



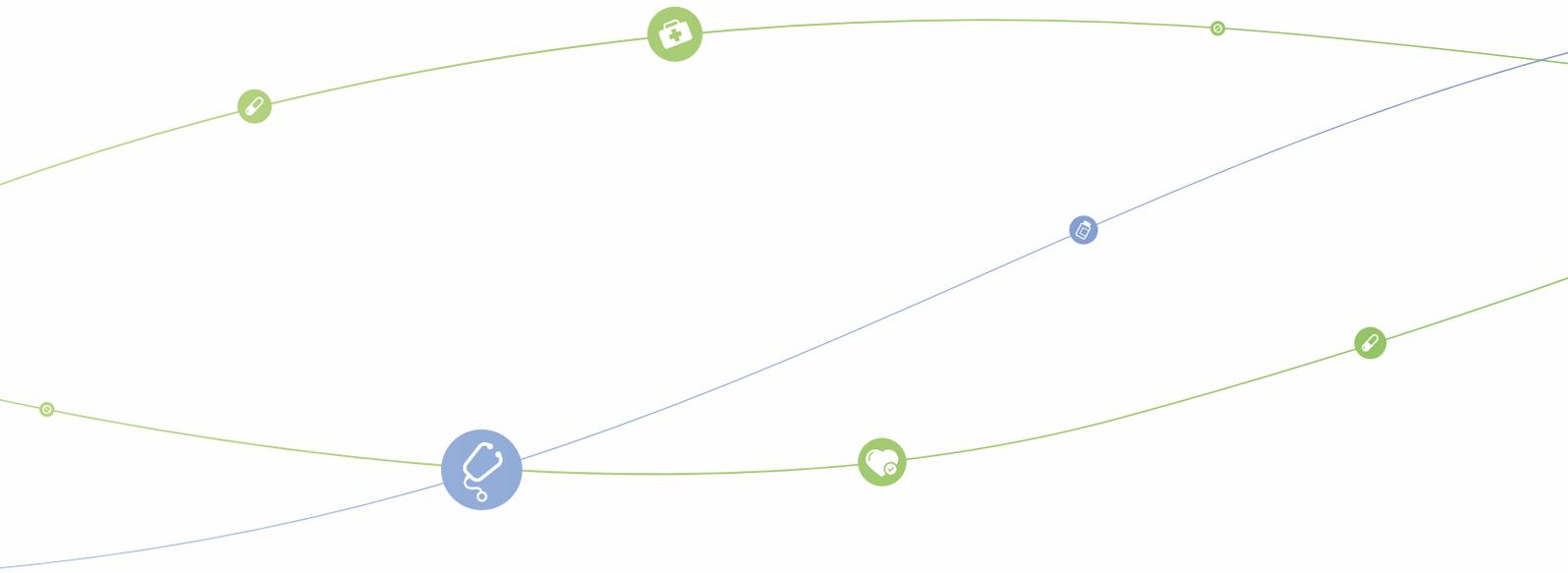
SINOPHARM GROUP CO. LTD.* 國藥控股股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國藥控股股份有限公司)

Stock Code: 01099

Annual Report 2015

CARING FOR LIFE ATTENDING TO HEALTH



Company Profile

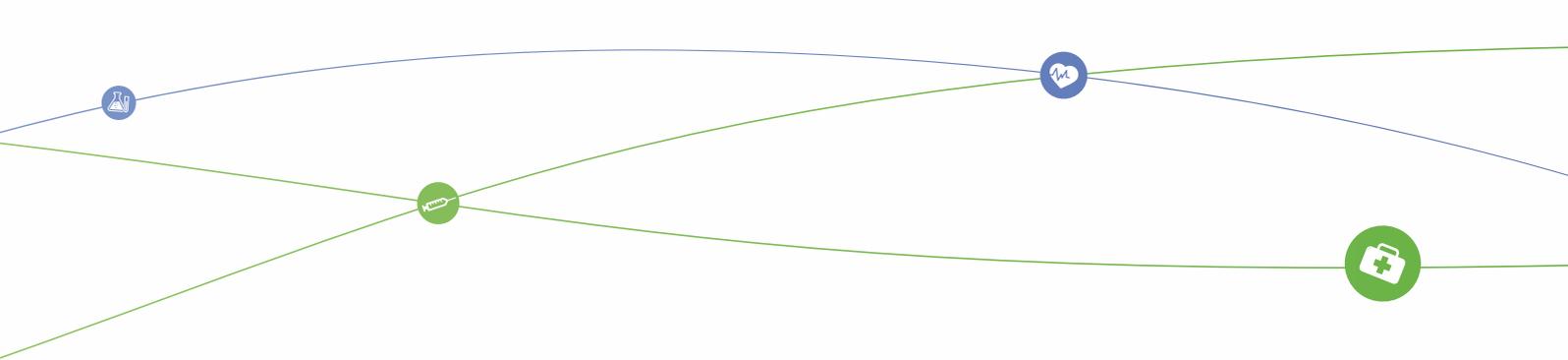
Sinopharm Group Co. Ltd. (the “**Company**” or “**Sinopharm Group**”, together with its subsidiaries referred to as the “**Group**”), which was established in January 2003 and listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (stock code: 01099. HK) in September 2009, is a core subsidiary of China National Pharmaceutical Group Corporation (“**CNPGC**”) and the largest wholesaler and retailer of pharmaceutical and healthcare products and a leading supply-chain service provider in the PRC.

The Group is mainly engaged in pharmaceutical distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, logistics and other value-added services to domestic and foreign manufacturer and suppliers of pharmaceutical products, medical equipment and supplies and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions.

Meanwhile, the Group manages its network of retail drug stores chain in major cities of China via direct operations and franchises to sell pharmaceutical and healthcare products to end-customers. It has become a leader in China’s pharmaceutical retail industry.

Besides, the Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and actively engaged in the innovation of pharmaceutical, medical services and other health-related industries, to explore the synergistic development of its diversified businesses.

Taking advantage of its superior economies of scale, customer resources, network platforms and brand position, the Group will fully leverage on China’s pharmaceutical and healthcare market, which shows steady and healthy growth, and capture opportunities arising from healthcare reform to further consolidate and enhance its market leadership, actively striving to become a pharmaceutical and healthcare service provider with international competitiveness.



CORPORATE PHILOSOPHY

Caring for life
Attending to health



CORPORATE VISION

Becoming a pharmaceutical
and healthcare service
provider with international
competitiveness



CORPORATE MISSION

Contributing to human
health and good life

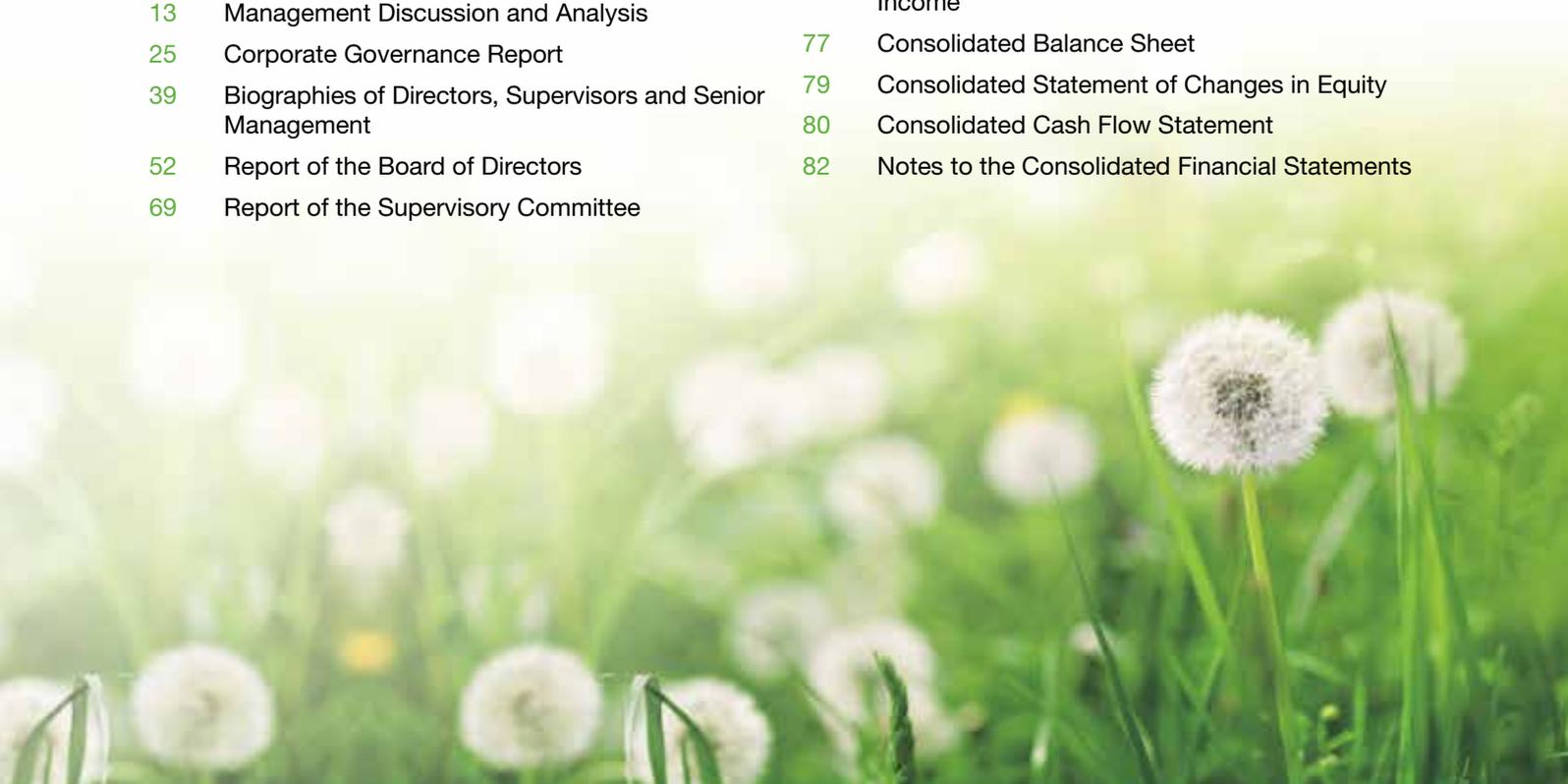


CORE VALUE

Benevolence and responsibility

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Corporate Information

At the date of this report

Directors

Mr. Wei Yulin (*Executive Director and Chairman*)
Mr. Li Zhiming (*Executive Director and President*)
Mr. Chen Qiyu (*Non-executive Director and Vice Chairman*)
Mr. She Lulin (*Non-executive Director*)
Mr. Wang Qunbin (*Non-executive Director*)
Mr. Li Yuhua (*Non-executive Director*)
Mr. Deng Jindong (*Non-executive Director*)
Mr. Li Dongjiu (*Non-executive Director*)
Mr. Liu Hailiang (*Non-executive Director*)
Mr. Lian Wanyong (*Non-executive Director*)
Ms. Li Ling (*Independent Non-executive Director*)
Mr. Yu Tze Shan Hailson
(*Independent Non-executive Director*)
Mr. Tan Wee Seng
(*Independent Non-executive Director*)
Mr. Liu Zhengdong
(*Independent Non-executive Director*)
Mr. Zhuo Fumin
(*Independent Non-executive Director*)

Supervisors

Mr. Yao Fang (*Chief Supervisor*)
Mr. Tao Wuping
Mr. Yang Jun
Ms. Li Xiaojuan
Ms. Jin Yi

Joint Company Secretaries

Mr. Ma Wanjun
Mr. Liu Wei

Strategy and Investment Committee

Mr. Wei Yulin (*Chairman*)
Mr. Li Zhiming
Mr. Chen Qiyu
Mr. She Lulin
Mr. Wang Qunbin
Mr. Li Yuhua
Mr. Li Dongjiu
Mr. Lian Wanyong
Ms. Li Ling
Mr. Tan Wee Seng

Audit Committee

Mr. Tan Wee Seng (*Chairman*)
Mr. Deng Jindong
Mr. Li Dongjiu
Mr. Liu Zhengdong
Mr. Zhuo Fumin

Remuneration Committee

Mr. Liu Zhengdong (*Chairman*)
Mr. Liu Hailiang
Mr. Lian Wanyong
Mr. Tan Wee Seng
Mr. Zhuo Fumin

Nomination Committee

Mr. Wei Yulin (*Chairman*)
Mr. She Lulin
Mr. Wang Qunbin
Ms. Li Ling
Mr. Yu Tze Shan Hailson
Mr. Liu Zhengdong
Mr. Zhuo Fumin

Authorized Representatives

Mr. Wei Yulin
Mr. Ma Wanjun

Legal Advisers

As to Hong Kong and United States laws:
DLA Piper UK LLP

As to PRC law:

Beijing Jincheng Tongda & Neal Law Firm

Auditor

PricewaterhouseCoopers

Principal Place of Business in Hong Kong

Room 2701
148 Electric Road
North Point, Hong Kong

Principal Place of Business and Headquarter in the PRC

Sinopharm Plaza
No. 1001 Zhongshan Road (West)
Changning District
Shanghai 200051, the PRC

Registered Office in the PRC

6th Floor, No. 221 Fuzhou Road
Shanghai 200002, the PRC

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

01099

Principal Banks

Bank of Communications Co., Ltd.
Shanghai Branch Hongkou Sub-branch
Bank of Communications Co., Ltd.
Guangzhou Branch Operating Department
China Merchants Bank Co., Ltd.
Shanghai Branch Nanxi Sub-branch
Bank of China Limited
Shanghai Yangpu Sub-branch
China Minsheng Banking Corp., Ltd.
Shanghai Branch Minhang Sub-branch
Industrial and Commercial Bank of China Limited
Shanghai Branch Operating Department

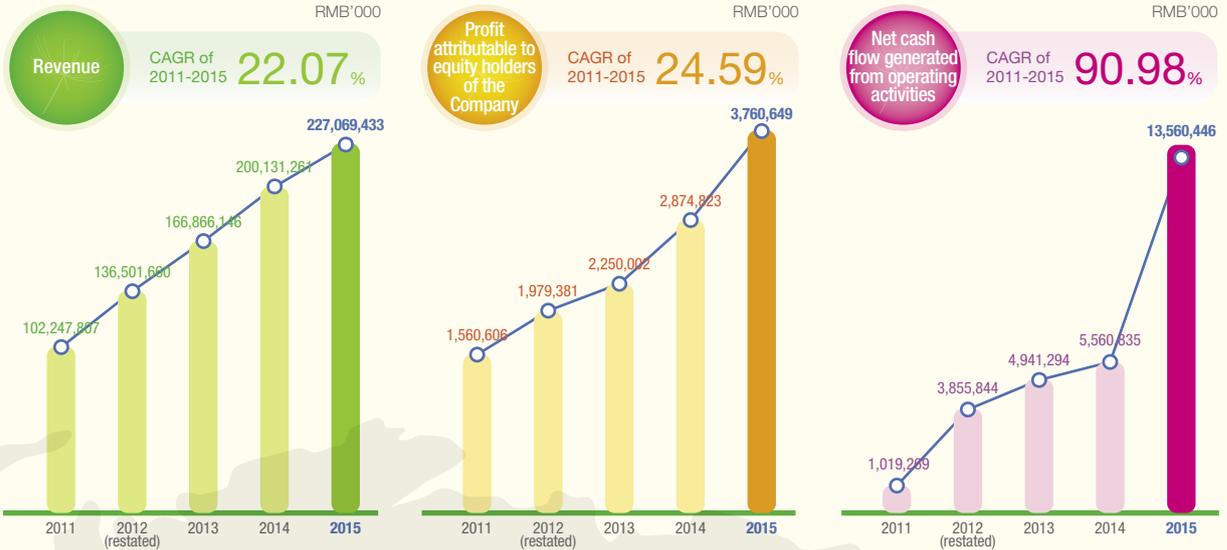
Office of Board of Directors

Tel: (+86 21) 2305 2666
Email: ir@sinopharm.com

Financial Highlights

Unit: RMB'000

	2011	2012	2011-2015 2012 (restated)	2013	2014	2015
Operating results						
Revenue	102,224,807	135,786,836	136,501,660	166,866,146	200,131,261	227,069,433
Gross profit	8,354,697	10,942,598	10,987,624	13,378,516	16,328,218	18,617,529
Operating profit	3,636,216	4,863,347	4,868,904	6,101,920	7,861,922	9,169,204
Earnings before interest and tax	3,945,605	5,285,867	5,291,329	6,280,874	8,063,294	9,396,713
Profit attributable to equity holders of the Company	1,560,606	1,973,823	1,979,381	2,250,002	2,874,823	3,760,649
Profitability						
Gross margin	8.17%	8.06%	8.05%	8.02%	8.16%	8.20%
Operating margin	3.56%	3.58%	3.57%	3.66%	3.93%	4.04%
Net profit margin	2.35%	2.27%	2.26%	2.15%	2.27%	2.51%
Asset status						
Total assets	67,627,852	79,847,109	81,127,223	105,453,110	128,655,739	138,267,028
Equity attributable to equity holders of the Company	15,673,849	17,078,291	17,283,745	21,815,546	27,381,867	30,051,626
Total liabilities	47,239,766	57,103,908	58,178,568	76,841,760	92,366,110	97,611,323
Cash and cash equivalents	13,091,012	9,721,992	9,801,502	14,001,962	15,232,356	19,919,154
Gearing ratio						
	69.85%	71.52%	71.71%	72.87%	71.79%	70.60%
Liquidity ratio						
Current ratio (times)	1.40	1.32	1.31	1.27	1.28	1.23
Inventory turnover ratio (days)	38	38	38	36	36	37
Trade receivables turnover ratio (days)	78	86	86	98	107	105
Trade payables turnover ratio (days)	90	88	88	91	95	97
Data per share (RMB)						
Earnings per share – Basic	0.66	0.82	0.82	0.89	1.11	1.36
Earnings per share – Fully diluted	0.66	0.82	0.82	0.89	1.11	1.36



Revenue over
RMB 227.0 billion

Year-on-year
growth of **13.5%**

Year-on-year increase in
profit attributable to
equity holders of
30.8%
the Company of

Significantly
higher than the year-on-year
growth rate of revenue

Year-on-year
growth in
earnings per share of
22.5%

Year-on-year growth in
earnings before interest
and tax of **16.5%**

Year-on-year
increase in net
cash flow
generated from
operating
activities of
143.9%

Caring For Life

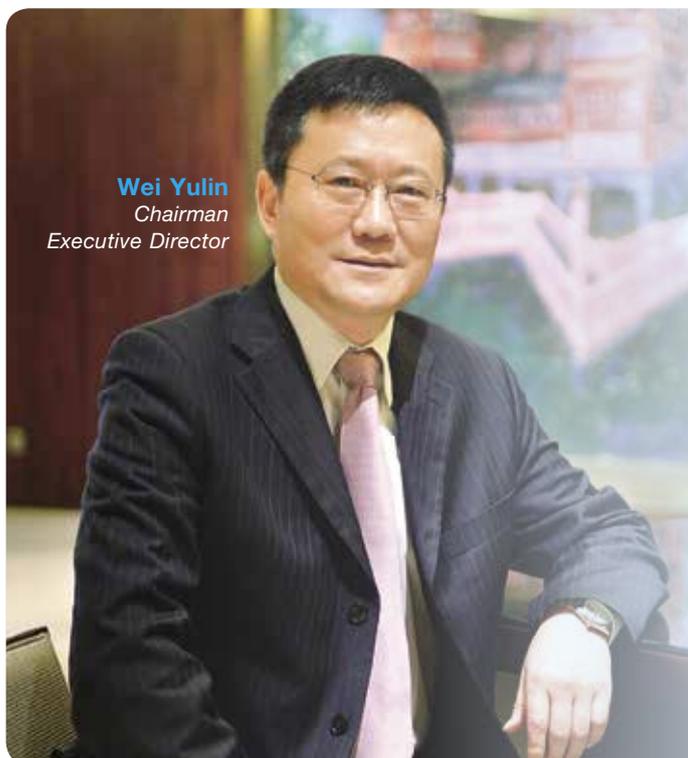
Attending to Health

Adhering to the corporate philosophy of “Caring for Life, Attending to Health”, Sinopharm Group has always been positioning itself as the “leader and consolidator of China’s pharmaceutical distribution industry”.





Chairman's Statement



Wei Yulin
Chairman
Executive Director

Dear shareholders,

I would like to express my heartfelt gratitude to the shareholders and the community for your great support and encouragement to Sinopharm over time. 2015 was an important year of positive transformation and achievement of strategic rebalance for Sinopharm. The Board, the management and all the staff attribute to the shareholders with sustained and stable growth in results again for their support and caring for the growth of the Company.

Sustained and Stable Growth in Results

During the Reporting Period, the Group recorded a revenue of RMB227,069.43 million, representing an increase of RMB26,938.17 million or 13.46% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB5,696.42 million, representing an increase of RMB1,144.85 million or 25.15% as compared with the corresponding period of last year. Profit attributable to shareholders of the Company amounted to RMB3,760.65 million, representing an increase of RMB885.83 million or 30.81% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company amounted to RMB1.36, representing an increase of 22.52% as compared with the corresponding period of last year.

Compared to 2014, total assets of the Group increased from RMB128,655.74 million to RMB138,267.03 million, net assets increased from RMB36,289.63 million to RMB40,655.71 million, and gearing ratio decreased from 71.79% to 70.60%.

For the year of 2015, total capital expenditure of the Group amounted to RMB2,128.81 million, which was primarily used for the expansion and development of distribution channels, upgrading the logistic delivery system and improving the level of informatization, so as to increase the Group's market share and improve delivery efficiency.

Economy Continued to Operate in the “New Normal” Phase and Aimed to Establish a “Healthy China”

In 2015, the Chinese economy was still in the “New Normal” phase and operated within a reasonable range, while structural adjustment had made positive progress. It is expected that Chinese economy would still be able to sustain medium to high-speed growth in the next five years and continue to be an important driver to the growth of the world economy.

The PRC government continued to push forward the pharmaceutical and healthcare reform in 2015 by stepping up its investments in the healthcare sector and continued to enhance pharmaceutical and healthcare standards, aiming to establish a "Healthy China" that can satisfy the basic healthcare needs of the masses.

In 2015, the pharmaceutical distribution industry saw a sustained rigid demand and recorded a stable yet slower growth rate in sales and profit. The industry concentration ratio continued to increase. However, the whole industry was still facing challenges from policies, payment collection and working capital, etc..

Prospects

2016 will be the first year of the final stage of China's vision in building a moderately prosperous society in all aspects, and it will also be a crucial year for pushing forward the structural reform.

In 2016, the pharmaceutical and healthcare industry will maintain a stable growth rate, which is attributable to growth drivers such as the country's aging population, urbanization, increase in chronic diseases, increase in healthcare investments as well as the continuous deepening of healthcare reform. The industry will also enjoy business opportunities brought by various innovative business models, which will drive the future growth in the industry. The pharmaceutical and healthcare industry is still one of the industries with the highest growth potential.

As the largest and most powerful pharmaceutical distributor, Sinopharm will continue to move forward by keeping up with the "New Normal" development of the pharmaceutical and healthcare industry, capitalize on the opportunities brought by structural reforms of the supply side to further stimulate corporate vitality and creativity, and continue to optimize the core businesses of distribution and retail to lower operational risks. Meanwhile, it will seek to develop more innovative businesses that are related to its core businesses, with a view to promote healthy and sustainable growth of the Company in the long run, and deliver returns to the shareholders on an ongoing basis.

The Company is confident that the assets restructuring of China National Accord Medicines Corporation Ltd. ("**Sinopharm Accord**"), a subsidiary of the Company, will be accomplished in 2016, and accordingly the retail business of the Group will achieve better development on the new capital platform. In addition, the Company will also endeavor to end its peer competition with China National Medicines Corporation Ltd. ("**National Medicine**") as soon as possible.

The Company and eight of its subsidiaries have been appointed as the first batch of pilot enterprises of the mixed ownership reform, and the Company is currently waiting for the final approvals from the competent authorities. In 2016, the Company will continue to capitalize on the opportunity of this mixed ownership reform to fully leverage its existing advantages in terms of management, talents and business strength, further improve its corporate governance system, continuously stimulate corporate vitality and enhance core competitiveness, so as to realize long-term healthy development of the Company and enhance our corporate values.

Finally, I would like to express heartfelt gratitude to all the shareholders, directors, strategic partners, members of management of the Company and all my fellow colleagues. Let us make great efforts hand in hand to advance the transformation of Sinopharm from distinction to excellence as well as from a traditional pharmaceutical distribution company to an innovative healthcare service provider.

Wei Yulin
Chairman

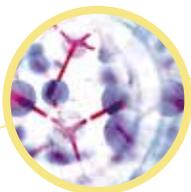
Shanghai, the People's Republic of China
25 March 2016

Most Powerful & Reliable

Best Partner

Deliver health, Benefit common people

Sinopharm Group deeply believes that: "a company's development is closely related with people's livelihood. The pioneering quality and professional concept will enable it to develop the health industry together with the community and create and realize superior corporate value".



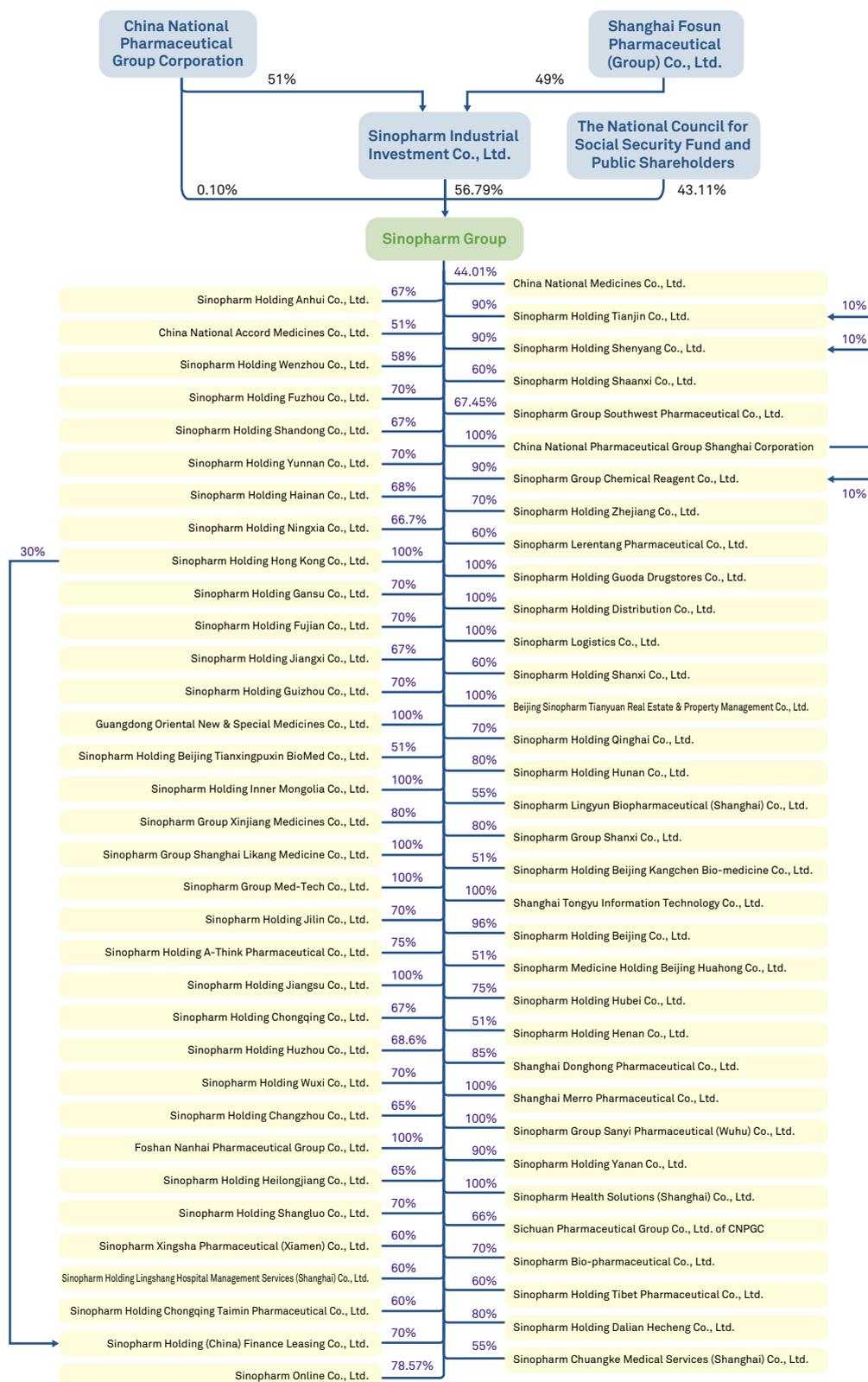


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Shareholding Structure of the Group

As of the date of this report, the structure of the Group was as follows:



Management Discussion and Analysis



Li Zhiming
President
Executive Director

Industry Overview

Increasing downward pressure with continuous “new normal” economy

China’s macro economy continued the “new normal” of development, and was still undergoing the key stage of structural adjustment and growth model transformation in 2015. In order to upgrade the economic environment and further deepen the reforms, the government adopted a number of measures for stabilizing the growth. The central bank cut both interest rates and the reserve requirement ratio for five times, but GDP growth still slowed down further to 6.9%, and the total revenue of industrial enterprises above designated size grew by just 0.8% year-on-year, indicating the accumulating obstacles arising from the structural adjustment and the increasing downward pressure for economic growth. Despite the rather painful stage of current economic growth, new hopes of China’s economy were fostered in such process and successful economic re-alignment will be achieved if the country adheres to the reforms.

Slowed industry growth but with good prospect

In the backdrop of milder economic growth, growth in the pharmaceutical industry also showed a slowing trend. According to data from the National Bureau of Statistics, the revenue growth of the pharmaceutical manufacturing industry decreased year-on-year to 9.1% in 2015, yet still better than the overall macro economy trend. Affected by the slowdown in the growth of pharmaceutical manufacturing industry, the pharmaceutical distribution industry where the Group stands also saw a moderating trend. It is estimated that the sales growth of the industry for the whole year was approximately 10%, still significantly better than the overall macro economy trend. With the listing of a number of pharmaceutical retailers, the pharmaceutical retail business has entered a stage of merger, acquisition and expansion, highlighting the importance of economic scale advantage.

Opportunities and challenges brought along with the release of various policies

The industry was challenged by the drug price cut brought by the provincial tender, which facilitated the survival of the fittest and a quicker consolidation within the industry, where large-scale enterprises with superior control and management would win out. The “new normal” of rigorous regulation in the industry has been forged with the introduction of new regulations for GSP and Measures for Unannounced Inspections of Pharmaceutical and Medical Devices, which brought a huge challenge for many enterprises especially the small and medium-size ones, while large-scale distribution enterprises with compliant operations will win out. In the future, the concentration ratio of the industry is bound to increase.

The public hospital reform will significantly change the structure of the existing hospitals, where the separation of medical treatment and drug sale will bring along enormous opportunities for the drugs retail business. The newly-issued guidance regarding the centralized drug procurement of public hospitals will facilitate the survival of the fittest in the industry. If the hospitals strictly abide by the payment schedule as set out in the guidance, the gearing ratio and finance costs of pharmaceutical distribution enterprises will greatly decline.

With firm support from the government for the pharmaceutical e-commerce, traditional pharmaceutical firms appealed to the Internet for new growth drivers, where enterprises with strong platforms and offline resources edges will have high potentials.

Although the growth of the pharmaceutical industry decelerated due to the short-term economic re-alignment, medicine as an important part of consumption will play a more significant role once the transformation is completed. In the long run, with the promotion from the aging population, urbanization, increase in chronic diseases, rise in household income and the wider coverage of medical insurance, we believe China’s pharmaceutical industry will be filled with opportunities and featured with rapid growth. Fiercer competition and stricter regulations will accelerate the industry consolidation, and the sustained deepening of healthcare reforms will make China’s healthcare system more complete and regulated. We believe that enterprises like us, with leading network advantages, compliant operations and superior corporate governance, will greatly benefit from such reforms.

Business Review

Faced with unfavorable macroeconomic and industrial situation through the whole year of 2015, the Group continued to advance the transformation from “scale-oriented” to “efficiency-oriented”, explored the mixed-ownership reform, enhanced the awareness of compliance management, strengthened risk management and control, accelerated the pace of transformation into innovative business mode, explored the financial capital markets and boosted the comprehensive management capabilities. The Group achieved further improvements in the development quality, further integration of platform resources and further benefits unleashed by the economic scale effect. The revenue growth of the Group continued to exceed the industry average, while profit growth continued to significantly surpass the sales growth, which further consolidated the leading position and edges of the Group.

Sustained and consolidated leading position in the distribution business

In the pharmaceutical distribution sector, the Group has forged an integrated pharmaceutical supply chain, and an advanced supply chain management mode, achieved steady and appropriate adjustments in product structures, sustainably optimized customer structure, continually expanded and integrated national distribution network. As at 31 December 2015, the distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 13,310 hospitals (only referring to nationally-ranked hospitals, including 1,847 largest class-three hospitals with the highest rankings), 104,508 small end-customers (including primary health services institutions and others) and 68,264 retail outlets.

The Group continued its endeavors to establish a centralized procurement system at both state and provincial levels, as well as further promoted integrated operation. Meanwhile, the Group continued to strengthen the establishment of the integrated logistics platform in China: the national pharmaceutical distribution logistics network includes 4 logistic hubs, 43 provincial logistic centers, 173 municipal level logistics outlets, 21 retail logistics outlets, with a sum of 241 logistics outlets. The Group accelerated the establishment of cloud service platform of smart supply chain, aiming to provide safe, accessible, visible, and efficient professional logistic services. The Group also promoted the network operation on multiple-warehouses and temperature controlled transportation. The Group strived to establish a professional distribution logistics network and delivery logistics network based on a two-and-a-half tiers network comprised of logistic centers, delivery centers and delivery station networks, enabling in-depth coverage of the pharmaceutical logistics network across China. The Group promoted the construction of a four-dimensional standardized system of national logistics techniques, management, services and operations and has published 48 logistics standards in total to build a regulated, integrated and standard logistics service brand.

Rapid growth of the retail business

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail distribution model, the Group strived for the development in the pharmaceutical retail business and strengthened its leading advantages. The Group has set up a network of retail chain pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 31 December 2015, the number of retail pharmacies was 3,080 (only referring to those operated by Sinopharm Holding Guoda Drug Store Co., Ltd.), covering 18 provinces and cities across the country, among which 2,128 were directly operated by the Group and 952 were operated by franchisees. The Group witnessed a sharp increase in sales amount as compared with the corresponding period last year and sustained its industry leading position in respect of scale. Besides, the Group also actively explored retail medical service business, and the number of retail medical service flagship stores reached 15.

Further utilization of platform advantages

In 2015, adhering to the development strategy of "profession-focused, innovation-oriented, and multi-level promotion", the Group continued to advance marketing transformation and further explored innovative service models in marketing service capitalizing on the business platform advantages. The Group achieved substantial growth in agent businesses for foreign pharmaceutical firms with an expansion in agent product types and boosted profitability.

Management Discussion and Analysis

Through actively exploring the financial and capital market, and integrating the “combination of industry and finance” philosophy into the process of corporate transformation, the Group forged stronger competitive edges in the industry chain. Sinopharm Holding (China) Finance Leasing Co., Ltd. was put into formal operations with invested capital of over RMB2 billion. The financing system of the electronic supply chain went online successfully and the business scale of which exceeded RMB1.5 billion.

The medical equipment business obtained substantial growth. Sinopharm SteriGuard Medical Service Co., Ltd. was established to enter into medical sterilization business and the vitro diagnostics business was further expanded through supplier-authorized delivery, which further indicated the platform advantage of Sinopharm. Besides, the Group also achieved satisfactory results in businesses including third-party logistics and provision of supply chain services outsourcing for hospitals with solutions of the Internet of Things.

Active embrace of the Internet

Adapting to the “Internet +” trend, the Group grabbed the developing opportunities of pharmaceutical e-commerce and promoted the combination of traditional businesses and the Internet. Sinopharm Online Co., Ltd. was established and put into formal operations. The “Internet Interconnection” project which aimed at transforming traditional businesses into e-commerce progressed smoothly with transaction value exceeding RMB500 million. Cross-border merchandise service platform was established, “Sinopharm Direct Sales” was established, and “Sinopharm Group Overseas Flagship Store” went online.

Further improvement in management and control

The Group improved its management and control in finance, human resources, diversified financing, operations management, informatization and procurement, etc., which lowered the selling, administrative and financial expenses, further indicating the economic scale advantages. The balance of accounts receivable and its weight in income, as well as the gearing ratio declined, while the operating cash flow witnessed significant improvement, the capital efficiency was further improved, the operating risks were further declined, and the enterprise competitiveness was further enhanced.

Future Plan

Further solidify distribution business and extend supply chain

The Group will further solidify the distribution business and continue to maintain the leading position in the industry. The Group will continue to push the extension of supply chain into hospital and provide more value-added services.

Vigorously promote retail business

The retail business still remains as a strategic sector for the structural adjustment of the Group. The Group will continue to vigorously promote the retail business to forge a pharmaceutical terminal retail network with national layout, vertical development, reasonable structure, integration of wholesale and retail, various profit growth drivers, risk defence, global perspective and overall leading position.

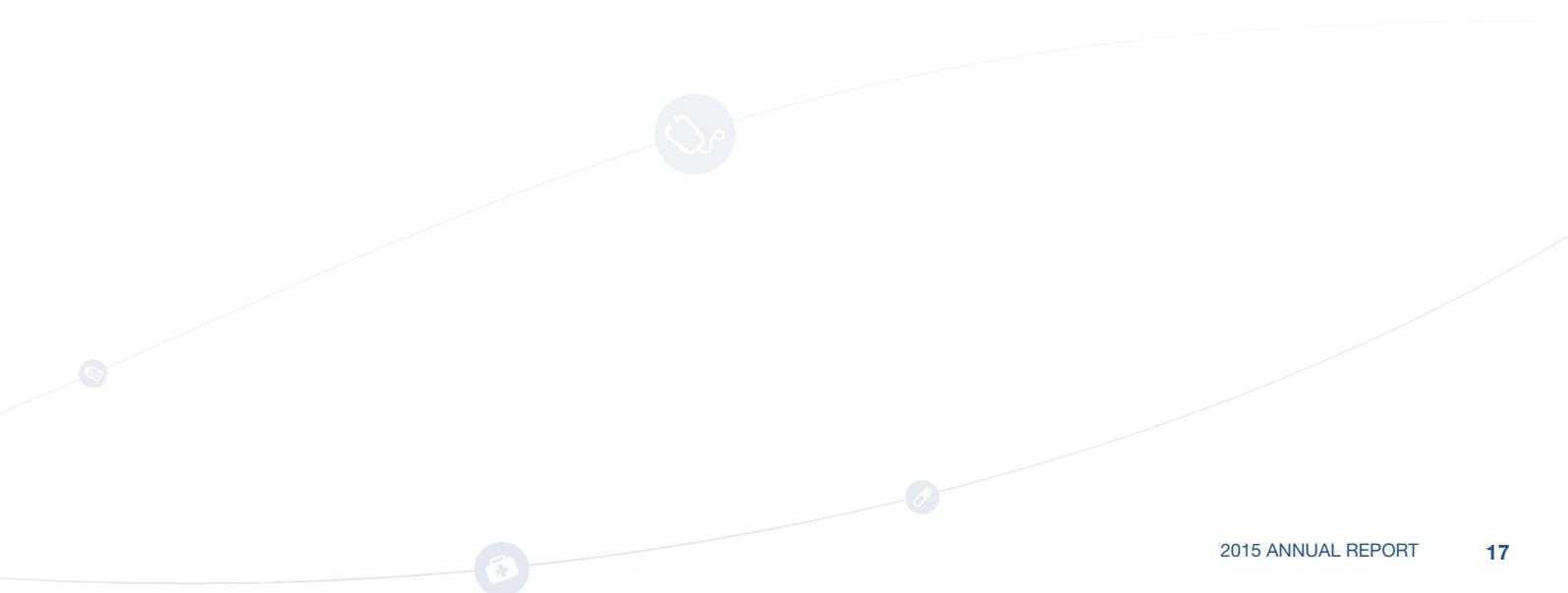
Vigorously advance innovative business

The Group will continue to vigorously advance innovative business such as finance leasing, drug promotion, healthcare investment and third-party logistics so as to improve profit margin. The Group will continue to actively advance the progress of e-commerce project. Taking advantage of the solid resources base of CNPGC in segments including pharmaceutical manufacturing, pharmaceutical commercial business, medical services, retail pharmacy and research and development and with the technologies and products of Internet/Mobile Internet, the Group established the largest vertical e-commerce service platform integrating B2B, B2C, O2O services to provide end customers with one-stop “medical + drug” services. Besides, the Group will continue to actively advance the progress of the “Internet Interconnection” project, to build a B2B platform based on internal transactions using both upstream and downstream resources to transform the traditional businesses into online ones.

Control risk and enhance integration

The Group will endeavor to control operation risk through capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening. Besides, the Group will continue to enhance its internal management and control in finance, operation, capital, quality and human resources to further improve the overall profitability and operation efficiency.

Looking forward, the ever-changing market environment brings many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform and structural reform of supply side to continue to focus on the improvement of both efficiency and effectiveness, proactively promote “transformation innovations and value creation”, and continuously forge a healthcare service provider with international competence, which adapts to the “new normal”, injects new energy, ignites new momentum, continues to advance strategic rebalance and evolves from distinction to excellence.



