

China National Accord Medicines Corporation Ltd.

Summary of Semi-Annual Report 2017

I. Important Notice

The summary is abstract from full-text of annual report, for more details of operating results, financial condition and future development plan of the Company; investors should found in the full-text of annual report that published on media appointed by CSRC.

No objection statement of directors, supervisors and senior executives

Whole directors attended the Meeting in person for Report deliberation

Prompt of modified auditing opinion

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

II. Basic information of the company

1. Company profile

Short form of the stock	Sinopharm Accord, Accord B	Stock code	000028, 200028
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Chen Changbing		
Office add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Tel.	+(86)755 25875195		
E-mail	0028@szaccord.com.cn; gyyz0028@sinopharm.com		

2. Main financial data and index

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

Yes No

Reasons on retroactive adjustment or re-statement
Enterprise combined under the same control

	Current Period	Same period of last year		Increase/decrease in this report y-o-y
		Before adjustment	After adjustment	After adjustment
Operating income (RMB)	20,524,807,669.57	14,089,052,871.88	20,562,402,047.82	-0.18%
Net profit attributable to shareholders of the listed company(RMB)	556,125,318.19	542,122,083.86	659,078,223.36	-15.62%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	546,253,390.00	404,509,408.41	401,762,449.20	35.96%
Net cash flow arising from operating activities(RMB)	228,337,431.40	492,634,062.23	829,582,933.34	-72.48%
Basic earnings per share (RMB/Share)	1.299	1.495	1.558	-16.62%
Diluted earnings per share (RMB/Share)	1.299	1.495	1.558	-16.62%
Weighted average ROE	6.41%	9.53%	8.59%	-2.18%
	End of current period	End of last period		Increase/decrease in this report-end over that of last period-end
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	22,199,774,990.31	21,312,754,511.97	21,316,548,247.95	4.14%
Net assets attributable to shareholder of listed company (RMB)	8,864,455,086.90	8,450,150,621.93	8,452,426,863.52	4.87%

Note: In October 2016, the Company sell the whole operational assets of Pingshan Pharmaceutical R&D base and 51% equity of subordinate three pharmaceutical industry subsidiaries respectively (including Zhijun Pharmaceutical, Zhijun Pharmacy Trade and Pingshan Pharmaceutical), through subscribing 15.56% new shares offering under the name of related party Shyndec Pharmaceutical. Correspondingly, the comparative statement of the consolidate profit statement for semi-annual of 2017 including the profit data for first half year of 2016 under the name of above mentioned three companies.

3. Number of shareholders and share-holding

In Share

Total common stock shareholders in reporting period-end	11,793	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Shares pledged/frozen	
					State of share	Amount
Sinopharm Group Co., Ltd.	State-owned	56.06%	239,999,991	55,057,700		

	Corporation					
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign Corporation	2.04%	8,732,491			
China Life Insurance Co., Ltd. – tradition –general insurance products -005L-CT001 Shen	Domestic non state-owned Corporation	1.51%	6,454,402			
China National Pharmaceutical Foreign Trade Corporation	State-owned Corporation	1.24%	5,323,043	5,323,043		
TARGET VALUE FUND	Foreign Corporation	1.27%	5,449,232			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign Corporation	1.05%	4,489,371			
China Merchants Bank Co., Ltd. – Huitianfu Medical Service Flexible Mixed Securities Investment Fund	Domestic non state-owned Corporation	1.03%	4,430,009			
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	Domestic non state-owned Corporation	0.98%	4,199,772			
Central Huijin Assets Management Co., Ltd	State-owned Corporation	0.89%	3,804,400			
VALUE PARTNERS CLASSIC FUND	Foreign Corporation	0.71%	3,038,918			
Explanation on associated relationship among the aforesaid shareholders	Sinopharm Group Co., Ltd. and China National Pharmaceutical Foreign Trade Corporation have the same actual controller, which is China National Pharmaceutical Group Corporation. It is unknown that there exists no associated relationship or belongs to the consistent actionist among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.					

4. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

Applicable Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

Applicable Not applicable

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

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

Applicable Not applicable

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

6. Corporate bonds

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

No

III. Discussion and analysis by the Management Team

1. Introduction of operation in the reporting period

Dose the Company need to comply with disclosure requirements of the special industry

No

In the first half of 2017, influenced by the fierce competition in external market, GPO bidding procurement, and the changes in pharmaceutical policies, the overall pharmaceutical industry entered into the “new normal” of slowdown in growth. Under the leadership of the board of directors of the company, Sinopharm Accord focused on the annual management theme of “strategic transformation new journey and innovative development new leap”, promoted the strategic landing, clarified the management ideas, consolidated the management foundation, enhanced the business unit profitability, and orderly advanced the key works with open, comprehensive, sunshiny, and positive attitude.

