China National Accord Medicines Corporation Ltd.

Summary of Semi-Annual Report 2018

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	Wang Zhaoyu	
Office add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	
Tel.	+(86)755 25875195	+(86)755 25875222	
E-mail	gyyzinvestor@sinopharm.com	gyyz0028@sinopharm.com	

2. Main financial data and index

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

□Yes √No

	Current Period	Same period of last year	Increase/decrease in this report y-o-y

Operating income (RMB)	20,779,166,699.67	20,524,807,669.57	1.24%
Net profit attributable to shareholders of the listed company(RMB)	641,727,034.93	556,125,318.19	15.39%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	623,296,339.34	546,253,390.00	14.10%
Net cash flow arising from operating activities(RMB)	225,357,709.20	228,337,431.40	-1.30%
Basic earnings per share (RMB/Share)	1.50	1.30	15.38%
Diluted earnings per share (RMB/Share)	1.50	1.30	15.38%
Weighted average ROE	6.62%	6.41%	0.21%
	End of current period	End of last period	Increase/decrease in this report-end over that of last period-end
Total assets (RMB)	24,013,015,677.32	22,343,643,527.77	7.47%
Net assets attributable to shareholder of listed company (RMB)	9,910,258,628.12	9,396,572,345.88	5.47%

3. Number of shareholders and share-holding

In Share

Total common shareholders at period-end	19,539	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0

Top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Shares pledged/frozen	
					State of share	Amount
Sinopharm Group Co., Ltd	State-owned corporate	56.06%	239,999,991	55,057,700		
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Overseas corporate	2.37%	10,141,182	0		
China Life Insurance Co., Ltd. – tradition –general insurance products -005L-CT001 Shen	Domestic non state-owned corporate	2.02%	8,654,592	0		
China United Property Insurance Company	Domestic non	1.42%	6,092,905	0		

Limited – Traditional Insurance Products	state-owned corporate					
China National Pharmaceutical Foreign Trade Corp.	State-owned corporate	1.24%	5,323,043	5,323,043		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas corporate	1.19%	5,086,260	0		
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	Domestic non state-owned corporate	0.98%	4,199,772	0		
# Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund	Domestic non state-owned corporate	0.96%	4,118,716	0		
UBS AG LONDON BRANCH	Overseas corporate	0.89%	3,818,884	0		
Central Huijin Investment Ltd.	State-owned corporate	0.89%	3,804,400	0		
Explanation on associated relationship among the aforesaid shareholders		Sinopharm Group Co., Ltd. and China National Pharmaceutical Foreign Trade Corporation have the same actual controller, which is China National Pharmaceutical Group Corporation. It is unknown that there exists no associated relationship or belongs to the consistent actionist among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.				
Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held (if applicable)		Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund holds shares of the Company through margin trading and negotiable securities account that is 4,118,716 shares in total.				

4. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

□ Applicable √ Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

□ Applicable √ Not applicable

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

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

□ Applicable √ Not applicable
The Company had no shareholders with preferred stock held in the reporting.

6. Corporate bonds

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

III. Discussion and analysis by the Management Team

1. Introduction of operation in the reporting period

Whether the Company needs to comply with the disclosure requirements of the particular industry
Reference disclosure
Retailing industry
In the first half of 2018, Sinopharm Accord focused on a clear development strategy and clear goals, transformed both foreground and background, innovated together, and took serious measures to business landing, and made steady growth in business performance, and showed potential in business models.

(i) Performance completion in first half of 2018

Sinopharm Accord achieved a revenue from operation amounted as 20.779 billion Yuan with a y-o-y growth 1.24%; the net profit attributable to parent Company comes to 642 million Yuan with 15.39% up on a y-o-y basis. The pharmaceutical distribution has operation revenue of 15.879 billion Yuan with y-o-y growth of 0.79%; net profit attributable to parent Company has 333 million Yuan with y-o-y growth of 8.93%. As for the pharmaceutical retail, the Company gains 5.144 billion Yuan in operation revenue, a y-o-y growth of 5.23% and the net profit attributable to parent Company amounted as 139 million Yuan, a 40.66% up on a y-o-y basis.