Financial Summary

Revenue

During the Reporting Period, the Group recorded a revenue of RMB227,069.43 million, representing an increase of 13.46% as compared with RMB200,131.26 million for the twelve months ended 31 December 2014, which was primarily due to the increase in revenue from the Group's pharmaceutical distribution and retail pharmacy business. The Group's revenue grew faster than the average level of development of pharmaceutical market in China.

- **Pharmaceutical distribution segment:** during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB215,854.43 million, representing an increase of 12.74% as compared with RMB191,467.90 million for the twelve months ended 31 December 2014, which accounted for 94.13% of the total revenue of the Group. Such increase was primarily due to a remarkable growth in the pharmaceutical distribution business and the further expansion of the pharmaceutical distribution network of the Group.
- **Retail pharmacy segment:** during the Reporting Period, the revenue from retail pharmacy of the Group was RMB8,729.37 million, representing an increase of 47.85% as compared with RMB5,904.16 million for the twelve months ended 31 December 2014. The increase was primarily due to the acquisition for expansion and business growth of the Group's existing pharmacies.
- **Other business segments:** during the Reporting Period, revenue from other business of the Group was RMB4,734.74 million, representing an increase of 6.36% as compared with RMB4,451.62 million for the twelve months ended 31 December 2014.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB208,451.90 million, representing an increase of 13.41% as compared with RMB183,803.04 million for the twelve months ended 31 December 2014. The increase was primarily due to the increase in the sales revenue of the Group.

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB18,617.53 million, representing an increase of 14.02% as compared with RMB16,328.22 million for the twelve months ended 31 December 2014. The gross profit margin of the Group for the twelve months ended 31 December 2014 and 2015 were 8.16% and 8.20%, respectively.

Other Income

During the Reporting Period, other income of the Group was RMB243.73 million, representing an increase of 19.46% as compared with RMB204.02 million for the twelve months ended 31 December 2014. The increase was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB5,997.52 million, representing an increase of 17.07% as compared with RMB5,122.85 million for the twelve months ended 31 December 2014. The increase in distribution and selling expenses was primarily attributable to the Group's enlarged operation scale, its business development and its expansion of distribution networks through new set-ups and acquisitions of companies and businesses, etc..

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB3,694.54 million, representing an increase of 4.15% as compared with RMB3,547.47 million for the twelve months ended 31 December 2014. The increase in general and administrative expenses was primarily attributable to the increase in administrative costs incurred by the expansion of network scale and business growth of the Group.

During the Reporting Period, the proportion of the Group's general and administrative expenses to the total revenue of the Group decreased to 1.63% from 1.77% for the twelve months ended 31 December 2014, which was due to the implementation of cost control measures and the economies of scale of the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB9,169.20 million, representing an increase of 16.63% from RMB7,861.92 million for the twelve months ended 31 December 2014.

Other Gains – Net

The other net gains of the Group less other losses increased from RMB38.73 million for the twelve months ended 31 December 2014 to RMB62.45 million for the Reporting Period. The increase was primarily due to the increase in gains of available-for-sale financial assets by the Group.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB1,987.13 million, representing a decrease of 6.65% as compared with RMB2,128.69 million for the twelve months ended 31 December 2014. The decrease was primarily due to the decrease in financing costs of the Group.

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB165.06 million, representing an increase of 1.49% as compared with RMB162.64 million for the twelve months ended 31 December 2014.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB1,713.16 million, representing an increase of RMB330.13 million as compared with RMB1,383.03 million for the twelve months ended 31 December 2014. The increase was primarily due to the increase in profits of the Group, which led to a corresponding increase in income tax expenses. The Group's actual income tax rate decreased to 23.12% during the Reporting Period from 23.30% for the twelve months ended 31 December 2014.

Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2015 was RMB5,696.42 million, representing an increase of 25.15% as compared with RMB4,551.57 million for the twelve months ended 31 December 2014. The profit margin of the Group for the twelve months ended 31 December 2014 and 2015 were 2.27% and 2.51%, respectively.

Management Discussion and Analysis

Profit Attributable to Shareholders of the Company

During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB3,760.65 million, representing an increase of 30.81% or RMB885.83 million from RMB2,874.82 million for the twelve months ended 31 December 2014. The Group's net profit margin for the Reporting Period and the corresponding period of 2014 were 1.66% and 1.44%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,935.77 million, representing an increase of RMB259.02 million from RMB1,676.75 million for the twelve months ended 31 December 2014.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB88,753 million, of which approximately RMB49,728 million were not yet utilized. Cash and cash equivalents of RMB19,919.15 million primarily comprise cash, bank savings and income from current operating activities.

Cash flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2014 and 2015, respectively:

	2015 RMB million	2014 RMB million
Net cash generated from operating activities	13,560.45	5,560.84
Net cash used in investing activities	(1,596.47)	(4,357.57)
Net cash generated from financing activities	(7,328.09)	22.03
Net increase in cash and cash equivalents	4,635.89	1,225.30
Cash and cash equivalents at the beginning of the year	15,232.36	14,001.96
Exchange gains and losses	50.90	5.10
Cash and cash equivalents at the end of the year	19,919.15	15,232.36

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB13,560.45 million, representing an increase of RMB7,999.61 million from RMB5,560.84 million for the twelve months ended 31 December 2014. The increase was primarily attributed to the enhancement of the management and control of collections and payments of trade receivables and trade payables in the Group's business operation.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,596.47 million, representing a decrease of RMB2,761.10 million as compared with RMB4,357.57 million for the twelve months ended 31 December 2014.

Net cash generated from financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB7,328.09 million, which was primarily attributable to the increase of repayment of due debts. The net cash generated from financing activities of the Group for the twelve months ended 31 December 2014 was RMB22.03 million.

Capital Expenditure

The Group's capital expenditures were primarily utilized for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improving of the level of informatization. The Group's capital expenditures amounted to RMB2,904.17 million and RMB2,128.81 million for the year ended 31 December 2014 and the Reporting Period, respectively.

The Group's current plans with respect to its capital expenditures may be modified according to the progress of its operation plans (including changes in market conditions, competition and other factors). As the Group continues to develop, it may incur additional capital expenditure. The Group's ability to obtain additional funding in future is subject to a variety of factors, including its future operational results, financial condition and cash flows, economic, political and other conditions in the mainland China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings, etc..

Capital Structure

Fiscal resources

During the reporting period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. Through issuance of the super short-term financing bill, the Group obtained approximately RMB9 billion for the purpose of replenishing working capital, facilitating the adjustment of the debt structure of the Group and reducing financing costs.

The Group's borrowings are mainly denominated in RMB. There are certain loans denominated in United States Dollars ("**USD**") for settlement of payments for import of drugs. The Group's interest-bearing borrowings are determined at fixed rates.

As at 31 December 2015, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD and Euro ("**EUR**").

Indebtedness

As at 31 December 2015, the Group had aggregate banking facilities of RMB88,753 million, of which RMB49,728 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2015, RMB28,203.99 million will be due within one year and RMB608.20 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As at 31 December 2015, the Group's gearing ratio was 70.60% (31 December 2014: 71.79%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 31 December 2015.

Foreign Exchange Risks

The Group's operations are mainly located in the PRC and most of its transactions are denominated and settled in RMB. However, the Group is exposed to foreign exchange risks on certain cash and cash equivalents, borrowings from banks and other financial institutions and trade payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group has no corresponding hedging arrangements.

Pledge of Assets

As at 31 December 2015, part of the Group's borrowings and notes payable were secured by land use rights with book value of RMB47.19 million, investment properties with book value of RMB20.01 million, properties, plant and equipment with book value of RMB62.79 million, trade receivables with book value of RMB1,325.47 million and finance lease receivables with book value of RMB388.88 million.

Major Acquisitions and Disposals

During the Reporting Period, the Group had no major acquisition and disposal activities.

Major Investment

During the Reporting Period, the Group had no major investment.

Going Concern

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a going concern basis.

Contingent Liabilities and Material Litigations

As at 31 December 2015, the Group neither had any material contingent liability, nor had any material litigation.

Human Resources

As at 31 December 2015, the Group had a total of 54,735 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

Environmental Policy and Performance

The Group always attaches equal importance to business development and environmental protection. For the year ended 31 December 2015, during its daily operation, the Group has persistently exercised stringent emission control, reasonably utilized various resources and strictly complied with relevant laws, regulations, standards and other local rules, formulated and implemented relevant internal rules, so as to minimize the impacts of its production and operation on the ecological system on multiple fronts, including emission, sewage treatment, waste discharge and disposal, resources utilization, etc. Meanwhile, the Group strived to maintain and strengthen the establishment of a healthy operating environment to facilitate the healthy and orderly development of the Group. The Group has also made its best endeavours to improve the working environment for its staff. It advocated a green office and green operation concept and adhered to a principle of “Focus on Prevention of Diseases and Integrate Prevention and Treatment”, aiming to achieve zero occupational diseases and minimize the risks of occupational hazards of the Company, thereby providing all of its staff with a safe, healthy, ideal and secured working environment.

Compliance with Laws and Regulations

During the year, the Directors of the Company are not aware of any non-compliance with the relevant laws and regulations which would have a material impact on the Group.

Relationship with Employees, Suppliers and Customers

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2015, the Group adhered to the talent-oriented corporate culture and played an active role in cultivating first-class talents. It also attached great importance to the exploration, management and development planning of human resources, striving to create a harmonious working environment as well as a remuneration and benefit system with market competitiveness for its employees, so as to ensure the Group's advantages in terms of human resources for future development. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of the Group's brand and products, the Group abides by the principles of honesty and trustworthiness and commits itself to consistently provide quality products to establish a reliable service environment for its customers. For the year ended 31 December 2015, there was no significant and material dispute between the Group and its suppliers and/or customers.

Subsequent Event

On 9 March 2016, the Board has passed the resolutions in relation to the following matters:

1. the proposed disposal of 26% equity interest in Sinopharm Holding A-Think Pharmaceutical Co., Ltd. and 51% equity interest in China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. held by the Company to Shanghai Modern Pharmaceutical Co., Ltd. ("**Modern Pharmaceutical**") at an aggregate consideration of approximately RMB490,451 thousands, which will be satisfied by issuance of approximately RMB16,848 thousands consideration shares in total at the issue price of RMB29.11 per consideration share by Modern Pharmaceutical to the Company; and the proposed disposal of 51% equity interest in Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd., 51% equity interest in Shenzhen Zhijun Pharmaceutical Trade Co., Ltd., 51% equity interest in Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd., and in Pingshan Base held by Sinopharm Accord to Modern Pharmaceutical at an aggregate consideration of approximately RMB2,511,356 thousands, which will be satisfied by issuance of approximately 86,271 thousands consideration shares in total at the issue price of RMB29.11 per consideration share by Modern Pharmaceutical to Sinopharm Accord; and
2. the proposed acquisition of 51% equity interest in Southern Pharmaceutical held by China National Pharmaceutical Foreign Trade Corporation by Sinopharm Accord at an aggregate consideration of approximately RMB286,399 thousands, which will be satisfied by the issuance of approximately 5,323 thousands consideration shares in total at the issue price of RMB53.8 per consideration share by Sinopharm Accord to China National Pharmaceutical Foreign Trade Corporation.

Both Modern Pharmaceutical and China National Pharmaceutical Foreign Trade Corporation are subsidiaries and associates of CNPGC, the ultimate controlling shareholder of the Company, therefore Modern Pharmaceutical, China National Pharmaceutical Foreign Trade Corporation, and CNPGC are connected persons of the Company as defined under the Listing Rules, and each of the transactions mentioned above constitute a discloseable transaction under chapter 14 of the Listing Rules and a connected transaction exempt from independent shareholders' approval requirement under chapter 14A of the Listing Rules. For detailed information, please refer to the announcement dated 9 March 2016 published by the Company on the website of the Company and the Hong Kong Stock Exchange.

The above proposed transactions are subject to approval of the SASAC (State-owned Assets Supervision and Administration Commission of the State Council) and the CSRC (China Securities Regulatory Commission), and the shareholders' meeting of the Sinopharm Accord and Modern Pharmaceutical, respectively, or other competent authorities.

Corporate Governance Report

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and protection of the interests of the shareholders of the Company. The Company has adopted sound governance and disclosure practices, and will continuously improve these practices and create a highly ethical corporate culture.

Composition of the Board

As at the date of this report, the board of the directors of the Company (the “**Board**”) consists of 15 directors (the “**Director(s)**”), including two executive Directors, Mr. Wei Yulin and Mr. Li Zhiming; eight non-executive Directors, namely Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Li Yuhua, Mr. Deng Jindong, Mr. Li Dongjiu, Mr. Liu Hailiang and Mr. Lian Wanyong; and five independent non-executive Directors, namely Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong and Mr. Zhuo Fumin. To the knowledge of the Company, there is no financial, business and family relationships or material/relevant relationships among members of the Board or between the Chairman and the President.

Biographical details of the Directors are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” of this annual report.

Major Responsibilities of the Board

The Board is the core of the Company’s corporate governance framework and it takes several roles in representing interests, supervising resources and coordinating interests. The main functions of the Board are strategic planning, guidance on operation management and inspection and supervision. The responsibilities of the Board include formulating operation plans and investment proposals of the Company, preparing the proposed annual budgets and final accounts of the Company, assessing the performance of the Company and overseeing the work of senior management; formulating and reviewing the corporate governance policies and practices of the Company.

The Board shall represent the long term interest of the Company and the interest of shareholders and related party when making scientific and strategic decisions, be effectively supervised and evaluated when controlling corporate resources and conducting operation management and maintain effective stimulation and supervision over the senior management when duly delegating its power to the senior management. The Board is the core of the Company’s corporate governance framework and its role is clearly separated from that of senior management. Being different from the function and duties of the Board, the senior management of the Company are mainly in charge of the Company’s production, operation and management; organizing the implementation of the Company’s annual business plan and investment proposal; drafting plans for the establishment of the Company’s internal management structure; drafting plans for the establishment of the Company’s branch offices; drafting the Company’s basic internal management system and formulating basic rules and regulations of the Company; within the authority delegated by the Board, appointing, changing or recommending shareholder representatives, directors and supervisors in its holding subsidiary or joint stock subsidiary; deciding on the establishment of the Company’s branches; and other powers delegated by the Board.

The Company has separated the roles of Chairman and President with Mr. Wei Yulin acting as the Chairman of the Company and Mr. Li Zhiming acting as the President. The Chairman is responsible for managing the Board, steering the Board to formulate overall strategies and business development plans, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for all the issues raised in the Board meetings. The President is responsible for managing the business of the Company and implementing policies, business objectives and plans formulated by the Board, and is accountable to the Board for the Company's overall operation.

The Board has established an audit committee, a remuneration committee, a nomination committee and a strategy and investment committee. Please see below for the composition and responsibilities of the audit committee, the remuneration committee, the nomination committee and the strategy and investment committee. Each committee shall provide its recommendations to the Board based on its respective terms of reference. The decisions of the Board on such recommendations shall be final, unless otherwise clearly stated in the terms of reference of these committees.

During the Reporting Period, the Board made a lot of efforts in improving the corporate governance system of the Company and enhancing the corporate governance standards, including amending the articles of association of the Company (the "**Articles of Association**") in accordance with the requirements of relevant laws, regulations and regulatory rules as amended from time to time, as well as the practice of the Company; monitoring and organising the Directors and company secretary to participate in relevant training courses; regularly reviewing the Company's compliance with the domestic and overseas regulatory requirements and its implementation of various internal corporate governance rules and policies, and reviewing the Company's compliance with the Corporate Governance Code and the disclosures in the corporate governance report.

Changes of Directors, Supervisors and Senior Management

- (1) On 18 June 2015, the resolution in respect of the appointment of Mr. Tao Wuping as an independent supervisor (the "**Supervisor**") of the third session of the supervisory committee of the Company (the "**Supervisory Committee**") for a term from 18 June 2015 to 20 September 2017 was considered and approved at the 2014 annual general meeting of the Company.
- (2) On 18 June 2015, Mr. Yang Jun and Ms. Jin Yi were elected as the employee representative Supervisors of the third session of the Supervisory Committee at the third employee representatives meeting of the second session of the Supervisory Committee and their terms of office commenced from 18 June 2015 until 20 September 2017. Ms. Zhang Jian resigned as the employee representative Supervisor at the same day.

- (3) On 9 December 2015, Mr. Lyu Changjiang resigned as an independent non-executive director due to work arrangement. The resolution in respect of the appointment of Mr. Zhuo Fumin as an independent non-executive Director of the third session of the Board for a term from 8 March 2016 to 20 September 2017 was considered and approved at the 2016 second extraordinary general meeting held on 8 March 2016.
- (4) On 4 January 2016, Mr. Zhou Bin resigned as a non-executive director due to work arrangement. On 8 January 2016, former supervisor of the Company(the “**Supervisor**”) Mr. Lian Wanyong resigned as a shareholder representative Supervisor. The resolution in respect of the appointment of Mr. Lian Wanyong as a non-executive Director of the third session of the Board for a term from 29 January 2016 to 20 September 2017 was considered and approved at the 2016 first extraordinary general meeting held on 29 January 2016. The resolution in respect of the appointment of Ms. Li Xiaojuan as a shareholder representative Supervisor of the third session of the Supervisory Committee for a term from 29 January 2016 to 20 September 2017 was considered and approved at the same day.
- (5) On 8 March 2016, the resolutions regarding the election of the members and chairman of each of the special committees under the third session of the Board were considered and approved at the 2016 third extraordinary Board meeting. Their composition is as follows:

Board Committee	Chairman	Members
Audit Committee	Mr. Tan Wee Seng	Mr. Deng Jindong, Mr. Li Dongjiu, Mr. Liu Zhengdong and Mr. Zhuo Fumin
Remuneration Committee	Mr. Liu Zhengdong	Mr. Tan Wee Seng, Mr. Zhuo Fumin, Mr. Liu Hailiang and Mr. Lian Wanyong
Nomination Committee	Mr. Wei Yulin	Mr. She Lulin, Mr. Wang Qunbin, Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Liu Zhengdong and Mr. Zhuo Fumin
Strategy and Investment Committee	Mr. Wei Yulin	Mr. She Lulin, Mr. Wang Qunbin, Mr. Chen Qiyu, Mr. Li Yuhua, Mr. Li Zhiming, Mr. Li Dongjiu, Ms. Li Ling, Mr. Tan Wee Seng and Mr. Lian Wanyong

Saved as discovered above, there is no other changes in the Directors, Supervisors and senior management during the Reporting Period.

Board Meetings and General Meetings

The Board convened ten meetings, five of which were by voting through communications, during the Reporting Period. Notices for regular Board meetings were given to each Director at least 14 days prior to the meeting.

During the Reporting Period, the attendance record of each Director at the meetings of the Board was as follows:

Directors	Attendance/ No. of meetings held
Executive Director	
Mr. Wei Yulin	10/10
Mr. Li Zhiming	10/10
Non-executive Directors	
Mr. Chen Qiyu ⁽¹⁾	9/10
Mr. She Lulin ⁽²⁾	9/10
Mr. Wang Qunbin ⁽³⁾	6/10
Mr. Li Yuhua ⁽⁴⁾	7/10
Mr. Zhou Bin	10/10
Mr. Deng Jindong ⁽⁵⁾	9/10
Mr. Li Dongjiu ⁽⁶⁾	9/10
Mr. Liu Hailiang	10/10
Independent non-executive Directors	
Ms. Li Ling	10/10
Mr. Yu Tze Shan Hailson ⁽⁷⁾	9/10
Mr. Lyu Changjiang	10/10
Mr. Tan Wee Seng	10/10
Mr. Liu Zhengdong ⁽⁸⁾	8/10

Notes:

- (1) Mr. Chen Qiyu attended one meeting not in person but by his proxy, which was not included in the attendance;
- (2) Mr. She Lulin attended one meeting not in person but by his proxy, which was not included in the attendance;
- (3) Mr. Wang Qunbin attended four meetings not in person but by his proxy, which were not included in the attendance;
- (4) Mr. Li Yuhua attended three meetings not in person but by his proxy, which were not included in the attendance;
- (5) Mr. Deng Jindong attended one meeting not in person but by his proxy, which was not included in the attendance;

- (6) Mr. Li Dongjiu attended one meeting not in person but by his proxy, which was not included in the attendance;
- (7) Mr. Yu Tze Shan Hailson attended one meeting not in person but by his proxy, which was not included in the attendance; and
- (8) Mr. Liu Zhengdong attended two meetings not in person but by his proxy, which were not included in the attendance;

At Board meetings, the Company's senior management reported the information of business activities and data of development of the Company to all Directors on a timely basis. The executive Directors also met with and consulted the non-executive Directors for their opinions on the Company's business development and operations regularly. If any Director has conflict of interest in any proposed resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution.

During the Reporting Period, the attendance record of each Director at the general meetings was as follows:

Directors	Attendance/ No. of meetings held
Executive Director	
Mr. Wei Yulin	2/2
Mr. Li Zhiming	1/2
Non-executive Directors	
Mr. Chen Qiyu	2/2
Mr. She Lulin	0/2
Mr. Wang Qunbin	1/2
Mr. Li Yuhua	0/2
Mr. Zhou Bin	1/2
Mr. Deng Jindong	0/2
Mr. Li Dongjiu	1/2
Mr. Liu Hailiang	1/2
Independent non-executive Directors	
Ms. Li Ling	2/2
Mr. Yu Tze Shan Hailson	1/2
Mr. Lyu Changjiang	1/2
Mr. Tan Wee Seng	1/2
Mr. Liu Zhengdong	0/2

Training for Directors

On 8 January 2015, independent non-executive Directors Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong attended the training on the introduction of company investment management and legal work provided by the Company's Investment Department and Legal Department. On 23 December 2015, all the Directors attended the training on the updates on the 2015 Rules Governing the Listing of Securities (the "**Listing Rules**") of the Hong Kong Stock Exchange provided by the Company's Hong Kong legal adviser.

Audit Committee

At the date of this report, the audit committee of the Company comprises five Directors, including three independent non-executive Directors being Mr. Tan Wee Seng, Mr. Liu Zhengdong and Zhuo Fumin and two non-executive Directors being Mr. Deng Jindong and Mr. Li Dongjiu. Mr. Tan Wee Seng currently serves as the chairman of the audit committee. The primary responsibilities of the Company's audit committee are to inspect, review and supervise the Company's financial information and reporting process for financial information. These responsibilities include, among others:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
- formulating and implementing policies on the engagement of an external auditor to supply non-audit services.

During the Reporting Period, five meetings were held by the audit committee to mainly consider the auditor's periodical work report and suggestion on audit fee for 2014, auditor's report to the audit committee for 2014, audit fee for 2014, the appointment of auditors for 2015, the 2015 first quarterly financial report, the 2015 interim financial report, the 2015 third quarterly financial report and the annual audit plans for 2015, etc.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

Directors	Attendance/ No. of meetings held
Mr. Lyu Changjiang ⁽¹⁾	5/5
Mr. Deng Jindong ⁽²⁾	4/5
Mr. Li Dongjiu ⁽³⁾	4/5
Mr. Tan Wee Seng ⁽⁴⁾	5/5
Mr. Liu Zhengdong ⁽⁵⁾	4/5

Notes:

- (1) Mr. Lyu Changjiang resigned as an independent non-executive Director on 9 December 2015. He attended all the meetings of the committee during his term of office in 2015;
- (2) Mr. Deng Jindong attended one meeting not in person but by his proxy, which was not included in the attendance;
- (3) Mr. Li Dongjiu attended one meeting not in person but by his proxy, which was not included in the attendance;
- (4) Mr. Tan Wee Seng was appointed as chairman of the audit committee at the 2016 third extraordinary Board meeting under the third session of the Board on 8 March 2016, he attended all the meetings of the committee during his term of office in 2015; and
- (5) Mr. Liu Zhengdong attended one meeting not in person but by his proxy, which was not included in the attendance;

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015. The audit committee believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The audit committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management in 2015. The audit committee was satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations. In addition, the audit committee has also reviewed the adequacy of resources, qualification and experiences of employees in relation to the accounting and financial reporting function of the Company and the adequacy of training courses taken by the employees and the relevant budgets.

Nomination Committee

At the date of this report, the nomination committee of the Company comprises seven Directors, including four independent non-executive Directors being Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Liu Zhengdong and Mr. Zhuo Fumin; two non-executive Directors being Mr. She Lulin and Mr. Wang Qunbin; and one executive Director Mr. Wei Yulin. Mr. Wei Yulin currently serves as the chairman of the nomination committee. The primary responsibilities of the Company's nomination committee are to formulate the nomination procedures and standards for candidates for Directors. These responsibilities include, among others:

- reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, and the succession plans for Directors (in particular the Chairman and the President); and
- formulating, implementing and reviewing from time to time the policy concerning diversity of Board members.

The nomination procedures of the Directors are as follows: the nomination committee shall firstly propose a list of candidates for Directors, which shall then be submitted by the committee to the Board for review; the Board shall then submit the relevant proposal to the general meeting for shareholders' approval.

The examination procedures of the candidates for Directors are: (1) to collect, or require relevant department of the Company to collect the particulars of the occupation, education, designation, detailed work experience and all part-time jobs of the candidates and summarize the same in written materials; (2) to hold nomination committee meetings to examine the qualifications of the candidates in accordance with the requirements applicable to a Director and to state the opinion and recommendations on appointments in the form of proposals; and (3) to carry out other relevant work according to decisions of or feedback from the Board.

During the Reporting Period, one meeting was held by the nomination committee to mainly consider the work report of the committee for 2015.

In order to ensure a diversity on the Board and improve the Company's corporate governance, the Board has approved the Board diversity policy formulated by the nomination committee, which summarized as: other than complying with relevant requirements under the relevant laws, regulations and rules (including but not limited to Company Law of the PRC, the Listing Rules and the Articles of Association), the Company should also consider various diversity factors, including professional skills, industry experience, culture and education background, ethnicity, gender, age, etc. when designing the Board's composition. The selection of candidates will finally be determined based on their merits and contribution to the Board. Meanwhile, the Company's diversity policy also includes monitoring, reporting and reviewing system to ensure the effectiveness and successful implementation of the policy. The Company will set measurable objectives to implement the Board diversity policy and will review such objectives from time to time to ensure the suitability and the progress on achieving these objectives.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

Directors	Attendance/ No. of meetings held
Mr. Wei Yulin	1/1
Mr. She Lulin	1/1
Mr. Wang Qunbin ⁽¹⁾	0/1
Ms. Li Ling	1/1
Mr. Yu Tze Shan Hailson	1/1
Mr. Lyu Changjiang ⁽²⁾	1/1
Mr. Liu Zhengdong	1/1

Notes:

- (1) Mr. Wang Qunbin attended one meeting not in person but by his proxy, which was not included in the attendance; and
- (2) Mr. Lyu Changjiang resigned as an independent non-executive Director on 9 December 2015, he attended all the meetings of the committee during his term of office in 2015.

Remuneration Committee

At the date of this report, the remuneration committee of the Company comprises five Directors, including three independent non-executive Directors being Mr. Liu Zhengdong, Mr. Tan Wee Seng and Mr. Zhuo Fumin, and two non-executive Directors being Mr. Liu Hailiang and Mr. Lian Wanyong. Mr. Liu Zhengdong currently serves as the chairman of the remuneration committee. The primary responsibilities of the Company's remuneration committee are to formulate and review the remuneration policies and schemes for the Directors and senior management of the Company. These responsibilities include, among others:

- making recommendations to the Board on the Company's remuneration policies and structure for Directors and senior management of the Company;
- determining the specific remuneration packages of all executive Directors and senior management, and making recommendations to the Board in relation to the remuneration of non-executive Directors; and
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives determined by the Board from time to time.

During the Reporting Period, three meetings were held by the remuneration committee, during which the resolutions regarding the performance appraisal & incentive plan of the operating team for 2015 and the performance appraisal & incentive targets of executive Directors & the President, the remuneration standards of the operating team for 2015, the report on assessment and annual remuneration settlement of executive Directors & the President for 2014, the performance appraisal & incentive measures of "Double Decrease One Cut" for the senior management for 2015, and the regulations on relevant expenses and treatment standards due to work needs for Sinopharm's Directors and Supervisors.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

Directors	Attendance/ No. of meetings held
Mr. Tan Wee Seng	3/3
Mr. Zhou Bin	3/3
Mr. Liu Hailiang	3/3
Mr. Lyu Changjiang ⁽¹⁾	3/3
Mr. Liu Zhengdong ⁽²⁾	2/3

Notes:

- (1) Mr. Lyu Changjiang resigned as an independent non-executive Director on 9 December 2015, he attended all the meetings of the committee during his term of office in 2015; and
- (2) Mr. Liu Zhengdong was appointed as the chairman of the remuneration committee at the 2016 third extraordinary Board meeting under the third session of the Board on 8 March 2016. He attended one meeting not in person but by his proxy during his term of office in 2015, which was not included in the attendance.

Strategy and Investment Committee

As at the date of this report, the strategy and investment committee of the Company comprises ten Directors, including two executive Directors, namely Mr. Wei Yulin and Mr. Li Zhiming, six non-executive Directors, namely Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Li Yuhua, Mr. Li Dongjiu and Mr. Lian Wanyong, and two independent non-executive Directors, namely Ms. Li Ling and Mr. Tan Wee Seng. Mr. Wei Yulin currently serves as the chairman of the strategy and investment committee.

The strategy and investment committee is a special organization under and accountable to the Board. It is mainly responsible for conducting research and making recommendations on the long-term development strategies and major investment decisions of the Company, and supervising and reviewing the implementation of annual operation plans and investment proposals under the authorization of the Board.

During the Reporting Period, six meetings were held by the strategy and investment committee, which were mainly about discussing various strategies of the Company; making decision on and giving guidance to the projects, such as financing, equity investment, project constructions, assets and healthcare cooperations.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

Directors	Attendance/ No. of meetings held
Mr. Wei Yulin	6/6
Mr. Chen Qiyu	6/6
Mr. She Lulin ⁽¹⁾	4/6
Mr. Wang Qunbin ⁽²⁾	1/6
Mr. Li Yuhua ⁽³⁾	4/6
Mr. Zhou Bin ⁽⁴⁾	4/6
Mr. Li Zhiming ⁽⁵⁾	5/6
Mr. Li Dongjiu ⁽⁶⁾	5/6
Ms. Li Ling	6/6
Mr. Tan Wee Seng ⁽⁷⁾	5/6

Notes:

- (1) Mr. She Lulin attended two meetings not in person but by his proxy;
- (2) Mr. Wang Qunbin attended five meetings not in person but by his proxy;
- (3) Mr. Li Yuhua attended two meetings not in person but by his proxy;
- (4) Mr. Zhou Bin attended two meetings not in person but by his proxy;
- (5) Mr. Li Zhiming attended one meeting not in person but by his proxy;
- (6) Mr. Li Dongjiu attended one meeting not in person but by his proxy; and
- (7) Mr. Tan Wee Seng attended one meeting not in person but by his proxy.

Term of Office of the Non-Executive Directors

Name	Position	Commencement Date	Expiry Date
Chen Qiyu	non-executive Director	21 September 2014	20 September 2017
She Lulin	non-executive Director	21 September 2014	20 September 2017
Wang Qunbin	non-executive Director	21 September 2014	20 September 2017
Li Yuhua	non-executive Director	21 September 2014	20 September 2017
Zhou Bin	non-executive Director	21 September 2014	4 January 2016
Deng Jindong	non-executive Director	21 September 2014	20 September 2017
Li Dongjiu	non-executive Director	21 September 2014	20 September 2017
Liu Hailiang	non-executive Director	21 September 2014	20 September 2017
Lian Wanyong	non-executive Director	29 January 2016	20 September 2017
Li Ling	independent non-executive Director	21 September 2014	20 September 2017
Yu Tze Shan Hailson	independent non-executive Director	21 September 2014	20 September 2017
Lyu Changjiang	independent non-executive Director	21 September 2014	9 December 2015
Tan Wee Seng	independent non-executive Director	21 September 2014	20 September 2017
Liu Zhengdong	independent non-executive Director	21 September 2014	20 September 2017
Zhuo Fumin	independent non-executive Director	8 March 2016	20 September 2017

Compliance With the Corporate Governance Code

The Company has adopted all the code provisions contained in the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules (the “**Corporate Governance Code**”) as the Company’s code on corporate governance. On 9 December 2015, Mr. Lyu Changjiang resigned as an independent non-executive director and the member of nomination committee and the appointment of Mr. Zhuo Fumin as an independent non-executive Director and the member of nomination committee was considered and approved at the 2016 second extraordinary general meeting held on 8 March 2016. Save for the disclosed above, during the Reporting Period, the Company had complied with the code provisions set out in the Corporate Governance Code.

Securities Transactions by Directors and Supervisors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the standards for governing the transactions of the Company’s listed securities by the Directors and the Supervisors. Having made specific enquiries with all Directors and Supervisors, all of them confirmed that they had complied with the requirements set out in the Model Code during the Reporting Period.

Remuneration of Auditors

The Company's domestic auditors, PricewaterhouseCoopers Zhong Tian CPAs LLP and overseas auditors, PricewaterhouseCoopers are the independent external auditors of the Group. The remuneration paid and payable by the Group to PricewaterhouseCoopers Zhong Tian CPAs LLP and PricewaterhouseCoopers in respect of the services provided during the Reporting Period is as follows:

Services provided	Fee paid and payable
Statutory audit service provided for 2015	RMB21,440,000
Non-statutory audit service provided for 2015	RMB270,000
Non-audit service – tax consultancy services	RMB416,000

Confirmation by the Directors and Auditors

The Directors have reviewed the effectiveness of the internal control system of the Group. The review covered all the material aspects of its internal controls, including the supervision of the financial and operational and compliance affairs, as well as risk management.

The Directors are responsible for supervising the preparation of annual accounts in order to give a true and fair view of the financial position, operating results and cash flow of the Company during the year. For the purpose of the preparation of the financial statements for the Reporting Period, the Directors have selected appropriate accounting policies, adopted applicable accounting principles, made judgments and assessments that are prudent and reasonable and ensured the financial statements were prepared on a going concern basis. The Directors have confirmed that the Group's financial statements were prepared in accordance with the requirements of laws and applicable accounting principles.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to operate as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the independent auditor's report.

Shareholders' Rights

Two or more shareholders representing a total of over 10% (inclusive) shares carrying the right to vote at the meeting to be convened may sign one or more written requests of the same format and contents, and submitted to the Board for the convening of an extraordinary general meeting or a class meeting. The Board shall furnish a written reply stating its agreement or disagreement to convene the extraordinary general meeting or a class meeting within ten days upon receipt of such requisition.

When the Company convenes an annual general meeting, shareholders who individually or jointly hold five percent (5%) or more (inclusive) of the shares carrying on voting rights of the Company shall be entitled to propose new resolutions in writing to the Company. The Company shall include resolutions falling within the scope of power of the general meeting into the agenda of such meeting. Shareholders who individually or jointly hold three percent (3%) or more of the shares of the Company shall be entitled to propose resolutions and submit the same in writing to the Board ten (10) days prior to the date of the general meeting.

The shareholders may put enquiries to the Board via the office phone number and email address of the Board office as stated in this annual report.

Amendments to the Articles of Association

In accordance with the requirements of relevant laws, regulations and regulatory rules, as well as the practice of the Company, on 27 April 2015, the Board resolved to propose certain amendments to the Articles of Association in relation to the Company's registered capital, the composition of the Supervisory Committee and election of Supervisors, and such proposed amendments had been approved by the shareholders at the general meeting of the Company held on 18 June 2015. For details, please refer to the announcement dated 27 April 2015 and the circular dated 30 April 2015 of the Company.

On 13 October 2015 and 16 December 2015, the Board resolved to propose certain amendments to the Articles of Association in relation to the rules of procedure of the Board, internal audit regulations and the Communist Party of China organisation, and such proposed amendments had been approved by the shareholders at the general meeting of the Company held on 29 January 2016. For details, please refer to the announcements dated 13 October 2015 and 16 December 2015 and the circulars dated 15 October 2015 and 14 January 2016 of the Company.

Effective Communications with Investors

The Group had made remarkable improvements in investor relations in 2015 under the leadership and support of the Board and management. The Group has participated in a number of investment forums and successfully communicated with many fund management companies through various means. The Group organized on-site visits to its logistics centers, distribution centers and retail drug stores for a number of fund management companies to facilitate investors' direct understanding of and contact with the Company. The Company and its subsidiaries also successively received various fund investors for on-site visits. In the future, the Company will maintain effective communications with investors through road shows after the issuance of annual reports and interim reports as well as through general meetings.

Implementation of Non-Competition Agreement

The independent non-executive Directors have reviewed the compliance by CNPGC of the Non-Competition Agreement and confirmed that CNPGC has complied with the terms of such agreement during the year ended 31 December 2015. At the same time, CNPGC also confirms to the Company that it has complied with the terms of the Non-Competition Agreement.

The independent non-executive Directors are not aware of any breach of the terms of the Non-Competition Agreement by CNPGC and therefore, no remedy action was taken by the Company during the year ended 31 December 2015.

In accordance with the Non-Competition Agreement entered into between the Company and CNPGC, if CNPGC or any of its subsidiaries (other than the Company) is aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the Company (the "**Business Opportunity**"), it will inform the Company of the Business Opportunity in writing immediately in the first place. Whether to take up the Business Opportunity is up to the independent non-executive Directors.

Save as disclosed above, during the Reporting Period, Directors (including independent non-executive Directors) did not make any decisions in relation to exercise or terminate an option or a right of first refusal and take up or waive any Business Opportunity.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Wei Yulin, aged 59, executive Director, Chairman (Legal Representative) and Secretary of Party Committee, joined the Group in January 2003. He served subsequently as the deputy general manager, chief operating officer, managing deputy general manager and president of the Company until November 2013. Mr. Wei has been an executive Director since December 2008, the secretary of Party Committee since December 2009, and the Chairman since November 2013. Mr. Wei has around 39 years of working experience, over 23 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Wei obtained a master's degree in business administration for executives from the Cheung Kong Graduate School of Business in January 2007. Mr. Wei is a chief pharmacist, practicing pharmacist and senior operator, and was qualified as a senior economist in December 2009. Mr. Wei has been served in China National Pharmaceutical Group Tianjin Corporation (currently known as Sinopharm Holding Tianjin Co., Ltd.) between October 1999 and April 2006, subsequently as general manager, secretary of party committee and chairman. Mr. Wei currently also serves as chairman of Sinopharm Holding Hong Kong Co., Ltd., the director of China National Accord Medicines Co., Ltd., and the director and general manager of Sinopharm Industrial Investment Co., Ltd. Mr. Wei is also currently a member of the Party Committee of CNPGC, the director of International Federation of Pharmaceutical Wholesalers, the vice president of each of China Licensed Pharmacist Association and China Association of Pharmaceutical Commerce, and a deputy to the Shanghai Municipal Fourteenth People's Congress.

Mr. Li Zhiming, aged 53, executive Director, President and Deputy Secretary of Party Committee. Mr. Li joined the Company in May 2010 as the vice President, and has served as the President and executive Director since November 2013 and January 2014, respectively. Mr. Li was the chief legal advisor of the Company from October 2012 to January 2014, and the secretary of disciplinary committee and chairman of labor union of the Company from November 2012 to October 2013. He has been the deputy secretary of the Party Committee of the Company since November 2012. He has more than 34 years of working experience, over 30 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li graduated from the Xinjiang Commerce College (新疆商業學校) with associate degree and a major in finance and accounting in July 1981, and graduated from the economic management discipline of the Urumqi Branch of Xi'an Military Academy (西安陸軍學院烏魯木齊分院) with associate degree in July 1997. Mr. Li was qualified as a senior economist. Mr. Li was the deputy director of finance department of Xinjiang New & Special Ethnic Drug Store, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trade Company, deputy general manager and chief accountant of Xinjiang New & Special Ethnic Drug Corporation, and deputy director of the office of the preparatory and leading group of Xinjiang Pharmaceutical Administration Bureau steering the construction of the group entity from July 1985 to July 1996. Mr. Li was general manager, chairman of the board of directors, secretary of the Party Committee of Xinjiang New & Special Ethnic Drug Corporation, and the director, general manager, vice chairman, chairman, and secretary of the Party Committee of Xinjiang Pharmaceutical Group Company (currently known as Sinopharm Group Xinjiang Medicines Co., Ltd.) from July 1996 to February 2016. Mr. Li is currently chairman of Sinopharm Group Xinjiang Medicines Co., Ltd., chairman of each of China National Accord Medicines Co., Ltd., China National Medicines Co., Ltd. and Sinopharm Holding (China) Finance Leasing Co., Ltd., the director of Sinopharm Holding Hong Kong Co., Ltd., and the director of Sinopharm Holding Guoda Drug stores Co., Ltd..

Mr. Chen Qiyu, aged 43, non-executive Director and vice Chairman, joined the Company on 16 January 2003, and had served as the chief Supervisor until 31 May 2010. He has served as a non-executive Director since 31 May 2010 and has been the vice Chairman since November 2013. He has over 22 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and a master's degree of business administration from China Europe International Business School in September 2005. Mr. Chen was previously the chief financial officer, the board secretary, general manager, president and vice chairman of the board of directors of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. He has served as the vice president of each of Fosun International Limited and Shanghai Fosun High Technology (Group) Co., Ltd. since August 2010 and January 2011, respectively. Mr. Chen has been the executive director of Fosun International Limited and the director of Shanghai Fosun High Technology (Group) Co., Ltd. since 10 July 2015. Mr. Chen has been a director of Tianjin Pharmaceuticals Group Co., Ltd., Zhejiang DIAN Diagnostics Co., Ltd., Beijing Sanyuan Food Co., Ltd. and Maxigen Biotech Inc. since February 2009, May 2010, September 2015 and December 2015, respectively. Mr. Chen served as the supervisor, director as well as the director and general manager of Sinopharm Industrial Investment Co., Ltd from July 2008 to March 2014 successively, and has served as the vice chairman of the same since March 2014 till now. Mr. Chen is currently also the chairman of China Medical Pharmaceutical Material Association and Shanghai Biopharmaceutics Industry Association, the vice chairman of China Pharmaceutical industry Research and Development Association, the vice chairman of China Pharmaceutical Industry Association and the vice-chief commissioner of China Medicinal Biotech Association, etc..

