ltd.	Manchuria	Manchuria	Commercial	50.00	-	51.00%	51.00%	Establishment
Sinopharm Guoda Drug Store Anshan Chain Co., Ltd.	Anshan	Anshan	Commercial	600.00	-	51.00%	51.00%	Establishment
Sinopharm Holding Guoda Yongsheng Drug Store (Shanghai) Co., Ltd.	Shanghai	Shanghai	Commercial	80.00	-	55.00%	55.00%	Establishment
Sinopharm Holding Foshan Medical Consumables Supply Chain Co., Ltd.	Foshan	Foshan	Commercial	800.00	-	70.00%	70.00%	Establishment
Sinopharm Holding Medical Supply Chain Service (Guangxi) Co., Ltd.	Nanning	Nanning	Commercial	2000.00	-	30.60%	30.60%	Establishment
Shanghai Guoda Haohai Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	80.00	-	51.00%	51.00%	Establishment
Sinopharm Holding Baiyi Pharmacy Guangxi Co., Ltd.	Nanning	Nanning	Commercial	200.00	-	51.00%	51.00%	Establishment
Sinopharm Holding Hezhou Co., Ltd.	Hezhou	Hezhou	Commercial	1000.00	-	100.00%	100.00%	Establishment
Sinopharm Holding Guoda Pharmacy Zhengzhou Chain Store Co., Ltd.	Zhengzhou	Zhengzhou	Commercial	2000.00	-	60.00%	60.00%	Establishment
Shanghai Guoda Ruijing Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	80.00	-	55.00%	55.00%	Establishment
Fujian Guoda Pharmaceutical Co., Ltd.	Xiamen	Xiamen	Commercial	1500.00	-	100.00%	100.00%	Establishment
Sinopharm Holding Qinzhou Co., Ltd.	Qinzhou	Qinzhou	Commercial	1000.00	-	100.00%	100.00%	Establishment
Sinopharm Holding Hechi Co., Ltd.	Hechi	Hechi	Commercial	1000.00	-	100.00%	100.00%	Establishment
Sinopharm Huadu	Guangzhou	Guangzhou	Commercial	1000.00	-	70.00%	70.00%	Business combinations involving entities not under common control
Sinopharm Holding Guoda Shanxi Pharmaceutical Co., Ltd. (d)	Taiyuan	Taiyuan	Commercial	1000.00	-	100.00%	100.00%	Business combinations involving entities not under common control
Taiyuan Tongxinli	Taiyuan	Taiyuan	Commercial	560.00	-	100.00%	100.00%	Business combinations involving entities not under common control

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Holding Guoda Pharmacy Bayannur Co., Ltd. (e)	Bayannur	Bayannur	Commercial	2,000.00	-	80.00%	80.00%	Establishment
Inner Mongolia Guoda Pharmaceutical Co., Ltd. (f)	Hohhot	Hohhot	Commercial	2,000.00	-	100.00%	100.00%	Establishment
Guoda Yongxingtang. (g)	Chaoyang	Chaoyang	Commercial	3,800.00	-	51.00%	51.00%	Establishment
Sinopharm Accord Medical Supply Chain (Shenzhen) Co., Ltd. (h)	Shenzhen	Shenzhen	Commercial	3,333.00	60.00%	-	60.00%	Establishment
Sinopharm Holding Guozhi Pharmacy (Heyuan) Co., Ltd.(i)	Heyuan	Heyuan	Commercial	500.00	-	70.00%	70.00%	Establishment
Liaoning Guoda Pharmaceutical Co., Ltd. (j)	Shenyang	Shenyang	Commercial	2,000.00	-	100.00%	100.00%	Establishment
Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd. (k)	Zhanjiang	Zhanjiang	Commercial	50.00	-	60.00%	60.00%	Establishment Business combinations involving entities not under common control
Guangzhou Medicine (l)	Guangzhou	Guangzhou	Commercial	200.00	-	70.00%	70.00%	Business combinations involving entities not under common control
Chaoyang Renai (m)	Chaoyang	Chaoyang	Commercial	50.00	-	51.00%	51.00%	Business combinations involving entities not under common control
Guoda Pu'er (n)	Pu'er	Pu'er	Commercial	500.00	-	60.00%	60.00%	Business combinations involving entities not under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

- (a) On 13 March 2019, Sinopharm Jiangmen was renamed as "Sinopharm Holding (Jiangmen) Co., Ltd.
- (b) On 26 July 2019, the registered capital of Sinopharm Guangzhou Medical Supply Chain Service Co., Ltd. was changed from RMB3,200.00 thousand to RMB20,000.00 thousand. After the change, the Group subscribed RMB10,200.00 thousand of registered capital; Guorun Medical Supply Chain Service (Shanghai) Co., Ltd. subscribed RMB8,000.00 thousand of registered capital; and Guangzhou Medical Union Supply Chain Investment Partnership LP subscribed RMB1,800 thousand of registered capital. As at the end of 2019, payment has been completed.
- (c) According to the resolution of the first shareholders' meeting in 2019, it was agreed to convert RMB32,000.00 thousand of the undistributed profits of Sinopharm Holding Shenyang Chain Co., Ltd. as of 31 December 2017 into registered capital according to the shareholding ratio of shareholders. The industrial and commercial change was completed on 8 July 2019. The registered capital of Sinopharm Shenyang was changed from RMB18,000.00 thousand to RMB50,000.00 thousand. After the change, the Group subscribed RMB25,500.00 thousand of registered capital; Shenzhen Jiufeng Investment Co., Ltd. subscribed RMB20,500.00 thousand of registered capital; and Shenyang Pharmaceutical Co., Ltd. subscribed RMB4,000.00 thousand of registered capital. After the change, the shareholding ratio of the Group to Guoda Shenyang remains unchanged.
- (d) On 1 February 2019, Shanxi Zhong'ao Pharmaceutical Co., Ltd. was renamed as "Sinopharm Holding Guoda Shanxi Pharmaceutical Co., Ltd."
- (e) On 5 November 2018, the Group and Hohhot Manshengyuan Trading Co., Ltd. accumulatively invested RMB16,000.00 thousand and RMB4,000.00 thousand to set up Sinopharm Holding Guoda Pharmacy Bayannur Co., Ltd., respectively. After the establishment, the Group held 80% of equity interest in the company. As at the end of 2019, payment has been completed.
- (f) On 17 September 2018, the Group invested RMB20,000.00 thousand to set up Inner Mongolia Guoda Pharmaceutical Co., Ltd. As at the end of 2019, payment has been completed.
- (g) On 30 April 2019, the Group and Bawei Consulting accumulatively invested RMB19,380.00 thousand and RMB18,620.00 thousand to establish Chaoyang Yongxingtang, respectively. After the establishment, the Group held 51% of equity interest in the company. As at the end of 2019, the Group invested RMB16,320.00 thousand and Bawei Consulting invested RMB15,680.00 thousand.
- (h) On 21 August 2019, the Group and Shenzhen Ketai Medical Science and Technology Co., Ltd. accumulatively invested RMB19,998.00 thousand and RMB13,332.00 thousand to establish Sinopharm Accord Medical Supply Chain (Shenzhen) Co., Ltd., respectively. After the establishment, the Group held 60% of equity interest in the company. As at the end of 2019, payment has been completed.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

The subsidiaries of the Group (Continued)

- (i) On 14 August 2019, the Group and Heyuan Mairui Trading Co., Ltd. accumulatively invested RMB3,500.00 thousand and RMB1,500.00 thousand to establish Sinopharm Holding Guozhi Pharmacy (Heyuan) Co., Ltd., respectively. After the establishment, the Group held 70% of equity interest in the company. As at the end of 2019, payment has been completed.
- (j) On 13 August 2019, the Group invested RMB20,000.00 thousand to set up Liaoning Guoda Pharmaceutical Co., Ltd. As at the end of 2019, payment has been completed.
- (k) On 26 March 2019, the Group and Zhanjiang Guangyi Pharmaceutical Technology Development Co., Ltd. accumulatively invested RMB300.00 thousand and RMB200.00 thousand to establish Sinopharm Holding Guangyi Health Management (Zhanjiang) Co., Ltd., respectively. After the establishment, the Group held 60% of equity interest in the company. As at the end of 2019, payment has not been completed yet.
- (l) On 17 June 2019, the Group acquired a 70% stake of Guangzhou Senmingyouhe Pharmaceutical Co., Ltd. for RMB6,660.00 thousand to constitute a business combination involving enterprises not under common control. After completing the acquisition, the company was renamed as Sinopharm Accord (Guangzhou) Medicine Co., Ltd. The acquisition was completed on 31 August 2019. Since then, the Group included Guangzhou Medicine in the scope of consolidation.
- (m) On 22 October 2019, the Group acquired 51% equity of Chaoyang Renai from Chaoyang Mingyang Business Service Co., Ltd. with RMB13,800.00 and obtained the controlling stake of Chaoyang Renai, constituting a business combination involving enterprises not under common control. The acquisition was completed on 31 October 2019. Since then, the Group included Chaoyang Renai in the scope of consolidation.
- (n) On 1 December 2019, the Group acquired 60% shares of Pu'er Songmao Jiantang Pharmaceutical Co., Ltd. with RMB90,000,000.00. After completing the acquisition, the company was renamed as Guoda Pharmacy (Pu'er) Songmao Co., Ltd. The acquisition was completed on 30 November 2019. Since then, the Group included Guoda Pu'er in the scope of consolidation.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

2019	Percentage of equity interest held by non-controlling interests	Profit for this year attributable to non-controlling interests	Dividend paid to non-controlling interests	Accumulated balances of non-controlling interests at the date of the balance sheet
Guoda Pharmacy	40.00%	98,483,012.12	33,647,705.09	1,812,816,542.62

The major financial information of the subsidiaries in the table above is stated below. These amounts are before elimination:

	Guoda Pharmacy
2019	
Current assets	7,653,548,590.59
Non-current assets	<u>3,520,209,007.35</u>
Total assets	<u>11,173,757,597.94</u>
Current liabilities	5,107,687,171.29
Non-current liabilities	<u>1,073,060,666.37</u>
Total liabilities	<u>6,180,747,837.66</u>
Operating revenue	12,753,608,498.70
Net profit	311,908,115.16
Total comprehensive income	<u>388,659,545.16</u>
Net cash flows from operating activities	<u><u>1,342,032,291.80</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VIII Interests in other entities (Continued)

2. Interests in associates

	Principal place of business	Place of incorporation	Nature of business	Shareholding(%)		Accounting
				Direct	Indirect	
Associates						
Main Luck Pharmaceutical	Shenzhen	Shenzhen	Manufacturing	35.19	-	Equity
Zhijun Suzhou	Suzhou	Suzhou	Manufacturing	33.00	-	Equity
Zhijun Medicine	Shenzhen	Shenzhen	Manufacturing	49.00	-	Equity
Zhijun Trade	Shenzhen	Shenzhen	Commercial	49.00	-	Equity
Zhijun Pingshan	Shenzhen	Shenzhen	Manufacturing	49.00	-	Equity
Shyndec Pharma	Shanghai	Shanghai	Manufacturing	16.28	-	Equity
Shanghai Dingqun	Shanghai	Shanghai	Business services	2.53	-	Equity
Shanghai Beiyi	Shanghai	Shanghai	Commercial	-	26.00	Equity
Shanghai Liyi	Shanghai	Shanghai	Commercial	-	35.00	Equity
Guangdong Jienuo	Guangzhou	Guangzhou	Commercial	-	29.00	Equity
Dongyuan Accord	Heyuan	Heyuan	Commercial	-	45.00	Equity
Shanghai Renbei	Shanghai	Shanghai	Commercial	-	30.00	Equity
Guangdong Jianhui	Zhanjiang	Zhanjiang	Commercial	-	10.00	Equity

Shyndec Pharma and Zhijun Medicine are important associates of the Group and are engaged in the production as well as sale of pharmaceutical products. The Group adopted the equity method for Shyndec Pharma and Zhijun Medicine.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

2. Interests in associates (Continued)

The following table illustrates the summarised financial information in respect of Shyndec Pharma:

	2019	2018
Current assets	9,676,372,530.32	8,470,191,403.19
Non-current assets	<u>7,962,091,231.68</u>	<u>7,993,673,189.70</u>
Total assets	<u>17,638,463,762.00</u>	<u>16,463,864,592.89</u>
Current liabilities	6,491,804,082.54	6,568,480,863.79
Non-current liabilities	<u>1,943,465,618.97</u>	<u>1,452,099,931.65</u>
Total liabilities	<u>8,435,269,701.51</u>	<u>8,020,580,795.44</u>
Non-controlling interests	1,615,724,166.23	1,637,029,480.44
Shareholders' equity attributable to shareholders of the parent company	<u>7,587,469,894.26</u>	<u>6,806,254,317.01</u>
Group's share of net assets by proportion of ownership interests	<u>1,235,240,098.79</u>	<u>1,098,566,852.51</u>
Carrying amount of the investment	<u><u>1,235,240,098.79</u></u>	<u><u>1,098,566,852.51</u></u>
Operating revenue	12,199,106,725.48	11,320,781,393.69
Income taxes	144,388,214.81	223,956,645.87
Net profit	928,467,067.03	1,069,979,572.65
Total comprehensive income	927,647,864.36	1,069,979,572.65
Dividend received	<u>16,714,220.15</u>	<u>8,448,213.90</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VII Interests in other entities (Continued)

2. Interests in associates (Continued)

The following table illustrates the summarised financial information in respect of Zhijun Medicine:

	2019	2018
Current assets	1,295,003,085.13	1,111,485,098.64
Non-current assets	<u>273,684,959.60</u>	<u>298,610,691.12</u>
Total assets	<u>1,568,688,044.73</u>	<u>1,410,095,789.76</u>
Current liabilities	734,280,688.66	659,931,220.07
Non-current liabilities	<u>16,900,060.78</u>	<u>24,953,965.28</u>
Total liabilities	<u>751,180,749.44</u>	<u>684,885,185.35</u>
Shareholders' equity attributable to shareholders of the parent company	<u>817,507,295.29</u>	<u>725,210,604.41</u>
Group's share of net assets by proportion of ownership interests	<u>400,578,574.68</u>	<u>355,353,196.15</u>
Carrying amount of the investment	<u>400,578,574.68</u>	<u>355,353,196.15</u>
Operating revenue	1,888,143,854.90	1,762,587,352.62
Income taxes	34,538,098.81	36,760,959.44
Net profit	217,216,618.96	249,839,856.17
Total comprehensive income	217,216,618.96	249,839,856.17
Dividend received	<u>61,210,764.76</u>	<u>58,111,254.57</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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VIII Risks related to financial instruments

1. Classification of financial instruments

The carrying amounts of each category of financial instruments as at the date of financial position are as follows:

2019

Financial assets	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Mandatorily required		Mandatorily required	Designated	
Cash and cash equivalents	-	8,882,334,845.79	-	-	8,882,334,845.79
Notes receivable	-	793,301,688.64	-	-	793,301,688.64
Accounts receivable	-	10,617,981,893.52	-	-	10,617,981,893.52
Receivable financing	-	-	446,342,588.46	-	446,342,588.46
Other receivables	-	477,988,244.98	-	-	477,988,244.98
Other non-current financial assets	140,000,000.00	-	-	-	140,000,000.00
Other equity instrument investment	-	-	-	116,021,000.00	116,021,000.00
	<u>140,000,000.00</u>	<u>20,771,606,672.93</u>	<u>446,342,588.46</u>	<u>116,021,000.00</u>	<u>21,473,970,261.39</u>
Financial liabilities				Financial liabilities at amortised cost	
Short-term borrowings				1,453,018,300.01	
Notes payable				5,555,697,557.53	
Accounts payable				6,554,105,124.13	
Other payables				1,756,858,461.02	
Non-current liabilities due within 1 year				601,427,093.62	
Lease liabilities				1,182,407,085.08	
				<u>17,103,513,621.39</u>	

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VIII Risks related to financial instruments (Continued)

1. Classification of financial instruments (Continued)

2018

Financial assets	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Mandatorily required		Mandatorily required	Designated	
Cash and cash equivalents	-	8,096,158,013.24	-	-	8,096,158,013.24
Notes receivable	-	789,536,654.23	-	-	789,536,654.23
Accounts receivable	-	9,336,861,647.92	-	-	9,336,861,647.92
Receivable financing	-	-	567,775,275.40	-	567,775,275.40
Other receivables	-	637,116,650.64	-	-	637,116,650.64
Other non-current financial assets	140,000,000.00	-	-	-	140,000,000.00
Other equity instrument investment	-	-	-	13,685,760.00	13,685,760.00
	<u>140,000,000.00</u>	<u>18,859,672,966.03</u>	<u>567,775,275.40</u>	<u>13,685,760.00</u>	<u>19,581,134,001.43</u>
Financial liabilities				Financial liabilities at amortised cost	
Short-term borrowings					2,608,626,099.82
Notes payable					3,416,755,681.80
Accounts payable					6,468,535,961.17
Other payables					1,528,424,590.29
Non-current liabilities due within 1 year					5,861,324.37
Long-term borrowings					31,638,984.25
Long-term payables					3,763,978.52
					<u>14,063,606,620.22</u>

VIII Risks related to financial instruments (Continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2019, the Group had endorsed commercial bills receivable (the "Endorsed Bills") to certain of its suppliers in order to settle accounts payable due to such suppliers of RMB 0.00 (31 December 2018: RMB301,416.00). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2019, the carrying value thereof was RMB64,038,348.12 (31 December 2018: RMB170,013,427.11). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights of the use of the Endorsed Bills, including the sales, transfer or pledge of the Endorsed Bills to any other third parties.

As at 31 December 2019, the total carrying value of accounts payable settled by the Group was RMB64,038,348.12 (31 December 2018: RMB170,314,843.11).