(ii) Analysis of policy environment

1. Industry growth rate continued to slow down, and the trend of leading concentration ratio remained unchanged
In the first quarter of 2018, the growth of drug distribution and sales increased by 7.9%, a decline of 0.5% on a year-on-year basis; the growth of drug retail and sales increased by 9.1%, and an increase of 0.1% on a year-on-year basis. The growth rate of large pharmaceutical wholesale enterprises slowed down noticeably, the main business income of top 100 wholesale enterprises increased by 8.4% in 2017, a decline of 5.6% on a year-on-year basis; the top 100 market share was 70.7%, a decline of 0.2% on a year-on-year basis; the market share of 4 leading enterprises was 37.6%, a rise of 0.2 % on a year-on-year basis.

2. The total number of medical institutions was expanding, and the process of rational allocation of medical resources was accelerating

Under the policy promoting, more than 19,000 new-level medical and health institutions have been added, and the growth rate of the number of medical treatments and inpatient number has far exceeded that of class hospitals, and the medical resources are constantly leaning toward the basic level.

(iii) The main work completed by the Company in the first half of 2018

1. Integrated wholesale and retail, and dug deep into resource advantages

During the reporting period, the Company's catalogue management of wholesale and retail integration variety increased from 33 brands to 77 brands, and the number of articles increased from 255 to 430. Through the planning for wholesale and retail integration suppliers, seven suppliers were promoted to boost the wholesale and retail integration project, at the same time, further promoted the wholesale and retail cooperation project of Guoda Drugstore.

2. Implemented information technology projects, and strengthened new competence of technology

The Company attached great importance to the construction of IT talent team, increased recruitment efforts, comprehensively strengthened the "informatization" orientation, and established a matching performance incentive mechanism. During the reporting period, the Company optimized the basic management by information technology, created a dual information platform of "Hospital Supply Chain Management" and "Retail Professional Supply Chain Management", and promoted the new business model through the integration of technology:

3. Organized the full docking with Walgreens Boots Alliance, and the projects were implemented smoothly

After many times of communication and combining the research on the market, the new term of board of directors of the joint-ventured Guoda Drugstore reached a consensus on the strategic planning for the next 3-5 years and formed specific strategic measures.

4. Distribution focused on four major directions, transformation and innovation for development

(1) Primary care:

The Company actively responded to the "two-vote system", made overall plans, made variety planning, resource docking and channel merging; improved the supply chain efficiency by building invoice management system, procurement tax refund process optimization, multi-warehouse operation inventory management, etc.; in order to meet the business needs, the Company established standardized prepayment and cash deposit operation procedures to effectively control payment risks.

In response to the "GPO", various regions and multiple channels actively proposed suggestions for the GPO program, and signed strategic cooperation framework agreements with Taishan, HeYuan, Maoming and other places; actively affected the variety catalogue of Foshan implementation plans, and strived to supplement the key varieties, improved the maximum match between the varieties and the implementation catalog; the GPOs in Shenzhen and Dongguan entered the implementation stage, and the Company maintained active communication and responded well.

The Company directly faced the pharmacy custody at various regions, actively participated in the bidding of various custody projects, strengthened the front-end business management, actively interpreted and responded to the bidding work, formulated the bidding tools, and formed the standardization process of the universal template + customized solution; and insisted on the individualized response in the hospitals in trust, integrated the varieties and business resources, adjusted the cooperation models, and maintained the share and improved the gross profit.

(2) Retail diagnosis and treatment:

During the reporting period, there were 51 retail clinics, including 10 ones newly established in Guangdong and two ones newly established in Guangxi in the first half of the year. Foshan Pharmacy and Foyi Pharmacy became the specific pharmacies in Foshan City. Shenzhen Pharmacy and Zhaoqing Pharmacy won the first batch of "Guangdong Provincial Demonstration Pharmacies".

5. Guoda Drugstore ensured stock and made increment, and elaborately operated new features

(1) Accelerated the distribution speed according to strategic deployment

As of the end of the reporting period, the total number of Guoda Drugstore reached 4,004, and accumulatively had a net increase of 169 stores in the first half of the year, including 163 direct-sale stores. The distribution points of advantageous areas were scattered, strengthened the regional management, formulated the implementation plan of the store transfer shop model, carried out help guidance on the spot, and grasped the local policies through analysis and continued to follow up. Guoda Drugstore pre-judged the policy changes and market trends, and increased the expansion speed of stores around hospitals. In the first half of the year, 29 new stores around hospitals were added, and there were totally 332 stores around hospitals as of the end of the reporting period.