Mr. She Lulin, aged 59, non-executive Director, joined the Group as a non-executive Director on 16 January 2003. He was the vice Chairman and has served as the Chairman of from August 2007 to November 2013. He has around 32 years of working experience, over 29 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. She obtained a bachelor's degree in science, majoring in Pharmacy, from Nanjing Pharmaceutical Institution (currently known as China Pharmaceutical University) in July 1982 and a master's degree in business administration for executives from Tsinghua University in July 2005. Mr. She was previously the deputy head of the office, assistant to the general manager, deputy general manager and general manager of China National Pharmaceutical Group Guangzhou Corporation from August 1982 to August 1996. Mr. She was also the vice chairman of the board of directors and general manager of CNPGC from December 1998 to October 2004. Mr. She was a director, general manager and the secretary of Party Committee of CNPGC from October 2004 to October 2009. He was the vice chairman of the board of directors, general manager and deputy secretary of Party Committee of CNPGC since October 2009. Mr. She has been the chairman of the board of directors and legal representative of Sinopharm Industrial Investment Co., Ltd. from July 2008 to November 2013. Mr. She was the chairman of the board of directors of China National Medicines Co., Ltd. from December 1998 to January 2001.

Biographies of Directors, Supervisors and Senior Management

Mr. Wang Qunbin, aged 46, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. He has around 24 years of working experience, over 21 years of which is management experience in biological medicine. Mr. Wang obtained a bachelor's degree in science, majoring in genetics, from Fudan University in July 1991. Mr. Wang was previously a lecturer at the Genetic Research Institute of Fudan University from September 1991 to September 1993, and then a director and the general manager of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from 1995 to October 2007 and a director of Tianjin Pharmaceutical Holdings Ltd. from March 2001 to February 2009. Mr. Wang has served as a director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. since October 2007, and was its chairman of the board of directors from October 2007 to June 2010. Mr. Wang was a director and the president of Shanghai Fosun High Technology (Group) Co., Ltd. since November 1994 and January 2009, respectively. He has been an executive director and the president of Fosun International Limited (a company listed on the Hong Kong Stock Exchange) since August 2005 and January 2009, respectively. Mr. Wang has been a director of Henan Lingrui Pharmaceutical Company Ltd. (a company listed on the Shanghai Stock Exchange) since May 2002, and was also a director of Sinopharm Industrial Investment Co., Ltd. from July 2008 to March 2014. Mr. Wang is currently the honorary chairman of the Huzhou Chamber of Commerce in Shanghai and the vice chairman of China Chamber of International Commerce.

Mr. Li Yuhua, aged 66, non-executive Director, has been a non-executive Director since 21 September 2014. He has more than 40 years of working experience in management. Mr. Li graduated from Beijing International Business College with a bachelor of Arts degree in Japanese in August 1976. Mr. Li served as official, deputy section chief and section chief of the International Bureau of the head office of Bank of China from September 1976 to January 1989. Mr. Li served as vice president and president of Bank of China's Tokyo Branch from January 1989 to March 1993 and from January 1998 to December 2006, respectively. Mr. Li served as deputy general manager of International Business Department of Bank of China from March 1993 to January 1998. Mr. Li served as chairman of board of directors of each of Bank of China (Russia) Limited and Bank of China (Malaysia) Limited from January 2007 to May 2010. Mr. Li has been serving as external director, head of audit and risk committee and a member of budget committee of CNPGC since February 2013 till now.

Mr. Zhou Bin, aged 47, non-executive Director, has served as a non-executive Director from 7 January 2011 to 4 January 2016 and has around 24 years of working experience. Mr. Zhou obtained a bachelor's degree in pharmacology from China Pharmaceutical University in July 1990, a master's degree in business administration from China Europe International Business School in September 2005 and a doctorate degree in industrial economy from Shanghai Academy of Social Sciences in July 2008. Mr. Zhou served in Shanghai Institute of Pharmaceutical Industry from July 1990 to October 2010, subsequently as director and the Party branch secretary of the department of information, director of the department of market investment, an assistant to the dean, vice dean, a member of the Party Committee, dean, and secretary to the Party Committee, and during this period, he served as the chairman of the board of directors of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co., Ltd. from September 2003 to September 2006. Mr. Zhou was subsequently secretary of the Party Committee and dean of China State Institute of Pharmaceutical Industry from May 2010 to April 2014, and has been its chairman since April 2014. Mr. Zhou has been deputy general manager of CNPGC since May 2010, and he is currently also the chairman of the board of directors of each of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) and China National Biotec Group Company Ltd., the chairman of the board of directors and legal representative of Sinopharm Industrial Investment Co., Ltd., as well as the president of China Association for Pharmaceuticals and Medical Devices Technology Exchange and the president of China National Narcotic Drugs Association.

Mr. Deng Jindong, aged 51, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. He has over 28 years of working experience, over 23 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics from Hangzhou Electronics Industry Institution (currently known as Hangzhou Dianzi University) in July 1986 and a master's degree in economics from Central Institute of Finance and Economics (currently known as Central University of Finance & Economics) in January 1991. He is a non-practicing PRC certified public accountant. Mr. Deng was previously the chief financial officer of Economic Information Network Data Co., Ltd., senior audit manager of Taikang Life Insurance Co., Ltd. and the head of the accounting department of CNPGC from April 2000 to October 2001, from October 2001 to October 2002 and from October 2002 to October 2004, respectively. Mr. Deng has been the chief accountant of CNPGC since October 2004. Mr. Deng was a director and chief financial officer, and a director of Sinopharm Industrial Investment Co., Ltd. from July 2008 to August 2015 and from August 2015 to January 2016, respectively. He has also been its chairman since January 2016.

Mr. Li Dongjiu, aged 51, non-executive Director, joined the Group on 18 October 2013, and has been a non-executive Director since then. Mr. Li is a professor-level senior engineer and Doctor of Engineering, has over 28 years of working experience in the pharmaceutical industry, over 23 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in July 1987, a master's degree in Management from Wuhan University of Technology in June 1999, a master's degree of Arts in International Economic Relations from the Flinders University of South Australia in October 2005, a PhD degree of Transportation Planning and Management from Wuhan University of Technology in June 2013, and an EMBA degree from China Europe International Business School. Mr. Li worked for North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) as a deputy general manager of North China Pharmaceutical Huasheng Co., Ltd., general manager of Sweeteners Vitamins Department of North China Pharmaceutical Group Corporation, general manager of Sales Company of North China Pharmaceutical Group Corporation and deputy general manager of North China Pharmaceutical Co., Ltd. and head of its financial department, successively from July 1987 to December 2009, and served as executive president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., vice president and director of the Pharmaceutical Management Committee and senior vice president and director of the pharmaceutical management committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (a company listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and president of Shanghai Fosun Pharmaceutical Development Co., Ltd., successively from December 2009 to December 2012. Mr. Li served as a senior vice president, chairman of the medicine commercialization and consumer products management committee and vice chairman of the pharmaceutical manufacturing management committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from January 2013 to February 2015. Mr. Li has been a director of Sinopharm Industrial Investment Co., Ltd. since October 2013 and currently, he is also a director of Nature's Sunshine Products Inc., a company listed on NASDAQ, USA (NASDAQ: NATR), a vice president of China Nonprescription Medicines Association (CNMA) and China Association of Pharmaceutical Commerce, a commissioner for the UN Commission on Life-Saving Commodities for Women and Children and a member of council of the Cancer Foundation of China.

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Hailiang, aged 66, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. Mr. Liu has around 46 years of working experience, over 26 years of which is management experience. Mr. Liu obtained an associate education in business administration from Shanghai Construction Institute in September 1986. Mr. Liu was previously the human resources manager of Shanghai RAAS Blood Products Limited (now known as Shanghai RAAS Blood Products Co., Ltd., a company listed on the SME Board of the Shenzhen Stock Exchange) from November 1989 to March 1995. He was the human resources manager of Johnson & Johnson China Ltd. from March 1995 to March 2000. Mr. Liu was an assistant to the general manager and chief human resources supervisor of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from March 2000 to May 2004. He was a supervisor of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from May 2004 to June 2013, of which he was the chairman of the supervisory committee from May 2008 to June 2013. Mr. Liu is a senior advisor with the president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. since June 2013.

Ms. Li Ling, aged 54, independent not-executive Director, joined the Group on 29 December 2012, and has been an independent not-executive Director since then. Ms. Li has around 33 years of working experience. She obtained a bachelor's degree in physics in August 1982 and a master's degree in economics in February 1987 from Wuhan University, and obtained a master's degree and a doctorate degree in economics from University of Pittsburgh in U.S.A in September 1990 and May 1994, respectively. Ms. Li worked at the Department of Economics of Towson University in Maryland, U.S.A as an associate professor with tenure from August 2000 to August 2003, and also taught at the Department of Economics of University of Pittsburgh in U.S.A and the Department of Management and Marketing of The Hong Kong Polytechnic University. Ms. Li has been an economics professor and Ph.D. supervisor at Research Institute of National Development, a director of Research Center of China Healthy Development of Peking University since June 2008, and is an expert who enjoys the special allowance of the State Council and is one of the "Top Ten Teachers" of Peking University. Ms. Li has served as an independent director of PICC Health Insurance Company Limited since 2009. Ms. Li currently also serves as the vice chairman of China Health Economics Association, a member of the State Council Health Reform Advisory Commission, a member of National Health and Family Planning Commission on public policy, an evaluation expert in the Pilot Project of Urban Resident Basic Medical Insurance implemented by the State Council, an advisor to the Beijing Municipal Government, an advisor to the pharmaceutical and healthcare reform of Guangdong Province and the vice chairman of Gerontological Society of China.

Mr. Yu Tze Shan Hailson, aged 59, independent non-executive Director, has served as a non-executive Director since 21 September 2014 and has more than 36 years of working experience. Mr. Yu graduated from the University of Calgary with a bachelor degree in Electrical Engineering in 1979, graduated from the University of Hong Kong with a master degree in Electrical Engineering in 1987, graduated from City University of Hong Kong with a master degree of law in Arbitration and Dispute Resolution in 1995 and completed the postgraduate diploma in Investment Management and post-graduate certificates in Hong Kong Laws and Traditional Chinese Medicine courses. Mr. Yu served as equipment maintenance and testing engineer, equipment maintenance and testing laboratory manager, computer engineering and system engineering manager of Ampex Ferrotec Limited (Hong Kong) successively from June 1979 to September 1987. Mr. Yu joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited and served as general manager of engineering research and development department and consultant of Petroleum Development and LPG Tank Terminal Port successively from October 1987 to January 1998. Mr. Yu has been serving as deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong since February 1998 till now. Mr Yu has been serving as an independent non-executive director of China Traditional Chinese Medical Co., Ltd. (formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange) since November 2013 till now. Mr. Yu currently is a Chartered Engineer, fellow of each of the Institute of Electrical Engineers, Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators.

Mr. Lyu Changjiang, aged 50, independent non-executive Director, has been an independent nonexecutive Director of the Company since 21 September 2014. He has more than 26 years of working experience. Mr. Lyu graduated from the Jilin University with a doctor's degree in Quantitative Economics in December 1999. Mr. Lyu successively served as deputy head of the Department of Accounting, head of the Department of Accounting, deputy dean and professor of Business School from June 1989 to February 2006, of Jilin University. Mr. Lyu took Advanced Management Program of Nyenrode University in Netherlands from January 1999 to September 1999, and as a Fullbright senior research scholar in the University of California, United States, from September 2004 to September 2005. Mr. Lyu has been serving as head of the Department of Accounting, associate dean, professor and doctoral tutor of the School of Management of Fudan University since February 2006 till now. Mr. Lyu once served as independent director of each of Changchun High & New Technology Industries (Group) Inc., East Money Information Co., Ltd., Zhejiang China Commodities City Group Co., Ltd. and Shanghai Jinfeng Investment Co., Ltd.. Currently, Mr. Lyu is a member of the Expert Group of China Accounting Standards Committee of the Ministry of Finance, and associate editor of "China Accounting Review". Mr. Lyu Changjiang resigned as an independent nonexecutive Director of the Company on 9 December 2015.

Mr. Tan Wee Seng, aged 60, independent non-executive Director, has served as a non-executive Director since 21 September 2014 and has more than 39 years of working experience. Mr. Tan is a Chartered Global Management Accountant, Fellow member of the Chartered Institute of Management Accountants in United Kingdom, and the Hong Kong Institute of Directors. Mr. Tan has been with Reuters from April 1984 to June 2002 and served as finance manager of each of Reuters Malaysia and Brunei, Reuters Asia and Reuters East Asia, special and merger & acquisition project manager of Reuters Asia, executive director of Infocast Australia Pty Limited, a subsidiary of Reuters in Australia, managing director of AFE Computer Services Limited, a subsidiary of Reuters in Hong Kong, finance manager (head of finance) of Reuters East Asia, senior vice president and chief representative of Reuters for China, Mongolia and North Korea regions. Mr. Tan served as executive director, chief finance officer and company secretary of Li Ning Company Limited (a company listed on the Hong Kong Stock Exchange), from January 2003 to November 2008. Mr Tan was an independent director and chairman of the audit committee of 7 Days Holdings Limited (whose shares were listed on the New York Stock Exchange between November 2009 to July 2013) until it was privatized. He was the Chairman of the Special Committee for Privatization of 7 Days Holdings Limited from October 2012 to July 2013. Mr. Tan currently also serves as independent non-executive director of each of Biostime International Holdings Limited (a company listed on the Hong Kong Stock Exchange), Sa Sa International Holdings Limited (a company listed on the Hong Kong Stock Exchange), CIFI Holdings (Group) Company Limited (a company listed on the Hong Kong Stock Exchange), independent non-executive director of Xtep International Holdings Limited (a company listed on the Hong Kong Stock Exchange), independent director of ReneSola Ltd (a company listed on the New York Stock Exchange) and a director and chairman of finance and operation committee of Beijing City International School.

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Zhengdong, aged 46, independent non-executive Director, has been an independent non-executive Director of the Company since 21 September 2014. He is a lawyer who has more than 22 years of working experience as a practicing lawyer. Mr. Liu graduated from East China University of Political Science and Law (formerly known as East China School of Political Science and Law) with a bachelor's degree in Law in 1991, and juris master's degree in 2002. He served as an assistant prosecutor in Railway Transportation branch of Shanghai People's Procuratorate from July 1991 to June 1994. From June 1994 to October 1998, Mr. Liu co-founded Shanghai Hongqiao Law Firm with others as a partner and has been serving as a lawyer. From October 1998, Mr. Liu co-founded Shanghai Junyue Law Firm with others as a senior partner and has been serving as head of the firm and a lawyer. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and was also honored as the First Session of National Excellent Lawyer, the First Session of Shanghai Excellent Non-litigation Lawyer and Shanghai Leading Talent. Currently, Mr. Liu serves as adjunct professor of East China University of Political Science and Law, part-time master tutor of the School of Law of Shanghai Jiao Tong University, visiting professor of each of Shanghai University of Political Science and Law and Lawyer School of Renmin University of China. Mr. Liu also serves as a member of Standing Committee of All-China Youth Federation, standing director of the National Lawyers Association, deputy to the Shanghai People's Congress, member of standing committee of Shanghai Changning District People's Congress, vice chairman of Shanghai Youth Federation and vice president of chamber of commerce of Shanghai Association of Industry and Commerce, standing member of Shanghai Association of Industry and Commerce, and vice chairman of Shanghai Changning District Association of Industry and Commerce.

Supervisors

Mr. Yao Fang, aged 46, the chief Supervisor, has served as the Supervisor of the Company since 7 January 2011. Mr. Yao has around 24 years of working experience. Mr. Yao obtained a bachelor's degree in economics from Fudan University in July 1989 and a master of business administration degree from The Chinese University of Hong Kong in December 1993. Mr. Yao served as a Credit Administrator in No.1 Credit Department of Shanghai Branch of Bank of Communications from 1989 to 1991, and worked in Shanghai Wanguo Securities Co., Ltd. (currently known as Shenyin & Wanguo Securities Co., Ltd.) from 1993 to 1996, where his final position was assistant general manager of the International Business Department. Mr. Yao worked in Shanghai Shang Shi Assets Operation and Management Co., Ltd., from June 1996 to December 2002 where his final position was general manager. From January 2003 to October 2005, he served as the general manager of Shang Shi Management (Shanghai) Co., Ltd.. From November 2005 to December 2008, he served as managing director of Shanghai Industrial Pharmaceutical Investment Co., Ltd. (stock code: 600607, delisted on 12 February 2010) listed on the Shanghai Stock Exchange. From December 2008 to December 2009, he worked as the chairman of Shanghai Overseas Co., Ltd.. From May 2003 to 31 December 2009, he served as an executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on the Hong Kong Stock Exchange. Mr. Yao served as the executive deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (stock code: 600196) since April 2010 and became the vice chairman and president since 9 June 2010. Mr. Yao has served as a non-executive director of Biosino Bio-Technology and Science Incorporation (stock code: 8247) listed on the Hong Kong Stock Exchange from January 2011 to March 2014. Mr. Yao has been the vice chairman of Shanghai Pharmaceutical Profession Association since June 2010.

Mr. Tao Wuping, aged 60, Supervisor, has been a Supervisor since June 2015, was an independent non-executive Director from 22 September 2008 to 20 September 2014, and. Mr. Tao is a lawyer and has over 32 years of working experience as practicing lawyer. Mr. Tao obtained a master's degree in law, majoring in international economic law, from Fudan University in June 1997. He has been the head of Shen Da Law Firm, a visiting law professor of Shanghai Institute of Foreign Trade, a part-time professor at the Law and Politics College of East China Normal University, and the honorary dean, a part-time professor at the Law and Politics College of Shanghai Normal University and a visiting professor of East China University of Political Science and Law since August 1994, March 2002, June 2003, September 2003 and June 2012, respectively. Mr. Tao has been the independent director of Shangying Co., Ltd. since May 2013 and has been the independent director of Tianzhi Fund Management Co., Ltd. since August 2014. Mr. Tao served as the independent non-executive Director of Sinopharm Group from 22 September 2008 to 20 September 2014. Mr. Tao was awarded the title of "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

Mr. Lian Wanyong, aged 45, has served as a Supervisor of the Company from January 2011 to December 2015. Mr. Lian has been a non-executive Director since 29 January 2016 and served as a non-executive Director from December 2008 to January 2011. Mr. Lian has over 19 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-Sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian was previously the manager of the operation and audit department of China National Group Corp. of Traditional & Herbal Medicine from January 2004 to June 2005, and a deputy head of the financial assets management department of CNPGC from June 2005 to February 2008, respectively, and has been the head of the investment management department of CNPGC since February 2008. Mr. Lian was a director of Sinopharm Industrial Investment Co., Ltd. from December 2008 to March 2014.

Mr. Yang Jun, aged 50, employee representative Supervisor, has been the secretary of disciplinary committee of the Company since April 2014 and the employee representative Supervisor since June 2015. Mr. Yang is a senior marketing specialist and an intermediate economist. Mr. Yang graduated from Beijing Normal University with a bachelor's degree in Education Management in June 1989, and graduated from the Party School of the Central Committee of C.P.C with a master's degree in Economic Administration in July 2001. Mr. Yang had served in the China National Pharmaceutical Industry Corporation from July 1989 to February 2006, successively as the secretary of the general manager's office, the deputy director of the department of supply and sales, the manager of coordination and planning department, the manager of reagent department and traditional Chinese medicine department, the deputy manager of the headquarter of the operation business, as well as the marketing director and the manager of hospital department. Mr. Yang had served in China National Pharmaceutical Group Corporation from February 2006 to March 2014, successively as the deputy head of and head of operation management department, and the head of international cooperation department.

Biographies of Directors, Supervisors and Senior Management

Ms. Zhang Jian, aged 42, Supervisor, joined the Group in June 2005, served as a Supervisor from 12 September 2008 to June 2015 and has been the head of the auditing department of the Company since June 2006. Ms. Zhang has around 18 years of working experience. She obtained a bachelor's degree in economics, majoring in accounting, from Shanghai University of Finance & Economics in July 1997, and a master degree of EMPACC from Shanghai National Accounting Institute in July 2009. She is a non-practicing PRC certified public accountant. Ms. Zhang served as an auditor and a project manager of Shanghai Dahua Accounting Firm from July 1997 to November 1999, a project manager of audit department and general manager of Delong International Strategic Investment Co., Ltd. from December 1999 to December 2002, and general manager of audit department of Youlian Strategic Management Research Center from January 2003 to June 2004.

Ms. Jin Yi, aged 41, employee representative Supervisor, joined the Group on 25 December 2007, successively served as the senior project manager and the vice director of the investment management department, and has been the investment project supervisor of the investment management department since January 2015, and has been the employee representative Supervisor since June 2015. Ms. Jin has approximately 17 years of working experience. Ms. Jin obtained a bachelor's degree in economics, majoring in investment economics, from Nanjing University in July 1997, and a master's degree in business administration from The Chinese University of Hong Kong in December 2005. Ms. Jin was qualified as an intermediate economist. Ms. Jin served as the floor trader of Zhengzhou Commodity Exchange in China from July 1997 to May 1998, the project manager of information consulting department of Shanghai Information Center from May 1999 to July 2003, and the senior analyst of ALC Advisors (Shanghai) Company Limited from April 2005 to November 2007.

Company Secretaries

Mr. Ma Wanjun, one of the joint company secretaries, is also the vice president of the Company and the secretary of the Board. Please refer to the section headed "Senior Management" for Mr. Ma's biography.

Dr. Liu Wei, is currently the managing partner of China Group and the managing partner of Beijing Office of DLA Piper. Dr. Liu has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong, England and Wales. Dr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge, with a bachelor in Chinese literature, a master degree in law, a PhD in Law in 1982, 1986 and 1996 respectively. He also completed his Postgraduate Certificate in Laws (PCLL) of the University of Hong Kong in 2000. Dr. Liu was the first student from the mainland of the PRC to obtain a PhD in law from the University of Cambridge after 1949. Dr. Liu worked for several local and state PRC governmental authorities. He is currently a member of the Shaanxi CPPCC. Dr. Liu is currently the managing partner of China Group of DLA Piper and the partner in charge of the PRC affairs and practice. In 1988, Dr. Liu, as one of the lawyers working in Hong Kong in the early stage, participated in related work of the Hong Kong Basic Law, and then he was retained by the Securities and Futures Commission of Hong Kong as a PRC affairs officer responsible for the policies and supervision of law of red chip shares, H-shares and B-shares, and was responsible for coordination with the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

Senior Management

Mr. Li Zhiming, is currently an executive Director, the President and the deputy secretary of Party Committee of the Company. Please refer to the section headed “Directors” above for Mr. Li’s biography.

Mr. Li Guangfu, aged 59, was a deputy general manager of the Company from January 2003 to July 2003 and has been a vice president of the Company since September 2010. He has over 41 years of working experience, over 31 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li completed his undergraduate education in Chinese medicine at the College of Chinese Traditional Medicine of Guangzhou University of Chinese Medicine in January 1982 and obtained a master’s degree in business administration from Jinan University in Guangzhou in June 2002. Mr. Li is a deputy chief pharmacist and a practicing pharmacist. He served as the staff, deputy manager of the pharmacy department, and the assistant to general manager in Guangzhou purchase and supply station of China National Pharmaceutical Corporation from January 1982 to August 1996, general manager and secretary of the Party Committee of CNPGC Guangzhou Branch from August 1996 to March 2003, general manager and secretary of the Party Committee of China National Group Corp. of Traditional & Herbal Medicine, as well as the managing vice chairman of China Association of Traditional Chinese Medicine, from July 2003 to September 2010. Mr. Li is currently an executive director of Sinopharm Logistics Co., Ltd. and chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd., Sinopharm Holding Jilin Co., Ltd., Sinopharm Holding Shenyang Co., Ltd., Sinopharm Holding Shandong Co., Ltd. and Sinopharm Holding Dalian Hecheng Co., Ltd..

Mr. Lu Jun, aged 57, joined the Group in January 2003, and has been a vice president of the Company since 29 June 2004. He served as the assistant to the general manager of the Company, the general manager of medicine retail business department and the head of the investment department of the Company concurrently from April 2003 to June 2004. Mr. Lu has over 40 years of working experience, over 17 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Lu obtained an executive master’s degree in business administration in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. Mr. Lu was qualified as a senior economist. Mr. Lu taught at the Second Military Medical University from March 1980 to August 1998, and was previously the general manager of Sinopharm Group Shanghai Likang Medicine Co., Ltd. and Sinopharm Holding Guoda Drug stores Co., Ltd. from August 1998 to June 2008. Mr. Lu is currently the director of Sichuan Pharmaceutical Group Co., Ltd. of CNPGC and Sinopharm Holding Medical Investment Management Co., Ltd., and chairman of Sinopharm Holding Jiangsu Co., Ltd., Sinopharm Holding Wuxi Co., Ltd., Sinopharm Group Southwest Pharmaceutical Co., Ltd., Sinopharm Holding Anhui Co., Ltd., Sinopharm Holding Changzhou Co., Ltd., Sinopharm Holding Zhejiang Co., Ltd., and Sinopharm Holding Wenzhou Co., Ltd..

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Yong, aged 47, joined the Group in January 2003. He was the general manager and secretary of Party Committee of Sinopharm Holding Shenyang Co., Ltd. from January 2003 to November 2009, and is currently a vice president and the chief legal advisor of the Company. He has over 23 years of working experience, over 20 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises, from China Pharmaceutical University in July 1992 and a master's degree in business administration from Fudan University in January 2000. Mr. Liu is a chief pharmacist and a practicing pharmacist. Mr. Liu was employed at Shanghai Pharmaceutical station from July 1992 to July 1999, and served as the deputy general manager at the marketing department of China National Pharmaceutical Group Shanghai Corporation and the deputy general manager of Shanghai Guoda Drug Chain Store Co., Ltd. from July 1999 to April 2003. Mr. Liu is currently the chairman of Sinopharm Holding Beijing Tianxingpuxin BioMed Co., Ltd., Sinopharm Holding Beijing Co., Ltd., Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd., Sinopharm Holding Guoda Drug Stores Co., Ltd., Sinopharm Holding Guizhou Co., Ltd., Sinopharm Holding Yunnan Co., Ltd., Sinopharm Medicine Holding Beijing Huahong Co., Ltd. and Sinopharm Online Co., Ltd., and the director of China National Medicines Co., Ltd. and Sinopharm Guohua Network Technology Co., Ltd..

Mr. Cai Zhongxi, aged 51, has been a vice President since May 2010. He has over 32 years of working experience, over 24 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Cai graduated from the military medical discipline of the Second Military Medical University in July 1989 and received a bachelor degree. He obtained a master's degree in business administration from the School of Management of Maastricht University of the Netherlands in August 2000, a doctorate degree in business administration from the Southwestern Polytechnic University of the United States in September 2002, and a master's degree in business administration from the China Europe International Business School in October 2014. Mr. Cai is a deputy chief pharmacist. Mr. Cai was a doctor of 302 Military Hospital of China, the manager for eastern China at the distribution and trading department of Shenzhen Southern Pharmaceuticals (999), the operating director of Zhejiang Asia-Pacific Pharmaceutical Plant, and the marketing manager of APC Hong Kong from August 1989 to July 1995. He was also the marketing officer of the new and special drug department, assistant to manager of the new and special drug department, deputy manager of the new and special drug department and the marketing department, assistant to the general manager, manager of the new and special drug department and pharmaceuticals department, deputy general manager, managing deputy general manager and general manager at China National Pharmaceutical Group Shanghai Co., Ltd. from August 1995 to January 2005. He also served as general manager of the sales and marketing department (hospital) at the Company from February 2005 to December 2005, the chairman of Shanghai Yijia Medical Device Co., Ltd., and the chairman and general manager of Shanghai Shengtai Medical Technologies Co., Ltd. from January 2006 to November 2011. Mr. Cai is currently the executive director of Shanghai Merro Pharmaceutical Co., Ltd., Shanghai Tongyu Information Technology Co., Ltd. and Sinopharm Group Shanghai Likang Medicine Co., Ltd., and the chairman of Sinopharm Group Med-Tech Co., Ltd., Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., Shanghai Donghong Pharmaceutical Medicine Co., Ltd., Sinopharm Holding Lingshang Hospital Management Services (Shanghai) Co., Ltd. and Sinopharm Hutchison Whampoa Healthcare Medicine Co., Ltd. Mr. Cai currently also served as the vice president of Shanghai Pharmaceutical Association.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 52, joined the Company in May 2010 as the chief financial officer, and has been the vice president of the Company since July 2013. He has over 29 years of working experience, over 18 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986, and graduated from the class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at China National Pharmaceutical (Group) Corporation from July 1986 to March 2002, and was the deputy head of the department of information, reform office, finance department and deputy manager of the department of pharmacy. He was deputy head, head and chief financial officer of the finance department of China National Medicines Co., Ltd. from March 2002 to May 2010. Mr. Jiang is currently the chairman of Sinopharm Holding Jiangxi Co., Ltd., Sinopharm Holding Shanxi Co., Ltd., Sinopharm Holding Inner Mongolia Co., Ltd., Sinopharm Holding Tianjin Co., Ltd. and Sinopharm Group Shanxi Co., Ltd., and the director of China National Medicines Co., Ltd., China National Accord Medicines Co., Ltd., Sinopharm Group Finance Co., Ltd., and the director and general manager of Sinopharm Holding Hong Kong Co., Ltd..

Mr. Ma Wanjun, aged 46, joined the Company in May 2003, and has been the vice president of the Company since September 2010. He has also been the secretary to the Board and one of the joint company secretaries since 22 March 2012. He was the chief legal advisor of the Company from May 2011 to October 2012. Mr. Ma has over 24 years of working experience, over 17 years of which is management experience in the pharmaceutical and healthcare products industry. He obtained a bachelor degree of science majoring in chemistry from Nankai University in July 1991 and an executive master's degree in business administration from China Europe International Business School in September 2006. He is a chief pharmacist. Mr. Ma was a staff, manager, deputy general manager and standing deputy general manager of China National Pharmaceutical (Group) Tianjin Corporation from July 1991 to May 2003. He was the deputy general manager of pharmaceutical business department of the Company, the general manager of Sinopharm Holding Tianjin Co., Ltd., the general manager of Shanghai Sinopharm Waigaoqiao Pharmaceutical Co., Ltd. and the deputy general manager of the operation centre of the Company from May 2003 to September 2010. Mr. Ma is currently the director of China National Accord Medicines Co., Ltd. and China National Medicines Co., Ltd.. He is also the chairman of Sinopharm Holding Henan Co., Ltd., Guangdong Oriental New & Special Medicines Co., Ltd., Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd. and Sinopharm Biopharmaceutical Co., Ltd..

Biographies of Directors, Supervisors and Senior Management

Mr. Guo Junyu, aged 42, has been the vice president of the Company since May 2014. Mr. Guo has more than 19 years of working experience, over 15 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Guo obtained a bachelor's degree in Medicinal Chemistry from the School of Pharmacy of Fudan University (formerly known as Shanghai Medical University) and a master's degree in Business Administration from Asia (Macau) International Open University in July 1996 as well as an executive master's degree in business administration from China Europe International Business School in July 2010. Mr. Guo is a deputy chief pharmacist and a practicing pharmacist. Mr. Guo joined Shanghai Pharmaceutical Joint Stock Company (changed its name to Shanghai Pharmaceutical Co., Ltd. in April 2010) in July 1996, and served as the assistant to General Manager and Deputy General Manager successively, as well as the chairman of each of Shanghai Huashi Pharmacy Co., Ltd. and Shanghai Pharmaceutical Logistics Center Co., Ltd.. Mr. Guo was the Vice President of Shanghai Pharmaceuticals Holding Co., Ltd. from October 2012 to April 2014. Mr. Guo obtained the title of the "New Long March Pioneer" of Shanghai municipality in 2009. Mr. Guo currently also serves as the executive director of Sinopharm Holding Distribution Co., Ltd., the director of Sinopharm Holding Changsha Co., Ltd. and Sinopharm Online Co., Ltd., and chairman of Sinopharm Holding Hainan Co., Ltd., Sinopharm Holding Hunan Co., Ltd., Sinopharm Holding Chongqing Co., Ltd., Sinopharm Holding Chongqing Taimin Pharmaceutical Co. Ltd. and Sinopharm Holding Tibet Pharmaceutical Co., Ltd..

Mr. Xu Shuangjun, aged 48, has been the non-executive vice president of the Company since March 2011. He has over 31 years of working experience, over 23 years of which is management experience in the pharmaceutical and healthcare products industry. He graduated from the School of Pharmacy of the Second Military Medical University in Shanghai and obtained a bachelor's degree in medicine in 2001. He further obtained a master's degree in business administration from the Macau University of Science and Technology in 2006 and has the qualifications of practicing pharmacist and chief pharmacist. Mr. Xu was employed at Shijiazhuang Lerentang from October 1987 to March 1999. He was manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co., Ltd. (石家莊市醫藥藥材股份有限公司) from March 1999 to August 2004, and was the chairman and general manager of Hebei Zhongrui Medicines Co., Ltd. (河北中瑞醫藥有限公司), the general manager and secretary of the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co., Ltd. (石家莊樂仁堂醫藥股份有限公司), and the chairman and general manager of and secretary of the Party Committee of Lerentang Pharmaceutical Group Co., Ltd. from August 2004 to May 2011. Mr. Xu was the vice chairman and general manager, secretary of the Party Committee, and chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd. from May 2011 to December 2015, and has been its vice chairman since December 2015.

Report of the Board of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Business

The Group is the largest distributor of pharmaceutical and healthcare products, and a leading supply chain services provider in the PRC; it also operates the largest national pharmaceutical distribution network in the PRC according to the information of China Association of Pharmaceutical Commerce. The Group has been able to rapidly increase its market share and profits in a highly fragmented industry by taking advantage of its economies of scale and nationwide distribution network, through which the Group offers a wide range of value-added supply chain services for its customers and suppliers.

The Group has integrated operations in the following business segments, namely:

- **Pharmaceutical distribution division:** pharmaceutical distribution is the Group's principal business. The Group provides distribution, logistics and other value-added services for domestic and international pharmaceutical and healthcare products manufacturers and other suppliers. The Group differentiates itself from its competitors in China by its strengths of geographic coverage, the breadth of its product portfolio and the comprehensive supply chain services provided to its customers and suppliers, etc.
- **Retail pharmacy division:** the Group has established a network of retail drug stores in major cities of China via direct operations or franchises.
- **Other business division:** the Group is also engaged in the distribution of medical devices, financial leasing, production and sale of pharmaceutical products, chemical reagents and laboratory supplies.

Results

The operating results of the Group during the Reporting Period are set out in the consolidated income statement on page 75 of this annual report.

Dividends

Relevant resolution was passed at a meeting of the Board held on 25 March 2016 to propose to distribute a final dividend of RMB0.41 per share (tax inclusive) for the year ended 31 December 2015 (the "**Final Dividend**"), totaling approximately RMB1,134,509 thousands. The proposal in relation to the profit distribution will be submitted to the 2015 annual general meeting for shareholders' consideration and approval. The Company will separately publish the relevant arrangements in respect of the distribution of the Final Dividend including the record date and the book closure period when the date of the 2015 annual general meeting of the Company is fixed.

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the "**CIT Law**"), the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the CIT Law. The Company will distribute the Final Dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

Any resident enterprise as defined under the CIT Law which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the register of the members of H shares of the Company should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% corporate income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document (the “**Notice**”) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld from the Final Dividend payable to any individual shareholders of H shares of the Company, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

Principal Subsidiaries

Details of the names, principal places of business, places of incorporation and issued share capital of the Company’s principal subsidiaries are set out in Note 42 to the Consolidated Financial Statements.

Reserves

Details of movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 79 of this annual report and Note 30 to the Consolidated Financial Statements.

Distributable Reserves

In accordance with the Company Law of the PRC, the Company may only distribute dividends out of its distributable annual profits (i.e. the Company's profit after tax after offsetting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities)).

According to the Articles of Association, for the purpose of determining profit distribution, the profit distribution of the Company is the lesser of its profit after tax determined in accordance with: (i) the PRC accounting standard and regulations; and (ii) the HKFRS.

In 2015, the distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB10,034.58 million, which is prepared in accordance with the HKFRS.

Property, Plant, Equipment and Investment Properties

Details of changes in investment properties and property, plant and equipment of the Group during the Reporting Period are set out in Notes 15 and 16 to the Consolidated Financial Statements.

Borrowings

Details of borrowings of the Group are set out in Note 31 to the Consolidated Financial Statements.

Debenture

Details of bonds in issue of the Company during the Reporting Period are set out in Note 31 to the Consolidated Financial Statements.

Major Customers and Suppliers

During the Reporting Period, purchases of goods and services from its 5 largest suppliers were less than 30% of the Group's total purchases and the goods and services sold to its 5 largest customers were less than 30% of the Group's total sales.

For the year ended 31 December 2015, none of the Directors, Supervisors, their respective associates and any shareholder of the Company (who to the knowledge of the Board owns more than 5% of the share capital of the Company) had any interest in the 5 largest customers or the 5 largest suppliers of the Group.

Permitted Indemnity Provisions

The Company maintained Directors' liability insurance to protect them from all costs, charges, losses, expenses and liabilities incurred in the execution and discharge of their duties or in relation thereto pursuant to the applicable laws and within the scope of Director's liability insurance. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report.

Connected Transactions

Pursuant to the requirements of the Listing Rules, the transactions between the Company and the connected person (as defined under the Listing Rules) of the Company constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The following are the non-exempt connected transactions conducted by the Group during the Reporting Period.

Non-exempt continuing connected transactions

For the year of 2015, the annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions by the Group are set out below:

Transactions between the Group and the CNPGC Group under the Master Procurement Agreement and the Master Sales Agreement	Annual caps for the year 2015 (RMB million)	Actual transaction amounts for the year ended 31 December 2015 (RMB million)
Amount payable by the Group to the CNPGC Group under the Master Procurement Agreement	6,000	2,794
Amount payable by the CNPGC Group to the Group under the Master Sales Agreement	1,650	771

Transactions between the Group and Sinopharm Group Finance Co. under the Financial Services Framework Agreement	Annual caps for the year 2015 (RMB million)	Actual transaction amounts for the year ended 31 December 2015 (RMB million)
Maximum daily balance of the deposits placed with Sinopharm Group Finance Co. by the Group	2,000	1,994
Interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Co.	200	42

Transaction between the Group and the CNPGC Group under the EPC General Contracting Services Framework Agreement	Annual cap for the year 2015 (RMB million)	Actual transaction amount for the year ended 31 December 2015 (RMB million)
Amount payable by the Group to the CNPGC Group under the EPC General Contracting Service Framework Agreement	300	220

The continuing connected transactions between the Group and the CNPGC Group under the Master Procurement Agreement

In order to regulate the continuing connected transactions in respect of the procurement of pharmaceutical products between the Group and CNPGC and its subsidiaries and associates (the “**CNPGC Group**”), the Company and the CNPGC renewed the Master Procurement Agreement of Pharmaceutical Products, Personal-care Supplies and Medical Equipment (the “**Master Procurement Agreement**”) on 7 November 2014, and set up the annual caps for the three years ending 31 December 2017 of the continuing connected transactions under the Master Procurement Agreement. The annual caps for the continuing connected transactions contemplated under the Master Procurement Agreement for the three years ending 31 December 2017 will amount to RMB6,000 million, RMB8,000 million and RMB10,000 million, respectively. Pursuant to the Listing Rules, the Master Procurement Agreement and the annual caps for the continuing connected transactions

contemplated thereunder for the three years ending 31 December 2017 have been approved by the independent shareholders of the Company.

Pursuant to the Master Procurement Agreement, the Group has agreed to purchase pharmaceutical products, personal-care supplies and medical equipment as well as the related services from the CNPGC Group. The related services to be provided by the CNPGC Group under the Master Procurement Agreement mainly include the transportation services, storage services, equipment maintenance and repair services, as well as other related and ancillary services.

Under the Master Procurement Agreement, the price shall be determined in accordance with the following pricing principles: (i) The price of pharmaceutical products, personal-care supplies and medical equipment procured by the Group from the CNPGC Group under the renewed Master Procurement Agreement will be offered by members of the CNPGC Group based on the bidding price of the relevant products, which is won by relevant member of the CNPGC Group through its participation in the public bidding process of such products conducted by the tender office of Chinese government or hospitals, deducting the gross profit of distributors at each level; (ii) where Relevant members of the CNPGC Group will on a regular basis, provide the Company and its subsidiaries with the procurement price list of all types of the above-mentioned products for distributors at each level. The company and/or its subsidiaries, after considering comprehensively a lot of factors relating to the specific product, including but not limited to the price, quality, credit period, delivery method, after-sales service, gross profit and average price in the industry and going through all necessary internal review and approval procedures covering the president and various departments including procurement department, finance department, operation department and quality department of the company and/or its subsidiaries, will determine whether to accept the procurement price of specific product as offered by members of the CNPGC Group. If the company and/or its subsidiaries, after taking into consideration all the above-mentioned factors, consider that the procurement price offered by members of the CNPGC Group is not in the best interest of the Company and its shareholders, or is not fair and reasonable, they will make the decision not to procure such products from the CNPGC Group.

The Master Procurement Agreement is for a term of three years with effect from 1 January 2015 and ending on 31 December 2017. Upon expiry, the Master Procurement Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details for the transactions were set out in an announcement dated 7 November 2014 and a circular dated 12 November 2014 published on the websites of Hong Kong Stock Exchange and the Company.