VIII Risks related to financial instruments (Continued)

2. Transfer of financial assets (Continued)

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

As at 31 December 2019, the Group had endorsed commercial bills receivable (the "Endorsed Bills") to certain of its suppliers in order to settle accounts payable due to such suppliers of RMB867,007,837.74 (31 December 2018: RMB568,118,674.84). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2019, the carrying value thereof was RMB1,413,116,120.20 (31 December 2018: RMB705,143,849.35). The derecognised bills had a maturity of 1 to 12 months at the end of the reporting period. In accordance with the Law of Negotiable Instruments, the holders of the derecognised bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the derecognised bills and the associated accounts payable. The maximum exposure to loss from the Group's Continuing Involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised bills are not significant.

During 2019, the Group has not recognised any gain or loss on the date of transfer. No gain or loss was recognised from derecognised financial assets in which the Continuing Involvement exists, both during the year or cumulatively.

During 2019, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

As part of its normal business, the Group entered into an accounts receivable factoring without recourse with banks and transferred certain accounts receivable to banks. In the opinion of the directors, the Group has transferred substantially all risks and rewards under the arrangement. Accordingly, it has derecognised the full carrying amounts of the associated accounts receivable. The original carrying value of the derecognised accounts receivable transferred under the Arrangement that have not been settled as at 31 December 2019 amounted to RMB1,525,687,080.99 (31 December 2018: RMB827,745,640.19).

VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Group's principal financial instruments comprise cash and bank balances, equity investments, debt investments, borrowings, notes receivable, accounts receivable, notes payable and accounts payable. Risks that related to these financial instruments and the Group's risk management strategies for reducing these risks are as follows.

The Company's board of directors is responsible for planning and establishing the risk management framework of the Group, formulating risk management policies and related guidelines of the Group and supervising the implementation of risk management measures. The Group has already developed risk management policies to identify and analyse the risks faced by the Group, which have clearly identified specific risks, covering a lot of aspects such as market risk, credit risk and liquidity risk management. The Group regularly assesses the market environment and changes in the Group's business activities to determine whether or not to update the risk management policies and systems. The risk management of the Group shall be conducted by the operation and management department according to the policy approved by the Company's management. The operation and management department identifies, evaluates and avoids related risks by means of close cooperation with other business units of the Group.

To avoid the risk concentrating on a single industry, a specific area or a specific counterparty, the Group spreads financial instruments risk with diversified investments and business portfolio.

Credit risk

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the special approval of the credit control department of the Group.

Since cash and bank balances, bank acceptance bills receivable and derivative financial instruments are placed in the well-established banks with high credit ratings, the credit risk of these financial instruments is lower.

The other financial instruments of the Group include cash and bank balances and other receivables. The credit risk of these financial assets results from default of counterparty. The maximum credit exposure equals to the book value of these instruments.

VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments (Continued)

Credit risk (Continued)

The maximum exposure to credit risk of the Group at each balance sheet date is the total amount charged to the customers less the amount of the impairment provision.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit risks are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances

Determination of significant increase in credit risk

At each reporting date, the Group determines whether the credit risk of a financial asset has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In order to determine the change of expected default risk during the financial instrument's entire lifetime, the Group compares the default risk of financial instrument on the balance sheet date and on the initial recognition date based on single financial instrument or financial instrument portfolio with similar default risk.

The Group determines that the credit risk of financial assets has significantly increased when one or more quantitative or qualitative criteria are met:

- (1) Quantitative criteria are mainly probability of default increasing more than a given % since initial recognition;
- (2) Qualitative criteria are mainly significant detrimental changes in the borrower's operating or financial conditions and early warning customer lists.
- (3) The upper criterion is above 30 days of the borrowers default (including principal and interests).

Definition of credit-impaired financial assets

In assessing whether a financial asset is credit-impaired, the Group considers both quantitative and qualitative information in line with internal credit risk management. The Group assesses whether a financial asset is credit-impaired by considering the following factors:

- (1) Significant financial difficulty of the borrower or issuer;
- (2) A breach of contract such as a default or past due event;
- (3) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concession(s) that the lender(s) would not otherwise consider;
- (4) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (5) The disappearance of an active market for security because of financial difficulties; and
- (6) Financial assets purchased or sourced at large discounts indicating that credit losses have occurred.

VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments (Continued)

Credit risk (Continued)

The impairment of financial assets may not be necessarily due to a single disparate event. The combined effects of multiple events may result in financial assets being credit-impaired.

Parameter of the expected credit loss model

Based on whether there is a significant increase in credit risk and whether the financial assets are credit-impaired, the Group recognizes impairment allowance for different assets using either 12-month expected credit losses or lifetime expected credit losses. The measurement of the ECL model is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The Group establishes the model by considering the quantitative analysis of historical statistics such as the counterparty rating, the guarantee method, the collateral category, the repayment method, and also forward-looking information.

Definitions:

- (1) The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic environment conditions, the Group's assessment of the probability of default is based on the calculation of the ECL model adjusted by forward-looking information.
- (2) The loss given default (i.e. the magnitude of the loss if there is a default) refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration.
- (3) The exposure at default refers to the amount that the Group should repay in the event of default in the next 12 months or throughout the remaining period.

Both the assessment of a significant increase in credit risk and the calculation of the ECL involve forward-looking information. The Group recognizes key economic ratios that influence credit risk and the ECL by historical data analysis.

As at 31 December 2019, there was no evidence of a significant increase in credit risk (31 December 2018: nil).

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments (Continued)

Liquidity risk

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

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	1,473,390,678.14	-	-	-	1,473,390,678.14
Notes payable	5,555,697,557.53	-	-	-	5,555,697,557.53
Accounts payable	6,554,105,124.13	-	-	-	6,554,105,124.13
Other payables	1,756,858,461.02	-	-	-	1,756,858,461.02
Non-current liabilities due within 1 year	681,949,685.82	-	-	-	681,949,685.82
Lease liabilities	-	495,038,444.79	638,255,984.49	135,810,836.52	1,269,105,265.80
	<u>16,022,001,506.64</u>	<u>495,038,444.79</u>	<u>638,255,984.49</u>	<u>135,810,836.52</u>	<u>17,291,106,772.44</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments (Continued)

Liquidity risk (Continued)

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

	31 December 2018				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	2,641,685,285.81	-	-	-	2,641,685,285.81
Notes payable	3,416,755,681.80	-	-	-	3,416,755,681.80
Accounts payable	6,468,535,961.17	-	-	-	6,468,535,961.17
Other payables	1,528,424,590.29	-	-	-	1,528,424,590.29
Non-current liabilities due within 1 year	9,930,322.41	-	-	-	9,930,322.41
Long-term payables	-	4,424,279.85	563,159.02	-	4,987,438.87
Long-term borrowings	-	32,897,114.17	-	-	32,897,114.17
	<u>14,065,331,841.48</u>	<u>37,321,394.02</u>	<u>563,159.02</u>	<u>-</u>	<u>14,103,216,394.52</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

VIII Risks related to financial instruments (Continued)

Market risk

Interest rate risk

The Group's interest rate risk arises from long-term borrowings from banks. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2019, if the floating interest rates of the long-term interest-bearing borrowings increased or decreased by 50 base points, while other factors did not change, the Group's net income would decrease or increase by RMB40,471.31 (31 December 2018: if the floating interest rates of the long-term interest-bearing borrowings increased or decreased by 50 base points, while other factors did not change, the Group's net income would increase or decrease by RMB118,500.00).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings and, therefore, could have a material adverse effect on the Group's financial position. The Group's management layer would make adjustments with reference to the latest market conditions which are interest rate swap agreements to mitigate its exposure to interest rate risk. During 2019 and 2018, the Group had not entered into any interest rate swap agreements.

For the year ended 31 December 2019, the Group had long-term interest-bearing borrowings with floating interest rates amounting to RMB31,600,000.00 (31 December 2018: RMB31,600,000.00).

Currency risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities as well as future transactions (denominated in foreign currencies, primarily with respect to United States dollars and Hong Kong dollars). The Group's finance department at its headquarters is responsible for monitoring the amounts of assets and liabilities, and transactions denominated in foreign currencies aim at mitigating the potential foreign exchange risk to a large extent.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

VIII Risks related to financial instruments (Continued)

4. Capital management

The Company's primary objective for managing capital is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business, bring shareholders investing returns and benefit related parties. Management also aims to maintain a capital structure that ensures that the lowest cost of capital is available to the entity.

Management adjusts the capital structure through adjusting dividend payments to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debts.

The Group's total capital is the total shareholders' equity in the balance sheet. The Group does not adopt an asset ratio as a compulsory factor to govern capital investment.

The gearing ratios of the Group as at the end of the reporting periods were as follows:

	2019	2018
Gearing ratio	<u>54.18%</u>	<u>51.93%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

IX Disclosure of fair value

1. Assets and liabilities at fair value

2019

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
Continuous measurement of fair value				
Receivable financing	-	446,342,588.46	-	446,342,588.46
Other investment in equity instruments	-	116,021,000.00	-	116,021,000.00
Other non-current financial assets	-	-	140,000,000.00	140,000,000.00
	-	562,363,588.46	140,000,000.00	702,363,588.46

2018

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
Continuous measurement of fair value				
Receivable financing	-	567,775,275.40	-	567,775,275.40
Other investment in equity instruments	-	13,685,760.00	-	13,685,760.00
Other non-current financial assets	-	-	140,000,000.00	140,000,000.00
	-	581,461,035.40	140,000,000.00	721,461,035.40

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

IX Disclosure of fair value (Continued)

2. Assets and liabilities disclosed at fair value

2018

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Long-term borrowings	-	31,638,984.25	-	31,638,984.25

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

IX Disclosure of fair value (Continued)

3. Estimation of fair value

The following are the book value and fair value of financial instruments of the Group, excluding those that have immaterial difference in book value and fair value:

	Carrying amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial liabilities				
Long-term borrowings	-	31,638,984.25	-	31,638,984.25

Management has assessed that the fair values of cash and cash equivalents, notes receivable, accounts receivable, receivable financing, other receivables, short-term borrowings, notes payable, accounts payable, other payables, non-current liabilities due within 1 year as well as other short-term financial assets and liabilities. Due to the short remaining maturities of these instruments, the fair value approximated to the carrying amount.

The financial controller of the Group takes the responsibility to formulate policies and procedures related to financial instrument fair value measurements and directly reports to the CFO and the audit committee. On each balance sheet date, the financial department analyses the variation of the fair value of financial instruments and determines the inputs applicable to valuation. The valuation is required to be approved by the CFO.

The fair values of financial assets and liabilities are the amounts at which the instrument could be exchanged or debts could be settled in an arm's length transaction between knowledgeable and willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of short-term and long-term borrowings, and long-term payables have been calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar terms, credit risk and remaining maturities. As at 31 December 2019, the Group's own non-performance risk for short-term and long-term borrowings was assessed to be insignificant.

For an equity instrument of listed entities, the market price is used to determine fair value. For an equity instrument of non-listed entities, the recent equity transaction consideration or the market comparable company model is used to estimate fair value. The Group believes that the estimated fair value by the valuation method is rational, and also the most sufficient value at the balance sheet date.

4. Unobservable inputs

Other non-current financial assets were the fund shares of Qirui Port Investment Center LP of Ningbo Meishan Bonded Port subscribed by the Group. For the determination of the fair value of the investment, after referring to the net assets of Qirui Port Investment Center LP of Ningbo Meishan Bonded Port on 31 December 2019, which has implemented the new financial instrument standards, the result was calculated and determined according to the fund share proportion owned by the company.

A financial instrument that is measured at fair value with measurement of level 3 is insensitive to reasonable fluctuation of the unobservable inputs.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

IX Disclosure of fair value (Continued)

5. Transfers between levels of fair value measurement

During the year, there were no transfers of fair value measurements between Level 1 and Level 2.

X Related party relationships and transactions

1. Parent

	Registered address	Nature of business	Share capital (RMB'0,000)	Proportion of ownership interest in the Company	Proportion of voting power in the Company
Sinopharm Group	Shanghai	Industrial investment holding, trustee of a pharmaceutical enterprise, asset reorganization, distribution and retail of medicines and pharmaceutical products, etc.	297,165.62	56.06%	56.06%

The ultimate controlling party of the Company is CNPGC.

2. Subsidiaries

Refer to Note VII (1) for details of subsidiaries.

3. Associates

Refer to Note VII (2) for details of associates.

4. Other related parties

Related party relationships

Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	Controlled by CNPGC
Huayi Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Huamiao Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guangdong Medi-World Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shandong Lu Ya Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Holding Fengliaoxing (Foshan) Traditional & Herbal Medicine Co., Ltd.	Controlled by CNPGC
Winteam Pharmaceutical Group Ltd.	Controlled by CNPGC
Foshan Dezhong Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Guizhou Blood Products Co., Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmacy Co., Ltd.	Controlled by CNPGC
Lanzhou Biotechnology Development Co., Ltd.	Controlled by CNPGC

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

Related party relationships

Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC
Shantou Jinshi Powder Injection Co., Ltd.	Controlled by CNPGC
Chengdu Institute of Biological Products Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Group Chengdu Xinlibang Biological Products Co., Ltd.	Controlled by CNPGC
Sinopharm Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Zhonglian Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	Controlled by CNPGC
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	Controlled by CNPGC
Sinopharm Yixin Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	Controlled by CNPGC
Sinopharm Wuhan blood products Co., Ltd.	Controlled by CNPGC
Fujian Chengtian Jinling Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoxing (Foshan) Medicines Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoxing Medical Hospital Co., Ltd.	Controlled by CNPGC
Sinopharm Group Fengliaoxing Traditional Chinese Medical Center Foshan Nanhai Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoxing Pharmacy (Foshan) Co., Ltd.	Controlled by CNPGC
Foshan Southern Fengliaoxing Medicinal Hospital Co., Ltd.	Controlled by CNPGC
Sinopharm Industry Investment Co., Ltd.	Controlled by CNPGC
Sinopharm Beijing Huamiao Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
China National of Traditional&Herbal Medicine Co., Ltd.	Controlled by CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	Associate of CNPGC
Shanghai SinoMed Medicine Co., Ltd.	Associate of CNPGC

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

	<u>Related party relationships</u>
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	Associate of CNPGC
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	Associate of CNPGC
Sinopharm Holding Tianjin Co., Ltd.	Controlled by Sinopharm Group
Shanghai Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Guorun Medical Supply Chain Service (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Linfen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Southwest Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhihuiminsheng (Tianjin) Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding (Hubei) Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Lvliang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Jincheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Mingdikang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yongzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changde Co., Ltd.	Controlled by Sinopharm Group
China National Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guorui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

	<u>Related party relationships</u>
Sinopharm Holding Beijing Huahong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhejiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Sub Marketing Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Henan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pingdingshan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shandong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Rizhao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dezhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pu'er Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yunnan Dongchang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fujian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Putian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Quanzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiamen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Medicinal Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Inner Mongolia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tongliao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ulanqab Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Bayannur Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hulun Buir Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

	<u>Related party relationships</u>
Sinopharm Holding Xinjiang Special Drugs Kashgar Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jilin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tonghua Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Biological Products Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Taizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Medical Treatment Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lianyungang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanjing Wende Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yancheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Heilongjiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hebei Medical Instrument Supply Chain Management Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hebei Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Xingtai Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Shanghai Merro Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Luzhou Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Hecheng Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

	<u>Related party relationships</u>
Sinopharm Holding Changsha Co., Ltd.	Controlled by Sinopharm Group
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	Controlled by Sinopharm Group
China National Medicinal Device Shandong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Liaoning Medicinal Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Shanxi Medicinal Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Shanghai Medicine Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Healthcare Management Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Medicinal Development Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Dajiuzhou Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Runhe Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Huaning Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Huixin Qingyuan (Beijing) Technology Development Co., Ltd.	Controlled by Sinopharm Group
Shanghai International Pharmaceutical Trade Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Jinzhong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Zhidekang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yantai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Hongyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ordos Co., Ltd.	Controlled by Sinopharm Group
Shanghai Meitai Medical Instruments Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Sichuan Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm (Guangzhou) Medicinal Device Co., Ltd.	Controlled by Sinopharm Group
China National Pharmaceutical Logistics Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	Controlled by Sinopharm Group
Sinopharm Holding Tianjin North Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm (Hubei) Hankou Pharmacy Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Hongyuan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiaozuo Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuhu Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

	<u>Related party relationships</u>
Sinopharm Holding Liaocheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yunnan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Honghe Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chuxiong Co., Ltd.	Controlled by Sinopharm Group
Yuxi Sinopharm Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Guanai Yuankang Pharmacy (Haikou) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Guanai Jikun Pharmacy (Haikou) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Gansu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Longyan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningde Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anshun Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tongren Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zunyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qianxi'nan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Medical Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jilin Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Siping Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wenzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhenjiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nantong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huaian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Healthcare Shijiazhuang Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Shijiazhuang Medicinal Management Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Baoding Hongkang Medicinal Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qinghai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Taimin Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chengdu Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Deyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Medical Instrument Guizhou Qiannan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guangdong Medicine Device Co., Ltd.	Controlled by Sinopharm Group
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Guangdong Medical Examination Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Zhuhai Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Medical Instrument Foshan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Nanping Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guangxi Medical Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lianrui Xinxiang (Beijing) Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changxing Zhuanye Pharmacy (Haikou) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huangshi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinxiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Liu'an Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jining Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanping Newforce Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanchang Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hengshui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Baoding Medicine Co., Ltd.	Controlled by Sinopharm Group
Fujian Sinopharm Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Weian Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Jienuo Medical Treatment Service Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Guangdong Medical Equipment Supply Chain Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Hebei Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Anhui Medical Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
China National Pharmaceutical Group Shanghai Co., Ltd.	Controlled by Sinopharm Group
Xinjiang Baitong Property Service Co., Ltd.	Controlled by Sinopharm Group
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Yitong Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Bokang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Chengde Medicine Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company Name</u>	<u>Related party relationships</u>
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Sinopharm Health Online Co., Ltd.	Associate of Sinopharm Group
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Sinopharm Pharmacy (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Sinopharm Holding Pharmacy (Nanchang) Co., Ltd.	Associate of Sinopharm Group
Sinopharm Holding (China) Finance Leasing Co., Ltd.	Associate of Sinopharm Group
Shenzhen Wanwei Medicine Trading Co., Ltd.	Subsidiary of Main Luck Pharmaceutical
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Guilin South pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Chaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Tibet Yaoyou Medicines Co.,Ltd.	Subsidiary of Fosun Pharm
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Transfusion Technology Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Co., Ltd.	Subsidiary of Fosun Pharm
Jinzhou Ahon Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Huanghe Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Suzhou Erye Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd	Subsidiary of Fosun Pharm
Jinzhou Ahon Pharmaceutical Co., Ltd	Subsidiary of Fosun Pharm
Jiangxi Erye Medicine Marketing Co., Ltd.	Subsidiary of Fosun Pharm
Chengdu List Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Chongqing Haisiman Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Foshion Dental Technology Co., Ltd.	Subsidiary of Fosun Pharm
Foshan Chancheng District Central Hospital	Subsidiary of Fosun Pharm
Foshan Chanyixing Medicine Development Co Ltd.	Subsidiary of Fosun Pharm
Foshan Chancheng Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shenzhen Qianda Medical Beauty Clinic	Subsidiary of Fosun Pharm
Shenzhen Heng Sheng Hospital	Subsidiary of Fosun Pharm
Foshan Shunde District Lecong Supply and Marketing group Shunketang Medicine Co., Ltd.	Subsidiary of Fosun Pharm
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Henan Wanxitang Pharmacy Co., Ltd.	Non-controlling interest of a subsidiary
Shenzhen Ketai Medicial Science and Technology Co., Ltd	Non-controlling interest of a subsidiary
Pu'er Songmao Jiantang Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Zhang Zhenfang	Non-controlling interest of a subsidiary