(2) Dug the potential benefits of stock stores and created specialized pharmacies with chronic diseases as the core

Optimized store management and managed the loss-making stores; established records and set up warehouses, implemented chronic disease services and membership management

(3) Implemented the integration strategy of wholesale and retail, and strengthened the fine management of merchandize purchase

Implemented the provincial-level platform construction of Guoda Drugstore step by step, docked the project of wholesale and retail integration, implemented the strategic requirements, completed the docking with manufacturers, and sought a new cooperation mode; carried through the fine management to merchandize purchase and sales, promoted the application planning guidebook and tapped the potential in inter-regional benchmarking; focused on the category inside, used the benchmarking method of same type of commodity to find the superior goods, and increased the sales quota of superior goods.

(4) Accelerate the exploration of e-commerce business new model

Guoda Drugstore has negotiated cooperation with a number of internet hospitals and reached a nationwide cooperation agreement with Yaofangyun. At present, the cooperation in Ningxia and Xiamen has already been implemented.

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

I. General description of change of accounting policies

1. The Ministry of Finance amended Business Accounting Standards No.14 - Revenue on 5 July 2017 (CK[2017]No.22).

2. The Ministry of Finance amended Business Accounting Standards No.22 - Recognition and measurement of financial instrument (CK[2017]No.7), Business Accounting Standards No.23 - Transfer of financial assets (CK[2017]No.8) and Business Accounting Standards No.24 - Hedging accounting (CK[2017]No.9) on 31 March 2017, and amended Business Accounting Standards No.37 - Presentation of financial instruments (CK[2017]No.14) on 2 May 2017.

The above amended standards are applicable to those enterprises listed on both domestic and overseas securities markets and to those enterprises listed on overseas securities market where the international financial reporting standards or business accounting standards are adopted to prepare financial statements with effect from 1 January 2018.

II. Reasons for and dates of change of accounting policies

1. On 5 July 2017, the Ministry of Finance issued the amended Business Accounting Standards No.14 - Revenue, which will be applicable for those enterprises listed on both domestic and overseas securities markets with effect from 1 January 2018, while applicable to other domestic-listed enterprises since 1 January 2020.

2. On 31 March 2017, the Ministry of Finance issued the amended Business Accounting Standards No.22 - Recognition and measurement of financial instrument, Business Accounting Standards No.23 - Transfer of financial assets and Business Accounting Standards No.24 - Hedging accounting, and issued the amended Business Accounting Standards No.37 - Presentation of financial instruments on 2 May 2017 (together referred to as "New Series of Standards on Financial Instruments "), which will be applicable for those enterprises listed on both domestic and overseas securities markets with effect from 1 January 2018, while applicable to other domestic-listed enterprises since 1 January 2019.

3. Due to that the parent of the Company is Sinopharm Group Co., Ltd. ("Sinopharm") which is listed on overseas market offering H shares, the Company begun to implement the above standards since 1 January 2018 so as to keep the same accounting policies with Sinopharm.

III. Major changes in accounting policies and the influence upon the Company

(I)Change of accounting policy for revenue

1. Major changes of Business Accounting Standards No.14 - Revenue (CK[2017]No.22) are set out below:

(1)the current revenue and construction contract standards are incorporated into a unified revenue recognition model;

(2)to replace the risk-and-reward approach with the transfer-of-control approach as the criteria for the time of revenue recognition;

(3)to identify each single performance obligation included in a contract and recognize revenue separately when performing the obligation;

(4)to provide a more prescriptive guidance including the accounting treatment of contract concerning multiple trading arrangements;

(5)expressly formulates the revenue recognition and measurement of certain specific transactions (or matters).

2. Influence on the Company arising from this change

The Company will implement this new standard since 1 January 2018. According to the requirements during transition of the old and new standards, a company shall adjust the opening retained earning and amounts of other related items in the financial statements based on the accumulative affected amount upon initial implementation of this standard, while make no adjustment to figures of comparative periods. Adopt of this standard will lead to material change of revenue recognition method of the Company, and will not materially affect net profit, total assets and net assets for the period and previous periods.