CNPGC is the ultimate controlling shareholder of the Company and connected person of the Company under the Listing Rules. The transactions under the Master Procurement Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

During the Reporting Period, the proposed annual caps for and the actual transaction amounts under the Master Procurement Agreement payable to CNPGC Group by the Group were RMB6,000 million and RMB2,794 million, respectively.

The continuing connected transactions between the Group and the CNPGC Group under the Master Sales Agreement

In order to regulate the continuing connected transactions in respect of the sales of pharmaceutical products between the Group and the CNPGC Group, the Company and the CNPGC renewed the Master Sales Agreement of Pharmaceutical Products, Personal-care Supplies, Medical Equipment, Chemical Reagents and Laboratory Supplies (the “**Master Sales Agreement**”) on 7 November 2014, and set up the annual caps for the three years ending 31 December 2017 of the continuing connected transactions under the Master Sales Agreement. The annual caps for the continuing connected transactions contemplated under the renewed Master Sales Agreement for the three years ending 31 December 2017 will amount to RMB1,650 million, RMB2,200 million and RMB2,800 million, respectively.

Pursuant to Master Sales Agreement, the Group has agreed to sell pharmaceutical products, personal-care supplies, medical equipment, chemical reagents and laboratory supplies as well as the related services to the CNPGC Group. The related services to be provided by the Group under the Master Sales Agreement mainly include the transportation services, storage services, equipment maintenance and repair services, as well as other related and ancillary services.

Under the Master Sales Agreement, the price shall be determined in accordance with the following pricing principles: (i) The price of pharmaceutical products, personal-care supplies, medical equipment, chemical reagent, chemical reagents or laboratory supplies sold by the Group to the CNPGC Group under the renewed Master Sales Agreement will be offered by members of the Group based on the bidding price of the relevant products, which is won by relevant member of the Group through its participation in the public bidding process of such products conducted by the tender office of Chinese government or hospitals, deducting the gross profit margin of distributors at each level; (ii) The finance department of the Company will be responsible for collecting data of the continuing connected transactions conducted by itself or any of its subsidiaries on a regular basis and examining and comparing specific agreements for such continuing connected transactions with those entered into with independent third parties, so as to ensure that the pricing policies of the relevant products offered by the Company and/or its subsidiaries to the CNPGC Group are comparable to those offered to independent third parties.

The Master Sales Agreement is for a term of three years with effect from 1 January 2015 and ending on 31 December 2017. Upon expiry, the Master Sales Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details for the transactions were set out in an announcement dated 7 November 2014 published on the websites of Hong Kong Stock Exchange and the Company.

CNPGC is the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules. The transactions under the Master Sales Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

During the Reporting Period, the proposed annual caps for and the actual transaction amounts under the Master Sales Procurement Agreement payable to the Group by the CNPGC Group were RMB1,650 million and RMB771 million, respectively.

The continuing connected transactions between the Group and Sinopharm Group Finance Co. under the Financial Services Framework Agreement

In order to regulate the continuing connected transactions in respect of the utilization of financial services between the Group and Sinopharm Group Finance Co., the Company and Sinopharm Group Finance Co. (a subsidiary of the ultimate controlling shareholder of the Company and a connected person of the Company) entered into the Financial Services Framework Agreement on 7 November 2014, and set up the annual caps for the continuing connected transactions thereunder for the three years ending 31 December 2017. The maximum daily balance of the deposits under the renewed Financial Services Framework Agreement for each of the three years ending 31 December 2017 will amount to RMB2,000 million, and the annual caps for the interests/service fees paid for the provision of other financial services under the renewed Financial Services Framework Agreement for each of the three years ending 31 December 2017 will amount to RMB200 million.

Pursuant to the Financial Services Framework Agreement, the Company and/or its subsidiaries will, from time to time, utilize the following financial services available from Sinopharm Group Finance Co. as is deemed necessary: (i) deposit services; (ii) loan and entrustment loan services; (iii) other financial services including bill discounting and acceptance services, finance lease services, settlement services and entrustment loan agency services; and (iv) other services as approved by China Banking Regulatory Commission.

Fees and charges payable by the Company and/or its subsidiaries to Sinopharm Group Finance Co. under the Financial Services Framework Agreement are determined on the following basis: (1) Deposit services: interest rates shall not be lower than each of (i) the interest rates floor promulgated by the People's Bank of China from time to time for the same category of deposits; (ii) the interest rates offered to other members of the CNPGC Group by Sinopharm Group Finance Co. for the same category of deposits; and (iii) the interest rates offered to the Company and/or its subsidiaries by commercial banks for the same category of deposits. (2) Loan services: interest rates shall not be higher than each of (i) the interest rates cap promulgated by the People's Bank of China from time to time for the same category of loans; (ii) the interest rates offered to other members of the CNPGC Group by Sinopharm Group Finance Co. for the same category of loans; and (iii) the interest rates offered to the Company and/or its subsidiaries by commercial banks for the same category of loans. (3) Other financial services: the interests or service fees charged for other financial services shall (i) comply with the standard rates as promulgated by the People's Bank of China or China Banking Regulatory Commission from time to time (if applicable); (ii) be not higher than the interests or service fees charged by commercial banks for comparable services; and (iii) be not higher than the interests or service fees charged by Sinopharm Group Finance Co. for comparable services to other members of the CNPGC Group. Sinopharm Group Finance Co. may provide other services to the Company and/or its subsidiaries as may be approved by China Banking Regulatory Commission in the future. The fees and charges for such services to be provided shall: (i) comply with the standard rates as promulgated by the People's Bank of China or China Banking Regulatory Commission from time to time (if applicable) for such kind of services; (ii) be not higher than the fees charged by commercial banks for comparable services; and (iii) be not higher than the fees charged by Sinopharm Group Finance Co. for comparable services to other members of the CNPGC Group.

The Financial Services Framework Agreement is effective from 1 January 2015 to 31 December 2017. Details for the transactions were set out in an announcement dated 7 November 2014 published on the websites of Hong Kong Stock Exchange and the Company.

Sinopharm Group Finance Co. is a subsidiary of the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement between the Company and Sinopharm Group Finance Co. constitute continuing connected transactions of the Company.

During the Reporting Period, under the Financial Services Framework Agreement, the maximum daily balance of the deposits placed with Sinopharm Group Finance Co. by the Group was RMB2,000 million, while the actual amounts was RMB1,994 million; the annual cap for the interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Co. was RMB200 million, while the actual amount was RMB42 million.

The continuing connected transactions between the Group and the CNPGC Group under the EPC General Contracting Service Framework Agreement

In order to regulate the continuing connected transactions in respect of the EPC general contracting service between the Group and the CNPGC Group, the Company and the CNPGC entered into the EPC General Contracting Service Framework Agreement (the “**EPC Service Agreement**”) on 15 October 2015, and set up the annual caps for the three years ending 31 December 2017 of the continuing connected transactions under the EPC Service Agreement. The annual caps for the continuing connected transactions contemplated under the EPC Service Agreement for the three years ending 31 December 2017 will amount to RMB300,000,000, RMB400,000,000 and RMB500,000,000, respectively. Pursuant to the Listing Rules, the EPC Service Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2017 have been approved by the Board of the Company.

Pursuant to the EPC Service Agreement, the CNPGC Group will provide EPC (Engineering, Procurement, and Construction) general contracting services to the Group according to the engineering project general contracting agreements obtained by CNPGC through bidding process.

Under the EPC Service Agreement, the price shall be determined in accordance with the following pricing principles: (i) Under the EPC General Contracting Service Framework Agreement, the service provider and the price of EPC general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. The CNPGC Group shall bid by stringently following the steps and/or measurements as stipulated by The Invitation And Submission of Bids Law of the PRC and the specific requirements in bidding invitation documents made by the Group; (ii) The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project’s technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and etc. The Group’s tender committee is responsible for (i) adhering the process is in accordance with The Invitation And Submission of Bids Law of the PRC; (ii) reviewing, evaluating and monitoring documents from outsourcing service providers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the CNPGC Group is no less favorable than those available from independent third parties; and (iii) grading the service providers and writing recommendation advice. The Group’s tender committee is responsible for deciding which service provider will be awarded the EPC General Contracting Service Framework Agreement.

The EPC Service Agreement is for a term of three years with effect from 1 January 2015 and ending on 31 December 2017. Upon expiry, the EPC Service Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details for the transactions were set out in an announcement dated 15 October 2015 published on the websites of Hong Kong Stock Exchange and the Company.

CNPGC is the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules. The transactions under the EPC Service Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

During the Reporting Period, the proposed annual caps for, the actual contract amounts and the actual implementation amounts under the EPC Service Agreement payable by the Group to the CNPGC Group were RMB300,000,000, 220,130,000 and RMB148,490,000, respectively.

The Company has conformed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2015 has followed the pricing principles of such continuing connected transactions.

The Independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

- i. in the ordinary and usual course of business of the Company;
- ii. either on normal commercial terms or better to the Company; and
- iii. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions and the auditor has reported the factual findings on these procedures to the Board committee.

The auditors of the Company had informed the Board and confirmed that the above-mentioned continuing connected transactions:

- i. were approved by the Board;
- ii. were in accordance with pricing policy of the Company;
- iii. were entered into in accordance with relevant agreements governing the transactions; and
- iv. did not exceed the annual caps disclosed in the relevant announcements of the Company.

Non-exempt connected transactions

Acquisition of 20% equity interest in Sinopharm Holding Medical Investment Management Co. from Sinopharm Investment

On 17 August 2015, the Company entered into the Equity Transfer Agreement (“**Equity Transfer Agreement**”) with Sinopharm Investment (“**Sinopharm Investment**”), the intermediate controlling shareholder of the Company, in respect of the acquisition of 20% equity interest in Sinopharm Holding Medical Investment Management Co. (“**Sinopharm Medical Investment**”) at a consideration of RMB100 million. Upon completion of the transaction under the Equity Transfer Agreement, Sinopharm Investment, the Company and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“**Fosun Pharma**”) will each hold 20%, 45% and 35% equity interest in Sinopharm Medical Investment, respectively.

Sinopharm Investment, the intermediate controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

Due to adjustments in industrial investment strategies, Sinopharm Investment decided to decrease its shareholding ratio in Sinopharm Medical Investment. The Directors consider that Sinopharm Medical Investment has obtained material investment progress, and could form synergy effect with the Company. Therefore, by increasing its shareholding ratio in Sinopharm Medical Investment, the Company could further explore and develop diversified pharmaceutical and healthcare related businesses on the premise that the Company would focus on its core business and control the risk.

Upon the completion of the aforesaid acquisition, Sinopharm Investment further put 20% equity interest in Sinopharm Medical Investment up for sale in the Shanghai United Assets and Equity Exchange. Considering that diversified shareholding structure will be conducive to the rapid development of Sinopharm Medical Investment by making full use of the advantageous resources of all the shareholders, therefore, the Company decided not to participate in the bidding process in respect of the public listing transfer of 20% equity interest in Sinopharm Medical Investment by Sinopharm Industrial Investment.

On 18 November 2015, Sinopharm Investment entered into the equity transfer agreement with Fosun Pharmaceutical and Tebon Innovation Capital Co., Ltd. ("**Tebon Capital**"), pursuant to which, Sinopharm Investment agreed that Fosun Pharmaceutical and Tebon Capital, as the joint transferees, each received 10% of the equity interest in Sinopharm Medical Investment held by Sinopharm Investment. Upon completion of the transactions under the aforesaid equity transfer agreement, Sinopharm Medical Investment were owned as to 45%, 45% and 10% by the Company, Fosun Pharmaceutical, and Tebon Capital, respectively, and Sinopharm Medical Investment became an associated company of the Company.

Details of the transactions are set out in the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 17 August 2015 and 18 November 2015.

Capital increase agreement regarding Guorui Medicine

On 13 October 2015, the Company entered into the agreement in relation to the capital increase in Sinopharm Group Guorui Medicine Co., Ltd. ("**Guorui Medicine**") with National Medicining and CNPGC, pursuant to which, (i) the Company has agreed to make the capital contribution to Guorui Medicine in the amount of RMB330 million; and (ii) CNPGC has agreed to make the capital contribution to Guorui Medicine in the amount of RMB100 million. Upon completion of the transactions under the capital increase agreement, the Company's direct or indirect equity interest in Guorui Medicine were diluted from 100% to 91.19%, therefore such transaction gave rise to a deemed disposal of equity interest in Guorui Medicine by the Company according to Rule 14A.24(1) of the Listing Rules.

The Directors consider that the capital increase could provide support for the expansion and transformation of Guorui Medicine and the development of the anhydrous ethanol project, and therefore expand the development space of Guorui Medicine.

CNPGC is the ultimate controlling shareholder of the Company and therefore is a connected person of the Company as defined under the Listing Rules. Accordingly, the capital increase of RMB100 million by CNPGC to Guorui Medicine (namely the deemed disposal of equity interest in Guorui Medicine by the Company) constituted a connected transaction of the Company pursuant to the Listing Rules.

Details of the transaction are set out in the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 13 October 2015.

Save as disclosed above, for the year ended 31 December 2015, there is no other related party transaction or continuing related party transaction set out in Note 41 to the Financial Statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company. None of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Biographies of Directors, Supervisors and Senior Management

Biographies of the Directors, Supervisors and senior management are set out from page 39 to 51 of this annual report.

Remunerations of Directors, Supervisors, Senior Management and Five Highest Paid Individuals

The remuneration committee determines and makes recommendation to the Board (as appropriate) on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group, and determines remuneration of the Directors based on their qualifications, experience and contributions, to attract and retain its Directors as well as to control costs.

Details of the remuneration of the Directors and Supervisors in 2015 are set out in Note 45 to the Consolidated Financial Statements.

Details of the five highest paid individuals of the Group in 2015 are set out in Note 10 to the Consolidated Financial Statements on page 116 of this annual report.

Details of the remuneration of the current senior management of the Company by band for the year ended 31 December 2015 are set out as follows:

Range	Number of individuals
RMB nil to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	7
RMB3,000,000 and above	1

Interests of Directors and Supervisors in Material Transactions, Arrangements, and Contracts

Save as disclosed in the non-exempt continuing connected transactions and the non-exempt connected transactions, for the year ended 31 December 2015, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or their relevant party has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

Interests of Directors in Competing Business

As at 31 December 2015, three non-executive Directors, namely Mr. Chen Qiyu, Mr. Wang Qunbin and Mr. Li Dongjiu had interest in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group. Mr. Wang Qunbin is a non-executive director of Fosun Pharma. Mr. Chen Qiyu is an executive director and the chairman of the board of Fosun Pharma and a director of some of the Fosun Production Companies. Mr. Li Dongjiu is a senior vice president of Fosun Pharma and a director of certain distribution, manufacture and retail companies of Fosun.

For the year ended 31 December 2015, the Group's total revenue from sales of pharmaceutical products to Fosun Pharma and its subsidiaries was approximately RMB125 million and total costs from purchase of pharmaceutical products from Fosun Pharma and its subsidiaries was approximately RMB881 million, accounting for 0.06% and 0.42%, respectively, of the Group's audited total revenue and total costs for the same period.

Certain Fosun Production Companies are wholly-owned or controlled by Fosun Pharma. A summary of the facts and circumstances regarding the Fosun Production Companies are set out below:

Description of business

The Fosun Production Companies principally engage in the production of pharmaceutical products in the PRC. The core business of the Group is the distribution of pharmaceutical products in the PRC, not production of medicines. For the year ended 31 December 2015, the Group's revenue from the production of pharmaceutical products only accounted for approximately 1.33% of the Group's total audited revenue. Furthermore, because there is a clear delineation between the medicines produced by the Group and those produced by the Fosun Production Companies, the Directors believe that there is no competition between the Fosun Production Companies and the Group.

Independence

The Company is financially independent from the Fosun Production Companies. Given the insignificant proportion of sales of pharmaceutical products to/purchase of pharmaceutical products from certain Fosun Production Companies to the Group's total audited revenue/costs, therefore, the Group is also operationally independent from the Fosun Production Companies.

As mentioned above, Mr. Chen Qiyu and Mr. Li Dongjiu, who are non-executive Directors, are directors of certain Fosun Production Companies. Apart from the above two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, none of the other Directors and members of senior management of the Company concurrently hold any director and/or senior management positions in any of the Fosun Production Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Production Companies.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2015, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long

Save as disclosed above, as at 31 December 2015, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

Rights to Purchase Shares or Debentures of Directors, Supervisors and Chief Executive

No arrangements to which the Company, any of its subsidiaries, its holding company or any subsidiary of its holding company is or was a party enabling the Directors, Supervisors and the chief executive of the Company to acquire benefits by means of acquisitions of shares or debentures of the Company or any other body corporate subsisted during the Reporting Period.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2015, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 (Note 2)	0.10	0.17	-
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 2)	56.79	99.83	-
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Note 1 and 2)	56.79	99.83	-
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 3)	56.79	99.83	-
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 4)	56.79	99.83	-
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 5)	56.79	99.83	-
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 6)	56.79	99.83	-
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 7)	56.79	99.83	-
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	56.79	99.83	-
Capital Research and Management Company	H shares	Investment manager	42,110,000	1.52	3.53	Long position

Report of the Board of Directors

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 9)	75,234,700	2.71	6.31	Long position
			3,200	0.00	0.00	Short position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.47	3.41	Long position
JPMorgan Chase & Co.	H shares	Beneficial owner, Investment manager, Custodian/approved lending agent (Note 10)	131,466,677	4.75	11.02	Long position
			5,320,484	0.19	0.44	Short position
			89,928,355	3.25	7.53	Shares available for lending
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	107,926,400	3.90	9.05	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	131,262,800	4.74	11.00	Long position

Notes:

The information was disclosed based on the data available on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is interested in 2,728,396 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.
- (3) Fosun Pharma is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun High Technology is the beneficial owner of 39.78% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun Company is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore, Fosun Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

- (6) Fosun Holdings is the beneficial owner of 71.37% equity interest in Fosun Company and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Mr. Guo Guangchang is the beneficial owner of 64.45% equity interest in Fosun International Holdings and 0.005% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (9) BlackRock, Inc. is interested in long positions of 75,234,700 and short positions of 3,200 H shares of the Company indirectly through a series of controlled corporations.
- (10) JPMorgan Chase & Co. is interested, directly and indirectly through a series of controlled corporations, in an aggregate of long positions of 131,466,677 H shares (of which 89,928,355 are H shares available for lending) and short positions of 5,320,484 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2015, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of all Directors, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules in the financial year of 2015 and prior to the issue of this annual report.

Management Contract

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Reporting Period.

Pension Scheme

During the Reporting Period, details of the pension scheme of the Group are set out in Note 10 to the Consolidated Financial Statements.

Donation

During the Reporting Period, details of the donation are set out in Note 8 to the Consolidated Financial Statements.

Entrusted Deposit and Matured Time Deposit

As at 31 December 2015, the Company had not held any deposits under trust or any time deposit in any financial institution in the PRC which could not be withdrawn upon maturity.

Tax Relief and Exemption

Save as disclosed in this annual report, the Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

Confirmation of Independency by Independent Non-Executive Directors

The Company had received annual confirmation of independence from each independent non-executive Director. Based on the confirmation, the Company considered that all independent non-executive Directors were independent according to the Listing Rule.

Auditor

The financial statements set out in this annual report have been audited by PricewaterhouseCoopers. The Company did not change its auditors over the past three years.

By Order of the Board
Sinopharm Group Co. Ltd.
Wei Yulin
Chairman

Shanghai, the People's Republic of China
25 March 2016

Report of the Supervisory Committee

During the Reporting Period, all members of the Supervisory Committee have complied with the principle of integrity and earnestly performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles of Association and Rules of Procedures for the Supervisory Committee of the Company to protect the interests of the shareholders and the Company.

I. Works of the Supervisory Committee During the Reporting Period

For year 2015, the Supervisory Committee held four meetings and the details are as follows:

On 20 March 2015, the second meeting of the third session of the Supervisory Committee was convened to approve the “Report of the Supervisory Committee of 2014”.

On 27 April 2015, the third meeting of the third session of the Supervisory Committee was convened to consider and approve the “Resolution on Election of Mr. Tao Wuping as an independent Supervisor” “Resolution on Transfer of Mr. Yao Fang as an independent Supervisor” and “Resolution on Amendments of Rules of Procedure of Supervisory Committee”.

On 21 August 2015, the fourth meeting of the third session of the Supervisory Committee was convened to consider and approve the “Resolution on Election of the Chief Supervisor of the Third Session of the Supervisory Committee” and “Resolution on Determination of Remuneration of Independent Supervisors of the Third Session of the Supervisory Committee”.

On 6 November 2015, the fifth meeting of the third session of the Supervisory Committee was convened to consider and approve the “The regulations on relevant expenses and treatment standards due to work needs for Directors and Supervisors of the Company”.

II. Comments of the Supervisory Committee on Certain Matters of the Company in 2015

During the Reporting Period, the members of the Supervisory Committee adhered to the principles of fidelity and accountability to all shareholders and duly performed their duties and works according to the relevant laws and regulations. The Supervisory Committee supervised the regulatory compliance and operation, financial condition, use of proceeds and internal control, etc. of the Company through attending shareholders’ general meetings and board meetings as non-voting delegates and on-site inspections. The Supervisory Committee has arrived at the following opinions:

1. Regulatory compliance of the operation of the Company. During the Reporting Period, the Board earnestly exercised the rights and performed the obligations conferred by the PRC Company Law and the Articles of Association to make decisions in time on material matters including production and operation plans and development objectives, and implemented all resolutions adopted by the shareholders’ general meetings and board meetings. Senior management managed and operated the Company in compliance with laws and regulations. The Directors and senior management have fulfilled obligation of integrity without violating any laws or Articles of Association or committing any action which may be against the interests of shareholders.

2. Evaluation of financial condition of the Company. During the Reporting Period, the Supervisory Committee has supervised and reviewed the financial structure and position of the Company. The Supervisory Committee is of the opinion that the financial structure of the Company was healthy and standardized and the Company was in a good financial position. The 2015 Audit Report of the Company has truly, accurately and completely reflected the financial condition, results of operation and cash flows of the Company.
3. The use of funds raised by the Company. The Supervisory Committee is of the opinion that the use of proceeds complied with the provisions of relevant laws and regulations and the Articles of Association without violating the interests of the Company and its shareholders. The Supervisory Committee will continue to supervise and monitor the use of proceeds.
4. Acquisition and disposal of assets of the Company. The acquisitions and disposals of the assets of the Company during the Reporting Period were based on fair and reasonable prices. No insider dealing or any action that may injure shareholders' interests or cause any loss of assets of the Company has been found.
5. Connected transactions of the Company. During the Reporting Period, the connected transactions between the Company and all connected persons conformed to applicable regulations of the Hong Kong Stock Exchange. The connected transactions were based on fair and reasonable prices and were carried out in accordance with the principles of reasonableness, fairness and justice. No harm to the interests of the Company and unrelated shareholders has been found.
6. Preparation and review of annual report of the Company. The preparation and review procedures of the 2015 annual report of the Company conformed to all the relevant regulations of the China Securities Regulatory Commission and the Hong Kong Stock Exchange. No breach of confidentiality provisions by any person involved in the preparation or review of annual report has been found.

In the coming year, the Supervisory Committee will continue to arduously perform its supervisory and monitoring duties with an aim to strengthen the overall competitiveness and sustainable profitability of the Company and to protect the interests of shareholders and the Company.

Yao Fang
Chief Supervisor

25 March 2016

Corporate Social Responsibility

In 2015, Sinopharm Group thoroughly followed and executed the spirits raised by the Fourth and Fifth Plenary Sessions of the 18th Central Committee of the Communist Party of China as well as the Central Economic Work Conference, firmly established the development concept of “Strategic Rebalance” and conscientiously implemented the overall deployment of CNPGC. The Company also seized the opportunities brought by the “New Normal” phase to stimulate corporate vitality and motive new momentum, which has in turn facilitated the implementation of “Two Declines and One Reduction”, laid a solid foundation for compliance operation, thereby successfully achieving all the budget indicators for the year with the concerted efforts of all our staff and hence rounding off the “Twelfth Five-year Plan” as well as laying a sound foundation for the overall arrangement of the “Thirteenth Five-year Plan”.

Corporate object: Let our customers feel our efforts; Let our employees realize their values; Let our shareholders get their returns.

Philosophy of corporate social responsibility: Good compliance; People-oriented; Health and satisfaction; Constant improvement.

Corporate vision: To become a pharmaceutical and healthcare service provider with international competitiveness.

Performance of Corporate Social Responsibility

1. Successfully obtained SA8000 social responsibility certification. The Company has included “SA8000 Social Responsibility Management System” training in the day-to-day training of our staff and has continuously improved the training according to the international standard of SA8000. The system has passed the supervision and examination conducted by a third-party certification institution and successfully renewed the certification.
2. Consciously fulfilled the requirement of “One Position with Dual Responsibilities”. Since 2015, party and political leaders and cadres working in Sinopharm Group have visited and conducted surveys for a total of over 80 subsidiaries, conveying the specific strategic developments, party-building work, requirements for compliance with anti-corruption practices of the Company to the operational staff, guiding and driving the front-line companies in solving actual operation management problems and being accountable for “One Position with Dual Responsibilities”. With the visits and surveys conducted, the subsidiaries have deeper understanding of the operation and management requirement of the headquarters, and thus have provided greater support to the development of party organization and became more conscious of the implementation of anti-corruption practices in workplace and compliance matters in relation to operations.
3. Attained fruitful results of “Two Declines and One Reduction”. In 2015, Sinopharm Group actively adapted to the “New Normal” phase, marched forward despite all the pressure and difficulties and managed to maintain its leading position in the industry. All budget indicators have been basically achieved, along with stable growth and enhanced efficiency.

Corporate Social Responsibility

4. Environmental protection, energy saving and emission reduction activities. Sinopharm Group had placed great emphasis on clearly stating the responsibilities for environmental protection and energy saving of its subsidiaries. It encouraged companies under the Group to actively invest in upgrading of equipment, at the same time stepping up their efforts in improving the company's capabilities in respect of sewage treatment, energy saving and emission reduction, striving to become an environmentally-friendly enterprise.
5. Returning the society. Adhering to the philosophy of "Caring for Life; Attending to Health", Sinopharm Group has proactively returned the society. The headquarters and subsidiaries of the Group actively held socially responsible practice activities such as "One-to-one Support", "Education Support", "Help the Poor and the Old", "Go Green", "Disaster and Emergency Relief" and "Volunteer Service" to contentiously perform the responsibilities of a corporate citizen.
6. Corporate democratic management activities. The Company safeguarded the rights and interests of staff in accordance with law and provided them with attractive salary and benefits as well as sound labor protection conditions.

The Company constantly organized diversified cultural and sports activities for its staff. Staff may also enjoy a period of rest and recuperation and participate in caring activities during high temperature period and various festivals; The Company continuously strengthened the organization and establishment of labor unions for operational staff, improved the system of employee representatives meetings, and further strengthened and improved the corporate democratic management, aiming at building a harmonious Sinopharm Group.

Adhering to the philosophy of "Caring for Life; Attending to Health", Sinopharm Group continues to improve its social responsibility management system. Cherishing the "Benevolence, love and responsibility" as its core value, it strives to bring long-lasting and stable value to its shareholders, clients, environment and the society.

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF SINOPHARM GROUP CO. LTD.

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Sinopharm Group Co. Ltd. (the "Company") and its subsidiaries set out on pages 75 to 232, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2016

Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Revenue	5, 6	227,069,433	200,131,261
Cost of sales and other operating costs	9	(208,451,904)	(183,803,043)
Gross profit		18,617,529	16,328,218
Other income	7	243,730	204,021
Distribution and selling expenses	9	(5,997,520)	(5,122,849)
General and administrative expenses	9	(3,694,535)	(3,547,468)
Operating profit		9,169,204	7,861,922
Other gains – net	8	62,449	38,730
Finance income		241,074	187,911
Finance costs		(2,228,207)	(2,316,602)
Finance costs – net	11	(1,987,133)	(2,128,691)
Share of profit of investments accounted for using the equity method	19	165,060	162,642
Profit before income tax		7,409,580	5,934,603
Income tax expense	12	(1,713,164)	(1,383,030)
Profit for the year		5,696,416	4,551,573
Attributable to:			
– Shareholders of the Company		3,760,649	2,874,823
– Non-controlling interests		1,935,767	1,676,750
		5,696,416	4,551,573
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	13	1.36	1.11

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

Consolidated Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Profit for the year		5,696,416	4,551,573
Other comprehensive losses:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations	32, 12	(33,788)	(17,301)
<i>Items that may be reclassified to profit or loss</i>			
Fair value gains on available-for-sale financial assets, net of tax	21, 12	29,905	10,745
Currency translation differences	12	4,660	235
Share of other comprehensive income of investments accounted for using the equity method	19, 12	–	195
Total items that may be reclassified subsequently to profit or loss		34,565	11,175
Other comprehensive income/(losses) for the year, net of tax		777	(6,126)
Total comprehensive income for the year		5,697,193	4,545,447
Attributable to:			
– Shareholders of the Company		3,755,871	2,865,708
– Non-controlling interests		1,941,322	1,679,739
		5,697,193	4,545,447

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

Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2015	2014
ASSETS			
Non-current assets			
Land use rights	14	1,489,897	1,445,698
Investment properties	15	393,872	361,354
Property, plant and equipment	16	7,641,039	7,102,276
Intangible assets	17	6,719,969	6,348,010
Investments accounted for using the equity method	19	1,133,444	930,179
Available-for-sale financial assets	21	322,247	348,396
Finance lease receivables	22	1,550,131	–
Deferred income tax assets	23	640,669	565,472
Other non-current assets	24	1,623,692	1,281,890
		21,514,960	18,383,275
Current assets			
Inventories	25	22,348,576	20,308,570
Trade receivables	26	64,623,618	66,098,233
Prepayments and other receivables	27	5,059,231	4,481,383
Available-for-sale financial assets	21	2,069	728
Finance lease receivables	22	349,720	–
Bank deposits and restricted cash	28	4,449,700	4,151,194
Cash and cash equivalents	28	19,919,154	15,232,356
		116,752,068	110,272,464
Total assets		138,267,028	128,655,739
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	29	2,767,095	2,767,095
Reserves	30	27,284,531	24,614,772
		30,051,626	27,381,867
Non-controlling interests		10,604,079	8,907,762
Total equity		40,655,705	36,289,629

Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2015	2014
LIABILITIES			
Non-current liabilities			
Borrowings	31	608,195	4,222,597
Deferred income tax liabilities	23	692,619	632,801
Post-employment benefit obligations	32	553,912	516,272
Other non-current liabilities	33	1,074,527	974,615
		2,929,253	6,346,285
Current liabilities			
Trade payables	34	59,037,872	54,723,653
Accruals and other payables	35	6,783,632	5,419,051
Dividends payable		73,022	86,462
Current income tax liabilities		583,550	557,805
Borrowings	31	28,203,994	25,232,854
		94,682,070	86,019,825
Total liabilities		97,611,323	92,366,110
Total equity and liabilities		138,267,028	128,655,739

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

The financial statements were approved by the Board of Directors on 25 March 2016 and were signed on its behalf by

Wei Yulin
Director

Lyu Changjiang
Director

Consolidated Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to shareholders of the Company			Non- controlling interests	Total Equity
		Paid-in capital	Reserves	Total		
As at 1 January 2014		2,568,293	19,247,253	21,815,546	6,795,804	28,611,350
Total of comprehensive income		–	2,865,708	2,865,708	1,679,739	4,545,447
Issue shares, net of expenses		198,802	4,191,913	4,390,715	–	4,390,715
Effect of transactions with non-controlling interests		–	(1,020,941)	(1,020,941)	180,931	(840,010)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	94,701	94,701
Acquisition of subsidiaries		–	–	–	606,565	606,565
Dividends		–	(667,756)	(667,756)	(456,601)	(1,124,357)
Others		–	(1,405)	(1,405)	6,623	5,218
As at 31 December 2014		2,767,095	24,614,772	27,381,867	8,907,762	36,289,629
Total of comprehensive income		–	3,755,871	3,755,871	1,941,322	5,697,193
Effects of transactions with non-controlling interests	39	–	(241,318)	(241,318)	18,413	(222,905)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	120,997	120,997
Acquisition of subsidiaries		–	–	–	143,169	143,169
Dividends		–	(857,799)	(857,799)	(530,506)	(1,388,305)
Others		–	13,005	13,005	2,922	15,927
As at 31 December 2015		2,767,095	27,284,531	30,051,626	10,604,079	40,655,705

Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Cash flows from operating activities:			
Cash generated from operations	37	15,331,231	6,953,987
Income tax paid		(1,770,785)	(1,393,152)
Net cash generated from operating activities		13,560,446	5,560,835
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		–	637
Proceeds from disposal of land use rights		–	261
Proceeds from disposal of property, plant and equipment		67,719	22,126
Proceeds from disposal of available-for-sale financial assets		116,533	–
Proceeds from/(payment for) disposal of investment properties		4,327	(1,668)
Proceeds from disposal of an associate		–	74,726
Interest received from long-term deposits		71,318	39,114
Disposal of subsidiaries, net of cash disposed		(1,134)	(121,298)
Dividends received from associates		91,907	89,927
Dividends received from available-for-sale financial assets		13,030	7,316
Prepayment for acquisition		(5,880)	(124,310)
Purchase of land use rights		(63,707)	(192,901)
Purchase of property, plant and equipment		(1,015,813)	(1,450,506)
Purchase of intangible assets		(212,963)	(243,943)
Payment of long-term deposits		(1,616)	(42,833)
Acquisition of available-for-sale financial assets		(8,425)	(15,000)
Acquisition of subsidiaries, net of cash acquired			
– not under common control		(202,421)	(303,617)
Consideration paid for prior year acquisitions		(41,834)	(117,830)
Acquisition of associates		(109,003)	(28,455)
Acquisition of non-controlling interests of subsidiaries		–	(840,010)
Increase in restricted cash	28	(298,506)	(1,109,302)
Net cash used in investing activities		(1,596,468)	(4,357,566)

Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Cash flows from financing activities:			
Proceeds from borrowings from banks		33,470,446	31,126,548
Proceeds from borrowings from other financial institution		630,000	731,600
Repayment of borrowings from banks		(40,363,884)	(33,164,663)
Repayments of borrowings from other financial institution		(600,000)	(870,000)
Repayments of bonds		(6,000,000)	(5,000,000)
Issue of bond, net of expense	31	8,989,375	5,993,140
Issue of shares, net of expense		–	4,390,715
Capital injections from non-controlling shareholders of subsidiaries		120,997	94,701
Dividends paid to shareholders of the Company		(857,799)	(667,756)
Dividends paid to non-controlling shareholders of subsidiaries		(534,998)	(410,957)
Transaction with non-controlling interests of subsidiaries		(222,905)	–
Interest paid		(1,959,318)	(2,201,302)
Net cash (used in)/generated from financing activities		(7,328,086)	22,026
Increase in cash and cash equivalents			
		4,635,892	1,225,295
Cash and cash equivalents at beginning of year	28	15,232,356	14,001,962
Exchange gains on cash, cash equivalents		50,906	5,099
Cash and cash equivalents at end of year	28	19,919,154	15,232,356

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

1 General information

Sinopharm Group Co. Ltd. (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 8 January 2003 as a company with limited liability under the PRC Company Law.

On 6 October 2008, the Company was converted into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1:0.8699 into 1,637,037,451 shares of RMB1 each. In September 2009, the Company issued overseas-listed foreign invested shares (“H Shares”), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 23 September 2009.

The address of the Company’s registered office is 221 Fuzhou Road, Huangpu District, Shanghai, the PRC.

The Company and its subsidiaries (together, the “Group”) is mainly engaged in: (1) distribution of medicines, medical device and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics, (2) operation of pharmaceutical chain stores, and (3) distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

The ultimate holding company of the Company is China National Pharmaceutical Group Corporation (“CNPGC”), which was incorporated in the PRC.

These financial statements are presented in Renminbi (“RMB”) thousands, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 March 2016.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.
- Amendments from annual improvements to HKFRSs–2010–2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.
- Amendments from annual improvements to HKFRSs–2011–2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’ and HKAS 40, ‘Investment property’.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

(ii) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

- HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (continued)

(2) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(i) Business combinations not under common control

The Group applies the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2(9)).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(2) Subsidiaries (continued)

(ii) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

(2) Subsidiaries (continued)

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(3) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. See Note 2(9) for the impairment of non-financial assets including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using the equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest in associates are recognised in the income statement.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(4) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the operating committee (comprising the CEO and the CEO office) that makes strategic decisions.

(5) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the respective functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or cost. All other foreign exchange gains and losses are presented in the income statement within other gains – net.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2 Summary of significant accounting policies (continued)

(5) Foreign currency translation (continued)

(iii) Group companies (continued)

- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from translation of net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

(6) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Plant and machinery	8-15 years
Motor vehicles	5-8 years
Furniture, fittings and equipment	3-8 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains – net, in the income statement.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(7) Investment property

Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

The land component of leasehold investment property is accounted for as land use rights.

The building component of investment properties is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 to 40 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

(8) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost represents consideration paid for the rights to use the land for years ranging from 10 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the year of the rights.

(9) Intangible assets

(i) Goodwill

Goodwill arises on acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Sales network

Sales network represents customer relationship and distribution channels acquired in business combinations are recognized at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 9 to 20 years.

2 Summary of significant accounting policies (continued)

(9) Intangible assets (continued)

(iii) Trademarks and patent rights

Separately acquired trademarks are shown at historical cost. Trademarks acquired in business combinations are recognised at fair value at the acquisition date. Trademarks with a finite useful life are amortised using the straight-line method over their estimated useful lives of 5 to 20 years. Trademarks with an indefinite useful life are not subject to amortisation and are tested annually for impairment (Note 2(11)).

Patent rights are initially recorded at cost and are amortised using the straight-line method over the estimated useful lives of 5 to 15 years.

(iv) Exclusive distribution right

Exclusive distribution right is measured initially at cost and are amortised using the straight-line method over its useful lives of 10 years according to the contract.

(v) Favorable leasing right

Favorable leasing right acquired in business combinations are recognised at fair value at the acquisition date and are amortised using the straight-line method over 17 to 20 years.

(vi) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

(vii) Internally generated product development cost

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the product development phase is recognised as intangible assets only if all of the following conditions are satisfied:

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(9) Intangible assets (continued)

(vii) Internally generated product development cost (continued)

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- there is an ability to use or sell the product development result;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures 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 an expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as intangible assets in the balance sheet.

Internally generated product development cost recognised as assets are amortised over their estimated useful lives of 3 to 5 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(10) Lease

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee, other than legal title, are accounted for as finance leases. When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the balance sheet as finance lease receivable. Any unguaranteed residual value is also recognized at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present values is recognized as unearned finance income. Unearned finance income is recognized over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

2 Summary of significant accounting policies (continued)

(11) Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(12) Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise finance lease receivables, trade and other receivables, pledged bank deposits and cash and cash equivalents in the balance sheet (Note 2(10), Note 2(15) and 2(16)).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as other gains.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(13) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 Summary of significant accounting policies (continued)

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(15) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets; otherwise, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(16) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institution, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(17) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(18) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(19) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(20) Borrowing costs

General and specific borrowing costs directly attributable to construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(21) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

(21) Current and deferred income tax (continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(22) Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of the RMB denominated (the currency in which the benefits will be paid) PRC government bonds, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (continued)

(22) Employee benefits (continued)

(a) Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS/HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(23) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

(23) Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(24) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods – pharmaceutical distribution

The Group sells a range of medicine, pharmaceutical and other products in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the wholesaler (including hospital and distributor), the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Medicine products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts at the time of sale. Accumulated experience is used to estimate and provide for the discounts. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 to 180 days, which is consistent with the market practice.

(ii) Sales of goods – retail pharmacy

The Group operates a chain of retail outlets for selling medicines and other pharmaceutical products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by debit or credit cards.

2 Summary of significant accounting policies (continued)

(24) Revenue recognition (continued)

(iii) Sales of services

The Group provides import agency service, consulting service and other miscellaneous services. Revenue from fixed-price contracts for delivering services is recognised in the year when the services are provided.

(iv) Operating lease income

Operating lease income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(v) Finance lease income

Finance lease income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(vi) Franchise income

Franchise income is recognised as revenue when all material services relating to the contract have been substantially performed.

(25) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment, and continues unwinding the discount as interest income.

(26) Dividend income

Dividend income is recognised when the right to receive payment is established.

(27) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(28) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value and cash flow interest rate risk), credit risk and liquidity risk.

The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(i) Foreign currency risk

The Group mainly operates in the PRC with most of the Group's transactions denominated and settled in RMB. However, the Group has certain cash and cash equivalents, borrowings from banks and other financial institution and trade payables denominated in foreign currencies, mainly United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Euro ("EUR"), which are exposed to foreign currency translation risk. The Group has not hedged its foreign currency risk.

As at 31 December 2015, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, post-tax profit for the year ended 31 December 2015 would have been approximately RMB32,591 thousands lower/higher (2014: RMB130,990 thousands higher/lower), mainly as a result of foreign exchange losses/gains on translation of USD, HKD and EUR-denominated cash and cash equivalents, borrowings from banks and other financial institution and trade payables.

(ii) Fair value and cash flow interest rate risk

Except for deposits in bank or other financial institution and finance lease receivables which earn interest at floating rates (Note 28), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2015, if interest rates on deposits in bank or other financial institution and finance lease receivables had been 15 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2015 would have been RMB24,994 thousands (2014: RMB20,490 thousands) higher/lower, mainly as a result of higher/lower interest income on cash in bank or other financial institution and finance lease income.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2015, if interest rates on borrowings had been 50 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2015 would have been RMB68,504 thousands (2014: RMB67,871 thousands) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(iii) Credit risk

The carrying amounts of finance lease receivables, pledged bank deposits, cash and cash equivalents, trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/reviews. Majority of trade receivables are with customers having an appropriate credit history.