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company Name</u>	<u>Related party relationships</u>
Shenyang Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Heyuan Mairui Trading Co., Ltd.	Non-controlling interest of a subsidiary
Linyi Medical Group Co., Ltd.	Non-controlling interest of a subsidiary
Hunan Minshengtang Investment Co., Ltd.	Non-controlling interest of a subsidiary
Shenzhen Jiufeng Investment Co., Ltd.	Non-controlling interest of a subsidiary
Lerentang Investment Group Co., Ltd.	Non-controlling interest of a subsidiary
Guangdong Jiyuantang Development Co., Ltd.	Non-controlling interest of a subsidiary
Hangzhou Xihu Business Group Corporation	Non-controlling interest of a subsidiary
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd.	Non-controlling interest of a subsidiary
Nanjing Yuanguang Trading Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Taishan Xiangranhui Trade Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Gu Haiqun	Non-controlling interest of a subsidiary
Gu Jinhua	Controller of non-controlling interest of a subsidiary
Wang Yang	Family member of the non-controlling shareholder of a subsidiary

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties

(1) Related party transactions – goods and services

Purchase of goods and receiving of services from related parties

	2019	2018
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Sub Marketing Center Co., Ltd.	123,317.05	102,842.49
China National Medicines Co., Ltd.	57,097.31	47,447.25
Sinopharm Group Shanxi Co., Ltd.	41,636.50	30,206.49
Sinopharm Holding Shanxi Co., Ltd.	26,368.40	17,803.27
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	17,941.86	10,590.47
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	16,472.43	15,730.42
Sinopharm Group Co., Ltd.	15,594.72	15,674.01
Sinopharm Holding Shenyang Co., Ltd.	14,095.03	12,615.36
Lanzhou Biological Technology Development Co., Ltd.	11,345.94	1,380.00
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	11,023.65	13,492.91
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	10,419.25	7,968.25
Sinopharm Holding Inner Mongolia Co., Ltd.	6,740.08	3,765.52
Sinopharm Holding Yangzhou Co., Ltd.	5,874.74	5,080.96
Chongqing Yaoyou Pharmaceutical Co., Ltd.	5,552.61	5,425.64
Sinopharm Holding Lunan Co., Ltd.	5,350.49	7,867.79
Sinopharm Holding Hubei Co., Ltd.	5,006.89	-
Sinopharm Holding Beijing Co., Ltd.	4,803.76	4,166.01
Jinzhou Ahon Pharmaceutical Co., Ltd.	4,750.43	4,655.26
Tibet Yaoyou Medicines Co.,Ltd.	4,374.73	1,863.03
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	4,362.84	17,772.72
Winteam Pharmaceutical Group Ltd.	3,691.04	3,425.51
Main Luck Pharmaceutical	3,598.25	3,664.44
Sinopharm Holding Fujian Co., Ltd.	3,544.64	2,235.91
Jiangxi Erye Medicine Marketing Co., Ltd.	3,504.34	636.00
Sinopharm Holding Henan Co., Ltd.	3,209.58	1,345.69
Zhijun Pingshan	3,014.17	1,485.99
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	2,864.87	3,425.05

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)**5. Major transactions between the Group and its related parties (Continued)**

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2019	2018
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Pingdingshan Co., Ltd.	2,799.59	2,966.11
Zhijun Pharmaceutical	2,741.69	1,550.59
Sinopharm Holding Jiangsu Co., Ltd.	2,694.29	2,478.08
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	2,572.82	961.00
Chengdu Rongsheng Pharmacy Co., Ltd.	2,557.70	1,544.99
Shenzhen Wanwei Medicine Trading Co., Ltd.	2,197.12	2,360.76
Sinopharm Holding Xiamen Co., Ltd.	2,192.31	1,641.68
Shyndec Pharma	2,186.24	545.56
Sinopharm Yixin Pharmaceutical Co., Ltd.	1,701.08	542.65
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	1,685.38	1,927.59
Sinopharm Group Medicine Logistic Co., Ltd.	1,644.77	1,374.70
Yichang Humanwell Pharmaceutical Co., Ltd.	1,612.15	988.76
Sinopharm Holding Changzhou Co., Ltd.	1,488.55	519.14
China Otsuka Pharmaceutical Co., Ltd.	1,483.80	809.96
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	1,455.99	958.22
Sinopharm Holding Shandong Co., Ltd.	1,419.51	382.90
Sinopharm Holding Ningxia Co., Ltd.	1,417.91	1,303.98
Sinopharm Health Online Co., Ltd.	1,404.59	1,269.85
Sinopharm Holding Hunan Co., Ltd.	1,175.61	2,753.14
Shanghai Shangsheng Biological Products Co., Ltd.	1,174.87	1,225.55
China National Pharmaceutical Foreign Trade Corporation	1,172.51	1,376.71
Suzhou Erye Pharmaceutical Co., Ltd.	1,134.34	2,097.57
Sichuan Hexin Pharmaceutical Co., Ltd.	1,074.53	808.33
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	969.83	575.07
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	823.16	1,063.26
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	758.69	492.19
Sinopharm Holding Wuxi Co., Ltd.	684.26	501.02

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)**5. Major transactions between the Group and its related parties (Continued)****(1) Related party transactions – goods and services (Continued)**

Purchase of goods and receiving of services from related parties (Continued)

	2019	2018
	(RMB'0,000)	(RMB'0,000)
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	672.74	-
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	655.09	42.10
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	618.72	459.70
Shanghai Chaohui Pharmaceutical Co., Ltd.	617.30	216.02
Sinopharm Holding Tongliao Co., Ltd.	607.65	172.34
Sinopharm Group Guorui Medicine Co., Ltd.	600.73	815.71
Shantou Jinshi Powder Injection Co., Ltd.	566.36	374.45
Sinopharm Holding Jinan Co., Ltd.	543.59	618.89
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	542.01	353.38
Sinopharm Holding Heilongjiang Co., Ltd.	492.73	220.67
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	490.16	399.79
Sinopharm Holding Fuzhou Co., Ltd.	477.04	843.89
Sinopharm Holding Jinzhou Co., Ltd.	458.60	386.83
Guizhou Tongjitang Pharmaceutical Co., Ltd.	445.40	324.11
Sinopharm Holding Shanxi Lvliang Co., Ltd.	436.90	5.76
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	372.99	289.84
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd.	362.48	134.98
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	360.87	344.11
Sinopharm Holding Beijing Huahong Co., Ltd.	356.68	650.29
Sinopharm Holding Fengliaoxing (Foshan) Traditional & Herbal Medicine Co., Ltd.	341.21	295.73
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	326.60	1,094.70
Sinopharm Holding Zhihuiminsheng (Tianjin) Pharmaceutical Co., Ltd.	310.35	153.65
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	298.06	-
Sinopharm Holding Anhui Huaning Medicine Co., Ltd.	293.73	-
Sinopharm Huixin Qingyuan (Beijing) Technology Development Co., Ltd.	281.25	-
Sinopharm Holding Yancheng Co., Ltd.	280.58	248.87
Sinopharm Weiqida Pharmaceutical Co., Ltd.	266.12	89.28
Hunan Dongting Pharmaceutical Co., Ltd.	266.01	91.25

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)**5. Major transactions between the Group and its related parties (Continued)****(1) Related party transactions – goods and services (Continued)**

Purchase of goods and receiving of services from related parties (Continued)

	2019	2018
	(RMB'0,000)	(RMB'0,000)
Sinopharm Group Southwest Medicine Co., Ltd.	249.68	116.31
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	245.00	115.92
Shanghai Beiyi	227.23	249.14
China National Pharmaceutical Industry Co., Ltd.	224.74	107.14
Shenyang Hongqi Pharmaceutical Co., Ltd.	224.12	356.58
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	193.12	81.80
Shanghai Tongyu Information Technology Co., Ltd.	189.92	142.34
Chengdu Institute of Biological Products Co., Ltd.	183.22	66.32
Sinopharm Holding Hulun Buir Co., Ltd.	177.50	134.06
Sinopharm Holding Xinjiang Special Drugs Kashgar Pharmaceutical Co., Ltd.	173.96	113.90
Sinopharm Holding Tianjin Co., Ltd.	173.87	163.00
Sinopharm Holding Changsha Co., Ltd.	169.02	73.39
Sinopharm Healthcare Management Co., Ltd.	167.58	-
Guangdong Medi-World Pharmaceutical Co., Ltd.	167.27	160.50
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	163.79	118.51
Sinopharm Holding Dalian Co., Ltd.	158.66	146.37
Sinopharm Holding Shanxi Dajiuzhou Medicine Co., Ltd.	151.95	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	145.69	205.84
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	144.75	33.25
Sinopharm Holding Lianyungang Co., Ltd.	143.93	98.55
Sinopharm Holding Putian Co., Ltd.	138.62	173.77
Anhui Jingfang Pharmaceutical Co., Ltd.	126.38	92.62
Sinopharm Group Zhonglian Pharmaceutical Group Co., Ltd.	123.00	107.89
Sinopharm Holding Anhui Co., Ltd.	108.09	125.53
Shanghai International Pharmaceutical Trade Co., Ltd.	104.78	-
Sinopharm Group Guizhou Blood Products Co., Ltd.	104.57	-
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	103.81	57.34
Shanghai Merro Pharmaceutical Co., Ltd.	93.16	265.31

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)**5. Major transactions between the Group and its related parties (Continued)****(1) Related party transactions – goods and services (Continued)**

Purchase of goods and receiving of services from related parties (Continued)

	2019	2018
	(RMB'0,000)	(RMB'0,000)
Fujian Chengtian Jinling Pharmaceutical Co., Ltd.	87.34	60.62
Guilin South pharmaceutical Co., Ltd.	82.38	61.69
Sinopharm Holding Suzhou Co., Ltd.	82.16	1,123.00
Shanghai Transfusion Technology Co., Ltd.	80.09	-
Sinopharm Holding Quanzhou Co., Ltd.	80.05	79.67
Sinopharm Wuhan blood products Co., Ltd.	76.80	17.04
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	73.28	204.05
Sinopharm Holding Yangzhou Medical Treatment Equipment Co., Ltd.	71.46	5.23
Sinopharm Holding Hainan Co., Ltd.	55.64	24.14
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	50.64	34.82
Sinopharm Holding Bayannur Co., Ltd.	48.83	-
Sinopharm Holding Yangzhou Biological Products Co., Ltd.	40.26	33.6
Sinopharm Holding Yunnan Dongchang Medicine Co., Ltd.	39.91	-
China National Medicinal Device Shandong Co., Ltd.	34.06	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	30.60	33.17
Sinopharm Holding Zhejiang Co., Ltd.	30.09	44.13
Sinopharm Holding Dezhou Co., Ltd.	25.26	36.03
Sinopharm Holding Hunan Medicinal Development Co., Ltd.	24.49	-
Jiangsu Huanghe Pharmaceutical Co., Ltd.	19.94	28.64
Shandong Lu Ya Pharmaceutical Co., Ltd.	19.48	290.93
Jinzhou Ahon Pharmaceutical Co., Ltd.	18.99	-
Sinopharm Holding Changde Co., Ltd.	18.04	-
China National Pharmaceutical Logistics Co., Ltd.	16.63	9.08
Sinopharm Holding (Hubei) Medicine Co., Ltd.	15.20	-
Foshan Dezhong Pharmaceutical Co., Ltd.	14.19	-
Sinopharm Liaoning Medicinal Device Co., Ltd.	11.50	-
Sinopharm Holding Shanxi Co., Ltd.	11.19	32.67
Sinopharm Holding Taizhou Co., Ltd.	8.89	16.31
Shanghai SinoMed Medicine Co., Ltd.	8.57	31.93
Sinopharm Holding Shanxi Mingdikang Medicine Co., Ltd.	7.50	2.72
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	6.17	8.20

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2019	2018
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Fuzhou Medicinal Device Co., Ltd	4.07	-
Sinopharm Holding Pu'er Co., Ltd.	3.98	-
Sinopharm Holding Jiangxi Co., Ltd.	3.80	-
Sinopharm Holding Shanxi Runhe Medicine Co., Ltd	3.65	-
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	3.54	11.88
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	2.91	17.44
Sinopharm Holding Ulanqab Co., Ltd.	2.91	35.33
Sinopharm Lerentang Xingtai Medicine Co., Ltd	2.64	-
Sinopharm Holding Rizhao Co., Ltd.	2.20	24.76
Sinopharm Holding Nanjing Wende Pharmaceutical Co., Ltd.	1.70	15.28
Sinopharm Lerentang Hebei Medicinal Instrument Supply Chain Management Co., Ltd.	1.60	-
Sinopharm Holding Shanxi Jincheng Co., Ltd.	1.32	2.42
Sinopharm Holding Jilin Co., Ltd.	1.32	-
Sinopharm Group Linfen Co., Ltd.	1.28	-
Sinopharm Holding Luzhou Medicine Co., Ltd	1.01	-
Sinopharm Holding Tonghua Co., Ltd.	0.37	-
Guorun Medical Supply Chain Service (Shanghai) Co., Ltd.	0.16	-
Beijing Huamiao Pharmaceutical Co., Ltd.	0.10	0.26
Lanzhou Institute of Biological Products Co., Ltd.	-	8,556.00
Sinopharm (Guangzhou) Medicinal Device Co., Ltd.	-	1,732.81
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	-	1,523.54
Jiangsu Lianhuan Pharmaceutical Co.,Ltd.	-	538.61
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	-	179.93
Sinopharm Holding Shanxi Jinzhong Co., Ltd.	-	179.83
Shanghai Meitai Medical Instruments Co., Ltd.	-	166.41

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Jingfukang Pharmaceutical Group Co., Ltd.	-	144.26
Sinopharm Holding Yantai Co., Ltd.	-	130.34
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	-	91.62
Henan Wanxitang Pharmacy Co., Ltd.	-	13.03
Sinopharm Holding Shanxi Zhidekang Medicine Co., Ltd.	-	12.86
Qinghai Pharmaceutical Factory Co., Ltd.	-	12.51
Sinopharm Holding Guizhou Co., Ltd.	-	7.37
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	-	5.32
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	-	4.76
Chongqing Haisiman Pharmaceutical Co., Ltd.	-	3.29
Sinopharm Holding Hainan Hongyi Co., Ltd.	-	3.15
Sinopharm Fengliaoxing (Foshan) Medicines Co., Ltd.	-	2.86
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	-	1.61
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	-	0.71
Zhijun Suzhou	-	0.30
Sinopharm Sichuan Pharmaceutical Co., Ltd.	-	0.24
Zhijun Trade	-	0.03
Sinopharm Holding Ordos Co., Ltd.	-	(1.38)
Sinopharm Holding Yongzhou Co., Ltd.	(0.01)	3.72
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	(0.19)	1.04
Sinopharm Holding Zhangzhou Co., Ltd.	(0.41)	1.2
Sinopharm Group Chengdu Xinlibang Biological Products Co., Ltd.	(0.95)	-
Sinopharm Shanxi Medicinal Device Co., Ltd.	(10.59)	-
Huayi Pharmaceutical Co., Ltd.	(12.24)	159.06
Chengdu List Pharmaceutical Co.,Ltd.	(174.98)	-
	<u>477,727.07</u>	<u>405,277.59</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Group Co., Ltd.	20,583.75	13,127.67
Shanghai Beiyi	11,534.81	9,917.50
Foshan Chancheng Pharmaceutical Co., Ltd.	11,126.10	8,713.35
Sinopharm Holding Hainan Co., Ltd.	10,176.88	6,157.07
Sinopharm Holding Hainan Hongyi Co., Ltd.	3,239.54	4,734.71
Sinopharm Holding Beijing Huahong Co., Ltd.	2,824.47	1,921.41
Sinopharm Holding Wenzhou Co., Ltd.	2,806.78	2,052.01
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	2,466.59	1,903.16
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	2,279.09	2,069.07
Shenzhen Heng Sheng Hosital	2,231.25	1,711.70
Sinopharm Holding Beijing Co., Ltd.	2,202.63	1,441.53
Sinopharm Holding Sub Marketing Center Co., Ltd.	1,912.47	2,234.24
Sinopharm Holding Henan Co., Ltd.	1,868.25	1,684.79
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	1,836.41	1,952.87
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	1,772.13	1,596.99
Sinopharm Holding Nantong Co., Ltd.	1,555.67	1,608.96
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	1,459.24	1,225.58
Sinopharm Holding Shandong Co., Ltd.	1,431.16	1,078.15
Sinopharm Sichuan Pharmaceutical Co., Ltd.	1,257.31	1,545.73
China National Medicines Co., Ltd.	1,203.24	1,023.03
Foshan Chancheng District Central Hospital	1,191.82	947.72
Sinopharm Holding Hubei Co., Ltd.	1,141.98	518.05
Sinopharm Holding Yangzhou Co., Ltd.	871.14	725.68
Sinopharm Holding Shanxi Co., Ltd.	840.82	190.23
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	749.28	411.91
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	744.15	2,222.76
Shanghai Merro Pharmaceutical Co., Ltd.	698.54	323.19
Foshan Chanyixing Medicine Development Co Ltd.	679.73	432.38
Sinopharm Holding Anhui Co., Ltd.	616.25	255.38
Sinopharm Holding Yunnan Co., Ltd.	569.20	770.29
Sinopharm Holding Xuzhou Co., Ltd.	559.72	3.39
Sinopharm Group Shanxi Co., Ltd.	556.63	580.44
Shenzhen Ketai Medicial Science and Technology Co., Ltd	511.68	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2019