(i) The overall situation of Sinopharm Accord in the first half of 2017

Sinopharm Accord achieved operating income of RMB 20.525 billion, a decrease of 0.18% on a year-on-year basis; achieved net profits attributable to the parent company of RMB 556 million, a decrease of 15.62% on a year-on-year basis. The above mentioned item drops mainly because the comparative statement including the profit statement data (first half year of 2016) of the three industrial enterprises that replace-out in material assets reorganization occurred in October 2016. The operating income and net profit attributable to parent company has a y-o-y growth of 3.79% and 6.73% respectively if ignore the above mentioned causes.

Pharmaceutical distribution achieved operating income of RMB15.754 billion, an increase of 1.56% on a year-on-year basis; achieved net profits attributable to the parent company of RMB 306 million, an increase of 5.50% on a year-on-year basis.

Pharmaceutical retail achieved operating income of RMB 4.888 billion, an increase of 12% on a year-on-year basis; achieved net profits attributable to the parent company of RMB 99 million, an increase of 30.08% on a year-on-year basis.

(ii) The overall situation of pharmaceutical industry

In 2017, driven by reform and innovation, the medical reform continued to advance, various policies landed soundly, and the market changes advanced irresistibly, therefore, we need to not only enhance the self-confidence in development and maintain the strategic strength, but also seek for new thoughts and ideas and try to promote

the transformation.

1. Policy level: present the features of “grass-roots sinking”, “wide range”, “focusing on detailed rules”, and “fast speed”, the profit direction of pharmaceutical industry have changes, while the policies show diversity and complexity because of the national region.

2. Market level: the whole pharmaceutical industry slows down the growth, the market enters into the “callback”: in the first half of 2017, the national pharmaceutical terminal sales reached RMB 803.7 billion, an increase of 7.8% on a year-on-year basis; the sales volume growth of three terminals, public hospitals, retail pharmacies, and public primary medical care, is slowing down year by year.

3. Competition level: the industry mergers and acquisitions of competitors accelerate, directly drive the rapid growth of sales by scale expansion of stores.

(iii) Main work the company completed in the first half of 2017

1. Strategic transformation - explore the operation mode of wholesale and retail integration

The company established the organizational structure of wholesale and retail integration for strategic transformation: the headquarters level set up the purchasing management department to promote and establish a purchasing management system for wholesale and retail integration, at the same time, built variety sharing and information platform for the whole line joint.

2. Management transformation - double headquarters control mode is clear

Set up strategic investment headquarters, retail operations headquarters, and distribution operations headquarters, clarify the positioning, adjust the structure, sort out the responsibilities, optimize the functions, and give full play to the headquarters. Of which:

Retail operations headquarters: sort out the organizational structure and department responsibilities, strengthen the regional linkage, and enhance the resources integration and professional management capabilities of headquarters.

Distribution operations headquarters: undertake the strategic transformation requirements, match up with the new structure design, and adjust the structure and personnel.

3. Distribute two-wheel drive - multi-format collaborative progress

(1) Give play to the smart supply chain performance, and deepen the integration of operations

(2) Strategically promote business transformation, and build new competitive advantages

4. Intensively cultivate retail and consolidate management - promote business development by management improvement

(1) Focus on management, and improve operational efficiency and development quality

(2) Optimize control, and give full play to all functions of the headquarters

(3) Accelerate the expansion of stores, and promote the Omni-channel marketing model

5. Legal operations - adhere to the bottom line to ensure the sustainable development of the company

2. Matters relevant to financial report

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

Applicable Not applicable

The Revise on “Accounting Standards for Business Enterprise No.16 – Government subsidies” Cai Kuai [2017] No.15 issued by Ministry of Finance on 10 May 2017, and come into operation since 12 June 2017. The government subsidy of the enterprise on 1 Jan. 2017 will count by prospective application, the new government subsidy occurred from 1 Jan. 2017 to the implementation of above mentioned rules will adjust by the revised regulations. The Company carry out the above mentioned regulation since 12 June 2017 and adjusted relevant accounting policy in line with the revised regulation.

According to the revised “Accounting Standards for Business Enterprise No.16 – Government subsidies”, the government subsidy with routine activities concerned will reckon in other income. The government subsidy without routine activities concerned will count in non-operating income. The discount interest funds will appropriate to the Group by the Finance, the correspondingly discount will be written down by relevant borrowing expenses by the Group. After re-organizing the government subsidies from 1 Jan. 2017 to the implementation of above mentioned rules, the government subsidy with routine activities concerned since 1 Jan. 2017 will re-classified to “Other income” and “Financial expenses” from “non-operating income”. In the period, “other income” has increased 7,958,493.67 Yuan, the “financial expenses” has 179,700.00 Yuan declined and “non-operating income” has 8,138,193.67 Yuan decreased.

In line with the above mentioned regulation, the content listed under items of “Other income”, “Financial expenses” and “non-operating income” from January to June of 2017 will be adjusted, however, the adjustment has no impact on the consolidate and net profit of the Company and consolidate and shareholder’ equity(from January to June 2017), and there are no retroactive adjustment for the comparative data.

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

Applicable Not applicable

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

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

Applicable Not applicable

Changes of consolidation range found more in annotation VIII