The Group has policies to place its cash and cash equivalents only with major financial institutions and other financial institution controlled by CNPGC. As at 31 December 2015, most of the restricted bank deposits and cash and cash equivalents were deposited with major financial institutions in Mainland China and Hong Kong except the deposit in related party as disclosed in Note 42.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities, discounting of bank acceptance notes to banks or other financial institution. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

At the reporting date, the Group held cash and cash equivalents of RMB19,919,154 thousands (2014:RMB15,232,356 thousands) (Note 28) and trade receivables of RMB64,623,618 thousands (2014:RMB66,098,233 thousands) (Note 26) that are expected to readily generate cash inflows for managing liquidity risk. The Group also has agreed to receive bank acceptance notes from certain customers with long-term business trading history and most of these notes are guaranteed by major banks in Mainland China. The maturity of these bank acceptance notes ranges from 3 to 6 months. To maintain flexibility in the Group's funding requirements, a major portion of these bank acceptance notes are discounted to banks or other financial institution with effective interest rates ranging from 2.9% to 5.6% per annum.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining years at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(iv) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2015					
Borrowings	28,209,102	249,600	317,700	40,895	28,817,297
Interests payments on borrowings (Note)	375,751	21,150	18,473	2,472	417,846
Trade and other payables	65,315,672	–	–	–	65,315,672
Other non-current liability	–	567	13,572	135,878	150,017
	93,900,525	271,317	349,745	179,245	94,700,832
As at 31 December 2014					
Borrowings	25,236,954	100,000	4,131,600	8,095	29,476,649
Interests payments on borrowings (Note)	670,521	189,734	233,694	1,281	1,095,230
Trade and other payables	59,662,497	–	–	–	59,662,497
Other non-current liability	–	100,000	–	–	100,000
	85,569,972	389,734	4,365,294	9,376	90,334,376

Note: Interest is based on borrowings as at 31 December 2015 and 2014 and the interest rate as at 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

(2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the total liabilities divided by the total assets.

The gearing ratios are as follows:

	As at 31 December	
	2015	2014
Total liabilities	97,611,323	92,366,110
Total assets	138,267,028	128,655,739
Gearing ratio	70.60%	71.79%

(3) Fair value estimation

The table below analyzed financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below presents the Group's assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

	Level 1	Level 2	Level 3	Total
At 31 December 2015				
Available-for-sale financial assets	80,751	4,570	238,995	324,316
At 31 December 2014				
Available-for-sale financial assets	49,565	4,570	294,989	349,124

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

(3) Fair value estimation (continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 during the year.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

(3) Fair value estimation (continued)

(iii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Total
Opening balance	294,989
Addition	9,506
Disposals	(75,372)
Gains and losses recognised in other comprehensive income	9,872
Closing balance	238,995
Total gains or losses for the year included in other comprehensive income for assets held at the end of the year	9,872

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Total
Opening balance	235,620
Addition	59,369
Gains and losses recognised in other comprehensive income	-
Closing balance	294,989
Total gains or losses for the year included in other comprehensive income for assets held at the end of the year	-

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldomly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) De facto control over China National Medicines Co., Ltd. (“National Medicines”)

The Company’s directors and the Group’s management are of the view that the Group has rights to variable returns from its involvement with National Medicines and has the ability to affect those returns through its power over National Medicines although the Group held less than 50% of its equity interests since August 2006, after considering that (1) the Company has been the single largest shareholder of National Medicines; (2) the shareholding in National Medicines was dispersed and the other top ten shareholders held less than 3% equity interests individually or less than 14% in aggregate; (3) the participation of the other shareholders at the shareholders’ meetings has been relatively low and passive; and (4) the majority of the executive directors of National Medicines were representatives of the Company.

(2) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future years.

(3) Useful lives of sales network, trademarks and patent rights

The Group determines the estimated useful lives and consequently the related amortisation charges for its sales network, trademarks and patent rights. These estimates are based on the historical experience of the actual useful lives of sales network, trademarks and patent rights of similar nature and functions and considering the current market environment in PRC and estimations of future changes. Management will increase the amortisation charges where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future years.

4 Critical accounting estimates and judgments (continued)

(4) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

(5) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

(6) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(7) Income taxes and deferred income tax

The Group is subject to income taxes in Mainland China and Hong Kong jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such estimates are changed.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 Critical accounting estimates and judgments (continued)

(8) Post-employment benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of PRC government bonds that are denominated in RMB (the currency in which the benefits will be paid), and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 32.

(9) Impairment of goodwill and trademarks with an indefinite useful life

The Group tests annually whether goodwill and trademarks with an indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in Note 2(9) and Note 2(11). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require use of estimates (Note 17).

5 Segment information

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the CEO and the executives at the CEO office) that are used to make strategic decisions. The operating committee considers the business from a business type perspective. The reportable operating segments derive their revenue primarily from the following three business types in the PRC:

- (i) Pharmaceutical distribution – distribution of medicine, medicine device and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;
- (ii) Retail pharmacy – operation of medicine chain stores; and
- (iii) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

5 Segment information (continued)

Although the retail pharmacy segment does not meet the quantitative thresholds required by HKFRS 8, 'Operating segments', management has concluded that this segment should be reported, as it is closely monitored by the operating committee as a potential growth segment and is expected to materially contribute to group revenue in the future.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of land use rights, investment properties, property, plant and equipment, intangible assets, investment in associates, inventories, receivables and operating cash.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings, deferred income tax liabilities and other liabilities that are incurred for financing rather than operating purpose.

Unallocated assets mainly represent deferred income tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred income tax liabilities.

Capital expenditure comprises mainly additions to land use rights, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Inter-segment revenues are conducted at prices and terms mutually agreed upon amongst those business segments. The revenue from external parties reported to the operating committee is measured in a manner consistent with that in the consolidated income statement.

The segment information provided to the operating committee is as follows:

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 Segment information (continued) (1) For the Year ended 31 December 2015 and 2014

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
Year ended 31 December 2015					
Segment results					
External segment revenue	213,993,664	8,714,841	4,360,928	-	227,069,433
Inter-segment revenue	1,860,763	14,529	373,814	(2,249,106)	-
Revenue	215,854,427	8,729,370	4,734,742	(2,249,106)	227,069,433
Operating profit	8,355,193	215,880	617,594	(19,463)	9,169,204
Other gains/(losses)	46,922	(1,769)	17,296	-	62,449
Share of profit of investments accounted for using the equity method	7,355	2,425	155,280	-	165,060
	8,409,470	216,536	790,170	(19,463)	9,396,713
Finance costs – net					(1,987,133)
Profit before income tax					7,409,580
Income tax expense					(1,713,164)
Profit for the year					5,696,416
Other segment items included in the income statement					
Provision/(write-back) for impairment of trade and other receivables, net	11,450	(293)	1,199		12,356
Provision/(write-back) for impairment of inventories	49,458	(207)	3,135		52,386
Provision for impairment of property, plant and equipment	-	-	1,541		1,541
Provision for impairment of intangible assets	8,191	25,000	6,893		40,084
Provision for impairment of finance lease receivables	-	-	19,214		19,214
Amortisation of land use rights	32,268	51	7,933		40,252
Depreciation of property, plant and equipment	479,080	85,854	151,237		716,171
Depreciation of investment properties	-	-	18,068		18,068
Amortisation of intangible assets	211,305	13,130	6,462		230,897
Capital expenditures	1,392,331	501,423	235,055		2,128,809

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(All amounts in Renminbi thousands unless otherwise stated)

5 Segment information (continued)

(1) For the Year ended 31 December 2015 and 2014 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
Year ended 31 December 2014					
Segment results					
External segment revenue	190,133,058	5,901,875	4,096,328	-	200,131,261
Inter-segment revenue	1,334,846	2,284	355,294	(1,692,424)	-
Revenue	191,467,904	5,904,159	4,451,622	(1,692,424)	200,131,261
Operating profit	7,175,868	219,007	481,558	(14,511)	7,861,922
Other gains/(losses)	26,962	(206)	11,974	-	38,730
Share of profit of investments accounted for using the equity method	3,528	2,037	157,077	-	162,642
	7,206,358	220,838	650,609	(14,511)	8,063,294
Finance costs – net					(2,128,691)
Profit before income tax					5,934,603
Income tax expense					(1,383,030)
Profit for the year					4,551,573
Other segment items included in the income statement					
Provision for impairment of trade and other receivables, net	187,501	266	1,206		188,973
Provision for impairment of inventories	2,862	62	21,174		24,098
Provision for impairment of property, plant and equipment	-	-	20,645		20,645
Provision for impairment of intangible assets	-	-	10,083		10,083
Amortisation of land use rights	29,839	51	6,775		36,665
Depreciation of property, plant and equipment	412,254	59,107	115,574		586,935
Depreciation of investment properties	-	-	14,900		14,900
Amortisation of intangible assets	188,514	5,129	3,103		196,746
Capital expenditures	2,468,206	107,197	328,768		2,904,171

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 Segment information (continued) (2) As at 31 December 2015 and 2014

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
As at 31 December 2015					
Segment assets and liabilities					
Segment assets	126,358,076	4,657,063	9,544,934	(2,933,714)	137,626,359
Segment assets include:					
Investments accounted for using the equity method	98,595	16,309	1,018,540	-	1,133,444
Unallocated assets – Deferred income tax assets					640,669
Total assets					138,267,028
Segment liabilities	65,361,154	2,911,001	2,789,059	(2,954,699)	68,106,515
Unallocated liabilities –Deferred income tax liabilities and borrowings					29,504,808
Total liabilities					97,611,323
As at 31 December 2014					
Segment assets and liabilities					
Segment assets	120,166,345	3,206,254	6,435,604	(1,717,936)	128,090,267
Segment assets include:					
Investments accounted for using the equity method	84,355	14,283	831,541	-	930,179
Unallocated assets – Deferred income tax assets					565,472
Total assets					128,655,739
Segment liabilities	59,995,952	1,949,107	2,029,590	(1,696,791)	62,277,858
Unallocated liabilities –Deferred income tax liabilities and borrowings					30,088,252
Total liabilities					92,366,110

All of the Group's assets are located in the PRC.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

6 Revenue

	Year ended 31 December	
	2015	2014
Sales of goods	226,443,981	199,605,179
Consulting income	215,673	194,925
Franchise fee and other service fee from medicine chain stores	133,686	119,848
Operating lease income (Note 15)	121,000	111,414
Revenue from logistic service	49,398	47,684
Interest income from finance lease	40,349	–
Import agency income	27,954	25,948
Others	37,392	26,263
	227,069,433	200,131,261

7 Other income

	Year ended 31 December	
	2015	2014
Government grants (i)	243,730	204,021

note:

- (i) Government grants mainly represented subsidy income received from various government authorities as incentives to certain members of the Group.

8 Other gains – net

	Year ended 31 December	
	2015	2014
Write-back of certain liabilities (i)	33,766	26,870
Gain on fair value re-measurement of existing stake in connection with disposal of a subsidiary	2,603	7,602
Gain on disposal of subsidiaries	6,816	2,659
Gain on disposal of investment accounted for equity method	–	2,265
Gain on disposal of land use right, property, plant and equipment and intangible assets	5,864	5,840
Foreign exchange loss – net	(23,849)	(17,853)
Gain/(loss) on disposal of available-for-sale financial assets	42,791	(394)
Compensation write-back	–	11,020
Donation	(20,073)	(11,054)
Dividend from available-for-sale financial assets	13,030	–
Others – net	1,501	11,775
	62,449	38,730

note:

- (i) In 2015, the Group reviewed all the trade and other payables with aging over 5 years and wrote-back these unpayable long aging liabilities of RMB33,766 thousands.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

9 Expenses by nature

	Year ended 31 December	
	2015	2014
Raw materials and trading merchandise consumed	207,815,288	183,280,631
Changes in inventories of finished goods and work in progress	124,207	(93,898)
Employee benefit expenses (Note 10)	5,131,361	4,326,711
Provision for impairment of trade receivables (Note 26)	(4,625)	167,884
Provision for impairment of other receivables (Note 27)	16,981	21,089
Provision for impairment of inventories (Note 25)	52,386	24,098
Provision for impairment of intangible assets (Note 17)	40,084	10,083
Provision for impairment of property, plant and equipment (Note 16)	1,541	20,645
Provision for impairment of finance lease receivables (Note 22)	19,214	–
Operating lease rental in respect of land and buildings	679,635	587,830
Depreciation of property, plant and equipment (Note 16)	716,171	586,935
Depreciation of investment properties (Note 15)	18,068	14,900
Amortisation of intangible assets (Note 17)	230,897	196,746
Amortisation of land use rights (Note 14)	40,252	36,665
Auditors' remuneration		
– statutory audit service	21,440	21,292
– non-statutory audit service	270	330
– non-audit service	416	938
Advisory and consulting fees	86,790	82,796
Transportation expenses	833,754	835,286
Travel expenses	234,475	242,806
Market development and business promotion expenses	828,914	936,324
Utilities	127,962	143,562
Others	1,128,478	1,029,707
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	218,143,959	192,473,360

10 Employee benefit expenses

	Year ended 31 December	
	2015	2014
Salaries, wages, allowances and bonuses	3,987,611	3,352,661
Contributions to pension plans (i)	411,179	336,978
Post-employment benefits	30,163	27,158
Housing benefits (ii)	162,644	133,255
Other benefits (iii)	539,764	476,659
	5,131,361	4,326,711

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

10 Employee benefit expenses (continued)

notes:

- (i) As stipulated by the related regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in Mainland China. The Group also contributes to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 7% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 20% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

Contributions totaling RMB6,141 thousands (2014: RMB6,107 thousands) were payable to the fund at the year-end of 2015.

- (ii) Housing benefits represent contribution to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' basic salary.
- (iii) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

(iv) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the group for the year include two (2014: Two) directors whose emoluments are reflected in the analysis shown in Note 45. The emoluments payable to the remaining three (2014: Three) individuals during the year are as follows:

	Year ended 31 December	
	2015	2014
Basic salaries, housing allowances, share options, other allowances and benefits in kind	3,016	3,003
Bonuses	4,837	3,845
Contribution to pension scheme	313	296
Inducement fee	-	-
Compensation for loss of office:	-	-
- contractual payments	-	-
- other payment	-	-
	8,166	7,144

	Year ended 31 December	
	2015 Number	2014 Number
Emolument bands		
HK\$1,000,001 — HK\$2,000,000 (RMB837,781 — RMB1,675,561)	-	-
HK\$2,000,001 — HK\$2,500,000 (RMB1,675,561 — RMB2,094,451)	-	-
HK\$2,500,001 — HK\$3,000,000 (RMB2,094,451 — RMB2,513,341)	-	1
HK\$3,000,001 — HK\$3,500,000 (RMB2,513,341 — RMB2,932,230)	3	2

- (v) For the years ended 31 December 2014 and 2015, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

11 Finance income and costs

	Year ended 31 December	
	2015	2014
Interest expense:		
– Borrowings	1,394,780	1,380,030
– Discount of notes receivable	369,459	452,675
– Discount of accounts receivable	327,551	369,430
– Net interest on net defined benefit liability	18,001	10,723
Gross interest expense	2,109,791	2,212,858
Bank charges	141,160	125,382
Less: capitalised interest expense	(22,744)	(21,638)
Finance costs	2,228,207	2,316,602
Finance income:		
– Interest income on deposits in bank or other financial institution	(169,756)	(148,797)
– Interest income on long-term deposits	(71,318)	(39,114)
Net finance costs	1,987,133	2,128,691

12 Taxation

Income tax expense

	Year ended 31 December	
	2015	2014
Current income tax	1,796,530	1,525,313
Deferred taxation (Note 23)	(83,366)	(142,283)
	1,713,164	1,383,030

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

12 Taxation (continued)

Income tax expense (continued)

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, as follows:

	Year ended 31 December	
	2015	2014
Profit before income tax	7,409,580	5,934,603
Less: Share of profit of investments accounted for using the equity method	(165,060)	(162,642)
	7,244,520	5,771,961
Tax calculated at applicable tax rate	1,696,757	1,358,210
Expenses not deductible for tax purposes	56,464	67,273
Income not subject to tax	(5,821)	(11,752)
Tax losses for which no deferred income tax asset was recognised, net	18,740	3,493
Tax losses utilised for which no deferred income tax asset recognised in prior years	(3,131)	(4,333)
Impact of change in applicable income tax rate on deferred tax	(16,222)	(4,635)
Income tax refund	(33,623)	(25,226)
Income tax expense	1,713,164	1,383,030
Weighted average applicable tax rate (i)	23.12%	23.30%

note:

- (i) During 2015, enterprises incorporated in the PRC are normally subject to enterprise income tax ("EIT") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

Two of the Group's subsidiaries are subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

12 Taxation (continued)

Income tax expense (continued)

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2015			2014		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Fair value gains on available-for-sale financial assets	39,873	(9,968)	29,905	14,326	(3,581)	10,745
Remeasurement losses of post-employment benefit obligations	(44,521)	10,733	(33,788)	(22,477)	5,176	(17,301)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	195	-	195
Currency translation differences	4,660	-	4,660	235	-	235
Other comprehensive gains/(losses)	12	765	777	(7,721)	1,595	(6,126)

13 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year:

	Year ended 31 December	
	2015	2014
Profit attributable to shareholders of the Company (RMB'000)	3,760,649	2,874,823
Weighted average number of ordinary shares in issue ('000)	2,767,095	2,585,178
Basic earnings per share (RMB per share)	1.36	1.11

No diluted earnings per share is presented as there was no dilutive potential shares existing during the years.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

14 Land use rights

The land use rights in Mainland China that are acquired by the Group represent prepaid operating lease payments and their net book amounts are analysed as follows:

	Year ended 31 December	
	2015	2014
Cost	1,735,308	1,650,962
Accumulated amortisation	(245,411)	(205,264)
Net book amount	1,489,897	1,445,698
Opening net book amount	1,445,698	1,277,436
Additions	86,202	139,135
Acquisition of subsidiaries (Note 40)	–	80,790
Disposal	(1,751)	(14,998)
Amortisation (Note 9)	(40,252)	(36,665)
Closing net book amount	1,489,897	1,445,698

The approved use periods of land use rights that are located in Mainland China range from 10 to 50 years (2014: 10 to 50 years).

Amortisation of land use rights has been included in general and administrative expenses.

As at 31 December 2015, the land use rights with a net book amount of approximately RMB47,185 thousands (2014: RMB46,278 thousands) were pledged as collaterals for the Group's bank borrowings (Note 31).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

15 Investment properties

	Year ended 31 December	
	2015	2014
Cost	600,556	566,004
Accumulated depreciation	(206,684)	(204,650)
Net book amount	393,872	361,354
Opening net book amount	361,354	159,509
Acquisition of subsidiaries (Note 40)	49	169,809
Additions	72,886	–
Transfer from property, plant and equipment (Note 16)	16,709	53,071
Transfer to property, plant and equipment (Note 16)	(24,610)	(165)
Disposal	(14,448)	(5,970)
Depreciation (Note 9)	(18,068)	(14,900)
Closing net book amount	393,872	361,354

Investment properties are located in Mainland China on land with the land use periods of 25 to 50 years (2014: 25 to 50 years).

As at 31 December 2015, investment properties with a net book amount of approximately RMB20,010 thousands (2014: RMB21,260 thousands) were pledged as collaterals of the Group's bank borrowings (Note 31).

As at 31 December 2015, the fair value of the investment properties was estimated to be approximately RMB3,246,922 thousands (2014: RMB2,978,919 thousands). The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Rental income from investment properties has been included in the consolidated income statements as follows:

	Year ended 31 December	
	2015	2014
Revenue (Note 6)	121,000	111,414

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

16 Property, plant and equipment

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor Vehicles	Construction In-progress	Total
At 1 January 2014						
Cost	4,683,373	1,428,715	896,407	530,240	890,080	8,428,815
Accumulated depreciation and impairment	(834,194)	(537,479)	(483,246)	(263,349)	–	(2,118,268)
Net book amount	3,849,179	891,236	413,161	266,891	890,080	6,310,547
Year ended 31 December 2014						
Opening net book amount (restated)	3,849,179	891,236	413,161	266,891	890,080	6,310,547
Acquisition of subsidiaries	68,247	24,452	2,895	12,573	484	108,651
Additions	132,054	160,973	165,472	87,000	889,639	1,435,138
Transfers	590,865	292,721	42,089	6,939	(932,614)	–
Transfer from investment properties (Note 15)	165	–	–	–	–	165
Transfer to investment properties (Note 15)	(53,071)	–	–	–	–	(53,071)
Impairment Charge (Note 9)	(45)	(19,094)	(6)	–	(1,500)	(20,645)
Disposals	(40,221)	(28,115)	(5,763)	(13,399)	–	(87,498)
Disposals of subsidiaries	–	(3,373)	(474)	(229)	–	(4,076)
Depreciation (Note 9)	(220,056)	(164,133)	(134,754)	(67,992)	–	(586,935)
Closing net book amount	4,327,117	1,154,667	482,620	291,783	846,089	7,102,276
At 31 December 2014						
Cost	5,349,328	1,817,722	1,078,774	610,286	846,089	9,702,199
Accumulated depreciation and impairment	(1,022,211)	(663,055)	(596,154)	(318,503)	–	(2,599,923)
Net book amount	4,327,117	1,154,667	482,620	291,783	846,089	7,102,276

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

16 Property, plant and equipment (continued)

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction In-progress	Total
At 1 January 2015						
Cost	5,349,328	1,817,722	1,078,774	610,286	846,089	9,702,199
Accumulated depreciation and impairment	(1,022,211)	(663,055)	(596,154)	(318,503)	-	(2,599,923)
Net book amount	4,327,117	1,154,667	482,620	291,783	846,089	7,102,276
Year ended 31 December 2015						
Opening net book amount	4,327,117	1,154,667	482,620	291,783	846,089	7,102,276
Acquisition of subsidiaries (Note 40)	50,201	860	11,360	5,136	677	68,234
Additions	175,822	165,798	157,500	61,470	657,001	1,217,591
Transfers	480,561	250,776	38,558	903	(770,798)	-
Transfer from investment properties (Note 15)	24,610	-	-	-	-	24,610
Transfer to investment properties (Note 15)	(16,709)	-	-	-	-	(16,709)
Impairment Charge (Note 9)	(82)	(994)	(465)	-	-	(1,541)
Disposals	(3,355)	(5,873)	(6,201)	(6,417)	-	(21,846)
Disposal of subsidiaries	(14,610)	-	(715)	(80)	-	(15,405)
Depreciation (Note 9)	(261,794)	(226,705)	(156,843)	(70,829)	-	(716,171)
Closing net book amount	4,761,761	1,338,529	525,814	281,966	732,969	7,641,039
At 31 December 2015						
Cost	6,052,300	2,191,050	1,258,381	647,237	732,969	10,881,937
Accumulated depreciation and impairment	(1,290,539)	(852,521)	(732,567)	(365,271)	-	(3,240,898)
Net book amount	4,761,761	1,338,529	525,814	281,966	732,969	7,641,039

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

16 Property, plant and equipment (continued)

Depreciation expense was charged to the consolidated income statements as follows:

	Year ended 31 December	
	2015	2014
Cost of sales and other operating costs	123,973	106,429
Distribution and selling expenses	245,036	193,704
General and administrative expenses	347,162	286,802
	716,171	586,935

As at 31 December 2015, property, plant and equipment with a net book amount of approximately RMB62,785 thousands (2014: RMB79,759 thousands) were pledged as collaterals of the Group's bank borrowings (Note 31).

Details of the borrowing cost capitalized into cost of property, plant and equipment are as follows:

	Year ended 31 December	
	2015	2014
Borrowing cost capitalized	22,744	21,638
Weighted average borrowing cost rate	4.10%	4.99%

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(All amounts in Renminbi thousands unless otherwise stated)

17 Intangible assets

	Goodwill	Sales network	Trademarks and patent	Exclusive distribution rights	Software	Internally generated product development costs	Favorable leasing right	Total
At 1 January 2014								
Cost	3,529,240	2,306,613	193,463	-	240,735	41,310	-	6,311,361
Accumulated amortization	(63,200)	(439,328)	(136,368)	-	(69,176)	-	-	(708,072)
Net book amount	3,466,040	1,867,285	57,095	-	171,559	41,310	-	5,603,289
Year ended of 31 December 2014								
Opening net book amount	3,466,040	1,867,285	57,095	-	171,559	41,310	-	5,603,289
Additions	-	-	629	280,802	103,805	39,509	-	424,745
Acquisition of subsidiaries	269,711	275,590	-	-	602	-	-	545,903
Transfer	-	-	1,770	-	2,188	(3,958)	-	-
Disposal of subsidiaries	(6,013)	(12,961)	-	-	-	-	-	(18,974)
Deduction	-	-	(113)	-	(11)	-	-	(124)
Amortization (Note 9)	-	(118,306)	(18,267)	(21,060)	(39,113)	-	-	(196,746)
Impairment Charge (Note 9)	(5,850)	-	-	-	(4,233)	-	-	(10,083)
Closing net book amount	3,723,888	2,011,608	41,114	259,742	234,797	76,861	-	6,348,010
At 31 December 2014								
Cost	3,792,938	2,566,333	195,711	280,802	346,038	76,861	-	7,258,683
Accumulated amortization and impairment	(69,050)	(554,725)	(154,597)	(21,060)	(111,241)	-	-	(910,673)
Net book amount	3,723,888	2,011,608	41,114	259,742	234,797	76,861	-	6,348,010
Year ended of 31 December 2015								
Opening net book amount	3,723,888	2,011,608	41,114	259,742	234,797	76,861	-	6,348,010
Additions	-	-	12,378	-	78,550	21,401	-	112,329
Acquisition of subsidiaries (Note 40)	313,297	96,434	65,781	-	2,764	-	93,242	571,518
Transfer	-	-	863	-	-	(863)	-	-
Disposal of subsidiaries	-	-	-	-	(210)	-	-	(210)
Deduction	-	-	-	-	(826)	(39,871)	-	(40,697)
Amortization (Note 9)	-	(129,306)	(18,665)	(28,080)	(49,900)	-	(4,946)	(230,897)
Impairment Charge (Note 9)	(40,084)	-	-	-	-	-	-	(40,084)
Closing net book amount	3,997,101	1,978,736	101,471	231,662	265,175	57,528	88,296	6,719,969
At 31 December 2015								
Cost	4,106,235	2,662,767	274,733	280,802	425,041	57,528	93,242	7,900,348
Accumulated amortization and impairment	(109,134)	(684,031)	(173,262)	(49,140)	(159,866)	-	(4,946)	(1,180,379)
Net book amount	3,997,101	1,978,736	101,471	231,662	265,175	57,528	88,296	6,719,969

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

17 Intangible assets (continued)

Amortization expense charged to the consolidated income statements is as follows:

	Year ended 31 December	
	2015	2014
Distribution and selling expenses	167,466	142,438
General and administrative expenses	63,431	54,308
	230,897	196,746

Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs) identified by the business segments, as follows:

2015	Disposal of				
	Opening	Addition	Impairment	subsidiaries	Closing
Pharmaceutical distribution	2,958,126	181,369	(8,191)	-	3,131,304
Retail	547,619	131,928	(25,000)	-	654,547
Other	218,143	-	(6,893)	-	211,250
Total	3,723,888	313,297	(40,084)	-	3,997,101

2014	Disposal of				
	Opening	Addition	Impairment	subsidiaries	Closing
Pharmaceutical distribution	2,694,428	269,711	-	(6,013)	2,958,126
Retail	547,619	-	-	-	547,619
Other	223,993	-	(5,850)	-	218,143
Total	3,466,040	269,711	(5,850)	(6,013)	3,723,888

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the businesses in which the CGUs operate.

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(All amounts in Renminbi thousands unless otherwise stated)

17 Intangible assets (continued)

The key assumptions, long term growth rate and discount rate, used for value-in-use calculations in 2015 are as follows:

	Pharmaceutical distribution	Retail pharmacy	Other business
Revenue growth rate in the budget period	3.0%-15.0%	5.0%-15.0%	5.0%-15.0%
Gross margin	2.5%-9.6%	27.6%-37.8%	33.3%-66.0%
Growth rate to extrapolate cash flows beyond the budget period	3.0%	3.0%	3.0%
Discount rate	13.1%-15.0%	13.3%-15.0%	13.1%-15.0%

The key assumptions, long term growth rate and discount rate, used for value-in-use calculations in 2014 are as follows:

	Pharmaceutical distribution	Retail pharmacy	Other business
Revenue growth rate in the budget period	4.0%-25.0%	3.0%-15.0%	13.0%-22.4%
Gross margin	2.6%-12.5%	26.7%-39.2%	25.0%-39.1%
Growth rate to extrapolate cash flows beyond the budget period	3.0%	3.0%	3.0%
Discount rate	14.6%	14.7%	14.3%-15.0%

Management determined the budgeted gross margin and growth rates based on past performance of the CGUs and expectations for market development. The discount rates used are pre-tax after reflecting specific risks of the relevant businesses.

In 2015, by comparing the carrying value of the CGU containing the goodwill with the recoverable amount, the Group provided a goodwill impairment to RMB40,084 thousands for its three subsidiaries, which are included in pharmaceutical distribution, retail pharmacy and other business segment, respectively.

18 Subsidiaries

The principal subsidiaries of the Company's are set out in Note 42.

Material non-controlling interests

The total non-controlling interests for the period is RMB10,604,079 thousands (2014: RMB8,907,762 thousands), of which RMB1,863,809 (2014: 1,432,370) is for National Medicines and RMB2,804,548 (2014: RMB2,344,855) is attributed to Sinopharm Accord. The non-controlling interests in respect of other subsidiaries are not material.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 Subsidiaries (continued)

Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 39 for transactions with non-controlling interests.

Summarised balance sheet

	National Medicines		Sinopharm Accord	
	2015	2014	2015	2014
Current				
Assets	5,306,276	4,419,750	11,209,955	10,992,130
Liabilities	(2,886,740)	(2,715,333)	(7,326,026)	(7,687,757)
Total current net assets	2,419,536	1,704,417	3,883,929	3,304,373
Non-current				
Assets	1,254,625	1,122,237	2,023,389	1,851,791
Liabilities	(182,548)	(268,393)	(407,756)	(370,746)
Total non-current net assets	1,072,077	853,844	1,615,633	1,481,045
Net assets	3,491,613	2,558,261	5,499,562	4,785,418

Summarised income statement

	National Medicines		Sinopharm Accord	
	2015	2014	2015	2014
Revenue	12,078,194	11,538,343	25,993,139	23,954,331
Profit before income tax	665,330	620,944	962,046	817,659
Income tax expense	(135,418)	(126,894)	(173,960)	(159,442)
Post-tax profit	529,912	494,050	788,086	658,217
Other comprehensive income	22,501	10,744	–	–
Total comprehensive income	552,413	504,794	788,086	658,217
Total comprehensive income allocated to non-controlling interests	19,344	15,397	26,012	17,404
Dividends paid to non-controlling interests	26,808	69,701	44,727	40,254

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(All amounts in Renminbi thousands unless otherwise stated)

18 Subsidiaries (continued)

Material non-controlling interests (continued)

Summarised cash flows

	National Medicines		Sinopharm Accord	
	2015	2014	2015	2014
Cash flows from operating activities				
Cash generated from operations	622,598	341,852	1,242,707	(628,089)
Income tax paid	(182,313)	(122,909)	(194,728)	(168,608)
Net cash generated from/(used in) operating activities	440,285	218,943	1,047,979	(796,697)
Net cash used in investing activities	(53,341)	(87,617)	(135,138)	(315,355)
Net cash generated/(used in) from financing activities	355,643	(253,647)	(197,827)	868,310
Net increase/(decrease) in cash and cash equivalents	742,587	(122,321)	715,014	(243,742)
Cash and cash equivalents at beginning of year	721,904	844,225	854,212	1,097,948
Exchange gains on cash and cash equivalents	-	-	-	6
Cash and cash equivalents at end of year	1,464,491	721,904	1,569,226	854,212

The information above is the amount before inter company elimination.

The information above is prepared in accordance with HKFRS.

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(All amounts in Renminbi thousands unless otherwise stated)

19 Investments accounted for using the equity method

	As at 31 December	
	2015	2014
Share of net assets	1,107,111	903,846
Goodwill	26,333	26,333
	1,133,444	930,179
	Year ended 31 December	
	2015	2014
At 1 January	930,179	730,739
Additions through business combination (Note 40)	972	19,522
Other additions	109,003	34,650
Reclassification from investments in subsidiaries upon cessation of control	2,603	185,166
Share of results	165,060	162,642
Unrealised profit of transaction with associates	15,404	6,009
Share of other comprehensive income	-	195
Dividends declared by associates attributable to the Group	(89,371)	(91,914)
Disposals	-	(73,305)
Reclassification to available-for-sale financial assets upon cessation of significant influence	-	(43,525)
Reclassification to investment in subsidiaries upon transfer of control to the Group	(406)	-
At 31 December	1,133,444	930,179

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 Investments accounted for using the equity method (continued)

Set out below are the associates of the Group as at 31 December 2015. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2015

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shenzhen Main Luck Pharmaceuticals Inc.	Guangdong, China	35.19	Note (1)(2)	Equity
Yichang Humanwell Pharmaceutical Co., Ltd.	Hubei, China	20.00	Note (1)(2)	Equity
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Urumchi, China	45.00	Note (1)(2)	Equity
Dong's Pharmaceutical Information Co., Ltd.	Shanghai, China	46.00	Note (2)	Equity
Shanghai Beiji Guoda pharmaceutical Co. Ltd.	Shanghai, China	26.00	Note (2)	Equity
Qinghai Pharmaceutical (Group) Co., Ltd.	Qinghai, China	47.10	Note (1)(2)	Equity
Hubei Yuan Kang Pharmaceutical Co., Ltd.	Hubei, China	30.00	Note (2)	Equity
Wuxi Huihua Qiangsheng Pharmaceutical Chain Co., Ltd	Jiangsu, China	21.12	Note (2)	Equity
Shanghai Guoda Lingyun Drug Store Co.,Ltd	Shanghai, China	51.00	Note (2)	Equity
Jilin Baiqi Pharmaceutical Co., Ltd.	Jilin, China	35.00	Note (2)	Equity
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co.,Ltd	Shanghai, China	49.00	Note (1)(2)	Equity
Sinopharm Holding Medical Investment Management Co., Ltd.	Shanghai, China	45.00	Note (2)(3)	Equity
Sichuan Kangdaxin Pharmaceutical Co., Ltd.	Sichuan, China	25.00	Note (2)	Equity
Yibin Huangyu Pharmaceutical Co., Ltd.	Sichuan, China	49.00	Note (2)	Equity
Sinopharm Nutraceuticals (Shanghai) Co., Ltd.	Shanghai, China	19.00	Note (1)(2)	Equity
Shanghai Liyi Drugstore Co., Ltd.	Shanghai, China	35.00	Note (2)	Equity
Sinopharm Zhuhai Co., Ltd.	Guangdong, China	10.00	Note (2)	Equity
Sinopharm Guohua Network Technology Co., Ltd.	Beijing, China	33.33	Note (2)	Equity
Sinopharm Changsha Co., Ltd.	Hunan, China	10.00	Note (2)	Equity

Note (1): Shenzhen Main Luck Pharmaceuticals Inc., Yichang Humanwell Pharmaceutical Co., Ltd., Sinopharm Xinjiang Pharmaceutical Co., Ltd., Qinghai Pharmaceutical (Group) Co., Ltd., Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd and Sinopharm Nutraceuticals (Shanghai) Co., Ltd. are companies mainly engaged in pharmaceutical research, production and sales. They are vendors for the Group.

Note (2): All the above associates are not material to the Group.

Note (3): The Company acquired 20% interests of Sinopharm Holding Medical Investment Management Co., Ltd. from its holding company, Sinopharm Industrial Investment Co., Ltd. in Year 2015.

There are no contingent liabilities relating to the Group's interest in the associates.

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(All amounts in Renminbi thousands unless otherwise stated)

19 Investments accounted for using the equity method (continued)

Summarised financial information for associates

Set out below are the summarised financial information for associates which are accounted for using the equity method.

Summarised balance sheet

	As at 31 December	
	2015	2014
Current		
Cash and cash equivalents	1,086,226	994,843
Other current assets (excluding cash)	2,764,780	2,038,962
Total current assets	3,851,006	3,033,805
Financial liabilities (excluding trade payables)	(207,118)	(73,000)
Other current liabilities (including trade payables)	(2,310,492)	(1,791,717)
Total current liabilities	(2,517,610)	(1,864,717)
Non-current		
Assets	2,691,335	2,113,154
Liabilities	(139,849)	(105,666)
Net assets	3,884,882	3,176,576

Summarised statement of comprehensive income

	2015	2014
Revenue	5,653,378	4,744,748
Depreciation and amortisation	(71,755)	(64,345)
Interest income	16,924	10,314
Interest expense	(1,711)	(6,153)
Profit before income tax	895,208	865,324
Income tax expense	(124,660)	(128,827)
Post-tax profit from continuing operations	770,548	736,497
Other comprehensive income	-	414
Total comprehensive income	770,548	736,911
Dividends received from associate	89,371	91,913

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

20 Financial instruments by category

At 31 December 2015	Loans and receivables	Available- for-sale	Total
Assets as per balance sheet			
Other non-current assets	1,437,057	–	1,437,057
Available-for-sale financial assets	–	324,316	324,316
Finance lease receivables	1,899,851	–	1,899,851
Trade receivables	64,623,618	–	64,623,618
Other receivables	2,414,838	–	2,414,838
Restricted bank deposits	4,449,700	–	4,449,700
Cash and cash equivalents	19,919,154	–	19,919,154
Total	94,744,218	324,316	95,068,534

	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet		
Borrowings	28,812,189	28,812,189
Trade payables	59,037,872	59,037,872
Accruals and other payables	6,276,164	6,276,164
Other non-current liabilities	150,017	150,017
Total	94,276,242	94,276,242

At 31 December 2014	Loans and receivables	Available- for-sale	Total
Assets as per balance sheet			
Other non-current assets	842,033	–	842,033
Available-for-sale financial assets	–	349,124	349,124
Trade receivables	66,098,233	–	66,098,233
Other receivables	2,227,366	–	2,227,366
Restricted bank deposits	4,151,194	–	4,151,194
Cash and cash equivalents	15,232,356	–	15,232,356
Total	88,551,182	349,124	88,900,306

	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet		
Borrowings	29,455,451	29,455,451
Trade payables	54,723,653	54,723,653
Accruals and other payables	4,937,315	4,937,315
Other non-current liabilities	91,822	91,822
Total	89,208,241	89,208,241

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(All amounts in Renminbi thousands unless otherwise stated)

21 Available-for-sale financial assets

	As at 31 December	
	2015	2014
Listed equity investments, at fair value	80,751	49,565
Unlisted equity investments	243,565	299,559
	324,316	349,124
Less: Current portion	(2,069)	(728)
	322,247	348,396
	Year ended 31 December	
	2015	2014
At 1 January	349,124	275,823
Additions	10,255	59,369
Acquisition of subsidiaries (Note 40)	1,080	–
Net gains	39,873	14,326
Disposals	(76,016)	(394)
At 31 December	324,316	349,124

22 Finance lease receivables

	As at 31 December	
	2015	2014
Finance lease receivables	2,308,533	–
Less: Unearned finance income	(389,468)	–
Net finance lease receivables	1,919,065	–
Less: Provision for impairment (a)	(19,214)	–
	1,899,851	–
Less: Current portion	(349,720)	–
	1,550,131	–

The fair value of finance lease receivables approximates their carrying amounts.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 Finance lease receivables (continued)

An aged analysis of lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period, is as follows:

	As at 31 December	
	2015	2014
Lease receivables:		
Below 1 year	2,308,533	–

	As at 31 December	
	2015	2014
Net finance lease receivables		
Below 1 year	1,919,065	–

The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following three consecutive accounting years:

	As at 31 December	
	2015	2014
Lease receivables:		
Below 1 year	520,123	–
1 to 2 years	518,777	–
2 to 3 years	501,955	–
Over 3 years	767,678	–
	2,308,533	–

	As at 31 December	
	2015	2014
Net finance lease receivables		
Below 1 year	353,253	–
1 to 2 years	403,599	–
2 to 3 years	432,372	–
Over 3 years	729,841	–
	1,919,065	–

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(All amounts in Renminbi thousands unless otherwise stated)

22 Finance lease receivables (continued)

- (a) As of 31 December 2015, finance lease receivables of approximately RMB19,214 thousands (2014: nil), were impaired, and had been fully provided for. Movement of provision for impairment of finance lease receivables is as follows:

	Year ended 31 December	
	2015	2014
At 1 January	-	-
Provision for impairment (Note 9)	(19,214)	-
At 31 December	(19,214)	-

As at 31 December 2015, the carrying value of the finance lease receivables pledged or charged as security for the Group's bank borrowings amounted to RMB388,880 thousands (2014: nil) (Note 31).