(II)Changes in accounting policies for financial instruments

1. Major changes of Business Accounting Standards No.22 - Recognition and measurement of financial instrument, Business Accounting Standards No.23 - Transfer of financial assets, Business Accounting Standards No.24 - Hedging accounting and Business Accounting Standards No.37 - Presentation of financial instruments are set out below:

(1)the classification of financial assets shall be based on “business model” for possessing the financial assets and “contractual cash flow characteristics of financial assets”, and financial assets shall be classified into three types, namely, financial asset measured at amortized cost, financial asset measured at fair value through other comprehensive income and financial asset measured at fair value through profit or loss;

(2)the accounting policy for provision for impairment loss of financial assets shall change from the approach of “incurred loss” to “expected credit loss”, and the scope of provision is enlarged;

(3)with respect to non-trading equity instrument investment of financial assets at fair value through other comprehensive income, the portion which is included in other comprehensive income in subsequent measurement cannot be transferred to profit or loss for the period when being disposed, instead thereof, direct adjustment to retained earning;.

(4)the determination principle and accounting treatment of transfer of financial assets are further clarified;

(5)with respect to hedge accounting, the qualified hedged projects and scope of hedge instruments are enlarged, with qualitative hedge effectiveness test requirement replacing quantitative requirements; introduce hedge relation “re-balance” system;

(6)the disclosure requirements for financial instruments shall be adjusted accordingly.

2 Influence on the Company arising from this change:

(1)Sinopharm Guoda Drugstore Co., Ltd., a subsidiary of the Company, holds shares in Shanghai Guoda

Shuguang Drugstore Co., Ltd., Shanghai Guoren Drugstore Co., Ltd., Sinopharm Hubei Guoda Drugstore Co., Ltd., Hunan Zhongbai Pharmacy Investment Co., Ltd. And Sinopharm Health Online Co., Ltd, with the voting right of 25%, 10%, 10%, 6.31% and 8.06%, respectively. However, the directors and senior management of the five companies are not appointed by the Group, and the Group has not participated or affected their financial and operating decisions or normal operating activities in other means. Therefore, the Group exercises no significant influence in the five companies, which makes the Group to calculate them as available-for-sale equity instruments at carrying value.

After adoption of the new amended financial instruments related standards, the Company determines to designate it as the financial asset at fair value through other comprehensive income after considering the contractual cash flow characteristics and business model of the financial assets. These assets would be measured at fair value through other comprehensive income in subsequent periods and would not be transferred to profit or loss in subsequent periods. Upon derecognition of financial assets, the accumulative gains or losses previously recorded in other comprehensive income will be transferred out from other comprehensive income and recorded in retained earning. This change of financial instruments related accounting policies will not materially affect the opening retained earning and other comprehensive income of the Company for 2018, no need to make retrospective adjustments.

(2)Under the original financial instruments standards, the Company conducts check on carrying value of financial assets on each balance sheet date, and provides for impairment provision when there is objective evidence indicating the financial asset is impaired. Objective evidence indicating a financial asset is impaired refers to an event that is actually occurred after initial recognition of the financial asset which affects the predicted future cash flow of the asset and the affect can be measured reliably by the company. The new financial instruments standards adopt expected credit loss to measure impairment. Under the new impairment measurement, the Company will need to consider more expected loss risk. It shall recognize the “expected credit loss during the 12 months after initial recognition” first, and recognize the “expected credit loss during the whole existence period” when the credit loss increases significantly.

As for financial assets measured at amortized cost, such as receivables, the single financial asset with significant amount is tested separately for impairment test and impairment provision is made based on the difference between the present value of expected future cash flow less than the carrying value of the asset under the original standards; the single financial asset not in significant amount and financial asset which is not impaired after separate test shall make impairment test with incorporation into financial assets group with similar credit risk characteristics, and impairment provision is made under aging analysis method. Based on the Company’s judgment, aging analysis method may still be chosen to make impairment provision after adoption of the new financial instruments standards, and it is expected that it will not bring significant influence on the financial statements.

This change of accounting policies brings no substantial influence on profit or loss, total assets and net assets of the Company.

(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

China National Accord Medicines Corporation Ltd.

Legal representative: Lin Zhaoxiong

24 August 2018