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X Related party relationships and transactions (Continued)**5. Major transactions between the Group and its related parties (Continued)****(1) Related party transactions – goods and services (Continued)**

Sale of goods and rendering of services (Continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Jinzhou Co., Ltd.	507.86	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	472.19	740.10
Sinopharm Holding Tianjin Co., Ltd.	436.58	208.79
Sinopharm Holding Jilin Co., Ltd.	388.85	432.10
Sinopharm Holding Fujian Co., Ltd.	376.37	302.61
Shanghai Liyi	321.81	343.80
Sinopharm Holding Shenyang Co., Ltd.	302.88	79.41
Sinopharm Holding Hunan Co., Ltd.	293.58	253.22
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	290.65	(1.44)
Sinopharm Group Southwest Medicine Co., Ltd.	290.33	1,657.77
Sinopharm Holding Anhui Medicine Co., Ltd	284.08	-
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	265.68	68.89
Sinopharm Holding Dalian Co., Ltd.	264.99	242.63
Zhijun Medicine	263.83	186.77
Sinopharm Holding Dalian Hecheng Co., Ltd.	182.43	77.07
Yuxi Sinopharm Medicine Co., Ltd.	153.82	157.01
Sinopharm Holding Ningxia Co., Ltd.	132.74	71.31
Sinopharm Holding Yancheng Co., Ltd.	125.78	-
Sinopharm Holding Gansu Co., Ltd.	119.62	214.52
Sinopharm Holding Lianyungang Co., Ltd.	115.23	-
Sinopharm Holding Wuhu Co., Ltd.	113.26	40.22
Sinopharm Holding Jiangxi Co., Ltd.	97.36	69.07
Sinopharm Holding Honghe Co., Ltd.	85.55	13.47
Sinopharm Holding Shanxi Co., Ltd.	81.90	72.08
Sinopharm Holding Wuxi Co., Ltd.	79.86	84.68
Sinopharm Holding Jiaozuo Co., Ltd.	70.26	24.79
Sinopharm Holding Chengdu Co., Ltd.	69.53	97.59
Sinopharm Holding Inner Mongolia Co., Ltd.	64.87	29.70
Sinopharm Group Medicine Logistic Co., Ltd.	63.81	65.21

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Tianjin North Medicine Co., Ltd.	63.64	26.69
Sinopharm Holding Tongren Co., Ltd.	61.49	16.66
Shenzhen Qianda Medical Beauty Clinic	61.44	17.73
Zhijun Trade	57.14	57.14
Sinopharm Holding Qinghai Co., Ltd.	57.04	41.59
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	53.62	85.74
Sinopharm Group Guangdong Medicine Device Co., Ltd.	52.21	0.97
Sinopharm Holding Guizhou Co., Ltd.	47.90	236.34
Sinopharm Holding Jiangsu Co., Ltd.	36.65	-
Sinopharm Holding Fuzhou Co., Ltd.	30.12	5.08
Sinopharm Lianrui Xinxiang (Beijing) Medicinal Instrument Co., Ltd	28.78	-
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.	28.72	2.26
Sinopharm Holding Changzhou Co., Ltd.	28.41	43.58
Sinopharm Holding Chongqing Co., Ltd.	26.53	28.21
Sinopharm Holding Pharmacy (Nanchang) Co., Ltd.	25.50	-
Sinopharm Holding Taizhou Co., Ltd.	25.38	-
Sinopharm Holding Hubei Hongyuan Co., Ltd.	24.17	18.54
Sinopharm Holding Chongqing Taimin Medicine Co., Ltd	23.35	-
Sinopharm Holding Guizhou Medical Equipment Co., Ltd.	21.31	19.15
Sinopharm (Hubei) Hankou Pharmacy Ltd.	19.53	-
Zhijun Pingshan	18.55	45.82
Sinopharm Holding Hunan Weian Chain Store Co., Ltd.	18.50	-
Sinopharm Holding Zunyi Co., Ltd.	17.76	35.43
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	17.57	10.65
Foshan Southern Fengliaoqing Medicinal Hospital Co., Ltd	17.34	-
Sinopharm Fengliaoqing Pharmacy (Foshan) Co., Ltd	16.26	-
Sinopharm Guangdong Medical Examination Co., Ltd.	15.59	-
Sinopharm Group Guangxi Medical Equipment Co., Ltd.	15.54	3.16
Sinopharm Medical Instrument Guizhou Qiannan Co., Ltd.	15.47	6.65
Sinopharm Holding Ulanqab Co., Ltd.	14.51	27.10

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Jilin Chain Store Co., Ltd.	14.03	18.32
Sinopharm Guangdong Medical Equipment Supply Chain Co., Ltd.	13.91	-
Sinopharm Lerentang Baoding Hongkang Medicial Chain Store Co., Ltd.	10.99	-
China National Pharmaceutical Foreign Trade Corporation	10.27	-
Sinopharm Holding Longyan Co., Ltd.	10.11	9.09
Sinopharm Holding Anshun Co., Ltd.	8.77	-
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	8.67	40.59
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	8.55	8.01
Sinopharm Holding Chuxiong Co., Ltd.	8.51	3.84
Shanghai Foshion Dental Technology Co., Ltd.	7.98	-
Sinopharm Medical Instrument Foshan Co., Ltd.	7.94	1.03
Sinopharm Guanai Yuankang Pharmacy (Haikou) Co., Ltd.	7.68	1.24
Dongyuan Accord	6.62	-
Sinopharm Lerentang Healthcare Shijiazhuang Pharmacy Co., Ltd.	4.85	-
Sinopharm Holding Liaocheng Co., Ltd.	3.72	2.60
Sinopharm Holding Deyang Co., Ltd.	3.68	-
Sinopharm Jienuo Medical Treatment Service Co., Ltd.	3.50	-
China Otsuka Pharmaceutical Co., Ltd.	2.07	-
Sinopharm Holding Quanzhou Co., Ltd.	2.06	(0.86)
Sinopharm Holding Qianxi'nan Co., Ltd.	2.02	-
Sinopharm Nanping Medical Instrument Co., Ltd.	2.00	0.93
Sinopharm Holding Putian Co., Ltd.	1.97	15.06
Sinopharm Holding Shanxi Jincheng Co., Ltd.	1.51	-
Sinopharm Zhuhai Medical Instrument Co., Ltd.	1.39	1,736.10
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	1.05	0.63
Sinopharm Group Fengliaoqing Traditional Chinese Medical Center Foshan Nanhai Co., Ltd.	1.01	0.15
Sinopharm Holding Siping Co., Ltd.	1.00	5.65
Sinopharm Holding Fengliaoqing (Foshan) Traditional & Herbal Medicine Co., Ltd.	0.87	1.07
Sinopharm Holding Zhenjiang Co., Ltd.	0.84	-
Sinopharm Holding Huaian Co., Ltd.	0.71	12.87
Sinopharm Holding Changxing Zhuanye Pharmacy (Haikou) Co., Ltd.	0.51	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Fuzhou Co., Ltd	0.46	-
Sinopharm Pharmacy (Shanghai) Co., Ltd.	0.37	-
Sinopharm Jienuo Medical Treatment Service Co., Ltd.	0.36	10.38
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	0.28	0.01
Sinopharm Lerentang Shijiazhuang Medical Management Co., Ltd	0.27	-
Sinopharm Guanai Jikun Pharmacy (Haikou) Co., Ltd	0.09	-
Sinopharm Holding Zhejiang Co., Ltd.	-	92.13
Sinopharm Holding Heilongjiang Co., Ltd.	-	35.21
Sinopharm Holding Yongzhou Co., Ltd.	-	28.54
Sinopharm Holding Nanping Newforce Co., Ltd.	-	16.91
Sinopharm Holding Liu'an Co., Ltd.	-	12.84
Sinopharm Holding Suzhou Co., Ltd.	-	12.84
Sinopharm Holding Xinxiang Co., Ltd.	-	7.76
Sinopharm Holding Huangshi Co., Ltd.	-	4.52
Sinopharm Holding Hulun Buir Co., Ltd.	-	3.79
Sinopharm Holding Jining Co., Ltd.	-	1.90
Fujian Sinopharm Medical Instrument Co., Ltd.	-	1.84
Sinopharm Lerentang Baoding Medicine Co., Ltd.	-	1.30
Sinopharm Lerentang Hengshui Medicine Co., Ltd.	-	1.21
Foshan Shunde District Lecong Supply and Marketing Group Shunketang Medicine Co., Ltd.	-	1.14
Guizhou Tongjitang Pharmaceutical Co., Ltd.	-	1.12
Sinopharm Holding Nanchang Chain Store Co., Ltd.	-	0.54
Winteam Pharmaceutical Group Ltd.	-	0.20
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	-	0.11
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Co., Ltd.	-	0.09
Sinopharm Holding Lunan Co., Ltd.	-	(12.68)
Sinopharm Holding Ningde Co., Ltd.	(2.04)	23.88
Sinopharm Holding Changsha Co., Ltd.	(2.20)	-
	<u>102,910.81</u>	<u>83,442.70</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(2) Related party asset trusteeship

2018

Type of an asset under trusteeship	Beginning date of trusteeship	Ending date of trusteeship	Pricing basis for trusteeship income	Trusteeship income recognised (RMB'0,000)
Ningbo Meishan bonded port area Qiling equity investment center LP	15 June 2018	31 December 2020	Trusteeship agreement	51.69

(3) Related party transactions - leases

As the lessor

Type of assets under leases	Income from leases in 2019 (RMB'0,000)	Income from leases in 2018 (RMB'0,000)
Zhijun Pharmaceutical	191.43	120.76
Zhijun Trade	57.14	57.14
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited.	18.50	17.01
China National Medicines Co., Ltd.	4.80	4.57
	<u>271.87</u>	<u>199.48</u>

As the lessee

Type of assets under leases	Expenses from leases in 2019 (RMB'0,000)	Expenses from leases in 2018 (RMB'0,000)
Beijing Golden Elephant Fosun Pharmaceutical Co.,Ltd.	1,011.23	1,092.38
Sinopharm Group Medicine Logistic Co., Ltd.	750.00	750.00
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	723.73	732.78
China National Pharmaceutical Group Shanghai Co., Ltd.	719.72	747.27
Sinopharm Group Medicine Logistic Co., Ltd.	708.00	708.00
Lerentang Investment Group Co., Ltd.	644.81	540.00
Sinopharm Holding (China) Finance Leasing Co., Ltd.	638.56	-
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	479.06	481.11
Sinopharm Holding Yangzhou Co., Ltd.	372.57	372.57

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(3) Related party transactions – leases (continued)

As the lessee (continued)

	Type of assets under leases	Expenses from leases in 2019 (RMB'0,000)	Expenses from leases in 2018 (RMB'0,000)
Pu'er Songmao Jiantang Pharmaceutical Co., Ltd.	Building	198.48	-
Guangdong Jiyuantang Development Co., Ltd.	Building	189.75	193.15
Linyi Medical Group Co., Ltd.	Building	184.81	384.50
Nanjing Yuanguang Trading Co., Ltd.	Building	149.91	169.97
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Building	97.47	94.03
Taishan Xiangranhui Trade Co., Ltd.	Building	81.76	91.13
Zhang Zhenfang	Building	80.50	80.50
Hunan Minshengtang Investment Co., Ltd.	Building	53.12	453.25
Wang Yang	Building	52.57	52.57
Sinopharm Holding Beijing Co., Ltd.	Building	49.52	52.46
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	Building	48.54	46.94
Shenyang Pharmaceutical Co., Ltd.	Building	47.62	762.69
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Building	46.13	36.85
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Building	38.86	24.71
Gu Jinhua	Building	35.76	35.76
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Building	31.54	30.84
China National Medicines Co., Ltd.	Building	28.57	30.38
Hangzhou Xihu Business Group Corporation	Building	27.89	26.56
Sinopharm Holding Rizhao Co., Ltd.	Building	20.00	-
Shenzhen Jiufeng Investment Co., Ltd.	Building	20.00	25.59
Gu Haiqun	Building	19.04	17.45
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd.	Equipment	13.74	14.85
Zhijun Pingshan	Building	4.24	-
Sinopharm Holding Fujian Co., Ltd.	Building	1.30	1.31
Sinopharm Group Shanxi Co., Ltd.	Building	-	62.74
Xinjiang Baitong Property Service Co., Ltd.	Building	-	10.82
Sinopharm Group Co., Ltd.	Building	-	6.54
		7,568.80	8,129.70

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(4) Related party transactions - guarantees

The Group has no related party guarantees not yet fulfilled this year and in 2018.

(5) Related party transactions – borrowings and lendings

Borrowings

2019	Category	Amount (RMB'0,000)	Inception	Maturity
Sinopharm Group Finance Co., Ltd.	Discount on commercial acceptance bills	38,966.99	24 January 2019- 23 July 2019	28 February 2019- 30 November 2019
Sinopharm Group Finance Co., Ltd.	Short-term borrowings	11,750.24	17 April 2019- 24 December 2019	17 July 2019- 24 June 2020
Sinopharm Group Finance Co., Ltd.	Discount on bank acceptance bills	4,394.67	14 August 2019- 21 November 2019	24 December 2019- 30 March 2020
CNPGC	Long-term borrowings	<u>3,160.00</u>	24 May 2017	24 May 2020
		<u>58,271.90</u>		

2018	Category	Amount (RMB'0,000)	Inception	Maturity
Sinopharm Group Finance Co., Ltd.	Discount on commercial acceptance bills	56,552.71	6 February 2018- 21 December 2018	25 March 2018- 31 May 2019
Sinopharm Group Finance Co., Ltd.	Discount on bank acceptance bills	12,435.12	23 May 2018- 29 November 2018	12 June 2018- 12 May 2019
CNPGC	Long-term borrowings	3,160.00	24 May 2017	24 May 2020
Guorun Medical Supply Chain Service (Shanghai) Co., Ltd.	Short-term borrowings	<u>320.00</u>	27 June 2018	18 October 2018
		<u>72,467.83</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(5) Related party transactions – borrowings and lendings (Continued)

Lendings

2018	Category	Amount (RMB'0,000)	Inception	Maturity
Zhijun Suzhou	Entrusted Loan	<u>4,400.00</u>	26 January 2018	25 January 2019

(6) Related party asset transfer

	Type of transaction	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Group Co., Ltd.	Purchase of an intangible asset	233.64	-
Shanghai Tongyu Information Technology Co., Ltd.	Purchase of an intangible asset	67.33	28.30
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of a fixed asset	43.94	43.07
Sinopharm Holding Tianjing Co., Ltd.	Purchase of a fixed asset	<u>4.11</u>	<u>-</u>
		<u>349.02</u>	<u>71.37</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(7) Other related party transactions

Remuneration for key management personnel

	2019 (RMB'0,000)	2018 (RMB'0,000)
	1,733.89	1,211.25

Interest expense

	Category	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Group Finance Co., Ltd.	Payment of notes discounted interest	359.52	649.32
Sinopharm Group Finance Co., Ltd.	Payment of loan interest	144.38	-
CNPGC	Payment of loan interest	129.36	129.36
Sinopharm Holding (China) Finance Leasing Co., Ltd.	Payment of finance leasing interest	-	114.13
Guorun Medical Supply Chain Service (Shanghai) Co., Ltd.	Interest on short-term borrowings	-	5.07
		<u>633.26</u>	<u>897.88</u>

Interest income

	Category	2019 (RMB'0,000)	2018 (RMB'0,000)
Zhijun Suzhou	Entrusted loan interest income	341.43	324.69
Sinopharm Group Finance Co., Ltd.	Deposit interest income	17.92	57.27
		<u>359.35</u>	<u>381.96</u>

Accounts receivable factoring without recourse

	2019 (RMB'0,000)		2018 (RMB'0,000)	
	Accounts receivable factoring	Terminated recognition loss	Accounts receivable factoring	Terminated recognition loss
Sinopharm Holding (China) Finance Leasing Co., Ltd.	5,407.82	128.67	21,436.14	273.04
Sinopharm Group Finance Co., Ltd.	3,888.97	53.12	-	-
	<u>9,296.79</u>	<u>181.79</u>	<u>21,436.14</u>	<u>273.04</u>

X Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

Notes (Expressed in RMB'0,000):

(1) Related party transactions - sale of goods and rendering of services

- (a) During the current year, the Group purchased goods from related parties at the market price amounting to RMB474,211.74 (2018: RMB402,230.16).
- (b) During the current year, the related parties rendered services to the Group at the market price amounting to RMB3,515.33 (2018: RMB3,047.43).
- (c) During the current year, the Group sold goods to related parties at the market price amounting to RMB101,678.35 (2018: RMB82,255.02).
- (d) During the current year, the Group rendered services to related parties at the market price amounting to RMB1,232.46 (2018: RMB1,187.68).

(2) Asset trusteeship

During the current year, the Group had no trusteeship income (In 2018, Ningbo Meishan bonded port area Qiling equity investment center LP entrusted part of its right of daily operation for the Group in the target Company, Jilin Tianhe Pharmaceutical Technology Co., Ltd. The Group confirmed the trusteeship income of RMB51.69 according to the trusteeship agreement.

(3) Related party transactions - leases

- (a) During the current year, the Group leased buildings and equipment to related parties and recognised income of RMB271.87 (2018: RMB199.48) according to the agreements.
- (b) During the current year, the Group leased buildings and equipment from related parties and an expense of RMB7,568.80 (2018: RMB8,129.70) was incurred according to the lease.