23 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	As at 31 December	
	2015	2014
Deferred income tax assets		
– to be recovered after more than 12 months	215,273	213,017
– to be recovered within 12 months	425,396	352,455
	640,669	565,472
Deferred income tax liabilities		
– to be settled after more than 12 months	(653,428)	(596,428)
– to be settled within 12 months	(39,191)	(36,373)
	(692,619)	(632,801)
Deferred income tax liability – net	(51,950)	(67,329)

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

23 Deferred income tax (continued)

The gross movement in the deferred income tax account is as follows:

	Year ended 31 December	
	2015	2014
At 1 January	(67,329)	(140,763)
Acquisition of subsidiaries (Note 40)	(64,461)	(70,444)
Credited to consolidated income statements (Note 12)	83,366	142,283
Tax credited relating to components of other comprehensive income (Note 12)	765	1,595
Dispose of subsidiaries	(4,291)	–
At 31 December	(51,950)	(67,329)

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Unrealised profit	Tax losses	Others	Total
At 1 January 2014	155,838	180,434	21,865	33,990	63,392	455,519
Acquisition of subsidiaries (Note 40)	1,635	3,177	–	–	627	5,439
Credited to consolidated income statements	16,908	35,992	9,395	18,319	18,724	99,338
Credited to other comprehensive income	5,176	–	–	–	–	5,176
At 31 December 2014	179,557	219,603	31,260	52,309	82,743	565,472
Acquisition of subsidiaries (Note 40)	–	3,557	–	–	50	3,607
Credited to consolidated income statements	(428)	15,145	5,929	10,110	34,392	65,148
Credited to other comprehensive income	10,733	–	–	–	–	10,733
Dispose of subsidiaries	–	(547)	–	(3,744)	–	(4,291)
At 31 December 2015	189,862	237,758	37,189	58,675	117,185	640,669

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

23 Deferred income tax (continued)

Deferred income tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains from available-for- sale financial assets	Purchase rebates	Others	Total
At 1 January 2014	(579,357)	(8,002)	(1,297)	(7,626)	(596,282)
Acquisition of subsidiaries (Note 40)	(75,883)	-	-	-	(75,883)
Credited to consolidated income statements	39,614	-	739	2,592	42,945
Charged to other comprehensive income	-	(3,581)	-	-	(3,581)
At 31 December 2014	(615,626)	(11,583)	(558)	(5,034)	(632,801)
Acquisition of subsidiaries (Note 40)	(68,068)	-	-	-	(68,068)
Credited/(charged) to consolidated income statements	41,655	-	(21,382)	(2,055)	18,218
Charged to other comprehensive income	-	(9,968)	-	-	(9,968)
At 31 December 2015	(642,039)	(21,551)	(21,940)	(7,089)	(692,619)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Based on above principles, the Group did not recognise deferred income tax assets of approximately RMB48,659 thousands (2014: RMB36,503 thousands) in respect of tax losses amounting to approximately RMB194,636 thousands (2014: RMB146,012 thousands). As at 31 December 2015, these unrecognised tax losses amounting to RMB23,044 thousands, RMB28,946 thousands, RMB37,675 thousands, RMB48,254 thousands and RMB56,717 thousands will expire in 2016, 2017, 2018, 2019 and 2020 respectively.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 Other non-current assets

	As at 31 December	
	2015	2014
Long-term deposit	1,437,057	842,033
Partial payment for acquisition of subsidiaries (i)	5,880	124,310
Property compensation for office relocation arrangement (ii)	–	70,250
Others	180,755	245,297
	1,623,692	1,281,890

notes:

- (i) The Group paid RMB5,880 thousands (2014: RMB124,310 thousands) for acquisition as partial payment of the total consideration. However, the related transactions have not been completed by 31 December 2015.
- (ii) According to agreement with local government in May 2012, one of the Group's subsidiaries is entitled to receive a subsidy of RMB120,250 thousands, including RMB50,000 thousands in cash and part of one property with a fair value of RMB70,250 thousands, for logistic centre relocation and rebuilding upon request from local government. As at 31 December 2015, the outstanding compensation was settled with one property with a fair value of RMB70,086 thousands and RMB164 thousands in cash.

25 Inventories

	As at 31 December	
	2015	2014
Raw materials	235,494	287,978
Work in progress	49,292	46,956
Finished goods and trading merchandise	22,178,856	20,037,690
	22,463,642	20,372,624
Less: Provision for impairment	(115,066)	(64,054)
	22,348,576	20,308,570

The cost of inventories recognised as expense and included in cost of sales amounted to RMB207,939,495 thousands (2014: RMB183,186,733 thousands) (Note 9).

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25 Inventories (continued)

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2015	2014
Provision for impairment		
At 1 January	64,054	69,665
Provision for the year (Note 9)	52,386	24,098
Credited to cost of sales when inventories were sold	(1,374)	(29,709)
At 31 December	115,066	64,054

26 Trade receivables

	As at 31 December	
	2015	2014
Accounts receivable	58,860,366	62,566,132
Notes receivable	6,530,876	4,199,915
Less: Provision for impairment	65,391,242	66,766,047
	(767,624)	(667,814)
Trade receivables – net	64,623,618	66,098,233

The fair value of trade receivables approximates their carrying amounts.

Retail sales at the Group's medicine chain stores are usually made in cash or by debit or credit cards. For medicine distribution and medicine manufacture businesses, sales are made on credit terms normally ranging from 30 to 210 days. The ageing analysis of trade receivables (accounts receivable and notes receivable) is as follows:

	As at 31 December	
	2015	2014
Within 1 year	64,847,238	66,328,167
1 to 2 years	461,290	342,139
Over 2 years	82,714	95,741
	65,391,242	66,766,047

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(All amounts in Renminbi thousands unless otherwise stated)

26 Trade receivables (continued)

As of 31 December 2015, trade receivables of approximately RMB767,624 thousands (2014: RMB667,814 thousands), were impaired, and had been fully provided for. These receivables mainly relate to wholesalers in difficult financial situations. The ageing of these receivables is as follows:

	As at 31 December	
	2015	2014
Within 1 year	642,105	561,348
1 to 2 years	63,115	38,805
Over 2 years	62,404	67,661
	767,624	667,814

The creation and release of provision for impairment of trade and other receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The trade receivables are denominated in RMB.

As at 31 December 2015, notes receivable of RMB646,973 thousands (2014: RMB632,686 thousands) and accounts receivable of RMB607,950 thousands (2014: RMB1,891,877 thousands) were pledged as collaterals for the Group's bank borrowings (Note 31).

As at 31 December 2015, notes receivable of RMB70,551 thousands (2014: RMB3,014 thousands) were pledged as collaterals for the Group's notes payable (Note 34).

As at 31 December 2015, outstanding accounts receivable of RMB9,210,763 thousands (2014: RMB4,018,632 thousands) were derecognized under the accounts receivable factoring programs without recourse. The ageing of these derecognised accounts receivable was within one year. As at 31 December 2015, the collection of such accounts receivable on behalf of banks as financing activities, amounted to RMB1,098,923 thousands (2014: RMB608,497 thousands) was recorded in other payables (Note 35).

The maximum exposure to credit risk as at 31 December 2015 is the carrying value of each category of receivable mentioned above and in Note 27.

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(All amounts in Renminbi thousands unless otherwise stated)

27 Prepayments and other receivables

	As at 31 December	
	2015	2014
Prepayments	2,499,728	2,169,635
Value-added tax recoverable	319,354	307,012
Deposits	1,226,470	1,190,714
Staff advances	52,997	64,350
Amounts due from related parties (Note 41)		
– other receivables	41,444	7,123
– prepayments	75,365	83,552
Other receivables	952,889	732,437
	5,168,247	4,554,823
Less: Provision for impairment	(109,016)	(73,440)
	5,059,231	4,481,383

The fair value of prepayments and other receivables approximates their carrying amounts.

The other receivables are denominated in RMB.

28 Bank deposits and restricted cash, cash and cash equivalents

	As at 31 December	
	2015	2014
Bank deposits and restricted cash		
Pledged bank deposits	4,449,700	4,151,194

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(All amounts in Renminbi thousands unless otherwise stated)

28 Bank deposits and restricted cash, cash and cash equivalents (continued)

	As at 31 December	
	2015	2014
Cash and cash equivalents		
– Cash on hand	11,956	11,617
– Cash at banks	17,913,459	13,650,946
– Cash in other financial institution (Note 41)	1,993,739	1,569,793
	19,919,154	15,232,356
Bank deposits and restricted cash, cash and cash equivalents		
Denominated in		
– RMB	24,243,133	15,371,118
– USD	80,910	100,082
– HKD	42,972	3,911,541
– Others	1,839	809
	24,368,854	19,383,550

Pledged bank deposits are collaterals for the following:

	As at 31 December	
	2015	2014
Collateral for bank acceptance notes	4,433,654	3,955,250
Collateral for letter of credit	10,881	187,073
Collateral for letter of guarantee	5,165	8,871
	4,449,700	4,151,194

The maximum exposure to credit risk as at 31 December 2015 and 2014 approximates the carrying value of bank deposits and restricted cash and cash and cash equivalents.

RMB is not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange controls promulgated by the PRC authorities.

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(All amounts in Renminbi thousands unless otherwise stated)

28 Bank deposits and restricted cash, cash and cash equivalents (continued)

The effective interest rates of bank deposits in bank and other financial institution are as follows:

	As at 31 December	
	2015	2014
Weighted average effective interest rate (per annum)	0.66%	0.82%

29 Share capital

	Number of shares	Domestic shares with par value of RMB1 per share	H Shares with par value of RMB1 per share	Total
At 1 January 2014	2,568,293	1,574,284	994,009	2,568,293
Issue of shares	198,802	–	198,802	198,802
At 31 December 2014	2,767,095	1,574,284	1,192,811	2,767,095
At 31 December 2015	2,767,095	1,574,284	1,192,811	2,767,095

The total authorised number of domestic shares and H shares is 2,767,095 thousands shares (2014: 2,767,095 thousands shares) with a par value of RMB1 per share (2014: RMB1 per share). All issued shares are fully paid.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

30 Reserves

	Note	Share premium	Statutory reserves	Revaluation of available- for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
At 1 January 2014		13,885,260	344,312	11,958	(306,368)	5,312,091	19,247,253
Profit for the year		-	-	-	-	2,874,823	2,874,823
Issue shares, net of expenses		4,191,913	-	-	-	-	4,191,913
Revaluation of available-for-sale financial assets							
– gross		-	-	6,305	-	-	6,305
– tax		-	-	(1,576)	-	-	(1,576)
Remeasurement on post-employment benefit obligation							
– gross		-	-	-	(18,614)	-	(18,614)
– tax		-	-	-	4,446	-	4,446
Currency translation differences		-	-	-	238	-	238
Appropriation to statutory reserves	(a)	-	79,086	-	-	(79,086)	-
Share of other comprehensive income of investments accounted for using the equity method in associates		-	-	-	86	-	86
Dividends	36	-	-	-	-	(667,756)	(667,756)
Transactions with non-controlling interests		-	-	-	(960,871)	(60,070)	(1,020,941)
Others		-	-	-	1,881	(3,286)	(1,405)
At 31 December 2014		18,077,173	423,398	16,687	(1,279,202)	7,376,716	24,614,772
Profit for the year		-	-	-	-	3,760,649	3,760,649
Revaluation of available-for-sale financial assets							
– gross		-	-	23,075	-	-	23,075
– tax		-	-	(5,769)	-	-	(5,769)
Remeasurement on post employment benefit obligation							
– gross		-	-	-	(35,714)	-	(35,714)
– tax		-	-	-	8,713	-	8,713
Currency translation differences		-	-	-	4,917	-	4,917
Appropriation to statutory reserves	(a)	-	134,792	-	-	(134,792)	-
Dividends	36	-	-	-	-	(857,799)	(857,799)
Transactions with non-controlling interests		-	-	-	(128,116)	(113,202)	(241,318)
Others		-	-	-	10,000	3,005	13,005
At 31 December 2015		18,077,173	558,190	33,993	(1,419,402)	10,034,577	27,284,531

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

30 Reserves (continued)

notes:

- (a) PRC laws and regulations require companies registered in the PRC to maintain certain statutory reserves, which are to be appropriated from the retained profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distributing retained profit to their shareholders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of net profits to statutory surplus reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to a discretionary surplus reserve based on a resolution of the board of directors.
- (b) Retained earnings as at 31 December 2015 include the proposed final dividend of RMB1,134,509 thousands (2014: RMB857,799 thousands).
- (c) Other reserves mainly represent reserves for business combination under common control, transactions with non-controlling interests and remeasurement on post-employment benefit obligation.

31 Borrowings

	As at 31 December	
	2015	2014
Non-current		
Secured bank borrowings	235,000	–
Unsecured bank borrowings	341,595	108,095
Unsecured borrowings from other financial institution	31,600	131,600
Bond	–	3,982,902
	608,195	4,222,597
Current		
Secured bank borrowings	1,771,806	2,564,104
Unsecured bank borrowings	13,107,296	16,472,850
Unsecured borrowings from other financial institution	330,000	200,000
Bond (i)	12,994,892	5,995,900
	28,203,994	25,232,854
Total borrowings	28,812,189	29,455,451
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
– RMB	28,773,639	27,849,566
– USD	36,702	1,605,885
– EUR	1,848	–
	28,812,189	29,455,451

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31 Borrowings (continued)

notes:

- (i) On 15 March 2013, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000 thousands (the “corporate bonds”). The corporate bonds will expire on 13 March 2018, for a period of five years commencing from the issue date of 13 March 2013. The annual interest rate of the corporate bonds for the first three years was fixed at 4.54%. The Company has the option to raise the interest rate at the end of the third year and the bond holders also have the right for early redemption at the end of the third year, i.e. 13 March 2016. As at 14 March 2016, none of the corporate bonds was redeemed, and the corporate bonds were reclassified back as non-current liability.

On 9 April 2015, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB3,525 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,475 thousands. The bonds mature 270 days from the issue day (i.e. 4 January 2016), and the annual interest rate is 4.80%. The bonds matured and were repaid on 4 January 2016 subsequently.

On 20 May 2015, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB3,525 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,475 thousands. The bonds mature 270 days from the issue day (i.e. 14 February 2016), and the annual interest rate is 3.28%. The bonds matured and were repaid on 14 February 2016 subsequently.

On 22 July 2015, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB3,575 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,425 thousands. The bonds mature 270 days from the issue day (i.e. 17 April 2016), and the annual interest rate is 3.03%.

The Group’s borrowings were repayable as follows:

	Borrowings from banks or other financial institution		Bond	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
Within 1 year	15,209,102	19,236,954	12,994,892	5,995,900
Between 1 to 2 years	249,600	100,000	–	–
Between 2 to 5 years	317,700	131,600	–	3,982,902
Over 5 years	40,895	8,095	–	–
	15,817,297	19,476,649	12,994,892	9,978,802

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

31 Borrowings (continued)

All of the Group's borrowings from banks or other financial institution are on floating rates, as follows:

	Year ended 31 December	
	2015	2014
Weighted average effective interest rate (per annum)	5.09%	5.59%

Interest rates of borrowings from banks or other financial institution are reset periodically according to HIBOR, LIBOR or the benchmark rates announced by the PBOC.

As at 31 December 2015, secured bank borrowings amounting to RMB422,468 thousands are guaranteed by third parties (31 December 2014: RMB70,411 thousands). The collaterals for the rest of the Group's secured bank borrowings are as follows:

	As at 31 December	
	2015	2014
Property, plant and equipment (Note 16)	62,785	79,759
Investment properties (Note 15)	20,010	21,260
Land use rights (Note 14)	47,185	46,278
Notes receivable (Note 26)	646,973	632,686
Finance lease receivables (Note 22)	388,880	–
Accounts receivables (Note 26)	607,950	1,891,877
	1,773,783	2,671,860

The fair value of the current borrowings approximates their carrying amounts. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
Borrowings from banks	608,195	239,695	616,826	240,949
Bond	–	3,982,902	–	4,003,626

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.09% (2014: 5.59%) and are within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 Post-employment benefit obligations

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	As at 31 December	
	2015	2014
Balance sheet obligations for post-employment benefit	553,912	516,272
	Year ended 31 December	
	2015	2014
Income statement charge for post-employment benefit	48,164	37,881
Remeasurement gains recognised in the statement of other comprehensive income in the period (Note 12)	44,521	22,477
Cumulative remeasurement losses recognised in the statement of other comprehensive income	99,975	55,454

The amounts recognised in the balance sheet are analysed as follows:

	As at 31 December	
	2015	2014
Present value of funded obligations	12,005	10,452
Fair value of plan assets	(38,016)	(26,026)
Surplus of funded plans	(26,011)	(15,574)
Present value of unfunded post-employment benefit obligations	579,923	531,846
Liability in the balance sheet	553,912	516,272

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 Post-employment benefit obligations (continued)

The movement in the defined benefit liability over the year is as follows:

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2014	515,976	(17,227)	498,749
Current service cost	13,982	–	13,982
Past service cost	13,176	–	13,176
Interest expense/(income) (Note 11)	11,709	(986)	10,723
	38,867	(986)	37,881
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	(2,970)	(2,970)
– Losses from change in financial assumptions	25,447	–	25,447
	25,447	(2,970)	22,477
Contributions:			
– Employers	–	(7,614)	(7,614)
Payments:			
– Benefit payments	(49,097)	2,771	(46,326)
Acquisition of subsidiaries	11,105	–	11,105
At 31 December 2014	542,298	(26,026)	516,272

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 Post-employment benefit obligations (continued)

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2015	542,298	(26,026)	516,272
Current service cost	28,991	–	28,991
Past service cost	1,172	–	1,172
Interest expense/(income) (Note 11)	19,449	(1,448)	18,001
	49,612	(1,448)	48,164
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	(3,801)	(3,801)
– Losses from change in financial assumptions	48,322	–	48,322
	48,322	(3,801)	44,521
Contributions:			
– Employers	–	(7,593)	(7,593)
Payments:			
– Benefit payments	(48,304)	852	(47,452)
At 31 December 2015	591,928	(38,016)	553,912

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 Post-employment benefit obligations (continued)

The significant actuarial assumptions are as follows:

	2015	2014
Discount rate	3.00%	3.75%
Pension growth rate	5.00%	5.00%

Mortality: Average life expectancy of residents in the Mainland China.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.57%	Increase by 2.70%
Pension growth rate	0.50%	Increase by 0.32%	Decrease by 0.29%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating defined benefit obligation recognised on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted and post-employments benefits:

At 31 December 2015	Less than 1 year	Between 1-5 years	Over 5 years	Total
Post-employment benefits	50,662	190,213	874,422	1,115,297

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(All amounts in Renminbi thousands unless otherwise stated)

33 Other non-current liabilities

	As at 31 December	
	2015	2014
Medical reserve funds		
– general (i)	408,737	422,185
– for H1N1 vaccines	68,407	68,407
Office relocation funds	–	18,032
Government grants for construction of logistic centers (ii)	85,547	114,587
Government grants for products development	47,327	32,213
Deferred revenue	290,341	205,664
Long-term payables for exclusive distribution right (iii)	–	91,822
Finance lease deposit (iv)	150,017	–
Others	24,151	21,705
	1,074,527	974,615

notes:

- (i) Certain medical reserves funds were received by CNPGC from the PRC government for the State reserve requirements of medical products (including medicines) for serious disasters, epidemics and other emergencies. In accordance with a responsibility letter dated 4 January 2006 signed between CNPGC and the Company, CNPGC has re-allocated the funds in relation to medicines to the Group.

The Group will have to sell pharmaceutical products to specific customers at cost when there is any serious disaster, epidemic and other emergency, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. RMB1,232 thousands was used to offset trade receivables, RMB12,216 thousands was repaid to government during the year ended 31 December 2015 (2014: nil). The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for the aforementioned use.

- (ii) Certain of the Group's subsidiaries received funds from local governments as a subsidy for construction of logistic centers. As at 31 December 2015, the directors expect that such constructions will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.
- (iii) In 2014, the Group obtained an exclusive distribution right with a total consideration amounted to RMB300,000 thousands to be paid over three years. The exclusive distribution right, recorded as an intangible asset (Note 17), was initially recognized at amortized cost. As at 31 December 2015, the current maturities of the payment are recorded as accruals and other payables (Note 35).
- (iv) The deposit was paid by leasee to the Group as security for performance of the finance lease contract and will be repaid at the end of contract term.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

34 Trade payables

	As at 31 December	
	2015	2014
Accounts payable	42,946,078	40,690,701
Notes payable	16,091,794	14,032,952
	59,037,872	54,723,653

The fair value of trade payables approximates their carrying amounts.

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2015	2014
Below 3 months	48,885,057	45,562,575
3 to 6 months	6,221,805	6,240,695
6 months to 1 year	2,860,549	1,920,892
1 to 2 years	565,547	590,099
Over 2 years	504,914	409,392
	59,037,872	54,723,653

The Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2015	2014
RMB	58,608,632	54,063,645
USD	423,008	653,645
EUR	6,045	6,363
HKD	187	–
	59,037,872	54,723,653

The Group has accounts payable financing program with certain banks whereby the bank repaid accounts payables on behalf of the Group with an equivalent sum drawn as borrowings. Such draw down of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows.

During the year ended 2015, accounts payable of RMB3,567,502 thousands (2014: RMB4,605,291 thousands) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 31 December 2015 and 31 December 2014, all bank borrowings related to this program were repaid.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

35 Accruals and other payables

	As at 31 December	
	2015	2014
Accrual of operating expenses	785,919	674,611
Collection of accounts receivables on behalf of banks under factoring programs (Note 26)	1,098,923	608,497
Salary and welfare payable	940,171	732,641
Advances from customers	504,184	481,380
Other deposits	930,599	754,816
Taxes payable other than income tax	377,121	343,867
Interest payable	399,014	284,453
Other payables due to related parties (Note 41)	116,920	43,129
Advance due from related parties (Note 41)	3,284	356
Payables arising from acquisition of subsidiaries and contingent consideration	330,203	61,394
Payables for exclusive distribution right	98,364	98,471
Others	1,198,930	1,335,436
	6,783,632	5,419,051

The fair value of accruals and other payables approximates their carrying amounts.

The Group's other payables are denominated in RMB.

36 Dividends

The dividends paid by the Company in 2015 were RMB857,799 thousands (RMB0.31 (tax inclusive) per ordinary share). A final dividend for the year ended 31 December 2015 of RMB0.41 (tax inclusive) per ordinary share, amounting to a total amount of approximately RMB1,134,509 thousands is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 25 March 2016. These financial statements have not reflected this proposed dividend.

	Year ended 31 December	
	2015	2014
Proposed final dividend	1,134,509	857,799

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

37 Notes to consolidated cash flow statement

	Year ended 31 December	
	2015	2014
Profit before income tax	7,409,580	5,934,603
Adjustments for:		
– Share of profit of investments accounted for using the equity method (Note 19)	(165,060)	(162,642)
– Asset impairment	125,581	243,799
– Depreciation	734,239	601,835
– Amortisation	271,149	233,411
– Gain on disposal of land use right and plant and equipment (Note 8)	(5,864)	(5,840)
– Write-back of certain liabilities (Note 8)	(33,766)	(26,870)
– (Gain)/loss on disposal of available-for-sale financial assets (Note 8)	(42,791)	394
– Finance cost	2,069,046	2,180,497
– Gain on disposal of investment accounted for using the equity method (Note 8)	–	(2,265)
– Gain on re-measuring of existing interest in connection with acquisitions (Note 8)	(2,603)	(7,602)
– Gain on disposal of subsidiaries (Note 8)	(6,816)	(2,659)
– Dividend from available-for-sale financial assets (Note 8)	(13,030)	–
	10,339,665	8,986,661
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
– Inventories	(1,730,481)	(3,309,441)
– Trade receivables	2,183,231	(12,979,711)
– Prepayments and other receivables	(626,124)	(421,714)
– Trade payables	4,286,090	13,969,744
– Accruals and other payables	878,850	708,448
Cash generated from operations	15,331,231	6,953,987

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

38 Commitments

(a) Capital commitments

Capital expenditures at balance sheet date are as follows:

The Group

	As at 31 December	
	2015	2014
Property, plant and equipment:		
– contracted but not provided for	301,755	525,211
Acquisition of equity interests		
– contracted but not provided for	–	431,464
	301,755	956,675

(b) Operating lease commitments

(i) The Group is the lessee:

The Group leases various land and buildings under non-cancellable operating lease agreements.

Certain of the operating leases contain renewal options which allow the Group to renew the existing leases upon expiry at the then market rental for specified numbers of years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2015	2014
Within 1 year	610,513	490,371
Later than 1 year and not later than 5 years	1,241,357	888,288
Later than 5 years	461,574	275,952
	2,313,444	1,654,611

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

38 Commitments (continued)

(b) Operating lease commitments (continued)

(ii) The Group is the lessor:

The Group leases out certain investment properties under non-cancellable operating lease agreements.

The further aggregate minimum rental receivable under these leases is as follows:

	As at 31 December	
	2015	2014
Within 1 year	56,072	43,883
Later than 1 year and not later than 5 years	85,048	88,153
Later than 5 years	26,685	14,006
	167,805	146,042

39 Transactions with non-controlling interests

(a) Acquisition of additional interest in subsidiaries

During the year, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Equity interests Acquired %	Cash consideration
Sinopharm Holding (Tianjin) Orient Bookcom Pharmaceutical Trade Co., Ltd.	49	206,144
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	28	24,000
Sinopharm Holding Dandong Co., Ltd.	10	3,000
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd.	5.5	14,687
Sinopharm Holding GuoDa Henan Pharmacy Chain Store Co., Ltd.	9	8,500
Sinopharm Holding Xiangyang Co., Ltd.	30	34,920
Sinopharm Holding GuoDa Neimenggu Pharmacy Chain Store Co., Ltd.	27	36,799
		328,050

The effect of changes in the equity interest of these subsidiaries, except Sinopharm Accord, on the equity attributable to shareholders of the Company during the year is summarised as follows:

	Effect on the total equity
Carrying amount of non-controlling interests acquired	80,304
Consideration paid to non-controlling interests	328,050
Excess of consideration paid over the carrying amount acquired	247,746

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

39 Transactions with non-controlling interests (continued)

(b) Disposal of interest in subsidiaries without loss of control

During the year, Sinopharm Lerentang Hengshui Medical Co., Ltd. obtained a capital injection from two non-controlling shareholders amounting to RMB2,857 thousands. The shareholding of the non-controlling interests in Sinopharm Lerentang Hengshui Medical Co., Ltd. increased by 20% and the carrying amount increased by RMB2,731 thousands. The Group recognized an increase in equity attributable to shareholders of the Company of RMB126 thousands.

During the year, Sinopharm Holding Yichang Co., Ltd. obtained a capital injection from two non-controlling shareholders amounting to RMB2,288 thousands. The shareholding of the non-controlling interests in Sinopharm Holding Yichang Co., Ltd. increased by 20% and the carrying amount increased by RMB2,074 thousands. The Group recognized an increase in equity attributable to shareholders of the Company of RMB214 thousands.

During the year, Sinopharm Group Guorui Medicine Co., Ltd. obtained a capital injection from CNPGC amounting to RMB100,000 thousands. The shareholding of the non-controlling interests in Sinopharm Group Guorui Medicine Co., Ltd. increased by 9% and the carrying amount increased by RMB93,912 thousands. The Group recognized an increase in equity attributable to shareholders of the Company of RMB6,088 thousands.

(c) Effects of transactions with non-controlling interests on the equity attributable to shareholders of the Company for the year ended 31 December 2015

	Effect on the total equity
Changes in equity attributable to shareholders of the Company arising from:	
– acquisition of additional interest in subsidiaries	247,746
– disposal of interest in a subsidiary without loss of control	(6,428)
Net effect for transactions with non-controlling interests on equity attributable to shareholders of the Company	241,318

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 Business combinations

(a) Business combinations not under common control

Acquisitions during the year comprise:

The Group acquired equity interests from third parties and a related party Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical") in certain subsidiaries which are mainly engaged in distribution of medicines and pharmaceutical products and operations of pharmaceutical chain stores to extend the market share of the Group, during the year as follows:

Subsidiaries acquired from third parties	Acquisition date	Acquired interests %
Sinopharm Medicine Holding Suzhou Kangmin Medicine Co., Ltd.	January, 2015	80%
Wenzhou Haoxihao Medicines Retail Co., Ltd.	January, 2015	75%
Sinopharm Group Nanping NewPower Co., Ltd.	February, 2015	80%
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd.	April, 2015	70%
Sinopharm Holding Dalian Hecheng Co., Ltd.	May, 2015	80%
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	June, 2015	100%
Sinopharm Holding Ganzhou Co., Ltd.	August, 2015	67%
Subsidiaries acquired from Fosun Pharmaceutical		
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd.	January, 2015	97%
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd.	January, 2015	92%
Shanghai Huifengfumei Drugstore Co., Ltd.	January, 2015	100%
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	January, 2015	53%

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Contingent consideration (ii)	194,906
– Cash paid	616,073
<hr/>	
Total purchase consideration	810,979

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 Business combinations (continued)

(a) Business combinations not under common control (continued)

The details of the assets and liabilities acquired and cash flows relating to these acquisitions are summarised as follows:

	Fair value at acquisition date	Acquirees' carrying amounts at acquisition date
Cash and cash equivalents	289,342	289,342
Property, plant and equipment	68,234	51,420
Intangible assets		
– sales network	96,434	–
– software and trademarks	68,545	2,764
– favorable leasing right	93,242	–
Investment properties	49	49
Available-for-sale financial assets	1,080	1,080
Deferred income tax assets	3,607	3,607
Inventories	384,135	384,135
Other non-current assets	7,309	7,309
Trade and other receivables (i)	911,875	911,875
Trade and other payables	(1,185,203)	(1,185,203)
Deferred income tax liabilities	(68,068)	–
Other non-current liabilities	(150)	(150)
Borrowings	(29,580)	(29,580)
Net assets	640,851	436,648
Non-controlling interests (iii)	(143,169)	
Goodwill (Note 17)	313,297	
	810,979	
Total purchase consideration	810,979	
Less: contingent consideration (ii)	(194,906)	
Consideration for acquisitions settled in cash	616,073	
Less: prepayments for the acquisition in 2014	(124,310)	
Cash consideration paid in 2015	491,763	
Cash and cash equivalents in subsidiaries acquired	(289,342)	
Cash outflow on acquisition	202,421	

The goodwill is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries acquired not under common control combination.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 Business combinations (continued)

(a) Business combinations not under common control (continued)

notes:

(i) Trade and other receivables

The fair value of trade and other receivables is RMB911,875 thousands and includes trade receivables with a fair value of RMB705,228 thousands. The gross contractual amount for trade receivables is RMB712,937 thousands, of which RMB7,709 thousands is expected to be uncollectible.

(ii) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of the profit targets of the acquirees. The maximum undiscounted contingent consideration payable is RMB194,906 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB194,906 thousands. As at 31 December 2015, there was no adjustment to the contingent consideration arrangement.

(iii) Non-controlling interests

The Group has elected to recognise non-controlling interests measured at the non-controlling interests in the acquiree's net assets excluding goodwill.

(iv) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2015 are summarised as follows:

	From acquisition date to 31 December 2015
Revenue	3,975,417
Net profit	61,104

(v) The revenue and net profit of these newly acquired subsidiaries from 1 January 2015 to 31 December 2015 are summarised as follows:

	From 1 January 2015 to 31 December 2015
Revenue	4,390,111
Net profit	74,938

(vi) The related acquisition cost is immaterial.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 Business combinations (continued)

(a) Business combinations not under common control (continued)

notes: (continued)

(vii) Asset evaluation methods and the key unobservable assumptions:

a. Property, plant and equipment – Market approach

Properties and plants are evaluated by using the market approach. The market approach is based upon prices paid in actual market transactions. The approach involves gathering data on recently sold assets that are similar to the subject, analyzing the value characteristics of these comparables assets, comparing these characteristics to those of the subject and making appropriate adjustments for differences.

b. Property, plant and equipment – Cost approach

Equipments are evaluated by using the cost approach. The cost approach places emphasis on the cost to replace or reproduce the asset. The basic steps of cost approach are:

- Estimate the replacement/reproduction cost new.
- Estimate physical depreciation.
- Estimate functional and economic obsolescence, if any.
- Conclude the fair value of the asset.

c. Intangible assets – Market approach

Land use right is evaluated by using the market approach. The market approach is based upon prices paid in actual market transactions. The approach involves gathering data on recently sold assets that are similar to the subject, analyzing the value characteristics of these comparables assets, comparing these characteristics to those of the subject and making appropriate adjustments for differences. Due to the large number of variables that affect value, the best comparables are those that are most similar to the subject. Therefore, the comparables that require the least amount of adjustment are generally the best indicators of value.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 Business combinations (continued)

(a) Business combinations not under common control (continued)

notes: (continued)

(vii) Asset evaluation methods and the key unobservable assumptions: (continued)

d. Intangible assets – Relief from royalty

Trademark is evaluated by using relief from royalty. Relief from royalty is based upon prices paid for exclusive right. The approach involves gathering data on recent exclusive right cost and making appropriate estimate for future. The key assumptions are summarized as follows:

Assumption	Range
Revenue growth rate	5%-14%
Relief from royalty rate	1%-2%
Discount rate	13%

e. Intangible assets – Multi-period excessive earning method

Sales network is evaluated by using the multi-period excessive earning method. The multi-period excessive earning method is based upon revenue earned by sales network. The method involves gathering data on recent revenue and making appropriate estimate for future. The key assumptions are summarized as follows:

Assumption	Range
Customer attrition rate	5%-14%
Client contribution growth rate to revenue	1%
Discount rate	13%-15%

f. Intangible assets – Incremental cashflow method

Favorable lease contract is evaluated by using the incremental cashflow method. The incremental cashflow method is based on the expectation of the rental saving cash flows in the future. This approach is valid when the saving of the rent may be reasonably estimated.

Cash flows are projected over an appropriate period and then discounted to present value. The discount rate reflects the time value of money, inflation, and the relative risk associated with the ownership of the subject assets versus other market alternatives.

Notes to the Consolidated Financial Statements

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41 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The PRC government, indirectly, owns 100% of CNPGC which is the ultimate holding party of the Company. The Group's significant transactions with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its sales of goods, purchase of goods, purchase of fixed assets, interest expenses on bank borrowings and interest income from bank deposits. The Group's significant balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its trade receivables, prepayments and other receivables, trade payables and other payables, bank borrowings, restricted bank deposits, cash and cash equivalents.

Besides other PRC government-related entities, the Company's directors and the Group's management consider the following entities are related parties of the Group.

Name of related party	Nature of relationship
CNPGC	The ultimate holding company of the Company
Chengdu Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Bio-products Co., Ltd	Controlled by CNPGC
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
Shydec Phaemaceutical Marketing Co., Ltd	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Foshan Winteam Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Scientific Instruments & Materials Shenzhen Co., Ltd.	Controlled by CNPGC
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Shanghai Modern Pharmaceutical Co., Ltd. (Modern Pharmaceutical)	Controlled by CNPGC
Qinghai Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd	Controlled by CNPGC
Sinopharm Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Vanda Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Henan Medical Devices Co., Ltd.	Controlled by CNPGC
Guangdong Yifang Pharmaceutical Co., Ltd	Controlled by CNPGC
China National Pharmaceutical Industry Corporation	Controlled by CNPGC
Sinopharm Chuankang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	Controlled by CNPGC
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC

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(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

Name of related party	Nature of relationship
Chengdu Institute of Biological Products	Controlled by CNPGC
China Pharmaceutical Group Xinjiang Medical Instrument Co., Ltd.	Controlled by CNPGC
China National Scientific Instruments and Materials Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd.	Controlled by CNPGC
Jiangyin Tianjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shangdong Lu Ya Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Combined Instrument Co., Ltd.	Controlled by CNPGC
Sinopharm (Tianjin) Medical Devices Co., Ltd.	Controlled by CNPGC
Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guangdong Global Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guizhou Longlife Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Foshan Dezhong Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sino Pharmengin Corporation	Controlled by CNPGC
Qinghai Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
Sinopharm Hunan Medical Devices Co., Ltd.	Controlled by CNPGC
Sinopharm Sichuan TCM Co., Ltd.	Controlled by CNPGC
Sinopharm Heilongjiang TCM Co., Ltd.	Controlled by CNPGC
Beijing Tiantan Biological Products Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry Medicine Co., Ltd.	Controlled by CNPGC
China National Corp. of Traditional and Herbal Medicine	Controlled by CNPGC
Xinxiang Central Hospital	Controlled by CNPGC
Xinxiang City Second People's Hospital	Controlled by CNPGC
Xinxiang Maternity and Child Hospital	Controlled by CNPGC
Xinxiang Hospital of Traditional Chinese Medicine	Controlled by CNPGC
Sinopharm Shandong Medical Devices Co., Ltd.	Controlled by CNPGC
Sinopharm Midland hospital management Co., Ltd.	Controlled by CNPGC
Sino-TCM Chengde Co., Ltd.	Controlled by CNPGC
Sinopharm Qinhuangdao Medical Devices Co., Ltd.	Controlled by CNPGC
Shanghai Techwell Biopharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
China Bio-Technology Co., Ltd.	Controlled by CNPGC
Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
China State Institute of Pharmaceutical Industry	Controlled by CNPGC
China National of Traditional and Herbal Medicine Co., Ltd.	Controlled by CNPGC
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Scientific Instruments & Materials Import & Export Wuhan Co., Ltd.	Controlled by CNPGC
Sino-Swed Pharmaceutical Corporation Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	Associate of CNPGC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

Name of related party	Nature of relationship
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical")	The shareholder which has significant impact on the company
Foshan Central Hospital Ltd.	Subsidiary of Fosun Pharmaceutical
Foshan Pharmaceutical Co., Ltd	Subsidiary of Fosun Pharmaceutical
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Anhui Jimin Tumor Hospital	Subsidiary of Fosun Pharmaceutical
Guilin Hua Guiguo medicine Associates	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Suzhou eryl Pharmaceutical Co., Ltd	Subsidiary of Fosun Pharmaceutical
Chongqing Haisiman Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	Associate
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	Associate
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Sichuan Kangxin Medical Co., Ltd.	Associate
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	Associate
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	Associate
Hubei Yuan Kang Medicine Co., Ltd.	Associate
Shanghai Lingyun Guoda Pharmacy Co. Ltd.	Associate
Yibin huanyu pharmaceutical Co., Ltd	Associate
Sinopharm Nutraceuticals (Shanghai) Co., Ltd	Associate
Sinoexcelsior Investment Incorporation	Associate

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, and balances arising from related party transaction, except that have been disclosed in Note 34.

(a) Significant related party transactions

(i) Significant transactions with related parties except for other PRC government-related entities

	Year ended 31 December	
	2015	2014
Sales of goods		
Xinxiang Central Hospital	409,004	287,267
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	212,408	189,830
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	175,896	173,341
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	81,852	60,798
Hubei Yuan Kang Medicine Co., Ltd.	68,907	68,364
Xinxiang City Second People's Hospital	67,696	69,957
Foshan Pharmaceutical Co., Ltd	53,051	56
Hutchison Whampoa Sinopharm Pharmatceuticals (Shanghai) Co., Ltd.	41,826	4,459
Sichuan Kangxin Medical Co., Ltd.	34,699	10,519
Foshan Central Hospital Ltd.	14,740	54,502
China National Corp. of Traditional and Herbal Medicine	13,243	25,696
China National Pharmaceutical Foreign Trade Corporation	11,967	257
Xinxiang Maternity and Child Hospital	10,108	12,431
Shanghai Lingyun Guoda Pharmacy Co. Ltd.	9,825	14,422
Xinxiang Hospital of Traditional Chinese Medicine	9,342	3,928
Wuhan Institute of Biological Products Co., Ltd.	8,544	8,803
Shanghai Institute of Bio-products Co., Ltd.	8,092	18,615
Chengdu Rongsheng Pharmaceutical Co., Ltd.	6,925	5,729
Lanzhou Institute of Bio-products Co., Ltd	6,796	14,347
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	5,379	7,296
Sinopharm Shandong Medical Devices Co., Ltd.	4,884	–
Sinopharm Midland hospital management Co., Ltd	3,310	1
Sino-TCM Chengde Co., Ltd.	3,278	2,741
China National Pharmaceutical Industry Corporation	3,213	1,765
Beijing Tiantan Biological Products Co., Ltd.	3,100	8,309
Anhui Jimin Tumor Hospital	2,925	4,518
Sinopharm Qinhuangdao Medical Devices Co., Ltd.	2,792	–
Shanghai Techwell Biopharmaceutical Co., Ltd.	2,336	1,853
Yibin huanyu pharmaceutical Co., Ltd	2,288	–
Chongqing Yaoyou Pharmaceutical Co., Ltd.	1,463	16,214
Others	24,363	49,995
	1,304,252	1,116,013

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(a) Significant related party transactions (continued)

(i) Significant transactions with related parties except for other PRC government-related entities (continued)

	Year ended 31 December	
	2015	2014
Purchases of goods		
Yichang Humanwell Pharmaceutical Co., Ltd.	1,295,480	1,182,004
Sino-Swed Pharmaceutical Corporation Ltd.	894,293	877,169
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	495,327	399,631
Chengdu Rongsheng Pharmaceutical Co., Ltd.	330,941	406,827
Lanzhou Institute of Bio-products Co., Ltd.	288,549	219,454
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	196,757	189,755
Chongqing Yaoyou Pharmaceutical Co., Ltd.	186,717	147,001
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	184,289	221,645
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	160,124	126,473
Hutchison Whampoa Sinopharm Pharmatceuticals (Shanghai) Co., Ltd.	134,393	66,562
China Otsuka Pharmaceutical Co., Ltd.	118,189	126,923
Shydec Phaemaceutical Marketing Co., Ltd.	112,443	–
Shenzhen Main Luck Pharmaceutical Co., Ltd.	93,926	61,602
Wuhan Institute of Biological Products Co., Ltd.	90,524	68,299
Chongqing Haisiman Pharmaceuticals Co., Ltd.	89,768	62,998
Foshan Winteam Pharmaceutical Co., Ltd.	89,710	109,768
China National Scientific Instruments & Materials Shenzhen Co., Ltd.	70,291	–
Anhui Jingfang Pharmaceutical Co., Ltd.	51,370	47,411
China National Pharmaceutical Foreign Trade Corporation	44,373	196,921
China National Pharmaceutical Industry Co., Ltd.	38,346	19,216
Shanghai Institute of Bio-products Co., Ltd.	36,875	42,980
Modern Pharmaceutical.	27,233	112,565
Qinghai Pharmaceutical Co., Ltd.	24,546	16,286
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	23,322	19,975
Sinopharm Weiqida Pharmaceutical Co., Ltd.	19,996	15,383
Sichuan Kangxin Medical Co., Ltd.	18,770	4,718
Hunan Dongting Pharmaceutical Co., Ltd.	17,170	20,008
Sinopharm Vanda Pharmaceutical Co., Ltd.	14,161	10,570
Sinopharm Henan Medical Devices Co., Ltd.	13,685	12,336
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	12,469	18,842
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	3,285	3,186

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(a) Significant related party transactions (continued)

(i) Significant transactions with related parties except for other PRC government-related entities (continued)

	Year ended 31 December	
	2015	2014
Purchases of goods (continued)		
Guangdong Yifang Pharmaceutical Co., Ltd	12,316	–
China National Pharmaceutical Industry Corporation	10,671	8,631
Suzhou eryl Pharmaceutical Co., Ltd	10,793	–
Sinopharm Chuankang Pharmaceutical Co., Ltd.	9,608	9,351
Sichuan Hexin Pharmaceutical Co., Ltd.	9,332	4,726
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	8,759	11,675
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	8,757	5,689
Shanghai Shangsheng Biological Products Co., Ltd.	7,990	4,119
Chengdu Institute of Biological Products	7,845	6,747
Shenyang Hongqi Pharmaceutical Co., Ltd.	8,610	8,452
Guilin Hua Guiguo medicine Associates	6,643	5,514
China Pharmaceutical Group Xinjiang Medical Instrument Co., Ltd.	5,852	6,218
China National Scientific Instruments and Materials Co., Ltd	5,515	979
China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd.	5,348	2,169
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	4,826	8,134
Jiangyin Tianjiang Pharmaceutical Co., Ltd	4,811	–
Shandong Lu Ya Pharmaceutical Co., Ltd.	4,692	5,274
Sinopharm Group Combined Instrument Co., Ltd.	4,193	15,632
Sinopharm (Tianjin) Medical Devices Co., Ltd.	4,110	9,739
Tongjitang Pharmaceutical Co., Ltd.	3,565	–
Guangdong Global Pharmaceutical Co., Ltd.	3,391	4,199
Guizhou Longlife Pharmaceutical Co., Ltd.	2,239	2,230
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd	2,190	–
China National Scientific Instruments & Materials Import & Export Wuhan Co., Ltd.	61	6,994
Qinghai Pharmaceutical Group Co., Ltd.	–	4,650
Sinopharm Hunan Medical Devices Co., Ltd.	–	11,898
Sinopharm Sichuan TCM Co., Ltd.	–	10,174
Sinopharm Heilongjiang TCM Co., Ltd.	–	6,286
Beijing Tiantan Biological Products Co., Ltd.	–	4,074
Shanghai Institute of Pharmaceutical Industry Medicine Co., Ltd.	–	1,245
China National Corp. of Traditional and Herbal Medicine	–	14,106
Others	21,426	20,052
	5,350,865	5,005,465

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(a) Significant related party transactions (continued)

(i) Significant transactions with related parties except for other PRC government-related entities (continued)

	Year ended 31 December	
	2015	2014
Interest fee paid for other financial service		
Sinopharm Group Finance Co., Ltd.	41,917	48,611

	Year ended 31 December	
	2015	2014
Notes receivable discount		
Sinopharm Group Finance Co., Ltd.	2,039,249	2,019,178

	Year ended 31 December	
	2015	2014
Borrowings		
Sinopharm Group Finance Co., Ltd.	580,000	731,600

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

(ii) Key management compensation

	Year ended 31 December	
	2015	2014
Salaries and other short-term employee benefits	29,580	25,117
Termination benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
	29,580	25,117

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(b) Balances with related parties

(i) Significant balances with related parties except for other PRC government-related entities

	As at 31 December	
	2015	2014
Cash in other financial institution		
Sinopharm Group Finance Co., Ltd.	1,993,739	1,569,793

	As at 31 December	
	2015	2014
Trade receivables due from		
Xinxiang Central Hospital	67,873	139,599
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	27,029	16,275
Foshan Pharmaceutical Co., Ltd.	25,666	45
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	22,428	16,406
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	22,228	–
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	9,955	1,497
Xinxiang City Second People's Hospital	7,343	62,849
Wuhan Institute of Biological Products Co., Ltd.	5,164	4,061
Xinxiang Hospital of Traditional Chinese Medicine	4,941	2,204
Sinopharm Weiqida Pharmaceutical Co., Ltd.	4,911	4,911
Chengdu Rongsheng Pharmaceutical Co., Ltd.	4,554	1,497
Sichuan Kangxin Medical Co., Ltd.	3,501	5,177
Hubei Yuan Kang Medicine Co., Ltd.	3,497	5,841
Xinxiang Maternity and Child Hospital	3,403	7,114
Shanghai Lingyun Guoda Pharmacy Co. Ltd.	2,777	–
Foshan Central Hospital Ltd.	2,671	23,650
Anhui Jimin Tumor Hospital	2,137	3,719
Beijing Tiantan Biological Products Co., Ltd.	1,869	6,749
Yibin huanyu pharmaceutical Co., Ltd.	1,468	–
Shanghai Institute of Bio-products Co., Ltd.	1,403	694
Lanzhou Institute of Bio-products Co., Ltd.	1,147	623
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	–	2,232
Others	6,390	23,574
	232,355	328,717

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(b) Balances with related parties (continued)

(i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2015	2014
Other receivables due from		
Sinopharm Midland hospital management Co., Ltd	23,947	–
Sinopharm Nutraceuticals (Shanghai) Co., Ltd	14,778	–
China Bio-Technology Co., Ltd.	1,800	1,750
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	430	–
Sichuan Kangxin Medical Co., Ltd.	–	2,536
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	–	965
Others	489	1,872
	41,444	7,123

	As at 31 December	
	2015	2014
Prepayments due from		
China National Scientific Instruments & Materials Shenzhen Co., Ltd.	30,505	1,806
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	9,640	5,262
Wuhan Institute of Biological Products Co., Ltd.	8,071	2,200
Chengdu Rongsheng Pharmaceutical Co., Ltd.	6,500	673
China National Pharmaceutical Foreign Trade Corporation	3,800	27,970
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	3,060	101
Chongqing Yaoyou Pharmaceutical Co., Ltd.	1,823	1,900
Anhui Jingfang Pharmaceutical Co., Ltd.	1,485	928
Shenzhen Main Luck Pharmaceutical Co., Ltd.	1,402	48
China National Scientific Instruments and Materials Co., Ltd	1,293	–
China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd.	466	2,817
Sino-Swed Pharmaceutical Corporation Ltd.	407	5,957
China National Pharmaceutical Industry Co., Ltd.	17	1,466
Lanzhou Institute of Bio-products Co., Ltd	7	6,308
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	–	16,612
Qinghai Pharmaceutical Group Co., Ltd.	–	5,139
Others	6,889	4,365
	75,365	83,552

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(b) Balances with related parties (continued)

(i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2015	2014
Trade payables due to		
Yichang Humanwell Pharmaceutical Co., Ltd.	327,363	445,434
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	114,941	86,442
Sino-Swed Pharmaceutical Corporation Ltd.	82,024	103,304
Lanzhou Institute of Bio-products Co., Ltd	46,489	65,181
Chongqing Yaoyou Pharmaceutical Co., Ltd.	45,735	38,766
Shenzhen Main Luck Pharmaceutical Co., Ltd.	44,376	1,400
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	34,060	19,353
Shydec Phaemaceutical Marketing Co., Ltd	31,500	–
Chongqing Haisiman Pharmaceuticals Co., Ltd.	29,066	15,499
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	28,359	51,080
Hutchison Whampoa Sinopharm Pharmatceuticals (Shanghai) Co., Ltd.	20,311	10,325
China Otsuka Pharmaceutical Co., Ltd.	19,182	13,879
China National Pharmaceutical Foreign Trade Corporation	13,325	26,855
Anhui Jingfang Pharmaceutical Co., Ltd.	13,078	21,929
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	12,532	51,057
Foshan Winteam Pharmaceutical Co., Ltd.	12,144	20,374
Qinghai Pharmaceutical Co., Ltd.	8,210	5,203
China National Pharmaceutical Industry Co., Ltd.	6,016	7,012
China Pharmaceutical Group Xinjiang Medical Instrument Co., Ltd.	5,513	2,872
Sinopharm Vanda Pharmaceutical Co., Ltd.	4,966	4,659
Sichuan Kangxin Medical Co., Ltd.	4,590	2,157
Hunan Dongting Pharmaceutical Co., Ltd.	4,083	2,820
Shanghai Institute of Bio-products Co., Ltd.	4,031	3,804
China National Pharmaceutical Industry Corporation	3,064	3,629
Jiangyin Tianjiang Pharmaceutical Co., Ltd	2,845	–
Sinopharm Henan Medical Devices Co., Ltd.	2,764	11,344
Guangdong Yifang Pharmaceutical Co., Ltd	2,540	–
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	2,474	1,781
Shangdong Lu Ya Pharmaceutical Co., Ltd.	2,416	1,954
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	1,984	1,675
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd	1,883	3,473
Sinopharm Chuankang Pharmaceutical Co., Ltd.	1,480	1,341
Tongjitang Pharmaceutical Co., Ltd.	1,196	–
Sinopharm (Tianjin) Medical Devices Co., Ltd.	1,158	93
Sinopharm Group Combined Instrument Co., Ltd.	1,012	–
Foshan Dezhong Pharmaceutical Co., Ltd.	1,003	856

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(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(b) Balances with related parties (continued)

(i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2015	2014
Trade payables due to (continued)		
Guangdong Global Pharmaceutical Co., Ltd.	995	1,590
Guizhou Longlife Pharmaceutical Co., Ltd.	928	1,076
Modern Pharmaceutical.	876	34,099
Chengdu Institute of Biological Products	573	4,366
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	514	5,120
Sinopharm Heilongjiang TCM Co., Ltd.	–	2,041
Beijing Tiantan Biological Products Co., Ltd.	–	1,915
Others	11,413	16,559
	953,012	1,092,317

	As at 31 December	
	2015	2014
Other payables due to		
Sinoexcelsior Investment Incorporation	70,990	–
China State Institute of Pharmaceutical Industry	33,030	1,990
Sino Pharmengin Corporation	2,554	170
China National Corp. of Traditional and Herbal Medicine	2,446	1,300
China National Pharmaceutical Foreign Trade Corporation	2,075	98
CNPGC	1,520	22,155
China National of Traditional and Herbal Medicine Co., Ltd	1,300	–
Sinopharm Nutraceuticals (Shanghai) Co., Ltd	500	–
Shenzhen Main Luck Pharmaceutical Co., Ltd.	500	–
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	184	8,379
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	–	6,810
Others	1,821	2,227
	116,920	43,129

Other payables to related parties are unsecured and non-interest bearing.

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(All amounts in Renminbi thousands unless otherwise stated)

41 Significant related party transactions (continued)

(b) Balances with related parties (continued)

(i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2015	2014
Advanced from customers		
Jiangyin Tianjiang Pharmaceutical Co., Ltd	2,240	–
Sinopharm Shandong Medical Devices Co., Ltd.	501	–
Xinxiang Central Hospital	415	–
Others	128	356
	3,284	356

	As at 31 December	
	2015	2014
Borrowings due to		
Sinopharm Group Finance Co., Ltd.	311,600	331,600

Borrowings from Sinopharm Group Finance Co., Ltd, a financial institution, bear interest at 4.47% (2014: 4.76%) and have repayment terms from one to two year.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates

As at 31 December 2015, the Company has direct and indirect interests in the following subsidiaries:

Principal subsidiaries:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Distribution Center Co., Ltd. (國藥控股分銷中心有限公司)	PRC, 30 January 2002	2,000,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd. (國藥集團新疆藥業有限公司)	PRC, 31 March 2009	780,637	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司)	PRC, 21 December 1999	478,800	44	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Group Guorui Medicine Co., Ltd. (國藥集團國瑞藥業有限公司)	PRC, 31 March 2000	483,017	30	61	Medicine manufacture and trading in the PRC
Sinopharm Group Xinjiang Province New & Special National Pharmaceutical Co., Ltd. (國藥集團新疆新特藥業有限公司)	PRC, 30 June 2003	100,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Logistics Co., Ltd. (國藥物流有限責任公司)	PRC, 8 November 2002	90,620	–	56	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Hebei Pharmaceutical Co., Ltd. (國藥控股河北醫藥有限公司)	PRC, 4 June 2010	51,461	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd. (國藥集團致君(深圳)坪山製藥有限公司)	PRC, 28 May 1987	50,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. (廣東東方新特藥有限公司)	PRC, 25 December 1993	50,000	100	–	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Shanghai Corporation (中國醫藥集團上海公司)	PRC, 24 July 1988	40,237	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Co., Ltd. (國藥控股浙江有限公司)	PRC, 9 October 1995	40,000	70	–	Distribution of pharmaceutical products and laboratory supplies in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd. (北京國藥天元物業管理有限公司)	PRC, 28 December 1981	36,130	100	–	Property rental in the PRC
China National Pharmaceutical Group Tianjin Corporation (中國醫藥(集團)天津公司)	PRC, 1 December 1952	32,540	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guangdong Yuexing Pharmaceutical Co., Ltd. (國藥控股廣東粵興有限公司)	PRC, 1 December 1993	100,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Pharmacy Chain Store Shanghai Co., Ltd. (國藥控股國大藥房上海連鎖有限公司)	PRC, 18 May 2001	30,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Southwest Medicine Co., Ltd. (國藥集團西南醫藥有限公司)	PRC, 19 November 1997	20,000	67	3	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Beijing Chemical Reagent Co., Ltd. (國藥集團化學試劑北京有限公司)	PRC, 30 December 1953	15,000	–	100	Distribution of chemical reagents and healthcare products in the PRC
Xinjiang Hotan Regional Medical & Herbal Medicines Co., Ltd. (國藥控股新疆和田藥業有限公司)	PRC, 29 May 1989	12,517	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Kashi New&Special Drugs Co., Ltd. (國藥控股新疆新特喀什藥業有限公司)	PRC, 12 July 2007	11,797	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Korla Pharmaceutical Co., Ltd. (國藥新疆庫爾勒醫藥有限責任公司)	PRC, 13 June 2002	10,156	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wuzhou Co., Ltd. (國藥控股梧州有限公司)	PRC, 13 June 2000	10,000	–	100	Distribution of pharmaceutical products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Beijing Guoda Pharmacy Chain Store Co., Ltd. (北京國大藥房連鎖有限公司)	PRC, 1 August 2001	10,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shaanxi Co., Ltd. (國藥控股陝西有限公司)	PRC, 30 May 2001	10,000	60	–	Distribution of pharmaceutical and healthcare products, logistics services in the PRC
Sinopharm Holding Xinjiang Province New & Special West Pharmaceutical Co., Ltd. (國藥控股新疆新特西部藥業有限公司)	PRC, 20 May 1993	10,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Kelamayi New & Special Pharmaceutical Co., Ltd. (國藥集團新疆新特克拉瑪依藥業有限公司)	PRC, 20 August 1972	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Foshan Co., Ltd. (國藥控股佛山有限公司)	PRC, 15 January 1986	15,000	–	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Guangxi Logistics Co., Ltd. (國藥控股廣西物流有限公司)	PRC, 22 August 1990	7,101	–	100	Investment in logistics and transportations, property rental and provide medical consulting service in the PRC
Sinopharm Holding Xinjiang Hami Region Medical & Herbal Medicines Co., Ltd. (國藥控股新疆哈密藥業有限公司)	PRC, 11 July 1956	11,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Xinjiang New&Special Medicines Chain Store Co., Ltd. (國藥控股國大藥房新疆新特藥業連鎖有限責任公司)	PRC, 4 November 2003	6,122	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Boertala Mongol Autonomous Prefecture Traditional & Herbal Medicines Co., Ltd. (國藥控股新疆博州藥業有限公司)	PRC, 26 April 1989	6,099	–	100	Distribution of pharmaceutical and healthcare products in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Ili Tongde Medicines Co., Ltd. (國藥控股新疆伊犁同德藥業有限公司)	PRC, 21 September 1998	5,001	-	100	Distribution of pharmaceutical products in the PRC
Xinjiang Tacheng Pharmaceutical Co., Ltd. (國藥控股新疆塔城藥業有限公司)	PRC, 9 March 1955	5,000	-	100	Distribution of pharmaceutical products in the PRC
China National Pharmaceutical Group Shenyang Chemical Reagent Co., Ltd. (國藥集團化學試劑瀋陽有限公司)	PRC, 7 September 1998	5,000	-	51	Distribution of chemical reagents in the PRC
Tianjin Guoda Pharmacy Chain Store Co., Ltd. (天津國大藥房連鎖有限公司)	PRC, 18 September 2001	10,000	-	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Guangdong Huixin Investment Co., Ltd. (廣東惠信投資有限公司)	PRC, 6 May 1985	5,000	-	100	Medicine trading; property rental in the PRC
Sinopharm Holding Guangdong Logistics Co., Ltd. (國藥控股廣東物流有限公司)	PRC, 14 August 1993	10,000	-	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Xinjiang New&Special Kuitun Pharmaceutical Co., Ltd. (國藥控股新疆新特奎屯藥業有限公司)	PRC, 14 May 1982	5,000	-	100	Distribution of pharmaceutical products and laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinjiang Chemical Reagent & Glassware Medical Instruments Co., Ltd. (國藥控股新疆化玻醫療器械有限公司)	PRC, 2 April 2004	5,000	-	100	Distribution of pharmaceutical products and laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinjiang Altay Region Medical& Herbal Medicines Co., Ltd. (國藥控股新疆阿勒泰藥業有限公司)	PRC, 22 December 1981	5,000	-	100	Distribution of pharmaceutical products and laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chemical Reagent Shaanxi Co., Ltd. (國藥集團化學試劑陝西有限公司)	PRC, 15 August 2000	5,000	-	100	Distribution of chemical reagents, etc. in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Urumqi Ningdetang Pharmaceutical Co., Ltd. (國藥控股烏魯木齊凝德堂醫藥有限公司)	PRC, 20 March 1998	3,823	–	100	Property rental in the PRC
Guangxi Guoda Pharmacy Consulting Chain Store Co., Ltd. (廣西國大醫藥諮詢連鎖有限公司)	PRC, 14 August 2001	3,000	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Guangzhou Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房廣州連鎖有限公司)	PRC, 1 September 2001	2,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hetian Region Ankang Chain Drugstore Co., Ltd. (和田地區安康醫藥零售連鎖有限責任公司)	PRC, 23 December 2004	2,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shaanxi Pharmaceutical Corporation. (陝西省醫藥公司)	PRC, 29 March 1994	628	–	100	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Shaanxi Co., Ltd. (國藥集團陝西醫藥有限公司)	PRC, 15 August 2000	600	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Xinjiang Baitong Property Service Co., Ltd. (新疆百通物業服務有限責任公司)	PRC, 30 May 2006	500	–	80	Property rental in the PRC
Sinopharm Holding Beijing Huahong Co., Ltd. (國藥控股北京華鴻有限公司)	PRC, 18 November 2003	350,000	51	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Pharmaceutical Logistics Co., Ltd. (國藥集團醫藥物流有限公司)	PRC, 18 December 2002	300,000	100	–	Provision of pharmaceutical logistics services in the PRC
Sinopharm Group Accord Pharmaceutical Co., Ltd. ("Sinopharm Accord". (國藥集團一致藥業股份有限公司)	PRC, 18 June 2001	362,632	51	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instruments Co., Ltd. (國藥控股醫療器械有限公司)	PRC, 27 July 2006	200,000	100	–	Distribution of pharmaceutical products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd. (國藥集團致君(深圳)製藥有限公司)	PRC, 22 December 1984	200,000	-	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Jiangsu Co., Ltd. (國藥控股江蘇有限公司)	PRC, 12 October 2001	1,324,453	100	-	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Yangzhou Co., Ltd. (國藥控股揚州有限公司)	PRC, 17 January 1991	41,489	-	75	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd. (國藥集團致君(蘇州)製藥有限公司)	PRC, 10 March 2003	180,000	-	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Lerentang Pharmaceutical Co., Ltd. (國藥樂仁堂醫藥有限公司)	PRC, 9 March 2011	175,000	60	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Changzhou Co., Ltd. (國藥控股常州有限公司)	PRC, 17 December 2010	140,000	65	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tianxinpuxin Bio-Medicine Co., Ltd. (國藥控股北京天星普信生物醫藥有限公司)	PRC, 1 April 2010	100,000	51	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Co., Ltd. (國藥控股湖北有限公司)	PRC, 1 December 2003	100,000	75	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding A-Think Pharmaceutical Co., Ltd. (國藥一心製藥有限公司)	PRC, 10 December 1997	100,000	75	-	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Tangshan Xintiandi Co., Ltd. (國藥樂仁堂唐山醫藥有限公司)	PRC, 1 April 2011	100,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Heilongjiang Co., Ltd. (國藥控股黑龍江有限公司)	PRC, 2 December 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd. (國藥控股星鯊製藥(廈門)有限公司)	PRC, 30 December 1998	95,000	60	–	Medicine manufacture, building decoration, communication, clothing, chemical reagents, import and export of goods and technology, business consulting, etc
Sinopharm Holding Pingdingshan Co., Ltd. (國藥控股平頂山有限公司)	PRC, 25 April 2011	100,000	–	60	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Ningxia Co., Ltd. (國藥控股寧夏有限公司)	PRC, 28 December 2008	80,000	67	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Foshan Nanhai Medical Group Co., Ltd. (佛山市南海醫藥集團有限公司)	PRC, 30 December 2010	70,000	100	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shandong Co., Ltd. (國藥控股山東有限公司)	PRC, 12 April 2006	70,000	67	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Hunan Co., Ltd. (國藥控股湖南有限公司)	PRC, 21 June 2001	70,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Co., Ltd. (國藥控股山西有限公司)	PRC, 17 January 2004	60,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Henan Co., Ltd. (國藥控股河南股份有限公司)	PRC, 11 December 2006	57,765	51	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd. (國藥控股凌雲生物醫藥(上海)有限公司)	PRC, 14 January 2011	50,000	55	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Wuxi Co., Ltd. (國藥控股無錫有限公司)	PRC, 24 December 2010	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Anhui Co., Ltd. (國藥控股安徽有限公司)	PRC, 5 January 2007	70,000	67	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Wenzhou Co., Ltd. (國藥控股溫州有限公司)	PRC, 31 March 1995	50,000	58	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dalian Co., Ltd. (國藥控股大連有限公司)	PRC, 9 April 2010	80,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jilin Co., Ltd. (國藥控股吉林有限公司)	PRC, 6 March 2008	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Drug Store Guangdong Co., Ltd. (國藥控股國大藥房廣東有限公司)	PRC, 1 July 2004	50,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房揚州大德生連鎖有限公司)	PRC, 23 August 2001	44,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Foshan Nanhai Medical Co., Ltd. (佛山市南海醫藥有限公司)	PRC, 30 December 2010	40,000	–	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Foshan Nanhai Xinyaoteyao Co., Ltd. (佛山市南海新藥特藥有限公司)	PRC, 30 December 2010	40,000	–	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Fuzhou Co., Ltd. (國藥控股福州有限公司)	PRC, 15 September 1998	40,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Fujian Guoda Pharmacy Chain Store Co., Ltd. (福建國大藥房連鎖有限公司)	PRC, 28 November 2002	37,500	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Nantong Co., Ltd. (國藥控股南通有限公司)	PRC, 3 January 2012	36,000	–	80	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Longyan Co., Ltd. (國藥控股龍岩有限公司)	PRC, 22 April 2011	36,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd. (國藥河北樂仁堂醫藥連鎖有限公司)	PRC, 3 November 2011	35,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Health Solutions Co., Ltd. (國藥控股健康發展(上海)有限公司)	PRC, 19 January 2004	31,500	100	–	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services
Sinopharm Holding Yunnan Co., Ltd. (國藥控股雲南有限公司)	PRC, 20 November 2000	31,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Meitai Medical Instruments Co., Ltd. (國藥控股美太醫療設備(上海)有限公司)	PRC, 2 January 2012	30,000	–	70	Distribution of medical equipment, building decoration, communication, clothing, chemical reagents, import and export of goods and technology, business consulting, etc
Sinopharm Holding Huzhou Co., Ltd. (國藥控股湖州有限公司)	PRC, 9 September 2011	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xuzhou Co., Ltd. (國藥控股徐州有限公司)	PRC, 17 December 2010	30,000	-	51	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Ningde Co., Ltd. (國藥控股寧德有限公司)	PRC, 21 June 2011	30,000	-	60	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Taizhou Co., Ltd. (國藥控股台州有限公司)	PRC, 14 March 2011	30,000	-	100	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. (國藥集團上海立康醫藥有限公司)	PRC, 27 July 1994	30,000	100	-	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hainan Co., Ltd. (國藥控股海南有限公司)	PRC, 10 July 2000	40,000	68	-	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding (Tianjin) Orient Bookcom Pharmaceutical Trade Co., Ltd. (國藥控股(天津)東方博康醫藥有限公司)	PRC, 6 January 1994	30,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Suzhou Co., Ltd. (國藥控股蘇州有限公司)	PRC, 3 January 1993	30,000	-	80	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Shenzhen Yanfeng Co., Ltd. (國藥控股深圳延風有限公司)	PRC, 6 April 2010	30,000	-	51	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Jiangxi Co., Ltd. (國藥控股江西有限公司)	PRC, 13 October 2009	60,000	67	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Lunan Co., Ltd. (國藥控股魯南有限公司)	PRC, 29 April 2007	100,000	–	65	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Shandong Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房山東有限公司)	PRC, 3 January 2001	29,000	–	55	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Changzhou Pharmacy Logistics Center Co., Ltd. (國藥控股常州醫藥物流中心有限公司)	PRC, 17 December 2010	25,078	–	100	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instrument (Beijing) Co., Ltd. (國藥控股醫療器械(北京)有限公司)	PRC, 1 January 2012	25,000	–	70	Distribution of medical equipments, Import and export of goods and technology in PRC
Liyang Guoda People Pharmacy Chain Store Co., Ltd. (溧陽國大人民藥房有限公司)	PRC, 11 May 2011	25,000	–	80	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Jiangmeng Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房江門連鎖有限公司)	PRC, 1 June 2012	24,000	–	65	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinyu Co., Ltd. (國藥控股新餘有限公司)	PRC, 1 January 1999	22,500	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Liuzhou Co., Ltd. (國藥控股柳州有限公司)	PRC, 1 December 2003	20,531	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Jiankun (Beijing) Medical Co., Ltd. (國藥健坤(北京)醫藥有限責任公司)	PRC, 4 January 2012	20,000	-	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qinghai Co., Ltd. (國藥控股青海有限公司)	PRC, 1 November 2011	20,000	70	-	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yancheng Co., Ltd. (國藥控股鹽城有限公司)	PRC, 17 December 2010	20,000	-	52	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hainan Hongyi Co., Ltd. (國藥控股海南鴻益有限公司)	PRC, 27 July 2011	20,000	-	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Neimenggu Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房內蒙古有限公司)	PRC, 13 July 2011	20,000	-	98	Medicine chain store; distribution of pharmaceutical, healthcare products, laboratory supplies and chemical reagents in the PRC
Hunan Guoda Minshengtang Pharmacy Chain Store Co., Ltd. (湖南國大民生堂藥房連鎖有限公司)	PRC, 13 April 2011	20,000	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (山西國大萬民藥房連鎖有限公司)	PRC, 9 March 2011	20,000	-	85	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Quanzhou GuoDa Pharmacy Chain Store Co., Ltd. (泉州市國大藥房連鎖有限公司)	PRC, 14 March 2011	20,000	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Lerentang Baoding Pharmaceutical Co., Ltd. (國藥樂仁堂保定醫藥有限公司)	PRC, 22 November 2012	20,000	-	70	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Cangzhou Pharmaceutical Co., Ltd. (國藥樂仁堂滄州醫藥有限公司)	PRC, 21 December 2011	20,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhangzhou Co., Ltd. (國藥控股漳州有限公司)	PRC, 29 April 2011	20,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanghai Ourchem Chemical Reagent Co., Ltd. (上海沃凱藥業有限公司)	PRC, 11 August 1988	18,854	-	100	Property rental, distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Handan Co., Ltd. (國藥樂仁堂邯鄲醫藥有限公司)	PRC, 17 January 2011	50,000	-	89.2	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Anqing Co., Ltd. (國藥控股安慶有限公司)	PRC, 25 February 2010	23,000	-	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. (國藥集團三益藥業(蕪湖)有限公司)	PRC, 10 November 2005	15,000	100	-	Distribution of solution of pharmaceutical products
Sinopharm Holding Liuan Co., Ltd. (國藥控股六安有限公司)	PRC, 6 May 2012	20,000	-	60	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Henan Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房河南連鎖有限公司)	PRC, 25 April 2011	15,000	-	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tianjin North Pharmaceutical Co., Ltd. (國藥控股天津北方醫藥有限公司)	PRC, 28 December 2010	15,000	-	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhanjiang Co., Ltd. (國藥控股湛江有限公司)	PRC, 8 February 1985	70,000	-	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Zhejiang Guoda Drugstore Co., Ltd. (浙江國藥大藥房有限公司)	PRC, 13 March 2000	15,000	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Changde Co., Ltd. (國藥控股常德有限公司)	PRC, 25 November 2011	15,000	-	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Suzhou Boai Pharmaceutical Co., Ltd. (國藥控股蘇州博愛醫藥有限公司)	PRC, 30 January 2011	13,000	-	100	Distribution of pharmaceutical products and laboratory supplies in the PRC
Shanghai Donghong Medical Co., Ltd. (上海東虹醫藥有限公司)	PRC, 4 June 2012	12,000	85	-	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Shenzhen Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房(深圳)連鎖有限公司)	PRC, 3 July 1985	10,800	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Nanping Co., Ltd. (國藥控股南平有限公司)	PRC, 6 July 2011	10,500	-	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd. (國藥控股懷德居醫藥(廈門)有限公司)	PRC, 30 April 1996	10,000	-	92	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanxi Zhengxiang Real Estate Development Co., Ltd. (山西正翔房地產開發有限公司)	PRC, 15 May 2009	169,167	-	100	Real estate development, Distribution of constructing materials and decoration