(4) Related party transactions - guarantees

- (a) The Group had no related party guarantees that are not yet completed this year and in 2018.

(5) Related party transactions - borrowings

- (a) During the current year, the Group borrowed RMB58,271.90 at annual interest rates ranging from 3.00% to 4.57% from related parties (2018: RMB72,467.83 at rates ranging from 3.70% to 5.40%).
- (b) During the current year, the Group has not lent capital to related parties (2018: RMB4,400 to related parties at an annual interest rate of 8.00%).

(6) Related party transactions - asset transfer

- (a) During the current year, the Group purchased long-term assets from related parties at a negotiated price amounting to RMB349.02 (2018: RMB71.37).
- (b) During the current year, the Group has not sold any long-term assets to related parties (2018: nil).

(7) Other major related party transactions

- (a) During the current year, the Group incurred emoluments (including those paid in cash, in kind and in other forms) for key management personnel with an amount of RMB1,733.89 (2018: RMB1,211.25).
- (b) During the current year, the Group has paid borrowing interest, entrusted loan interest, etc. to related parties in the amount of RMB633.26 (2018: RMB897.88).
- (c) During the current year, the Group has received deposit interest from related parties in the amount of RMB 359.35 (2018: RMB381.96).
- (d) During the current year, the Group factored a small portion of accounts receivable at amortised cost to related parties. The amount of accounts receivable derecognised was RMB9,296.79 (2018: RMB21,436.14), amount of loss recognised through Investment income was RMB181.79 (2018: RMB273.04).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties

As lessee

	2019 (RMB'0,000)	2018 (RMB'0,000)
China National Pharmaceutical Group Shanghai Co., Ltd.	753.01	4,552.56
Beijing Huafang Investment Co., Ltd.	31.10	-
Shenyang Pharmaceutical Co., Ltd.	-	3,250.00
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	-	1,433.00
Linyi Medical Group Co., Ltd.	-	880.35
Guangdong Jiyuantang Development Co., Ltd.	-	854.72
Sinopharm Holding Yangzhou Co., Ltd.	-	782.40
Hunan Minshengtang Investment Co., Ltd.	-	699.98
Lerentang Investment Group Co., Ltd.	-	677.00
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	-	505.16
Nanjing Yuanguang Trading Co., Ltd.	-	297.00
Taishan Xiangranhui Trade Co., Ltd.	-	270.41
Gu Jinhua	-	257.05
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	-	234.47
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	-	161.25
Sinopharm Group Co., Ltd.	-	121.29
Sinopharm Holding Beijing Co., Ltd.	-	120.00
Gu Haiqun	-	87.81
Zhang Zhenfang	-	80.50
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	-	71.22
China National Medicines Co., Ltd.	-	63.00
Hangzhou Xihu Business Group Corporation	-	60.04
Wang Yang	-	55.20
Shenzhen Jiufeng Investment Co., Ltd.	-	55.00
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	-	48.44
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd.	-	43.42
Sinopharm Holding Xinjiang Special Drugs Kashgar Pharmaceutical Co., Ltd.	-	41.23
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	-	13.78
Xinjiang Baitong Property Service Co., Ltd.	-	9.66
Sinopharm Holding Fujian Co., Ltd.	-	1.38
	<u>784.11</u>	<u>15,727.32</u>

Note: The commitments disclosed are related to the lease contracts signed but not yet executed in the current year, and all of the operating lease contracts were disclosed in 2018.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties (Continued)

As lessor

	2019 (RMB'0,000)	2018 (RMB'0,000)
Zhijun Medicine	111.67	111.67
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited.	36.43	56.08
Zhijun Trade	28.57	28.57
China National Medicines Corporation Ltd.	5.04	-
	<u>181.71</u>	<u>196.32</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties

Accounts receivable

	2019 (RMB'0,000)		2018 (RMB'0,000)	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Foshan Chancheng Pharmaceutical Co., Ltd.	4,259.62	25.95	3,988.81	23.50
Sinopharm Group Co., Ltd.	4,017.25	-	3,226.31	-
Shanghai Beiyi	2,719.44	-	1,196.65	-
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	806.41	-	537.29	-
Sinopharm Holding Hainan Co., Ltd.	591.60	0.01	660.76	-
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	407.83	-	383.93	-
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	407.77	-	314.32	-
Sinopharm Health Online Co., Ltd.	389.02	-	654.36	-
Foshan Chancheng District Central Hospital	369.18	2.32	244.04	1.28
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	365.89	-	398.65	-
Sinopharm Holding Hainan Hongyi Co., Ltd.	346.42	-	537.01	-
Shenzhen Heng Sheng Hosital	333.52	-	267.49	-
Sinopharm Holding Beijing Co., Ltd.	295.06	-	88.88	-
Sinopharm Holding Beijing Huahong Co., Ltd.	287.61	-	400.96	-
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	208.53	-	16.46	-
Foshan Chanyixing Medicine Development Co Ltd.	198.36	0.58	174.38	0.94
Sinopharm Group Distribution Co., Ltd.	184.95	-	-	-
Sinopharm Holding Hubei Co., Ltd.	156.04	-	6.83	-
Sinopharm Sichuan Pharmaceutical Co., Ltd.	155.84	-	108.19	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	134.91	-	98.65	-
Sinopharm Holding Henan Co., Ltd.	119.01	-	103.63	-
China National Medicines Co., Ltd.	98.51	-	145.42	-
Shanghai Merro Pharmaceutical Co., Ltd.	97.06	-	88.45	-
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	90.87	-	117.86	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	88.77	-	170.43	-
Sinopharm Holding Yangzhou Co., Ltd.	84.19	-	54.03	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	79.76	-	77.25	-
Sinopharm Holding Wenzhou Co., Ltd.	69.96	-	126.16	-
Sinopharm Group Shanxi Co., Ltd.	63.27	-	102.87	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

Accounts receivable (continued)

	2019 (RMB'0,000)		2018 (RMB'0,000)	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Sinopharm Holding Jilin Co., Ltd.	60.01	-	149.97	-
Sinopharm Holding Tianjin Co., Ltd.	57.49	-	20.04	-
Sinopharm Holding Shandong Co., Ltd.	53.33	-	21.10	-
Sinopharm Group Southwest Medicine Co., Ltd.	34.19	-	509.09	-
Sinopharm Holding Shanxi Co., Ltd.	33.02	-	6.84	-
Sinopharm Holding Yunnan Co., Ltd.	29.88	-	2.77	-
Sinopharm Holding Hunan Co., Ltd.	28.14	-	56.93	-
Sinopharm Holding Dalian Co., Ltd.	26.64	-	14.43	-
Yuxi Sinopharm Medicine Co., Ltd.	25.55	-	18.25	-
Sinopharm Holding Xuzhou Co., Ltd.	25.26	-	3.49	-
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	24.99	-	1.75	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	15.65	-	12.67	-
Sinopharm Holding Inner Mongolia Co., Ltd.	13.52	-	9.02	-
Sinopharm Holding Qinghai Co., Ltd.	8.80	-	9.63	-
Sinopharm Lerentang Chengde Medicine Co., Ltd.	8.06	-	-	-
Sinopharm Holding Changzhou Co., Ltd.	6.69	-	-	-
Sinopharm Holding Anhui Medicine Co., Ltd.	6.68	-	-	-
Sinopharm Holding Ulanqab Co., Ltd.	6.39	-	-	-
Sinopharm Holding Fuzhou Co., Ltd.	6.36	-	-	-
Shanghai Liyi	5.89	-	7.64	-
Sinopharm Group Tianjin North Co., Ltd.	5.20	-	9.14	-
Sinopharm Holding Chengdu Co., Ltd.	5.00	-	-	-
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.	4.54	-	0.13	-
Foshan Southern Fengliaoxing Medicinal Hospital Co., Ltd.	4.26	-	-	-
Sinopharm Holding Jiangxi Co., Ltd.	3.84	-	-	-
Sinopharm Holding Jiangsu Co., Ltd.	3.50	-	-	-
Sinopharm Holding Nantong Co., Ltd.	2.46	-	6.65	-
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	1.68	-	-	-
Sinopharm Holding Fengliaoxing (Foshan) Traditional & Herbal Medicine Co., Ltd.	0.95	-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

Accounts receivable (continued)

	2019 (RMB'0,000)		2018 (RMB'0,000)	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Sinopharm Holding Ningde Co., Ltd.	0.76	-	-	-
Sinopharm Holding Honghe Co., Ltd.	0.61	-	-	-
Sinopharm Lerentang Healthcare Shijiazhuang Pharmacy Co., Ltd	0.59	-	-	-
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	0.45	-	1.68	0.01
Sinopharm Holding Zunyi Co., Ltd.	0.31	-	-	-
Sinopharm Pharmacy (Shanghai) Co., Ltd.	0.21	-	-	-
Zhijun Medicine	0.15	-	0.11	-
Sinopharm Lerentang Shijiazhuang Medicinal Management Co., Ltd	0.11	-	-	-
Sinopharm Group Fengliaoqing Traditional Chinese Medical Center Foshan Nanhai Co., Ltd.	0.05	-	0.07	-
Sinopharm Holding Anhui Co., Ltd.	-	-	22.14	-
Sinopharm Holding Gansu Co., Ltd.	-	-	17.69	-
Sinopharm Holding Wuxi Co., Ltd.	-	-	15.76	-
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	-	-	14.46	-
Sinopharm Group Medicine Logistic Co., Ltd.	-	-	13.97	-
Sinopharm Holding Shenyang Co., Ltd.	-	-	12.31	-
Sinopharm Jienuo Medical Treatment Service Co., Ltd.	-	-	12.04	-
Hubei Medical Group Co., Ltd.	-	-	6.20	-
Sinopharm Holding Shanxi Co., Ltd.	-	-	5.85	-
Sinopharm Holding Heilongjiang Co., Ltd.	-	-	5.00	-
Zhijun Pingshan	-	-	3.96	-
Sinopharm Holding Guizhou Co., Ltd.	-	-	1.60	-
Sinopharm Medical Instrument Foshan Co., Ltd.	-	-	1.19	-
Sinopharm Xinxiang Chain Store Co., Ltd.	-	-	0.21	-
Sinopharm Guanai Yuankang Pharmacy (Haikou) Co., Ltd.	-	-	0.15	-
	<u>17,937.86</u>	<u>28.86</u>	<u>15,284.00</u>	<u>25.73</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

Notes receivable

	2019		2018	
	Amount	(RMB'0,000) Provision for bad debts	Amount	(RMB'0,000) Provision for bad debts
Sinopharm Holding Hainan Co., Ltd.	2373.10	-	1,203.54	-
Sinopharm Holding Henan Co., Ltd.	198.39	-	103.26	-
Sinopharm Holding Hainan Hongyi Co., Ltd.	190.14	-	1,023.45	-
Sinopharm Holding Shandong Co., Ltd.	175.46	-	124.17	-
Sinopharm Holding Nantong Co., Ltd.	161.00	-	-	-
Sinopharm Holding Guizhou Yitong Medicine Co., Ltd	143.28	-	-	-
Zhijun Suzhou	97.39	-	-	-
Sinopharm Holding Shanxi Co., Ltd.	61.78	-	107.79	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	50.00	-	-	-
Sinopharm Holding Yunnan Co., Ltd.	19.22	-	-	-
Sinopharm Holding Hubei Bokang Co., Ltd	18.35	-	-	-
Sinopharm Holding Yancheng Co., Ltd.	13.42	-	-	-
Sinopharm Holding Shanxi Co., Ltd.	11.47	-	-	-
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	8.86	-	114.84	-
Sinopharm Holding (China) Finance Leasing Co., Ltd.	-	-	20,245.61	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	-	-	314.44	-
Sinopharm Holding Shenyang Co., Ltd.	-	-	42.25	-
Sinopharm Holding Fujian Co., Ltd.	-	-	40.00	-
Sinopharm Holding Anhui Co., Ltd.	-	-	39.01	-
Sinopharm Holding Shanxi Co., Ltd.	-	-	35.95	-
Sinopharm Holding Jilin Co., Ltd.	-	-	27.41	-
Sinopharm Holding Chengdu Co., Ltd.	-	-	20.13	-
Sinopharm Holding Ningxia Co., Ltd.	-	-	17.66	-
Sinopharm Holding Gansu Co., Ltd.	-	-	16.32	-
	<u>3,521.86</u>	<u>-</u>	<u>23,475.83</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

Other receivables

	2019		2018	
	Amount	(RMB'0,000) Provision for bad debts	Amount	(RMB'0,000) Provision for bad debts
Zhijun Suzhou	4,536.03	4,536.03	4,584.66	-
Pu'er Songmao Jiantang Pharmaceutical Co., Ltd.	688.68	-	-	-
Sinopharm Holding Fujian Co., Ltd.	276.08	-	0.55	-
Sinopharm Group Medicine Logistic Co., Ltd.	173.71	-	249.42	-
Henan Wanxitang Pharmacy Co., Ltd.	104.31	-	109.90	-
Shyndec Pharma	98.39	-	791.34	-
Shanghai Dingqun	83.49	-	-	-
Zhijun Pharmaceutical	22.27	0.06	10.98	0.06
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	10.00	-	10.00	-
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	4.85	-	4.85	-
Sinopharm Holding (China) Finance Leasing Co., Ltd	2.87	-	-	-
Zhijun Trade	2.54	-	-	-
Sinopharm Guangdong Medical Equipment Supply Chain Co., Ltd.	2.31	-	-	-
Zhijun Pingshan	1.85	-	-	-
Sinopharm Group Zhonglian Pharmaceutical Group Co., Ltd.	0.50	0.10	0.50	0.10
Sinopharm Health Online Co., Ltd.	-	-	8.18	-
Sinopharm Holding Jiaozuo Co., Ltd.	-	-	3.02	-
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	-	-	1.87	-
	<u>6,007.88</u>	<u>4,536.19</u>	<u>5,775.27</u>	<u>0.16</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

Advances to suppliers

	2019 (RMB'0,000)		2018 (RMB'0,000)	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Sinopharm Holding Shanxi Co., Ltd.	334.72	-	333.03	-
Jiangxi Erye Medicine Marketing Co., Ltd.	278.64	-	72.98	-
Sinopharm Group Co., Ltd.	148.66	-	230.83	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	120.47	-	-	-
Shyndec Pharma	75.85	-	5.78	-
Chongqing Yaoyou Pharmaceutical Co., Ltd.	74.25	-	93.13	-
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	59.98	-	0.18	-
Chengdu Rongsheng Pharmacy Co., Ltd.	55.54	-	141.66	-
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd	49.97	-	0.01	-
Sinopharm Group Guorui Medicine Co., Ltd.	39.96	-	-	-
China National Medicines Co., Ltd.	20.49	-	7.88	-
Shantou Jinshi Powder Injection Co., Ltd.	13.80	-	-	-
Sinopharm Holding Beijing Co., Ltd.	13.00	-	12.38	-
Anhui Jingfang Pharmaceutical Co., Ltd.	10.22	-	4.56	-
Chengdu Institute of Biological Products Co.,Ltd.	9.75	-	4.87	-
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	9.53	-	7.89	-
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	8.25	-	1.57	-
China National Pharmaceutical Foreign Trade Corporation	7.20	-	-	-
Guizhou Tongjitang Pharmaceutical Co., Ltd.	6.58	-	22.72	-
Guilin South pharmaceutical Co., Ltd.	5.42	-	1.10	-
Suzhou Erye Pharmaceutical Co., Ltd.	3.31	-	-	-
Zhijun Medicine	2.98	-	13.94	-
Shanghai Tongyu Information Technology Co., Ltd.	2.35	-	-	-
Sinopharm Holding Hunan Co., Ltd.	1.70	-	-	-
Winteam Pharmaceutical Group Ltd.	1.40	-	0.93	-
Sinopharm Holding Chengdu Co., Ltd.	1.32	-	-	-
Xinjiang Baitong Property Service Co., Ltd.	1.31	-	1.69	-
Shandong Lu Ya Pharmaceutical Co., Ltd.	1.14	-	0.14	-
China National Pharmaceutical Industry Co., Ltd.	0.55	-	-	-
Sinopharm Holding Hubei Co., Ltd.	0.47	-	-	-
Sinopharm Holding Yangzhou Co., Ltd.	0.13	-	-	-
Lanzhou Biological Technology Development Co., Ltd.	0.06	-	-	-
Jinzhou Ahon Pharmaceutical Co., Ltd.	0.02	-	1.65	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

Advances to suppliers (continued)

	2019 (RMB'0,000)		2018 (RMB'0,000)	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Sinopharm Group Shanxi Co., Ltd.	-	-	389.10	-
Hunan Minshengtang Investment Co., Ltd.	-	-	334.93	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	-	-	164.33	-
Linyi Medical Group Co., Ltd.	-	-	77.54	-
Sinopharm Holding Shanxi Lvliang Co., Ltd.	-	-	66.00	-
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	-	-	60.94	-
Sinopharm Group Guizhou Blood Products Co., Ltd.	-	-	53.60	-
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	-	-	34.68	-
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	-	-	28.25	-
Shenyang Hongqi Pharmaceutical Co., Ltd.	-	-	23.72	-
Nanjing Yuanguang Trading Co., Ltd.	-	-	16.97	-
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	-	-	10.35	-
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	-	-	4.54	-
Taishan Xiangranhui Trade Co., Ltd.	-	-	3.95	-
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	-	-	0.12	-
Sinopharm Holding Fujian Co., Ltd.	-	-	0.02	-
	<u>1,359.02</u>	<u>-</u>	<u>2,227.96</u>	<u>-</u>

Other non-current assets

	2019 (RMB'0,000)	2018 (RMB'0,000)
Hunan Minshengtang Investment Co., Ltd.	<u>-</u>	<u>351.92</u>

Amounts due from related parties are interest-free and unsecured with no fixed term on repayment, except that notes receivable from related parties have fixed terms of repayment, and entrusted loans from related parties have fixed terms of repayment with interest.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties

Accounts payable

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Sub Marketing Center Co., Ltd.	6,621.91	10,426.28
China National Medicines Co., Ltd.	4,001.77	4,835.29
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	3,172.37	1,047.00
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Co., Ltd.	2,401.57	1,503.86
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	1,716.24	1,825.99
Sinopharm Holding Hubei Co., Ltd.	1,384.40	-
Sinopharm Group Co., Ltd.	1,281.99	1,373.23
Sinopharm Group Shanxi Co., Ltd.	853.24	94.51
Sinopharm Lerentang Hebei Pharmaceutical Co., Ltd.	818.88	840.23
Zhijun Pingshan	661.86	355.05
Sinopharm Holding Yangzhou Co., Ltd.	645.32	763.04
Chongqing Yaoyou Pharmaceutical Co., Ltd.	600.41	350.68
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	595.17	91.72
Sinopharm Holding Pingdingshan Co., Ltd.	531.68	360.33
Shenzhen Main Luck Pharmaceutical Co., Ltd.	528.48	856.57
Sinopharm Holding Jiangsu Co., Ltd.	485.71	674.53
Winteam Pharmaceutical Group Ltd.	431.46	629.45
Zhijun Medicine	401.24	292.21
Sinopharm Holding Inner Mongolia Co., Ltd.	399.74	222.59
Jinzhou Ahon Pharmaceutical Co., Ltd.	388.56	242.29
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	386.97	18.37
Sinopharm Holding Fujian Co., Ltd.	343.43	448.46
Sinopharm Holding Beijing Co., Ltd.	339.70	747.80
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	327.92	151.90
Sinopharm Holding Changzhou Co., Ltd.	320.14	148.46
Sinopharm Holding Henan Co., Ltd.	297.06	144.12
Shenzhen Wanwei Medicine Trading Co., Ltd.	280.99	421.91
China Otsuka Pharmaceutical Co., Ltd.	259.84	157.17
Sinopharm Holding Ningxia Co., Ltd.	235.44	300.77
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	234.13	96.69
Sinopharm Holding Shenyang Co., Ltd.	225.70	401.60
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	197.89	79.54
Sichuan Hexin Pharmaceutical Co., Ltd.	180.11	45.45
Sinopharm Huixin Qingyuan (Beijing) Technology Development Co., Ltd.	156.56	-
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	149.40	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Accounts payable (continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Xiamen Co., Ltd.	140.81	171.08
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	140.07	105.07
Yichang Humanwell Pharmaceutical Co., Ltd.	125.17	193.61
Sinopharm Holding Wuxi Co., Ltd.	123.56	49.27
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	120.95	175.52
Sinopharm Holding Anhui Huaning Medicine Co., Ltd	119.03	-
Shyndec Pharma	105.98	51.15
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd	102.14	54.91
Tibet Yaoyou Medicines Co.,Ltd.	99.85	834.66
Sinopharm Yixin Pharmaceutical Co., Ltd.	99.82	17.59
Sinopharm Holding Shanxi Dajiuzhou Medicine Co., Ltd	86.55	-
Sinopharm Holding Fengliaoqing (Foshan) Traditional & Herbal Medicine Co., Ltd.	84.89	125.43
Sinopharm Group Zhonglian Pharmaceutical Group Co., Ltd.	83.70	56.05
Sinopharm Holding Jinzhou Co., Ltd.	82.23	53.10
Sinopharm Holding Yunnan Dongchang Medicine Co., Ltd.	81.10	-
Shanghai Chaohui Pharmaceutical Co., Ltd.	80.74	31.18
Sinopharm Holding Fuzhou Co., Ltd.	80.22	32.87
Hunan Dongting Pharmaceutical Co., Ltd.	77.36	26.54
China National Pharmaceutical Industry Co., Ltd.	73.60	36.38
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	73.57	47.25
Sinopharm Holding Heilongjiang Co., Ltd.	71.19	92.21
Sinopharm Holding Yancheng Co., Ltd.	68.89	19.02
Sinopharm Group Guorui Medicine Co., Ltd.	66.14	105.71
Fujian Chengtian Jinling Pharmaceutical Co., Ltd.	63.97	50.56
Suzhou Erye Pharmaceutical Co., Ltd.	62.30	27.83
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	60.68	16.55
Chengdu Institute of Biological Products Co.,Ltd.	56.16	37.08
Sinopharm Holding Tongliao Co., Ltd.	54.07	87.26
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	50.24	113.38
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	49.04	0.06
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	47.39	9.15
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	46.41	39.89
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	46.18	15.00
Jiangsu Huanghe Pharmaceutical Co., Ltd.	43.37	26.12

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Accounts payable (continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Hulun Buir Co., Ltd.	42.89	36.44
Shanghai Transfusion Technology Co., Ltd.	39.66	35.21
Guizhou Tongjitang Pharmaceutical Co., Ltd.	37.96	34.28
Shanghai International Pharmaceutical Trade Co., Ltd.	37.46	-
Sinopharm Holding Beijing Huahong Co., Ltd.	36.10	149.86
Anhui Jingfang Pharmaceutical Co., Ltd.	33.47	16.52
Shenyang Hongqi Pharmaceutical Co., Ltd.	31.51	119.18
Sinopharm Holding Changsha Co., Ltd.	28.83	-
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	28.59	21.3
Guangdong Medi-World Pharmaceutical Co., Ltd.	26.04	29.76
Shanghai Merro Pharmaceutical Co., Ltd.	23.04	9.03
Sinopharm Holding Putian Co., Ltd.	22.54	0.71
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	22.48	10.27
Huayi Pharmaceutical Co., Ltd.	22.41	96.14
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	21.99	8.45
China National Medicinal Device Shandong Co., Ltd.	21.62	-
Jinzhou Ahon Pharmaceutical Co., Ltd.	21.46	-
Sinopharm Holding Shandong Co., Ltd.	20.77	1.09
Chengdu Rongsheng Pharmacy Co., Ltd.	20.30	194.73
Sinopharm Holding Pu'er Co., Ltd.	17.98	-
Chengdu List Pharmaceutical Co., Ltd.	17.89	-
Sinopharm Holding Dezhou Co., Ltd.	17.22	23.36
Sinopharm Holding Bayannur Co., Ltd.	16.95	-
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	16.45	308.04
Sinopharm Holding Lianyungang Co., Ltd.	15.62	27.61
Sinopharm Holding Anhui Co., Ltd.	14.98	1.86
Sinopharm Holding Dalian Co., Ltd.	13.72	18.25
Sinopharm Holding Xinjiang Special Drugs Kashgar Pharmaceutical Co., Ltd.	13.25	35.07
Sinopharm Holding Yangzhou Medical Treatment Equipment Co., Ltd.	13.17	5.59
Shantou Jinshi Powder Injection Co., Ltd.	12.45	24.54
Sinopharm Liaoning Medicinal Device Co., Ltd.	11.99	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Accounts payable (continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Hunan Medicinal Development Co., Ltd	11.85	-
Sinopharm Holding Yangzhou Biological Products Co., Ltd.	11.62	5.02
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	9.22	9.71
Foshan Dezhong Pharmaceutical Co., Ltd.	7.38	9.88
Sinopharm Holding Jinan Co., Ltd.	5.82	18.93
Sinopharm Holding Taizhou Co., Ltd.	5.55	9.95
Sinopharm Holding Shanxi Mingdikang Medicine Co., Ltd.	5.31	2.72
Shandong Lu Ya Pharmaceutical Co., Ltd.	5.28	5.28
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	4.74	25.51
Sinopharm Holding Shanxi Runhe Medicine Co., Ltd.	4.03	-
Sinopharm Holding Jiangxi Co., Ltd.	3.80	-
Sinopharm Holding Nanjing Wende Pharmaceutical Co., Ltd.	3.48	10.24
Sinopharm Holding Ulanqab Co., Ltd.	3.38	6.12
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	3.31	2.55
Beijing Huamiao Pharmaceutical Co., Ltd.	3.10	-
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	3.10	5.71
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	2.32	2.05
Sinopharm Shanghai Medicine Device Co., Ltd.	1.65	1.66
Sinopharm Holding Dalian Hecheng Co., Ltd.	1.61	-
Sinopharm Holding Quanzhou Co., Ltd.	1.60	6.29
Sinopharm Holding Suzhou Co., Ltd.	1.37	187.18
Sinopharm Holding Shanxi Co., Ltd.	1.27	-
Sinopharm Holding Tianjin Co., Ltd.	1.20	1.56
Sinopharm Wuhan blood products Co., Ltd.	1.16	17.04
Sinopharm Industry Investment Co., Ltd.	1.13	-
Sinopharm Hebei Medical Instrument Co., Ltd.	1.05	-
Sinopharm Holding Lunan Co., Ltd.	0.76	7.16
Sinopharm Holding Rizhao Co., Ltd.	0.63	1.02
Sinopharm Anhui Medicinal Device Co., Ltd.	0.52	-
Sinopharm Holding Tonghua Co., Ltd.	0.42	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Accounts payable (continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Zhihuiminsheng (Tianjin) Pharmaceutical Co., Ltd.	0.39	-
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	0.30	0.15
Sinopharm Holding Shanxi Jincheng Co., Ltd.	0.21	0.38
Sinopharm Holding Ordos Co., Ltd.	0.18	0.18
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	0.12	-
Guilin South pharmaceutical Co., Ltd.	0.12	0.12
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	0.11	0.11
Sinopharm Holding Zhangzhou Co., Ltd.	0.10	0.55
China National Pharmaceutical Foreign Trade Corporation	0.09	12.29
Sinopharm Fengliaoqing (Foshan) Medicines Co., Ltd.	0.07	0.01
Zhijun Trade	0.05	0.05
Sinopharm Holding Liaocheng Co., Ltd.	0.02	1.62
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	0.01	0.01
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.01	0.01
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	-	630.92
Henan Wanxitang Pharmacy Co., Ltd.	-	205.36
Jiangsu Lianhuan Pharmaceutical Co.,Ltd.	-	132.13
Beijing Huamiao Pharmaceutical Co., Ltd.	-	37.21
Jiangxi Erye Medicine Marketing Co., Ltd.	-	26.26
Sinopharm Group Southwest Medicine Co., Ltd.	-	19.50
Jingfukang Pharmaceutical Group Co., Ltd.	-	18.44
Lanzhou Institute of Biological Products Co., Ltd.	-	18.00
Sinopharm Holding Shanxi Zhidekang Medicine Co., Ltd.	-	14.00
Shanghai SinoMed Medicine Co., Ltd.	-	9.26
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	-	8.00
Sinopharm Holding Hainan Co., Ltd.	-	7.27
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	-	6.31
Sinopharm Holding Zhejiang Co., Ltd.	-	5.85
Qinghai Pharmaceutical Factory Co., Ltd.	-	3.30
Sinopharm Holding Yongzhou Co., Ltd.	-	1.99
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	-	0.97
Sinopharm Holding Hunan Co., Ltd.	-	0.77
Sinopharm Sichuan Pharmaceutical Co., Ltd.	-	0.27
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	-	0.15
	<u>35,454.88</u>	<u>35,352.88</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Notes payable

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Sub Marketing Center Co., Ltd.	14,738.71	23,006.74
Sinopharm Holding Shenyang Co., Ltd.	9,431.86	7,689.40
Sinopharm Group Shanxi Co., Ltd.	8,709.55	6,792.66
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	8,149.93	2,207.62
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	4,165.56	1,388.77
China National Medicines Co., Ltd.	4,009.35	2,665.46
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Co., Ltd.	3,110.02	481.74
Sinopharm Holding Inner Mongolia Co., Ltd.	2,990.22	2,045.98
Sinopharm Holding Shanxi Co., Ltd.	2,620.38	1,834.00
Lanzhou Biological Technology Development Co., Ltd.	1,794.00	300.00
Sinopharm Holding Fujian Co., Ltd.	1,208.06	701.10
Sinopharm Holding Lunan Co., Ltd.	1,065.84	859.63
Sinopharm Lerentang Hebei Pharmaceutical Co., Ltd.	704.76	1,465.05
Sinopharm Holding Xiamen Co., Ltd.	578.10	536.20
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	559.81	814.83
Shenzhen Wanwei Medicine Trading Co., Ltd.	514.88	240.24
Chongqing Yaoyou Pharmaceutical Co., Ltd.	437.16	553.83
Sinopharm Holding Hunan Co., Ltd.	340.61	311.41
Main Luck Pharmaceutical	236.09	287.74
Sinopharm Holding Jinzhou Co., Ltd.	231.53	161.13
Chengdu Rongsheng Pharmacy Co., Ltd.	202.50	267.35
Sinopharm Holding Changzhou Co., Ltd.	202.00	-
Sinopharm Holding Ningxia Co., Ltd.	150.00	141.38
Yichang Humanwell Pharmaceutical Co., Ltd.	131.34	-
Zhijun Medicine	108.71	32.57
Sinopharm Huixin Qingyuan (Beijing) Technology Development Co., Ltd..	103.36	-
Sinopharm Holding Dalian Co., Ltd.	99.20	95.02
Sinopharm Holding Jinan Co., Ltd.	95.00	188.00
Guizhou Tongjitang Pharmaceutical Co., Ltd.	83.30	-
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	67.87	35.66
Sinopharm Holding Yancheng Co., Ltd.	54.43	-
Zhijun Pingshan	52.97	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Notes payable (continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Guangdong Medi-World Pharmaceutical Co., Ltd.	42.88	-
Anhui Jingfang Pharmaceutical Co., Ltd.	34.95	-
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd.	32.05	-
Shanghai Transfusion Technology Co., Ltd.	31.19	50.30
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	26.74	-
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	21.90	100.00
Shenyang Hongqi Pharmaceutical Co., Ltd.	21.13	60.22
Sinopharm Wuhan blood products Co., Ltd.	19.64	-
Sinopharm Holding Changsha Co., Ltd.	17.16	-
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	16.92	22.33
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	14.04	-
Sinopharm Holding Fengliaoxing (Foshan) Traditional & Herbal Medicine Co., Ltd.	11.90	32.03
Foshan Dezhong Pharmaceutical Co., Ltd.	10.84	-
Sinopharm Yixin Pharmaceutical Co., Ltd.	10.75	39.41
Sinopharm Holding Heilongjiang Co., Ltd.	4.66	3.13
Sinopharm Holding Quanzhou Co., Ltd.	4.51	17.09
Sinopharm Lerentang Hebei Medicinal Instrument Supply Chain Management Co., Ltd.	0.82	-
Lanzhou Institute of Biological Products Co., Ltd.	-	623.62
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	-	198.12
China OTSUKA Pharmaceutical Co., Ltd.	-	179.36
Sinopharm Group Co., Ltd.	-	118.36
Sinopharm Holding Yangzhou Co., Ltd.	-	62.65
Sinopharm Holding Putian Co., Ltd.	-	61.45
Sinopharm Group Guizhou Blood Products Co., Ltd.	-	53.60
Jiangsu Lianhuan Pharmaceutical Co., Ltd.	-	52.21
Shyndec Pharma	-	47.58
Chongqing Haisiman Pharmaceutical Co., Ltd.	-	27.57
Jingfukang Pharmaceutical Group Co., Ltd.	-	15.11
Winteam Pharmaceutical Group Ltd.	-	11.13
Fujian Chengtian Jinling Pharmaceutical Co., Ltd.	-	10.06
	<u>67,269.18</u>	<u>56,888.84</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Other payables

	2019 (RMB'0,000)	2018 (RMB'0,000)
Shanghai Dingqun	1,000.00	1,000.00
Sinopharm Group Medicine Logistic Co., Ltd.	575.57	227.83
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	517.32	594.30
Sinopharm Group Co., Ltd.	449.76	370.64
Sinopharm Holding Yangzhou Co., Ltd.	372.57	-
Zhang Zhenfang	311.50	231.00
Sinopharm Health Online Co., Ltd.	300.83	-
Sinopharm Group Shanghai Co., Ltd.	166.04	166.04
China National of Traditional&Herbal Medicine Co., Ltd.	130.00	130.00
Shanghai Beiyi	35.79	56.62
Foshan Chancheng District Central Hospital	26.50	-
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	24.18	33.98
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited	10.22	3.00
Sinopharm Holding Sub Marketing Center Co., Ltd.	3.82	3.78
China National Pharmaceutical Logistics Co., Ltd.	2.08	1.03
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	2.00	1.87
Shandong Lu Ya Pharmaceutical Co., Ltd.	1.00	-
Gu Jinhua	0.21	-
Sinopharm Holding (China) Financing Lease Co., Ltd.	-	442.50
Shenyang Pharmaceutical Co., Ltd.	-	441.92
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	-	124.64
Heyuan Mairui Trading Co., Ltd.	-	67.24
Shyndec Pharma	-	32.80
Linyi Medical Group Co., Ltd.	-	5.14
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	-	4.18
	<u>3,929.39</u>	<u>3,938.51</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Contract liabilities

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Holding Nantong Co., Ltd.	32.00	14.32
Sinopharm Holding Yunnan Co., Ltd.	10.52	1.19
Sinopharm Holding Wenzhou Co., Ltd.	5.78	-
Sinopharm Holding Guizhou Co., Ltd.	4.70	-
Sinopharm Holding Hubei Hongyuan Co., Ltd.	2.52	-
Sinopharm Holding Gansu Co., Ltd.	2.25	-
Sinopharm Holding Hulun Buir Co., Ltd.	2.12	2.12
Sinopharm Holding Quanzhou Co., Ltd.	1.91	1.01
Sinopharm Group Guangdong Medicine Device Co., Ltd.	1.04	0.16
Sinopharm Holding Hunan Co., Ltd.	0.83	8.78
Sinopharm Group Guangxi Medical Equipment Co., Ltd.	0.54	-
China National Pharmaceutical Foreign Trade Corporation	0.12	0.15
Sinopharm Holding Chengdu Co., Ltd.	0.09	0.09
Sinopharm Holding Chongqing Co., Ltd.	0.08	0.08
Sinopharm Holding Guizhou Medical Equipment Co., Ltd.	0.06	-
Sinopharm Guangdong Medical Examination Co., Ltd.	0.06	-
Sinopharm Holding Inner Mongolia Co., Ltd.	0.01	2.30
Sinopharm Sichuan Pharmaceutical Co., Ltd.	-	112.31
Sinopharm Health Online Co., Ltd.	-	41.61
Sinopharm Holding Hunan Weian Chain Store Co., Ltd.	-	6.73
Sinopharm Holding Jiangxi Co., Ltd.	-	3.43
Sinopharm Zhuhai Medical Instrument Co., Ltd.	-	0.37
Sinopharm Medical Instrument Guizhou Qiannan Co., Ltd.	-	0.01
	<u>64.63</u>	<u>194.66</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2019 (RMB'0,000)	2018 (RMB'0,000)
Entrusted borrowings		
Sinopharm Group (Note)	<u>3,163.90</u>	<u>3,163.90</u>

Note: Sinopharm Group entrusted Sinopharm Group Finance Co., Ltd. with this borrowing to the Group. The entrusted borrowing includes the principal of RMB31,600.00 thousand and the outstanding interest receivable of RMB39.00 thousand.

Short-term borrowings		
Sinopharm Group Finance Co., Ltd.	<u>3,999.39</u>	<u>12,242.64</u>

Other non-current liabilities		
Sinopharm Group	<u>3,506.17</u>	<u>3,506.17</u>

Long-term payables		
	2018	
	Amount (RMB'0,000)	Include: within 1 year (RMB'0,000)
Sinopharm Holding (China) Finance Leasing Co., Ltd.	<u>962.53</u>	<u>586.13</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

X Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

Lease liabilities

	2019	
	Amount (RMB'0,000)	Include: within 1 year (RMB'0,000)
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	4,166.45	859.66
Pu'er Songmao Jiantang Pharmaceutical Co., Ltd.	1,724.74	131.26
Lerentang Investment Group Co., Ltd.	1,242.27	607.73
Linyi Medical Group Co., Ltd.	634.73	155.06
Guangdong Jiyuantang Development Co., Ltd.	493.39	184.80
Sinopharm Holding (China) Finance Leasing Co., Ltd.	386.17	234.82
Sinopharm Holding Yangzhou Co., Ltd.	366.61	366.61
Taishan Xiangranhui Trade Co., Ltd.	217.40	40.55
Gu Jinhua	195.64	28.29
Shenyang Pharmaceutical Co., Ltd.	148.19	43.77
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	74.19	36.29
Sinopharm Group Co., Ltd.	67.47	50.24
Sinopharm Holding Beijing Co., Ltd.	63.37	50.28
Gu Haiqun	60.51	17.71
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	55.28	55.28
Zhijun Pingshan	42.44	8.56
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	35.70	35.70
Sinopharm Holding Rizhao Co., Ltd.	29.51	19.58
China National Medicines Co., Ltd.	28.11	28.11
Shenzhen Jiufeng Investment Co., Ltd.	19.29	19.29
	<u>10,051.46</u>	<u>2,973.59</u>

Other payables are interest-free and unsecured with no fixed term on repayment, except that related parties borrowings, long-term payables, lease liabilities with fixed terms of repayment with interest, and notes payable to related parties have fixed terms of repayment.

9. Cash deposit with a related party

	2019 (RMB'0,000)	2018 (RMB'0,000)
Sinopharm Group Finance Co., Ltd.	<u>54.90</u>	<u>212.54</u>

In years 2019 and 2018, the interest rates for the deposit ranged from 0.35% to 1.15% above the benchmark interest rate.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XI Commitments and contingencies

1. Commitments

(1) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the balance sheet are analysed as follows:

	31 December 2019 (RMB'0,000)	31 December 2018 (RMB'0,000)
Capital commitments	42.16	42.16
Investment commitments (Note)	<u>6,000.00</u>	<u>6,000.00</u>
	<u>6,042.16</u>	<u>6,042.16</u>

Note: According to the Sinopharm Holding document [Sinopharm Zongtou[2017]No.97], the Company can subscribe fund shares from Ningbo Meishan bonded port area Qiling equity investment center LP with RMB200.00 million to indirectly subscribe to the industry fund. The investors contribute year by year in batch. The fund manager will send out payment notification to investors according to the actual progress of the project. 30% of payment was paid in 2017, amounting to RMB60.00 million, and 40% of payment was paid in 2018, amounting to RMB80.00 million. The remaining payment amount is RMB60.00 million.

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating lease contracts are summarized as follows:

	31 December 2018 (RMB'0,000)
Within 1 year	43,365.94
1 to 2 years	37,635.38
2 to 3 years	31,071.82
Over 3 years	<u>37,142.17</u>
	<u>149,215.31</u>

2. Contingencies

As of the balance sheet date, no contingencies of the Group were required to disclose.

XII Events after the balance sheet date

1. Pursuant to the resolution of the General Meeting of the Shareholders on 20 April 2020, the Company paid a cash dividend of RMB6.00 for every 10 shares to all shareholders, which is calculated on the basis of 428,126,983 shares in issue, with an aggregate amount of RMB256,876,189.80. This resolution had yet to be approved by the shareholders' meeting.
2. Since the novel coronavirus epidemic began, the Group, as a central, provincial and municipal drug reserve unit, has been actively responding and strictly implementing the provisions and requirements of the parties and government at all levels for the prevention and control of the virus epidemic and established the emergency leading groups and working groups. The Group worked closely with the local government and arranged the emergency epidemic prevention material dispatch and strengthened the storage and control of the epidemic prevention to ensure the quality and safety of materials, demonstrating an important responsibility of a central enterprise in the society.

Affected by the epidemic and relevant prevention measures, the operation progress of pharmaceutical distribution and retail stores of the Group will be influenced to some extent in the first quarter of 2020. The Group will continue to pay close attention to the trend of the epidemic, promote the business transformation of the company, accelerate the development of new business forms and new models, accelerate the layout of e-commerce and innovation models, continuously improve the market share of the company, and strive to take multiple measures to minimize the impact of the epidemic. The Group believes that the relevant business will gradually resume with the novel coronavirus epidemic under control by degrees and social production and operation returning to normal.

3. On 16 December 2019, Guoda Pharmacy, a subsidiary of the Company, signed the Stock Transfer Agreement with Sinopharm Group, which was approved by shareholders in the Third Extraordinary General Meeting on 13 November 2019. The agreement states that Guoda Pharmacy purchased 75% of the stock of Pudong New Area of Shanghai Pharmaceutical Medicine Ltd., a wholly-owned subsidiary of Sinopharm Group, with a total payment no more than RMB163,115,049.98. Pudong New Area of Shanghai Pharmaceutical Medicine Ltd. completed industrial and commercial change registration procedures and stock delivery on 2 January 2020 and paid the stock purchase price on 14 January 2020. The business combination above constitutes a business combination under the same control.
4. On 20 December 2019, the Company signed the Stock Transfer Agreement with Ningbo Meishan Bonded Port Area Qiling Equity Investment Center LP and Guoda Pharmacy, a subsidiary of the Company, which was approved by shareholders in the Third Extraordinary General Meeting on 13 November 2019. The agreement states that Guoda Pharmacy purchased 100% of the stock of Shanghai Dingqun and 85% of the stock of Sinopharm Holding Tianhe Jilin Pharmaceutical Co., Ltd. held by Ningbo Meishan Bonded Port Area Qiling Equity Investment Center LP and the Company, with a total payment no more than RMB93,424,000.00. Shanghai Dingqun completed industrial and commercial change registration procedures and stock delivery on 7 January 2020 and paid the stock purchase price on 21 January 2020.

XIII Other significant events

1. Segment reporting

Operating segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable operating segments as follows:

- a) The Head Office, which is mainly engaged in the investment and management of businesses;
- b) Pharmaceutical distribution segment, which is mainly engaged in the distribution of medicine and pharmaceutical products to customers;
- c) Retail pharmacy segment, which is the management of the operation of Guoda Pharmacy;

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax.

Inter-segment sales and transfers are transacted with reference to the selling prices used in the transactions carried out with third parties at the then prevailing market prices.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIII Other significant events (Continued)

1. Segment reporting (Continued)

Operating segments (Continued)

2019:

	Head Office	Pharmaceutical distribution	Retail Pharmacy	Elimination between segments	Total
Operating revenue	9,665,928.48	40,013,926,107.78	12,753,608,498.70	(731,436,391.75)	52,045,764,143.21
Including: Revenue from external customers	8,006,007.92	39,285,482,715.53	12,752,275,419.76	-	52,045,764,143.21
Revenue from inter-segment transactions	1,659,920.56	728,443,392.25	1,333,078.94	(731,436,391.75)	-
Interest income	108,928,333.91	39,346,397.17	87,140,329.14	(95,572,571.11)	139,842,489.11
Interest expense	(26,665,774.48)	(274,477,177.66)	(66,199,054.41)	95,623,071.70	(271,718,934.85)
Income from investments in associates	332,334,692.76	(2,233,828.42)	1,071,038.53	-	331,171,902.87
Impairment losses	(1,857,279.52)	(332,209.46)	(1,583,819.14)	-	(3,108,889.20)
Credit impairment losses	(45,382,201.36)	(5,137,165.27)	(2,644,123.98)	-	(53,163,490.61)
Depreciation and amortization	(1,519,764.30)	(143,163,527.20)	(754,918,698.62)	-	(899,601,990.12)
Gross profit	1,134,658,290.00	1,110,966,580.04	422,922,043.99	(811,888,777.53)	1,856,658,136.50
Income taxes	3,069,276.24	(264,494,788.78)	(111,013,928.83)	-	(372,439,441.37)
Net profit	1,137,727,566.24	846,471,791.26	311,908,115.16	(811,888,777.53)	1,484,218,695.13
Total assets	12,874,025,306.77	20,332,642,113.61	11,173,757,597.94	(10,859,815,894.65)	33,520,609,123.67
Total liabilities	(2,822,975,182.11)	(14,417,324,193.49)	(6,180,747,837.66)	5,260,275,929.82	(18,160,771,283.44)
Long-term equity investments in associates	2,084,079,098.25	8,308,327.77	12,726,984.86	-	2,105,114,410.88
Accrual of other non-current assets except long-term equity investments	6,535,138.34	251,618,667.14	1,951,712,055.41	(1,116,517.76)	2,208,749,343.13

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIII Other significant events (Continued)

1. Segment reporting (Continued)

Operating segments (Continued)

2018 :

	Head Office	Pharmaceutical distribution	Retail Pharmacy	Elimination between segments	Total
Operating revenue	9,273,843.07	32,757,389,882.07	10,878,025,717.94	(522,303,921.85)	43,122,385,521.23
Including: Revenue from external customers	7,639,065.85	32,237,174,455.73	10,877,571,999.65	-	43,122,385,521.23
Revenue from inter-segment transactions	1,634,777.22	520,215,426.34	453,718.29	(522,303,921.85)	-
Interest income	86,156,915.62	36,903,104.11	42,112,312.72	(84,052,825.82)	81,119,506.63
Interest expense	(24,418,425.35)	(199,412,357.32)	(537,310.58)	84,052,825.82	(140,315,267.43)
Investment income	319,909,375.15	(1,700,728.31)	1,695,243.63	-	319,903,890.47
Impairment losses	-	(2,029,159.28)	(715,446.08)	-	(2,744,605.36)
Credit impairment losses	3,348.72	903,349.81	(1,205,178.08)	-	(298,479.55)
Depreciation and amortization	(1,214,260.43)	(70,320,317.76)	(134,575,834.22)	-	(206,110,412.41)
Gross profit	693,877,930.80	935,088,852.44	410,585,068.82	(360,622,494.53)	1,678,929,357.53
Income taxes	(2,797,055.83)	(218,867,690.72)	(108,833,499.13)	-	(330,498,245.68)
Net profit	691,080,874.97	716,221,161.72	301,751,569.69	(360,622,494.53)	1,348,431,111.85
Total assets	11,206,677,509.70	18,246,104,939.73	9,035,418,275.87	(9,557,900,205.33)	28,930,300,519.97
Total liabilities	(2,203,816,484.92)	(12,743,275,454.62)	(4,059,201,016.82)	3,981,768,929.44	(15,024,524,026.92)
Long-term equity investments in associates	1,861,606,283.58	6,802,156.19	11,985,346.33	-	1,880,393,786.10
Accrual of other non-current assets except long-term equity investments	78,652,882.95	34,828,145.45	68,564,604.37	-	182,045,632.77

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIII Other significant events (Continued)

2. Leases

(1)As lessor

The Group has entered into operating leases on some of its houses and buildings, and the lease term is 1 year to 10 years. All leases include a clause to enable revision of the rental charge on an annual basis according to prevailing market conditions. In 2019, the rental income recognised by the Group on those houses and buildings was RMB74,792,548.69, for details of which, please refer to Note V (42). Details of the underlying houses and buildings are disclosed in Note V (12) Investment properties.

Operating leases

The profit or loss relating to operating leases is as follows:

	2019
Lease income	74,792,548.69
Including: Income relating to variable lease payments not included in the lease receivable	<u><u>-</u></u>

The future minimum lease receivables due under the signed irrevocable operating lease contracts are summarized as follows:

	2019
Within 1 year, inclusive	45,076,135.68
1 to 2 years, inclusive	26,381,198.72
2 to 3 years, inclusive	18,340,448.75
3 to 4 years, inclusive	15,209,886.01
4 to 5 years, inclusive	11,051,502.87
Over 5 years	<u>32,191,270.04</u>
	<u><u>148,250,442.07</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIII Other significant events (Continued)

2. Leases (Continued)

(2)As lessee

	2019
Interest expense on lease liabilities	74,483,788.01
Expenses relating to short-term leases accounted for applying practical expedients	140,444,264.35
Expenses relating to leases of low-value assets accounted for applying practical expedients (other than short-term leases)	324,213.61
Variable lease payments not included in the measurement of lease liabilities	851,273.83
Income from subleasing right-of-use assets	34,838,940.81
Total cash outflow for leases	861,946,336.21

The Group has lease contracts for various items of houses and buildings, machinery, vehicles and other equipment used in its operations. Leases of houses and buildings and machinery generally have lease terms of 1 year to 6 years, while those of vehicles and other equipment generally have lease terms of 1 year to 2 years. There are several lease contracts that include extension and termination options and variable lease payments. Refer to “Potential future cash outflows not included in the measurement of lease liabilities” for the impact of clauses relating to variable lease payments on future potential cash outflows.

The potential future cash outflows that the Group does not include in the measurement of lease liabilities mainly arise from variable lease payments, extension and termination options in lease contracts, residual value guarantees, and risk exposures such as leases that have been promised but not yet commenced.

Variable lease payments

Some of the property leases within the Group contain variable lease payment clauses that are linked to sales generated from the underlying store. These clauses are used, when possible, in order to match lease payments with stores generating higher cash flows. Lease payments and clauses for 2019 are summarised as follows:

	Stores	Fixed payments	Variable payments	Total payments
Fixed payments only	4,612	743,508,117.38	-	743,508,117.38
Variable payments	8	1,513,349.01	851,273.83	2,364,622.84

A 20% increase in sales across all stores in the Group would be expected to increase total lease payments by approximately 0.12%.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIII Other significant events (Continued)

2. Leases (Continued)

(2)As lessee (Continued)

Leases that have been promised but not yet commenced

The leases that the Group has promised but have not yet commenced are expected to have future cash outflows as follows:

	2019
Within 1 year, inclusive	29,127,042.16
1 to 2 years, inclusive	19,572,477.03
2 to 3 years, inclusive	12,051,712.29
Over 3 years	12,969,470.09
	<u>73,720,701.57</u>

Finance leases (Only applicable to 2018)

Finance leases: At 31 December 2018, the balance of the unrecognised finance charge was RMB 840,006.58, which was amortised using the effective interest rate method over each reporting period within the lease term. According to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are presented as follows:

	2018
Within 1 year, inclusive	7,304,197.88
1 to 2 years, inclusive	4,424,279.85
2 to 3 years, inclusive	563,159.02
Over 3 years	-
	<u>12,291,636.75</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIII Other significant events (Continued)

2. Leases (Continued)

(2)As lessee (Continued)

Significant operating leases

The future minimum lease payments due under the signed irrevocable operating lease contracts are summarized as follows:

	2018 RMB'0,000
Within 1 year, inclusive	43,365.94
1 to 2 years, inclusive	37,635.38
2 to 3 years, inclusive	31,071.82
Over 3 years	37,142.17
	<hr/>
	149,215.31
	<hr/>

Other information relating to leases

For right-of-use assets, refer to Note V (15); for practical expedients of short-term leases and leases of low-value assets, refer to Note III (29); and for lease liabilities, refer to Note V (32).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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XIV Notes to key items of the company financial statements

1. Notes receivable

	31 December 2019	31 December 2018
Commercial acceptance bills	14,900,068.42	34,154,774.75

As at 31 December 2019 and 31 December 2018, no notes receivable were pledged.

As at 31 December 2019 and 31 December 2018, no notes receivable endorsed or discounted by the Group to other parties were not yet due at the balance sheet date.

As at 31 December 2019 and 31 December 2018, no notes receivable were converted into accounts receivable due to the drawer's inability to settle the notes on the maturity date.

2. Accounts receivable

The credit period for accounts receivable normally ranges from 0 to 90 days. Accounts receivable are interest-free.

The aging of accounts receivable and the related provision for bad debts are analysed below:

	31 December 2019	31 December 2018
Within 1 year	571,867,829.15	631,236,593.94
1 to 2 years	11,250.20	-
Less: Provision for bad debts	334,294.70	-
	<u>571,544,784.65</u>	<u>631,236,593.94</u>

Changes in provision for bad debts are presented as follows:

	Opening balance	Increases in the year	Written off in the year	Closing balance
2019	<u>-</u>	<u>334,294.70</u>	<u>-</u>	<u>334,294.70</u>
2018	<u>117,320.70</u>	<u>-</u>	<u>(117,320.70)</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

2. Accounts receivable (Continued)

The carrying amount of accounts receivable that affected the changes in provision this year is as follows:

	31 December 2019			
	Carrying amount		Bad debt provisions	
	Amount	Proportion	Amount	Proportion
Items for which provision for bad debts is recognised separately	10,352,439.53	1.81%	(334,294.70)	3.23%
Items for which provision for bad debts is recognised by group (credit risk characteristics)	561,526,639.82	98.19%	-	0.00%
	<u>571,879,079.35</u>	<u>100.00%</u>	<u>(334,294.70)</u>	<u>0.06%</u>
	31 December 2018			
	Carrying amount		Bad debt provisions	
	Amount	Proportion	Amount	Proportion
Items for which provision for bad debts is recognised separately	17,846,941.30	2.83%	-	0.00%
Items for which provision for bad debts is recognised by group (credit risk characteristics)	613,389,652.64	97.17%	-	0.00%
	<u>631,236,593.94</u>	<u>100.00%</u>	<u>-</u>	<u>0.00%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

2. Accounts receivable (Continued)

At 31 December 2019, accounts receivable that are individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Expected Credit Loss Rate	Assessment for impairment
Receivables from subsidiaries of the Group	10,018,144.83	-	0.00%	Internal related parties, with lower-tier recovery risk.
Client A	323,044.50	(323,044.50)	100.00%	Debtor had mismanagement, subject to serious financial difficulties, and the expected recoverability is very low.
Client B	11,250.20	(112,50.20)	100.00%	Debtor had mismanagement, subject to serious financial difficulties, and the expected recoverability is very low.
	<u>10,352,439.53</u>	<u>(334,294.70)</u>		

At 31 December 2018, accounts receivable that are individually assessed for provisions are presented as follows:

	Carrying amount	Bad debt provision	Expected credit loss rate	Assessment for impairment
Receivables from subsidiaries of the Group	<u>17,846,941.30</u>	<u>-</u>	0.00%	Internal related parties, with lower-tier recovery risk.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

2. Accounts receivable (Continued)

The accounts receivable for which the Company recognised provision for bad debts using the aging analysis method are presented as follows:

	31 December 2019			31 December 2018		
	Estimated default amount	Expected credit loss rate	Expected credit loss in entire lifetime	Estimated default amount	Expected credit loss rate	Expected credit loss in entire lifetime
Within 1 year	<u>561,526,639.82</u>	0.00%	<u>-</u>	<u>613,389,652.64</u>	0.00%	<u>-</u>

The bad debt provision amount for accounts receivable in 2019 was RMB334,294.70 (2018:nil), with the recovered or reversed amount of nil (2018:nil). The write-off amount of accounts receivable in 2019 was nil (2018: RMB117,320.70).

The actual accounts receivable written off in 2018 are analysed as follows:

	Nature	Amount	Reason	Fulfilled write-off procedures	Occured by transactions between related parties
Client A	Payment for goods	116,855.40	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
Client B	Payment for goods	<u>465.30</u>	Non-recoverable	The write-off procedures have been fulfilled in accordance with the internal rules and regulations.	No
		<u>117,320.70</u>			

In 2019, the Company factored a portion of accounts receivable at amortised cost to financial institutions. The amount of accounts receivable derecognised is RMB463,579,520.41 (2018: RMB145,129,500.06), and the amount of loss recognised through investment income is RMB4,379,465.57 (2018: RMB1,688,557.15).

As at 31 December 2019, the top five accounts receivable by customer are as follows:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	27,056,423.78	-	4.73%
Top 2 Account receivable	21,481,852.34	-	3.76%
Top 3 Account receivable	20,318,623.30	-	3.55%
Top 4 Account receivable	18,059,973.06	-	3.16%
Top 5 Account receivable	<u>16,434,645.35</u>	-	<u>2.87%</u>
	<u>103,351,517.83</u>	-	<u>18.07%</u>

As at 31 December 2018, the top five accounts receivable by customer are as follows:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	56,790,226.23	-	9.00%
Top 2 Account receivable	49,842,887.24	-	7.90%
Top 3 Account receivable	48,119,276.57	-	7.62%
Top 4 Account receivable	39,009,115.37	-	6.18%
Top 5 Account receivable	<u>25,049,643.33</u>	-	<u>3.97%</u>
	<u>218,811,148.74</u>	-	<u>34.67%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

3. Receivables financing

	31 December 2019	31 December 2018
Bank acceptance bills	<u>30,194,682.11</u>	<u>29,716,205.64</u>

As at 31 December 2019 and 31 December 2018, no receivables financing were pledged.

Receivables financing endorsed or discounted by the Company to other parties which were not yet due at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019		31 December 2018	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	<u>47,476,793.43</u>	<u>-</u>	<u>47,235,156.38</u>	<u>-</u>

As at 31 December 2019 and 31 December 2018, no receivables financing were converted into accounts receivable due to the drawer's inability to settle the notes on the maturity date.

4. Other receivables

	31 December 2019	31 December 2018
Dividend receivable	834,914.61	-
Other receivables	<u>1,928,106,680.77</u>	<u>1,538,283,800.17</u>
	<u>1,928,941,595.38</u>	<u>1,538,283,800.17</u>

Dividend receivable

	31 December 2019	31 December 2018
Shanghai Dingqun	<u>834,914.61</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

4. Other receivables (Continued)

Other receivables

The aging of other receivables is analysed below:

	31 December 2019	31 December 2018
Within 1 year	1,927,753,257.85	1,530,024,652.29
1 to 2 years	44,499,674.36	8,167,507.65
2 to 3 years	1,177,951.87	67,906.60
Over 3 years	9,080,643.69	9,034,035.21
	<u>54,404,847.00</u>	<u>9,010,301.58</u>
Less: Provision for bad debts	<u>54,404,847.00</u>	<u>9,010,301.58</u>
	<u>1,928,106,680.77</u>	<u>1,538,283,800.17</u>

The other receivables by category are listed below:

	31 December 2019	31 December 2018
Amounts due from subsidiaries	1,913,299,778.33	1,469,192,387.91
Receivable of equity transactions	8,980,000.00	8,980,000.00
Deposit	840,318.90	1,449,978.94
Others	59,391,430.54	67,671,734.90
	<u>54,404,847.00</u>	<u>9,010,301.58</u>
Less: Provision for bad debts	<u>54,404,847.00</u>	<u>9,010,301.58</u>
	<u>1,928,106,680.77</u>	<u>1,538,283,800.17</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

4. Other receivables (Continued)

Changes in bad debt provision for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Balance at 1 January 2019	-	30,301.58	8,980,000.00	9,010,301.58
Balance at 1 January 2019 during the period	-	-	-	-
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provisions during the period	-	35,375.27	45,360,333.35	45,395,708.62
Reversal during the period	-	(1,163.20)	-	(1,163.20)
Write-back during the period	-	-	-	-
Write-off during the period	-	-	-	-
Other	-	-	-	-
Balance at 31 December 2019	-	64,513.65	54,340,333.35	54,404,847.00

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Balance at 1 January 2018	-	20,286.35	9,973,703.95	9,993,990.30
Balance at 1 January 2018 during the period	-	-	-	-
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provisions during the period	-	14,505.33	-	14,505.33
Reversal during the period	-	(4,490.10)	(993,703.95)	(998,194.05)
Write-back during the period	-	-	-	-
Write-off during the period	-	-	-	-
Other	-	-	-	-
Balance at 31 December 2018	-	30,301.58	8,980,000.00	9,010,301.58

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

4. Other receivables (Continued)

The bad debt provision amount for other receivables in 2019 was RMB45,395,708.62 (2018:RMB14,505.33), with the recovered or reversed amount of RMB1,163.20 (2018: RMB998,194.05).

The write-off amount of other receivables in 2019 was nil (2018: nil).

As at 31 December 2019, the accumulated top five other receivables are analysed below:

	Nature	Amount	Aging	% of the total other receivable	Bad debt provision
Sinopharm Guangzhou	Entrusted loans	450,000,000.00	Within 1 year	22.70%	-
Sinopharm Guangxi	Entrusted loans	356,000,000.00	Within 1 year	17.96%	-
Sinopharm Dongguan	Entrusted loans	161,000,000.00	Within 1 year	8.12%	-
Sinopharm Zhangjiang	Entrusted loans	117,000,000.00	Within 1 year	5.90%	-
Sinopharm Meizhou	Entrusted loans	76,700,000.00	Within 1 year	3.87%	-
		<u>1,160,700,000.00</u>		<u>58.55%</u>	<u>-</u>

As at 31 December 2018, the accumulated top five other receivables are analysed below:

	Nature	Amount	Aging	% of the total other receivables	Bad debt provision
Sinopharm Guangxi	Entrusted loans	201,000,000.00	Within 1 year	12.99%	-
Sinopharm Yuexing	Entrusted loans	190,700,000.00	Within 1 year	12.32%	-
Sinopharm Dongguan	Entrusted loans	131,000,000.00	Within 1 year	8.47%	-
Sinopharm Zhangjiang	Entrusted loans	124,000,000.00	Within 1 year	8.01%	-
Sinopharm Meizhou	Entrusted loans	76,700,000.00	Within 1 year	4.96%	-
		<u>723,400,000.00</u>		<u>46.75%</u>	<u>-</u>

5. Long-term equity investments

	31 December 2019	31 December 2018
Investments in subsidiaries (a)	5,614,677,427.58	5,594,679,427.58
Investments in associates (b)	<u>2,124,009,098.25</u>	<u>1,878,157,264.66</u>
	<u>7,738,686,525.83</u>	<u>7,472,836,692.24</u>
Less: Provision for impairment of long-term equity investments	<u>39,930,000.00</u>	<u>39,930,000.00</u>
	<u>7,698,756,525.83</u>	<u>7,432,906,692.24</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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XIV Notes to key items of the company financial statements (Continued)

5. Long-term equity investments (Continued)

(a) Subsidiaries

	Original investment cost	1 January 2019	Increases / (decrease) in investment cost	31 December 2019	Equity interest held (%)	Voting rights held (%)
Sinopharm Jianming	45,054,911.04	60,054,911.04	-	60,054,911.04	100.00	100.00
Sinopharm Shenzhen Material	5,400,000.00	15,450,875.93	-	15,450,875.93	100.00	100.00
Shenzhen Logistics	900,000.00	5,019,062.68	-	5,019,062.68	100.00	100.00
Sinopharm Guangzhou	58,283,114.68	3,588,689,716.80	-	3,588,689,716.80	100.00	100.00
Sinopharm Guangxi	33,048,985.28	525,456,951.07	-	525,456,951.07	100.00	100.00
Sinopharm Yanfeng	38,207,800.00	38,207,800.00	-	38,207,800.00	51.00	51.00
Guoda Pharmacy	1,361,800,110.06	1,361,800,110.06	-	1,361,800,110.06	60.00	60.00
Sinopharm Accord Medical Supply Chain (Shenzhen) Co., Ltd.	19,998,000.00	-	19,998,000.00	19,998,000.00	60.00	60.00
		<u>5,594,679,427.58</u>	<u>19,998,000.00</u>	<u>5,614,677,427.58</u>		

(b) Associates

	At beginning of the year (Carrying amount)	Changes in the year				At end of the year (Book value)	Amount of provision for impairment	
		Investment	Profit or loss under the equity method	Other comprehensive income	Other changes in equity			
Main Luck Pharmaceutical	265,316,653.68	-	87,216,213.59	-	(58,063,500.00)	294,469,367.27	-	
Zhijun Suzhou	39,930,000.00	-	-	-	-	-	39,930,000.00	
Zhijun Medicine	355,353,196.15	-	106,436,143.29	-	(61,210,764.76)	400,578,574.68	-	
Zhijun Trade	8,730,994.87	-	2,318,103.99	-	(773,841.25)	10,275,257.61	-	
Zhijun Pingshan	86,292,927.33	-	46,881,613.08	-	(12,296,521.67)	120,878,018.74	-	
Shyndec Pharma	1,098,566,852.51	-	111,498,302.56	(133,366.19)	42,022,530.06	(16,714,220.15)	1,235,240,098.79	
Shanghai Dingqun	23,966,640.12	-	(493,944.35)	-	-	(834,914.61)	22,637,781.16	
		-						
	<u>1,878,157,264.66</u>	-	<u>353,856,432.16</u>	<u>(133,366.19)</u>	<u>42,022,530.06</u>	<u>(149,893,762.44)</u>	<u>2,084,079,098.25</u>	<u>39,930,000.00</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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XIV Notes to key items of the company financial statements (Continued)

6. Operating revenue and cost

	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal operations	4,084,112,471.45	3,901,326,725.78	3,462,663,349.53	3,306,117,780.86
Other operations	24,286,547.89	14,708,846.74	18,783,527.40	11,450,860.13
	<u>4,108,399,019.34</u>	<u>3,916,035,572.52</u>	<u>3,481,446,876.93</u>	<u>3,317,568,640.99</u>

Revenue is as follows:

	2019	2018
Revenue from contracts with customers	4,098,679,263.40	3,472,580,407.28
Rentals	<u>9,719,755.94</u>	<u>8,866,469.65</u>
	<u>4,108,399,019.34</u>	<u>3,481,446,876.93</u>

Disaggregation of revenue from contracts with customers is as follows:

	2019	2018
Place of business		
China	<u>4,098,679,263.40</u>	<u>3,472,580,407.28</u>
Type of major activities		
Pharmaceutical distribution	4,084,112,471.45	3,462,663,349.53
Others	<u>14,566,791.95</u>	<u>9,917,057.75</u>
	<u>4,098,679,263.40</u>	<u>3,472,580,407.28</u>
Type of major goods		
Pharmaceuticals	3,936,812,220.01	3,368,695,671.79
Medical devices and disposables	129,344,291.79	74,841,882.41
Diagnostic reagents	17,704,322.48	11,294,169.92
Medical equipments	251,637.17	7,831,625.41
Others	<u>14,566,791.95</u>	<u>9,917,057.75</u>
	<u>4,098,679,263.40</u>	<u>3,472,580,407.28</u>
Timing of revenue recognition		
At a point in time		
Sale of goods	4,084,112,471.45	3,462,663,349.53
Over time		
Providing services	<u>14,566,791.95</u>	<u>9,917,057.75</u>
	<u>4,098,679,263.40</u>	<u>3,472,580,407.28</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

Expressed in Renminbi Yuan

XIV Notes to key items of the company financial statements (Continued)

6. Operating revenue and cost (Continued)

Revenue recognised that was included in contract liabilities at the beginning of the year is as follows:

	2019	2018
Sale of goods	<u>4,182,083.40</u>	<u>1,912,503.90</u>

The Company has recognised contract liabilities in total of RMB7,293,184.46 through the sale of goods and provision of services in the current year. The expected revenue recognition time for the Company's contract obligations above is in year 2020.

Information about the Company's performance obligations is summarised below:

- (1) Revenue is recognised when control of the goods has transferred and payment is generally due within 30 to 210 days from delivery;
- (2) Revenue is recognised in the service duration and the payment is generally due within 30 to 210 days since the service is completed.

7. Investment income

	2019	2018
Gain on long-term equity investments under the cost method	809,260,600.24	361,514,454.31
Gain on long-term equity investments under the equity method	353,856,432.16	342,730,085.14
Income from the derecognition of financial assets measured at amortised cost	<u>(4,379,465.57)</u>	<u>(1,688,557.15)</u>
	<u>1,158,737,566.83</u>	<u>702,555,982.30</u>

Supplementary information to financial statements

1. Schedule of non-recurring profit or loss

	Amount for 2019
Gains and losses on disposal of non-current assets, including write-off of an accrued asset impairment	2,340,925.97
Government grants recognised in the income statement for the current year, except for those closely related to the ordinary operation of the Company which the Group enjoyed constantly according to the allotment standards or quantitative criteria of the country	49,299,242.48
The investment cost of an enterprise to acquire a subsidiary, an associate and a joint venture, which is less than profits derived from the fair value of the identifiable net assets of the invested unit when investing	14.65
Reversal of bad debt provision for accounts receivable that were tested for impairment individually	1,310,345.38
Profit or loss from outward entrusted loans	3,460,037.16
Non-operating income and expenses other than the aforesaid items	17,179,002.78
Other	508,168.93
	<hr/>
	74,097,737.35
	<hr/>
Impact on income tax	(17,317,723.70)
Impact on non-controlling interests after tax	(12,256,102.61)
	<hr/>
	44,523,911.04
	<hr/>

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss (2008) (“Explanatory announcement No.1”) from the CSRC, non-recurring profit or loss refers to those arising from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements in making proper judgements on the performance and profitability of an enterprise.

Supplementary information to financial statements (Continued)

2.Return on equity (“ROE”) and earnings per share (“EPS”)

2019	Weighted average ROE (%)	Basic EPS (RMB) (Note 1)
Net profit attributable to the ordinary shareholders of the parent	10.43	2.97
Net profit after deducting non-recurring profit or loss attributable to the Company’s ordinary shareholders of the parent	10.06	2.87
2018	Weighted average ROE (%)	Basic EPS (RMB) (Note 1)
Net profit attributable to the ordinary shareholders of the parent	11.56	2.83
Net profit after deducting non-recurring profit or loss attributable to the ordinary shareholders of the parent	11.22	2.75

The above-mentioned return on net assets and earnings per share were calculated according to the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (revision 2010) issued by the CSRC.

Note 1: There were no potential dilutive ordinary shares for the year ended 31 December 2019 (2018: Nil), and hence, no presentation of diluted EPS were provided.

Section XIII. Documents Available for Reference

1. Accounting Statements carried with the signature and seals of legal representative, chief financial officer and person in charge of accounting;
2. Original auditing report with seal of the CPA and signature & seal of the registration accountant;
3. Original text of all documents of the Company as well as manuscript of the announcement disclosed in reporting period on *Securities Times*, *China Securities Journal* and *Hong Kong Commercial Daily* appointed by the CSRC;
4. Original text of the annual report with signature of the Chairman;
5. The Place Where the document placed: Office of Secretariat of the Board of Directors, Sinopharm Accord Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen

China National Accord Medicines Corporation Ltd
Legal representative: Lin Zhaoxiong
22 April 2020