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Medical Technology (Tianjin) Co., Ltd. (國藥控股醫療科技(天津)有限公司)	PRC, 22 February 2012	10,000	-	70	Distribution of medical equipments and goods, information technology services in PRC
Sinopharm Holding Quanzhou Co., Ltd. (國藥控股泉州有限公司)	PRC, 31 May 2013	30,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Weifang Co., Ltd. (國藥控股濰坊有限公司)	PRC, 16 June 2006	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanghai Meiluo Medical Co., Ltd. (上海美羅醫藥有限公司)	PRC, 17 May 2012	30,000	100	-	Distribution of pharmaceutical products, medical equipments and chemical reagents, import and export of goods and technology in the PRC
Sinopharm Holding Jining Co., Ltd. (國藥控股濟寧有限公司)	PRC, 8 January 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wuhu Co., Ltd. (國藥控股蕪湖有限公司)	PRC, 5 May 2012	10,000	-	70	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Jiangmeng Renren Medical Co., Ltd. (國藥控股江門仁仁有限公司)	PRC, 3 May 2012	60,000	-	100	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huaian Co., Ltd. (國藥控股淮安有限公司)	PRC, 17 December 2010	10,000	-	100	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinjiang New & Special Gingsen Antler Medical Co., Ltd. (國藥控股新疆新特參茸藥業有限公司)	PRC, 10 March 2011	10,000	-	100	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Anshun Co., Ltd. (國藥控股安順有限公司)	PRC, 20 March 2011	10,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Sanming Co., Ltd. (國藥控股三明有限公司)	PRC, 2 April 2011	10,000	-	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Putian Co., Ltd. (國藥控股莆田有限公司)	PRC, 8 December 2010	20,000	-	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qingdao Co., Ltd. (國藥控股青島有限公司)	PRC, 18 January 2011	11,111	-	90	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jinzhou Co., Ltd. (國藥控股錦州有限公司)	PRC, 12 May 2011	10,000	-	70	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dongguan Co., Ltd. (國藥控股東莞有限公司)	PRC, 12 September 2001	18,000	-	100	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Taicang Hushi Chemical Reagent Co., Ltd. (太倉滬試試劑有限公司)	PRC, 24 June 2002	10,000	-	60	Chemical reagents manufacture and trading in the PRC
Sinopharm Holding Jinan Co., Ltd. (國藥控股濟南有限公司)	PRC, 7 August 2000	10,000	-	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Guoda Shenyang Tianyitang Pharmacy Chain Store Co., Ltd. (國藥控股國大天益堂藥房連鎖(瀋陽)有限公司)	PRC, 2 August 2002	10,000	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Zaozhuang Co., Ltd. (國藥控股棗莊有限公司)	PRC, 17 February 2011	10,000	–	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Shenyang Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房瀋陽連鎖有限公司)	PRC, 19 September 2000	8,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Nanjing Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房南京連鎖有限公司)	PRC, 27 September 2002	8,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Huizhou Co., Ltd. (國藥控股惠州有限公司)	PRC, 9 May 2004	18,000	–	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Datong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (大同市國大萬民藥業有限公司)	PRC, 9 March 2011	6,150	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Weihai Co., Ltd. (國藥控股威海有限公司)	PRC, 7 January 2012	6,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhoushan Co., Ltd. (國藥控股舟山有限公司)	PRC, 5 January 2006	6,000	–	80	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Shenzhen Traditional & Herbal Medicine Co., Ltd. (國藥控股深圳藥材有限公司)	PRC, 1 December 2001	15,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Lishui Co., Ltd. (國藥控股麗水有限公司)	PRC, 14 March 2011	6,000	–	98	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Jinhua Co., Ltd. (國藥控股金華有限公司)	PRC, 6 May 2011	5,300	-	90	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Chongqing Wanzhou Co., Ltd. (國藥控股重慶萬州有限公司)	PRC, 5 May 2011	5,000	-	80	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Wencheng County Medicine Co., Ltd. (國藥控股文成縣醫藥有限公司)	PRC, 1 February 1982	5,000	-	58	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Prospect Dentech (Beijing) Co., Ltd. (國藥前景口腔科技(北京)有限公司)	PRC, 5 August 2010	5,000	-	51	Distribution of medical equipments, Imports and exports of goods and technology, business consultation in the PRC
Sinopharm Holding Puer Co., Ltd. (國藥控股普洱有限公司)	PRC, 13 February 2012	5,000	-	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents, Imports and exports of goods and technology in the PRC
Sinopharm Lerentang Hebei Medical Co., Ltd. (國藥樂仁堂河北藥業有限公司)	PRC, 9 March 2011	5,000	-	70	Distribution of pharmaceutical products, purchase agricultural products, production of Chinese herbal pieces in the PRC
Suzhou Boai Medical Instrument Co., Ltd. (蘇州市博愛醫療器械有限公司)	PRC, 30 January 2011	5,000	-	100	Distribution of medical instruments in the PRC
Shanxi Tongfeng Pharmacy Logistics Co., Ltd. (山西同豐醫藥物流有限公司)	PRC, 9 March 2011	5,000	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products laboratory supplies and chemical reagents in the PRC
Shenzhen Jianmin Pharmaceutical Co., Ltd. (國藥控股深圳健民有限公司)	PRC, 8 January 2001	20,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Yulin Co., Ltd. (國藥控股玉林有限公司)	PRC, 17 January 2004	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dezhou Co., Ltd. (國藥控股德州有限公司)	PRC, 14 December 2006	5,000	-	70	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Liaocheng Co., Ltd. (國藥控股聊城有限公司)	PRC, 15 June 2005	5,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Huzhou Muhanzhuai Pharmacy Chain Store Co., Ltd. (湖州慕韓齋醫藥連鎖有限公司)	PRC, 22 November 2011	4,000	-	98	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xiamen Guanghua Medical Science & Technology Co., Ltd. (廈門光華醫藥科技有限公司)	PRC, 7 November 2005	4,000	-	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shaoguan Co., Ltd. (國藥控股韶關有限公司)	PRC, 29 September 2002	3,600	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (長治市國大萬民藥房有限公司)	PRC, 9 March 2011	3,200	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd. (國藥樂仁堂河北醫療器械貿易有限公司)	PRC, 9 March 2011	10,010	-	70	Distribution of medical instruments in the PRC
Jincheng Guoda Wanmin Pharmacy Chain Store Co., Ltd. (晉城市國大萬民藥房有限公司)	PRC, 9 March 2011	2,560	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Dongtou Pharmaceutical Co. Ltd. (洞頭縣醫藥有限公司)	PRC, 1 December 1981	2,000	-	61	Distribution of pharmaceutical products, in the PRC
Sinopharm Holding Zhaoqing Co., Ltd. (國藥控股肇慶有限公司)	PRC, 2 January 2012	15,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Shijiazhuang Pharmaceutical Co., Ltd. (國藥樂仁堂石家莊醫藥有限公司)	PRC, 9 March 2011	2,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Guangxi Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房廣西連鎖有限公司)	PRC, 1 December 2001	2,000	-	100	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Chinese Herbal Slice Co., Ltd. (國藥控股廣西中藥飲片有限公司)	PRC, 12 June 2007	2,000	-	100	Medicine manufacture and trading in the PRC
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. (深圳致君醫藥貿易有限公司)	PRC, 1 March 1985	10,000	-	100	Distribution of pharmaceutical, healthcare products and laboratory supplies in the PRC
Sinopharm Holding Taian Co., Ltd. (國藥控股泰安有限公司)	PRC, 19 March 1993	1,790	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Jinzhong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (晉中市國大萬民藥房有限公司)	PRC, 9 March 2011	1,700	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Yangzhou Weikang Pharmaceutical Co., Ltd. (揚州衛康醫藥有限公司)	PRC, 29 December 1992	1,420	-	85	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Meizhou Co., Ltd. (國藥控股梅州有限公司)	PRC, 30 June 2010	18,000	-	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanxi Zhengxiang Property Management Co., Ltd. (山西正翔物業管理有限公司)	PRC, 10 December 2012	1,100	–	100	Property Management
RMC Marketing Consulting (上海諾允市場行銷諮詢有限公司)	PRC, 19 January 2004	1,000	–	100	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services
Shanghai Guoda Shanghong Qibao Drugstore Co., Ltd. (上海國大上虹七寶藥房有限公司)	PRC, 9 April 2004	1,000	–	51	Medicine chain store in the PRC
Shanghai Meiluo Guoda Drugstore Co., Ltd. (上海美羅大藥房有限公司)	PRC, 4 February 2008	500	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Lanxi Conba Pharmacy Chain Store Co., Ltd. (金華國控大藥房連鎖有限公司)	PRC, 6 May 2011	500	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Zhejiang Intmedicine DrugStore Dongshan Co., Ltd. (浙江國藥大藥房東山藥店有限公司)	PRC, 1 December 2000	500	–	51	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Guoda Dongsheng Drugstore Co., Ltd. (上海國大東盛大藥房有限公司)	PRC, 1 July 2003	500	–	100	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Guoda Dongxin Pharmacy Chain Store Co., Ltd. (上海國大東信藥房有限公司)	PRC, 27 September 1995	300	–	100	Medicine chain store in the PRC
China National Pharmaceutical Group Shanxi Co., Ltd. (國藥集團山西有限公司)	PRC, 14 April 2011	1,000,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Tianjin Co., Ltd. (國藥控股天津有限公司)	PRC, 1 December 2004	1,300,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Shenyang Co., Ltd. (國藥控股瀋陽有限公司)	PRC, 27 November 2003	800,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents; provision of pharmaceutical logistics services in the PRC
Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)	PRC, 23 March 2004	1,010,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Beijing Co., Ltd. (國藥控股北京有限公司)	PRC, 28 October 2003	600,000	96	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Chemical Reagent Co., Ltd. (國藥集團化學試劑有限公司)	PRC, 24 October 2003	450,000	90	10	Distribution of chemical reagents in the PRC
Sinopharm Holding Guangzhou Co., Ltd. (國藥控股廣州有限公司)	PRC, 1 September 2003	1,000,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Fujian Co., Ltd. (國藥控股福建有限公司)	PRC, 20 January 2010	284,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Logistics Tianjing Co., Ltd. (國藥控股天津物流有限公司)	PRC, 29 September 2005	190,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Inner Mongolia Co., Ltd. (國藥控股內蒙古有限公司)	PRC, 14 May 2010	300,000	100	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Beijing Kangchen Biomedicine Co., Ltd. (國藥控股北京康辰生物醫藥有限公司)	PRC, 19 January 2005	130,000	51	–	Distribution of pharmaceutical products and laboratory supplies in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Guangxi Co., Ltd. (國藥控股廣西有限公司)	PRC, 15 March 2004	500,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Lingshang Hospital Management Service Co., Ltd. (國藥控股菱商醫院管理服務(上海)有限公司)	PRC, 5 July 2013	80,000	60	–	Distribution of medical equipments and goods, information technology services in PRC
Ningxia Guoda Pharmacy Chain Store Co., Ltd. (寧夏國大藥房連鎖有限公司)	PRC, 17 November 2008	70,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Hong Kong Co., Ltd. (國藥控股股份香港有限公司)	PRC, 14 August 2009	USD9.5 million	100	–	Investment; distribution of pharmaceutical, healthcare products; medicine chain store; and, provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Gansu Co., Ltd. (國藥控股甘肅有限公司)	PRC, 14 January 2010	60,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanghai Ourchem biotechnology Co., Ltd. (上海沃凱生物技術有限公司)	PRC, 19 September 2005	50,000	–	100	Research of bio-technology and consulting service in the PRC
Sinopharm Holding Guizhou Co., Ltd. (國藥控股貴州有限公司)	PRC, 1 April 2010	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Shanghai Tongyu Information Technology Co., Ltd. (上海統禦信息科技有限公司)	PRC, 27 December 2005	41,000	100	–	Information technology development and medicine consulting in the PRC
Sinopharm Holding Guangdong Hengxing Co., Ltd. (國藥控股廣東恒興有限公司)	PRC, 1 December 2004	50,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Luoyang Co., Ltd. (國藥控股洛陽有限公司)	PRC, 13 January 2012	40,000	–	67	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Chongqing Co., Ltd. (國藥控股重慶有限公司)	PRC, 8 May 2010	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shangqiu Co., Ltd. (國藥控股商丘有限公司)	PRC, 3 March 2011	30,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Hunan Health Industry Co., Ltd. (國藥控股湖南大健康產業有限公司)	PRC, 28 August 2013	30,000	–	100	Investments, Information technology development and medicine consulting in the PRC
Sinopharm Holding Anyang Co., Ltd. (國藥控股安陽有限公司)	PRC, 11 December 2009	20,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Nanyang Co., Ltd. (國藥控股南陽有限公司)	PRC, 11 December 2009	60,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Lerentang Chengde Pharmaceutical Co., Ltd. (國藥樂仁堂承德醫藥有限公司)	PRC, 19 September 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Qinhuangdao Pharmaceutical Co., Ltd. (國藥樂仁堂秦皇島醫藥有限公司)	PRC, 22 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Zhangjiakou Pharmaceutical Co., Ltd. (國藥樂仁堂張家口醫藥有限公司)	PRC, 15 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhumadian Co., Ltd. (國藥控股駐馬店有限公司)	PRC, 24 May 2012	55,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Langfang Medical Co., Ltd. (國藥樂仁堂廊坊醫藥有限公司)	PRC, 17 May 2012	23,333	–	60	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tibet Pharmaceutical Co., Ltd. (國藥控股西藏醫藥有限公司)	PRC, 1 July 2013	20,000	60	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Lerentang Xingtai Pharmaceutical Co., Ltd. (國藥樂仁堂邢臺醫藥有限公司)	PRC, 27 August 2013	20,000	–	78	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Logistics Co., Ltd. (國藥控股山西物流有限公司)	PRC, 13 December 2008	15,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Wuhan Co., Ltd. (國藥控股武漢有限公司)	PRC, 30 September 2010	15,000	–	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Tongliao Co., Ltd. (國藥控股通遼有限公司)	PRC, 27 October 2010	15,000	–	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Wuwei Co., Ltd. (國藥控股武威有限公司)	PRC, 15 February 2011	15,000	–	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Mudanjiang Co., Ltd. (國藥控股牡丹江有限公司)	PRC, 27 March 2012	15,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yantai Co., Ltd. (國藥控股煙臺有限公司)	PRC, 23 April 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Baise Co., Ltd. (國藥控股百色有限公司)	PRC, 7 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guilin Co., Ltd. (國藥控股桂林有限公司)	PRC, 11 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Guigang Co., Ltd. (國藥控股貴港有限公司)	PRC, 30 May 2013	10,000	-	100	Distribution of pharmaceutical products and commodities in the PRC
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd. (國藥控股(天津濱海)醫藥有限公司)	PRC, 1 April 2010	10,000	-	100	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Kaifeng Co., Ltd. (國藥控股開封有限公司)	PRC, 21 May 2010	20,000	-	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Puyang Co., Ltd. (國藥控股濮陽有限公司)	PRC, 11 August 2010	10,000	-	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Jiaozuo Co., Ltd. (國藥控股焦作有限公司)	PRC, 13 September 2010	10,000	-	80	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Bengbu Co., Ltd. (國藥控股蚌埠有限公司)	PRC, 29 September 2010	10,000	-	70	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Chenzhou Co., Ltd. (國藥控股郴州有限公司)	PRC, 1 September 2010	10,000	-	80	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Anhui Guoda Pharmacy Chain Store Co., Ltd. (安徽國大藥房連鎖有限公司)	PRC, 8 September 2010	10,000	-	60	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Ankang Co., Ltd. (國藥控股安康有限公司)	PRC, 6 January 2011	10,000	-	70	Distribution of pharmaceutical and healthcare products and laboratory supplies in the PRC
Sinopharm Holding Shanxi Yangquan Co., Ltd. (國藥控股山西陽泉有限公司)	PRC, 19 May 2011	10,000	-	70	Distribution of pharmaceutical and healthcare products and laboratory supplies in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Sanmenxia Co., Ltd. (國藥控股三門峽有限公司)	PRC, 24 January 2011	10,000	–	67	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Huainan Co., Ltd. (國藥控股淮南有限公司)	PRC, 8 April 2011	10,000	–	70	Distribution of pharmaceutical and healthcare products and laboratory supplies in the PRC
Sinopharm Holding Fuyang Co., Ltd. (國藥控股阜陽有限公司)	PRC, 5 September 2011	10,000	–	55	Distribution of pharmaceutical and healthcare products and laboratory supplies in the PRC
Sinopharm Holding Baotou Co., Ltd. (國藥控股包頭有限公司)	PRC, 26 January 2011	10,000	–	80	Distribution of pharmaceutical and healthcare products and laboratory supplies in the PRC
Sinopharm Holding Qingyang Co., Ltd. (國藥控股慶陽有限公司)	PRC, 18 May 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qianxinan Co., Ltd. (國藥控股黔西南有限公司)	PRC, 15 January 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Yunyang Co., Ltd. (國藥控股重慶雲陽有限公司)	PRC, 6 March 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Hengshui Medical Co., Ltd. (國藥樂仁堂衡水醫藥有限公司)	PRC, 13 December 2011	12,857	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shangluo Co., Ltd. (國藥控股商洛有限公司)	PRC, 21 February 2012	10,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Chifeng Co., Ltd. (國藥控股赤峰有限公司)	PRC, 22 November 2011	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jingmen Co., Ltd. (國藥控股荊門有限公司)	PRC, 21 June 2012	10,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Qiannan Co. Ltd. (國藥控股黔南州有限公司)	PRC, 16 February 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhongshan Co., Ltd. (國藥控股中山有限公司)	PRC, 6 September 2012	10,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dandong Co., Ltd. (國藥控股丹東有限公司)	PRC, 25 November 2013	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Biological Product Co., Ltd. (國藥控股湖北生物製品有限公司)	PRC, 5 January 2013	10,000	-	70	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Hubei Bokang Co., Ltd. (國藥控股湖北柏康有限公司)	PRC, 22 October 2013	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Shanxi Yiyuan Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房山西益源連鎖有限公司)	PRC, 10 October 2013	10,000	-	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Biological Product Co., Ltd. (國藥控股浙江生物製品有限公司)	PRC, 25 September 2013	10,000	-	60	Distribution of biological products and technological consulting in the PRC
Sinopharm Holding Luohe Co., Ltd. (國藥控股漯河有限公司)	PRC, 10 December 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Zhoukou Co., Ltd. (國藥控股周口有限公司)	PRC, 22 January 2013	10,000	-	77	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinxiang Co., Ltd. (國藥控股新鄉有限公司)	PRC, 17 June 2013	20,000	-	51	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Yanan Co., Ltd. (國藥控股延安有限公司)	PRC, 25 October 2013	10,000	90	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beijing Airport International Trading Co., Ltd. (國藥空港(北京)國際貿易有限公司)	PRC, December 2010	10,000	-	100	Provision of pharmaceutical logistics services in the PRC
Tianjin Yishengjiahe Health Consultancy Co., Ltd. (天津市怡生家和健康顧問有限公司)	PRC, 6 June 2013	10,000	-	100	Health consultation, medical consulting, distribution of pharmaceutical products
Sinopharm Holding Tongchuan Co., Ltd. (國藥控股銅川有限公司)	PRC, 20 September 2010	8,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Tongren Co., Ltd. (國藥控股銅仁有限公司)	PRC, 14 December 2011	8,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zunyi Co., Ltd. (國藥控股遵義有限公司)	PRC, 29 November 2011	20,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Pingliang Co., Ltd. (國藥控股平涼有限公司)	PRC, 11 February 2011	7,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Yulin Co., Ltd. (國藥控股榆林有限公司)	PRC, 14 December 2011	7,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Yichang Co., Ltd. (國藥控股宜昌有限公司)	PRC, 24 May 2010	7,500	-	80	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Qujing Co., Ltd. (國藥控股曲靖有限公司)	PRC, 1 September 2010	6,000	-	100	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Xiangyang Co., Ltd. (國藥控股襄陽有限公司)	PRC, 11 October 2010	6,000	-	100	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Huangshi Co., Ltd. (國藥控股黃石有限公司)	PRC, 26 July 2010	10,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Enshi Co., Ltd. (國藥控股恩施有限公司)	PRC, 22 November 2011	6,000	-	60	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Dali Co., Ltd. (國藥控股大理有限公司)	PRC, 24 January 2011	6,000	-	80	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Bayan Nur Co., Ltd. (國藥控股巴彥淖爾有限公司)	PRC, 30 May 2011	6,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Honghe Co., Ltd. (國藥控股紅河有限公司)	PRC, 10 September 2013	6,000	-	100	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding (Tianjin) Medical Instruments Co., Ltd. (國藥控股(天津)醫療器械有限公司)	PRC, 25 May 2010	10,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Shiyao Co., Ltd. (國藥控股十堰有限公司)	PRC, 17 August 2010	5,000	-	75	Distribution of pharmaceutical products and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Shanxi Lvliang Co., Ltd. (國藥控股山西呂梁有限公司)	PRC, 26 October 2010	5,000	–	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Yueyang Co., Ltd. (國藥控股岳陽有限公司)	PRC, 25 August 2010	5,000	–	80	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Jingzhou Co., Ltd. (國藥控股荊州有限公司)	PRC, 24 August 2010	5,000	–	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Shanxi Changzhi Co., Ltd. (國藥控股山西長治有限公司)	PRC, 24 December 2010	10,000	–	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
China National Pharmaceutical Group Suzhou Chemical Reagent Co., Ltd. (國藥集團化學試劑蘇州有限公司)	PRC, 25 August 2004	5,000	–	100	Distribution of chemical reagents in the PRC
China National Pharmaceutical Group Hefei Chemical Reagent Co., Ltd. (國藥集團化學試劑合肥有限公司)	PRC, 1 April 2011	5,000	–	60	Distribution of chemical reagents in the PRC
China National Pharmaceutical Group Southwest Medicine Zigong Co., Ltd. (國藥集團西南醫藥自貢有限公司)	PRC, 18 November 2011	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Southwest Medicine Luzhou Co., Ltd. (國藥集團西南醫藥瀘州有限公司)	PRC, 29 December 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Linfen Co., Ltd. (國藥控股山西臨汾有限公司)	PRC, 13 May 2011	5,000	–	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xiangtan Co., Ltd. (國藥控股湘潭有限公司)	PRC, 7 January 2011	5,000	-	80	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Xiangxi Co., Ltd. (國藥控股湘西有限公司)	PRC, 19 January 2011	5,000	-	80	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Yongzhou Co., Ltd. (國藥控股永州有限公司)	PRC, 3 November 2011	5,000	-	80	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Ulanqab Co., Ltd. (國藥控股烏蘭察布有限公司)	PRC, 13 May 2011	5,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Yanbian Co., Ltd. (國藥控股延邊有限公司)	PRC, 25 February 2011	5,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Sinopharm Holding Leshan Medical Co., Ltd. (國藥控股樂山醫藥有限公司)	PRC, 5 March 2012	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wenshan Co., Ltd. (國藥控股文山有限公司)	PRC, 13 April 2012	5,000	-	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm A-think Changchun Medical Co., Ltd. (國藥一心長春醫藥有限公司)	PRC, 21 February 2012	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Jiangnan Co., Ltd. (國藥控股湖北江漢有限公司)	PRC, 6 July 2012	5,000	-	60	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Huanggang Co., Ltd. (國藥控股黃岡有限公司)	PRC, 31 October 2012	5,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Supply Chain Service (Shanghai) Co., Ltd. (國藥(上海)供應鏈服務有限公司)	PRC, 18 December 2012	5,000	-	100	Cargo agent, warehousing, shipping
Sinopharm Holding Taizhou Herbal Medicine Co., Ltd. (國藥控股台州中藥有限公司)	PRC, 12 April 2013	5,000	-	100	Chinese herbal medicine manufacturing and trading in the PRC
Sinopharm Holding Jilin Medical Device Co., Ltd. (國控吉林醫療器械有限公司)	PRC, 15 March 2013	5,000	-	51	Distribution of medical equipments
Sinopharm Holding Songyuan Co., Ltd. (國藥控股松原有限公司)	PRC, 25 March 2013	5,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chongqing Nanchuan Co., Ltd. (國藥控股重慶南川有限公司)	PRC, 15 August 2012	5,000	-	85	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Shanghai Chemical Reagent Co., Ltd. (國藥集團化學試劑上海有限公司)	PRC, 12 June 2006	4,500	-	100	Distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jilin City Medical Co., Ltd. (國藥控股吉林市醫藥有限公司)	PRC, 30 January 2011	4,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
China National Pharmaceutical Group Panzhihua Medicine Co., Ltd. (國藥集團攀枝花醫藥有限公司)	PRC, 22 December 2010	3,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Siping Co., Ltd. (國藥控股四平有限公司)	PRC, 25 February 2011	3,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Ningxia Guyuan Co., Ltd. (國藥控股寧夏固原有限公司)	PRC, 4 September 2012	2,100	-	85.71	Distribution of pharmaceutical products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Baicheng Co., Ltd. (國藥控股白城有限公司)	PRC, 10 January 2011	2,000	-	70	Distribution of pharmaceutical and healthcare products and chemical reagents in the PRC
Shanxi Guoda Wanmin Clinic Management Chain Co., Ltd. (山西國大萬民連鎖診所管理有限公司)	PRC, 8 July 2013	1,200	-	100	Managing subsidiaries
China National Pharmaceutical Group Chengdu Chemical Reagent Co., Ltd. (國藥集團化學試劑成都有限公司)	PRC, 15 November 2004	1,000	-	60	Distribution of laboratory supplies in the PRC
Shanghai Guoda Pharmaceutical Co., Ltd. (寧夏國大藥品有限公司)	PRC, 9 April 2004	1,000	-	100	Distribution of pharmaceutical, healthcare products in the PRC
Shaanxi Guoyi Drugstore Co., Ltd. (陝西國誼大藥房有限公司)	PRC, 19 April 2010	1,000	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shenzhen Logistics Co., Ltd. (國藥控股深圳物流有限公司)	PRC, 8 September 2005	5,000	-	100	Provision of storage, packaging and pharmaceutical logistics services in the PRC
Sinopharm Holding Tianjin Enterprise Development Co., Ltd. (天津國藥企業發展有限公司)	PRC, 28 July 2004	1,000	-	100	Distribution of office supplies and provision of property management service in the PRC
Taizhou Fang Tongren Medical Co., Ltd. (台州方同仁醫藥連鎖有限公司)	PRC, 19 October 2011	1,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tongyu Information Technology Co., Ltd. (北京統禦信息科技有限公司)	PRC, 13 September 2013	1,000	-	100	Information technology development and medicine consulting in the PRC
Hangzhou Sinopharm Holding Drugstore Co., Ltd. (杭州國控大藥房有限公司)	PRC, 4 July 2012	600	-	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd. (國藥樂仁堂石家莊藥材有限公司)	PRC, 15 July 2011	500	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Lishui Xiandu Pharmaceutical Retail Co. Ltd. (麗水仙都醫藥零售有限公司)	PRC, 20 October 2012	500	–	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Shanghai Guoda Changxin Drugstore Co., Ltd. (上海國大長信藥房有限公司)	PRC, 24 May 2012	300	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Beijing China Reagent& Fine Chemicals Consulting Co., Ltd. (北京國化精試諮詢有限公司)	PRC, 27 December 2001	100	–	100	Chemical reagents consultation in the PRC
Yueqing Leyi Drugstore Co., Ltd. (樂清樂怡大藥房有限公司)	PRC, 16 October 2012	100	–	100	Distribution of pharmaceutical products in the PRC
Tianjin Bookcom Shengjia Drugstore Co., Ltd. (天津博康勝家大藥房有限公司)	PRC, 17 October 2005	500	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Biopharmaceutical(Tianjin) Co., Ltd (國藥控股生物醫藥(天津)有限公司)	PRC, 18 August 1997	10,000	–	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Shantou Co., Ltd. (國藥控股汕頭有限公司)	PRC, 14 April 1999	8,000	–	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Rizhao Co., Ltd. (國藥控股日照有限公司)	PRC, 4 January 2007	2,600	–	80	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Group Qiangongnan Pharmaceutical Co., Ltd. (國藥控股黔東南州醫藥有限公司)	PRC, 8 December 2011	8,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Taimin Pharmaceutical Co., Ltd. (國藥控股重慶泰民醫藥有限公司)	PRC, 17 August 2012	20,000	60	-	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC
Sinopharm Bio-pharmaceutical Co., Ltd. (國藥控股上海生物醫藥有限公司)	PRC, 3 December 2009	20,000	70	-	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sichuan Pharmaceutical Group Co., Ltd. Of CNPGC (國藥四川醫藥集團有限公司)	PRC, 2 September 2001	65,744	66	-	Management of medical project investment, consulting and technology training in PRC
Sinopharm Holding Sichuan Pharmaceutical Co., Ltd. (國藥控股四川醫藥股份有限公司)	PRC, 14 May 1988	200,000	49	51	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Chengdu Pharmaceutical Co., Ltd. (國藥控股成都醫藥有限公司)	PRC, 31 May 2006	10,000	-	90	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sichuan Pharmacy Chain Store Co., Ltd. (四川大藥房醫藥連鎖有限公司)	PRC, 20 November 2008	10,000	-	80	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Anshan Co., Ltd. (國藥控股鞍山有限公司)	PRC, 5 November 2013	20,000	-	70	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Macheng Co., Ltd. (國藥控股麻城有限公司)	PRC, 16 October 2013	5,000	-	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Xianning Co., Ltd. (國藥控股鹹寧有限公司)	PRC, 23 October 2013	11,000	-	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Hubei New & Special Medicines Co., Ltd. (國藥控股湖北新特藥有限公司)	PRC, 14 November 2013	10,000	-	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Xiamen Co., Ltd. (國藥控股廈門有限公司)	PRC, 12 December 2013	10,000	-	100	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents and provision of storage, property management and consulting service in the PRC
Sinopharm Holding Shanxi Jinzhong Co., Ltd. (國藥控股山西晉中有限公司)	PRC, 23 December 2013	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Jincheng Co., Ltd. (國藥控股山西晉城有限公司)	PRC, 21 January 2014	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beihai Co., Ltd. (國藥控股北海有限公司)	PRC, 28 February 2014	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Fushun Co., Ltd. (國藥控股撫順有限公司)	PRC, 23 January 2014	20,000	-	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Linzhou Co., Ltd. (國藥控股林州有限公司)	PRC, 7 January 2014	5,000	-	40	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hulun Buir Co., Ltd. (國藥控股呼倫貝爾有限公司)	PRC, 29 April 2014	10,000	-	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Suzhou Guokang Drugstore Co., Ltd. (蘇州國康藥店有限公司)	PRC, 7 May 2014	300	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm A-think Medical Research & Development (Beijing) Co., Ltd. (國藥一心醫藥研發(北京)有限公司)	PRC, 11 April 2014	1,000	-	100	Technical research development and consulting in PRC
Sinopharm Holding Henan Inspection Devices Co., Ltd. (國藥控股河南檢驗用品有限公司)	PRC, 27 June 2014	10,000	-	70	Research of medical equipment software and distribution of medical instruments in PRC
Sinopharm Holding Hongkong International Co., Ltd. (國藥控股香港國際有限公司)	PRC, 31 March 2014	3,970	-	60	Distribution of pharmaceutical products and healthcare products in PRC
Sinopharm Holding Drugstore (Jilin) Co., Ltd. (國藥控股大藥房(吉林)有限公司)	PRC, 12 June 2014	1,000	-	85	Distribution of pharmaceutical products, biological products and milk powder in PRC
Sinopharm Holding Huangshan Health Industry Co., Ltd. (國藥集團黃山大健康產業有限公司)	PRC, 6 August 2014	10,000	-	100	Health consulting, investment of healthy industry, planting and retail of primary agricultural, goods and technology import and export in PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Huangmei Co., Ltd. (國藥控股黃梅有限公司)	PRC, 23 July 2014	20,000	-	80	Distribution of pharmaceutical products, medical instruments in PRC
Sichuan Shengde Drugstore Co., Ltd. (四川省晟德藥房有限公司)	PRC, 18 September 2014	1,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shangcai Co., Ltd. (國藥控股上蔡有限公司)	PRC, 24 September 2014	20,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xiamen Guanghua Medicines Co., Ltd. (國藥控股廈門光華藥業有限公司)	PRC, 25 February 2014	4,000	-	100	Chinese herbal medicine manufacturing and trading, technical research and test in the PRC
Sinopharm Shanxi Guokang Hospital Drugstore Co., Ltd. (國藥山西國康大醫院藥店有限公司)	PRC, 30 September 2014	2,000	-	60	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Shanxi Yangmeisanyuan Drugstore Co., Ltd. (國藥山西陽煤三院大藥房有限公司)	PRC, 4 September 2014	1,000	-	100	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Holding Nanchang Drugstore Co., Ltd. (國藥控股南昌大藥房有限公司)	PRC, 23 September 2014	1,000	-	51	Distribution of pharmaceutical products in PRC
Sinopharm Group Linfen Co., Ltd. (國藥集團臨汾有限公司)	PRC, 14 October 2014	10,000	-	80	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Xinxiang Chain Store Co., Ltd. (國藥新鄉零售連鎖有限公司)	PRC, 11 October 2014	10,000	-	51	Distribution of pharmaceutical products in PRC
Sinopharm Holding Wugang Co., Ltd. (國藥控股舞鋼有限公司)	PRC, 12 August 2014	5,000	-	70	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Suizhou Center Drugstore Co., Ltd. (隨州中心大藥房有限公司)	PRC, 22 November 2013	500	-	100	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Shanxi Xinzhou Co., Ltd. (國藥控股山西忻州有限公司)	PRC, 3 November 2014	10,000	-	80	Distribution of pharmaceutical products, computer services in PRC
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd. (石家莊樂仁堂益康藥房連鎖有限公司)	PRC, 25 June 2014	5,000	-	100	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products in the PRC
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd. (國藥控股國大復美藥業(上海)有限公司)	PRC, 28 July 1993	66,550	-	97	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products in the PRC
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd. (國藥控股國大復美大藥房上海連鎖有限公司)	PRC, 21 March 2001	50,000	-	100	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products in the PRC
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (北京金象大藥房醫藥連鎖有限責任公司)	PRC, 7 March 2000	42,222	-	53	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products and Internet information services in the PRC
Beijing Jinbo Golden Elephant Drugstore Company Limited (北京金博金象大藥房有限責任公司(已註銷))	PRC, 30 September 2003	300	-	100	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products
Beijing Golden Elephant Fuxing Technology Co., Ltd. (北京金象復星科技有限公司)	PRC, 13 July 2006	1,000	-	80	Technology and computer services in the PRC
Beijing Yangqiao Rongzhi Golden Elephant Drugstore Company Limited (北京洋橋茸芝金象大藥房有限責任公司)	PRC, 23 September 1996	1,260	-	51	Distribution of pharmaceutical products, Chinese herbal medicine, medical instruments, healthcare products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sanhe Liyang Golden Elephant Drugstore Co., Ltd. (三河市麗洋金象大藥房有限公司)	PRC, 5 September 2014	10	-	100	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics and chemical reagents in the PRC
Beijing Golden Elephant Ailefang Trading Co., Ltd. (北京金象愛樂紡商貿有限公司)	PRC, 26 March 2003	2,000	-	100	Distribution of medical instruments, drinks, foods, economic information consulting and technology development in the PRC
Sinopharm Group Nanping NewPower Co., Ltd. (國藥控股南平新力量有限公司)	PRC, 26 August 2014	12,000	-	80	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products
Wenzhou Haoxihao Medicines Retail Co., Ltd. (溫州市好喜好藥品零售有限公司)	PRC, 20 September 2007	1,200	-	75	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics, medical instruments and chemical reagents and daily products in the PRC
Sinopharm Medicine Holding Suzhou Kangmin Medicine Co., Ltd. (國藥控股蘇州康民醫藥有限公司)	PRC, 18 December 2001	9,000	-	80	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics, Biological Products, chemical reagents and medical instruments in the PRC
Sinopharm Holding Dalian Hecheng Co., Ltd. (國藥控股大連和成有限公司)	PRC, 17 January 1994	50,000	80	-	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics, Biological Products, chemical reagents and medical instruments in the PRC
Sinopharm Holding Ganzhou Co., Ltd. (國藥控股贛州有限公司)	PRC, 11 December 2014	30,000	-	67	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics, and provision of trading and storing services in the PRC
Shanghai Hui Feng Fumei Drugstore Co., Ltd. (上海匯豐復美大藥房有限公司)	PRC, 29 July 2002	250	-	100	Distribution of Chinese herbal medicine chemical reagents, antibiotics and healthcare products in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tieling Co., Ltd. (國藥控股鐵嶺有限公司)	PRC, 2 March 2015	10,000	-	60	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding (Hubei) Hankou Drugstore Co., Ltd. (國藥控股(湖北)漢口大藥房有限公司)	PRC, 18 December 2014	5,000	-	100	Distribution of pharmaceutical products and grocery in the PRC
Shanghai Guodong Chinese Traditional Medicine Clinic Co., Ltd. (上海國東中醫門診部有限公司)	PRC, 14 January 2015	200	-	100	Provision of Medical Services: Department of traditional Chinese Medicine, internal Medicine, gynaecology and obstetrics, paediatrics, massage in the PRC
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd. (孝義市國大萬民百草堂藥房連鎖有限公司)	PRC, 26 December 2014	6,222	-	70	Distribution of pharmaceutical products, chemical reagents in the PRC
Sinopharm Holding Guoda Drugstore Hulun Buir Co., Ltd. (國藥控股國大藥房呼倫貝爾有限公司)	PRC, 12 August 2014	3,000	-	100	Distribution of Chinese herbal medicine chemical reagents, antibiotics and healthcare products in the PRC
Sinopharm Holding Guangzhou Medical Treatment Management Co., Ltd. (國藥控股廣州醫療管理有限公司)	PRC, 5 March 2015	3,000	-	51	Provision of commercial service in the PRC
Sinopharm Holding (Shanghai) Imported Goods Direct Sales Center Co., Ltd. (國藥控股(上海)進口商品直銷中心有限公司)	PRC, 29 December 2014	5,000	-	100	Distribution of medical instruments, grocery, goods and technology import and export in the PRC
Sinopharm Holding Shenqiu Co., Ltd. (國藥控股沈丘有限公司)	PRC, 28 October 2014	5,000	-	70	Distribution of Chinese herbal medicine, chemical reagents, antibiotics and healthcare products in the PRC
Sinopharm Holding Henan Medical Treatment Technology Co., Ltd. (國藥控股河南醫療科技有限公司)	PRC, 30 October 2014	5,000	-	70	Information technology development and medicine information management system development and distribution of medical instruments in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Qingdao Sinopharm Drugstore Co., Ltd. (青島國藥大藥房有限公司)	PRC, 27 February 2015	300	-	100	Distribution of pharmaceutical products, Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Jinan Sinopharm Drugstore Co., Ltd. (濟南國藥大藥房有限公司)	PRC, 4 January 2015	300	-	100	Distribution of pharmaceutical products, Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Jining Sinopharm Drugstore Co., Ltd. (濟寧國藥大藥房有限公司)	PRC, 31 March 2015	300	-	100	Distribution of pharmaceutical products, Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Holding Qujing Detesi Drugstore Co., Ltd. (國藥控股曲靖德特伺大藥房有限公司)	PRC, 19 November 2014	1,000	-	51	Distribution of pharmaceutical products, Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Jienuo Medical Treatment Service Co., Ltd. (國藥潔諾醫療服務有限公司)	PRC, 20 October 2014	50,000	-	100	Provision of cleaning, sterile, packaging service to medical instruments in the PRC
Sinopharm Jienuo Medical Treatment Service Wenzhou Co., Ltd. (國藥潔諾醫療服務溫州有限公司)	PRC, 4 February 2015	15,000	-	100	Provision of cleaning, sterile, packaging service to medical instruments in the PRC
Sinopharm Holding Medical Treatment Supply Chain Service (Zhejiang) Co., Ltd. (國藥控股醫療供應鏈服務(浙江)有限公司)	PRC, 23 January 2015	25,000	-	51	Distribution of medical instruments in the PRC
Sinopharm Holding Songyuan Drugstore Co., Ltd. (國藥控股松原市大藥房有限公司)	PRC, 18 March 2015	1,000	-	100	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Wenzhou Guohao Pharmacy Chain Store Co., Ltd. (溫州市國好大藥房連鎖有限公司)	PRC, 23 January 2015	500	-	80	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Lerentang Hebei Technology Co., Ltd. (國藥樂仁堂河北科技有限公司)	PRC, 18 March 2015	5,000	-	70	Information technology development and technology consulting in the PRC
Sinopharm Shanxi Guokang Chinese Traditional and Western Medicine Drugstore Co., Ltd. (國藥山西國康中西醫藥店有限公司)	PRC, 27 April 2015	1,000	-	60	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Shanxi Guokang Pharmacy Chain Store Co., Ltd. (國藥山西國康大藥房連鎖有限公司)	PRC, 17 March 2015	10,000	-	100	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Holding (China) Financial Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司)	PRC, 6 February 2015	500,000	70	30	Financing lease service in the PRC
Sinopharm Holding (Tianjin) Dongfangbokang Tangshan Drugstore Co., Ltd. (國藥控股(天津)東方博康唐山藥房有限公司)	PRC, 10 June 2015	200	-	60	Retail of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Holding Hubei Guoda Drugstore Co., Ltd. (國藥控股湖北國大藥房有限公司)	PRC, 7 May 2015	10,000	-	59	Distribution of pharmaceutical products, medical instruments and investment in pharmaceuticals industry and investment consulting in the PRC
Sinopharm Holding Jilin Drugstore Co., Ltd. (國藥控股吉林市大藥房有限公司)	PRC, 31 July 2015	2,000	-	100	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Health Online Co., Ltd. (國藥健康在線有限公司)	PRC, 28 June 2015	100,000	-	79	Internet pharmaceutical products trading service and medical instruments consulting service in the PRC
Sinopharm Holding Chuxiong Co., Ltd. (國藥控股楚雄有限公司)	PRC, 18 September 2015	6,000	-	80	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC

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42 Principal subsidiaries and associates (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Erdos Co., Ltd. (國藥控股鄂爾多斯市有限公司)	PRC, 6 August 2015	10,000	–	80	Distribution of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Sinopharm Holding Runda Medical Instruments (Shanghai) Co., Ltd. (國藥控股潤達醫療器械發展(上海)有限公司)	PRC, 17 August 2015	5,882	–	51	Distribution of medical instruments in the PRC
Guorun Medical Treatment Supply Chain Service (Shanghai) Co., Ltd. (國潤醫療供應鏈服務(上海)有限公司)	PRC, 12 November 2015	3,529	–	85	Supply chain management and distribution of medical instruments and technology development in the PRC
Sinopharm Holding Chuangke Medical Instruments (Shanghai) Co., Ltd. (國藥控股創科醫療設備(上海)有限公司)	PRC, 21 October 2015	5,455	–	55	Distribution of medical instruments in the PRC
Sinopharm Holding Ankang Drugstore Co., Ltd. (國藥控股安康大藥房有限公司)	PRC, 2 September 2015	500	–	70	Retail of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Shanxi Yangling Guoyi Drugstore Co., Ltd. (陝西楊凌國誼大藥房有限公司)	PRC, 28 January 2015	1,000	–	100	Retail of Chinese herbal medicine, chemical reagents and antibiotics in the PRC
Shanghai Yutaitang Chinese Traditional Medicine Clinic Co., Ltd. (上海禦泰堂中醫門診部有限公司)	PRC, 16 October 2015	1,000	–	100	Provision of Medical Services: Department of traditional Chinese Medicine in the PRC
Sinopharm Pharmaceutical Logistics (Beijing) Co., Ltd. (國藥集團醫藥物流北京有限公司)	PRC, 24 July 2015	2,800	–	100	Warehousing and storage services and freight services in the PRC
Tangshan Lerentang Pharmacy Chain Store Co., Ltd. (唐山樂仁堂藥房有限公司)	PRC, 29 December 2014	50	–	100	Retail of Chinese herbal medicine, chemical reagents and antibiotics in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal associates:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Yichang Humanwell Pharmaceutical Co., Ltd. (宜昌人福藥業有限責任公司)	PRC, 1 August 2001	293,527	20	Medicine manufacture and trading in the PRC
Qinghai Pharmaceutical Group Co., Ltd. (青海製藥(集團)有限責任公司)	PRC, 17 January 2000	139,563	47	Medicine manufacture and trading in the PRC
Shenzhen Main Luck Pharmaceutical Co., Ltd. (深圳萬樂藥業有限公司)	PRC, 4 July 1990	USD19.5 million	35	Research and inspection of pharmaceutical products in the PRC
Sinopharm Xinjiang Pharmaceutical Co., Ltd. (國藥集團新疆製藥有限公司)	PRC, 1 August 1984	90,964	45	Medicine manufacture
Shanghai Beiyi Guoda pharmaceutical Co. Ltd. (上海北翼國大藥材醫藥有限公司)	PRC, 26 July 1994	12,000	26	Distribution of pharmaceutical products and chemical reagents in the PRC
Hubei Yuankang Pharmaceutical Co., Ltd. (湖北緣康醫藥有限公司)	PRC, 25 April 2011	10,000	30	Distribution of pharmaceutical and healthcare products in the PRC
Wuxi Huihua Qiangsheng Pharmaceutical Chain Co., Ltd (無錫匯華強盛醫藥連鎖有限公司)	PRC, 7 July 2003	7,150	21	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Dong's Pharmaceutical Information Co., Ltd. (東氏醫藥資訊有限公司)	PRC, 22 October 1999	1,000	46	Corporate management services in the PRC
Shanghai Guoda Lingyun Drug Store Co., Ltd. (上海國大凌雲藥房有限公司)	PRC, 17 November 2006	500	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co.,Ltd (國藥控股和記黃埔醫藥(上海)有限公司)	PRC, 23 September 1993	63,570	49	Distribution of pharmaceutical products in the PRC
Sichuan Kangdaxin Pharmaceutical Co., Ltd. (四川康達欣醫藥有限公司)	PRC, 4 June 2012	20,000	25	Distribution of pharmaceutical products and medical instruments in the PRC

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(All amounts in Renminbi thousands unless otherwise stated)

42 Principal subsidiaries and associates (continued)

Principal associates: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Yibin Huangyu Pharmaceutical Co., Ltd. (宜賓市環宇醫藥有限責任公司)	PRC, 15 August 2006	10,000	49	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Jilin Baiqi Pharmaceutical Co., Ltd. (吉林百琦藥業有限公司)	PRC, 9 March 2004	66,000	35	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Medical Investment Management Co., Ltd. (國藥控股醫療投資管理有限公司)	PRC, 22 November 2013	500,000	25	Asset management, information technology development and medicine consulting in the PRC
Sinopharm Nutraceuticals (Shanghai) Co., Ltd. (國藥健康實業(上海)有限公司)	PRC, 4 January 2011	20,000	19	Enterprise management consulting, technology services and development in the field of biotechnology professional
Shanghai Liyi Drugstore Co., Ltd. (上海利意大藥房)	PRC 25 November 2013	1,000	35	Retail of pharmaceutical products, chemical reagents in the PRC
Sinopharm Zhuhai Co., Ltd. (國藥控股珠海有限公司)	PRC 27 July 2004	3,100	10	Distribution of pharmaceutical products in the PRC
Sinopharm Guohua Network Technology Co., Ltd. (國藥國華網路科技有限公司)	PRC 3 April 2015	10,000	10	Information technology development and medicine consulting in the PRC
Sinopharm Changsha Co., Ltd. (國藥控股長沙有限公司)	PRC 27 April 2015	50,000	10	Distribution of pharmaceutical products in the PRC

notes:

- (i) Except for Sinopharm Accord, National Medicines, Sinopharm Holding Henan Co., Ltd. and China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. which are joint stock limited liability companies, China National Pharmaceutical Group Shanghai Corporation, China National Pharmaceutical Group Tianjin Corporation and Shaanxi Pharmaceutical Corporation which are enterprises owned by the whole people, the other subsidiaries of the Group are limited liability entities.
- (ii) The English names of certain subsidiaries and associates are translation made by management of the Company as they do not have official English names.

43 Events after the balance sheet date

(a) On 9 March 2016, the Board has passed the resolutions in relation to the following matters:

- (i) the proposed disposal of 26% equity interest in Sinopharm Holding A-Think Pharmaceutical Co., Ltd. and 51% equity interest in China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. held by the Company to Modern Pharmaceutical at an aggregate consideration of approximately RMB490,451 thousands, which will be satisfied by issuance of approximately 16,848 thousands consideration shares in total at the issue price of RMB29.11 per consideration share by Modern Pharmaceutical to the Company; and
- (ii) the proposed disposal of 51% equity interest in Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd., 51% equity interest in Shenzhen Zhijun Pharmaceutical Trade Co., Ltd., 51% equity interest in Sinopharm Group Zhijun(Shenzhen) Pingshan Pharmaceutical Co., Ltd., and in Pingshan Base held by Sinopharm Accord to Modern Pharmaceutical at an aggregate consideration of approximately RMB2,511,356 thousands, which will be satisfied by issuance of approximately 86,271 thousands consideration shares in total at the issue price of RMB29.11 per consideration share by Modern Pharmaceutical to Sinopharm Accord; and
- (iii) the proposed acquisition of 51% equity interest in Southern Pharmaceutical held by China National Pharmaceutical Foreign Trade Corporation by Sinopharm Accord at an aggregate consideration of approximately RMB286,399 thousands, which will be satisfied by the issuance of approximately 5,323 thousands consideration shares in total at the issue price of RMB53.8 per consideration share by Sinopharm Accord to China National Pharmaceutical Foreign Trade Corporation.

Both Modern Pharmaceutical and China National Pharmaceutical Foreign Trade Corporation are subsidiaries of CNPGC, the ultimate controlling shareholder of the Company.

The above proposed transaction are subject to approval of the SASAC (State-owned Assets Supervision and Administration Commission of the State Council) and the CSRC (China Securities Regulatory Commission), and the shareholders' meeting of the Sinopharm Accord and Modern Pharmaceutical, respectively, or other competent authorities.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 Events after the balance sheet date (continued)

- (b) Subsequent to 31 December 2015, Sinopharm Accord reached an agreement with an independent third party to dispose 67% equity interest in Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.

- (c) According to the circulars announced by National Medicine, a subsidiary of the Company, on 18 February 2016 and 24 February 2016, in order to fulfill the commitment made by CNPGC on March 2011, CNPGC is planning the significant restructuring regarding the business of National Medicine to end the peer competition with the Company. With the approval of the 1st Extraordinary Shareholders Meeting of National Medicine on 11 March 2016, the deadline of the above restructuring is extended to 11 March 2017 due to the matter's complexity.

- (d) On 11 March 2016, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000 thousands (the "Corporate Bonds") with no guarantee. The Corporate Bonds will expire on 9 March 2021, for a period of five years commencing from the issue date of 9 March 2016. The creditors enjoyed the right of early redemption at the end of the third year subsequent to the issue date, i.e. 9 March 2019. The annual interest rate of the Corporate Bonds for the first three years was fixed at 2.92%. The Company has the option to raise the interest rate at the end of the third year.

- (e) (i) On 14 January 2016, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands with no guarantee. The bonds mature 270 days from the issue day (i.e. 11 October 2016), and the annual interest rate is 2.50%.

(ii) On 17 March 2016, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000 thousands with no guarantee. The bonds mature 270 days from the issue day (i.e. 13 December 2016), and the annual interest rate is 2.69%.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2015	2014
ASSETS		
Non-current assets		
Investment properties	4,343	4,593
Property, plant and equipment	99,613	65,372
Intangible assets	330,407	369,435
Investments in subsidiaries	19,640,609	17,242,568
Investments accounted for using the equity method	317,450	209,450
Available-for-sale financial assets	238,400	300,520
Deferred income tax assets	44,566	45,878
Other non-current assets	1,698	1,436
	20,677,086	18,239,252
Current assets		
Inventories	969,080	897,367
Trade receivables	3,101,754	4,059,422
Prepayments and other receivables	16,286,571	17,039,509
Cash and cash equivalents	10,821,238	8,430,802
	31,178,643	30,427,100
Total assets	51,855,729	48,666,352
EQUITY		
Share capital	2,767,095	2,767,095
Reserves (i)	19,779,629	19,298,963
Total equity	22,546,724	22,066,058

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

44 Balance sheet and reserve movement of the Company (continued)

Balance sheet of the Company (continued)

	As at 31 December	
	2015	2014
LIABILITIES		
Non-current liabilities		
Borrowings	–	3,982,902
Other non-current liabilities	236,898	326,865
Post-employment benefit obligations	26,542	30,528
	263,440	4,340,295
Current liabilities		
Trade payables	3,582,486	3,265,130
Accruals and other payables	12,281,912	12,117,573
Current income tax liabilities	87,911	31,396
Borrowings	13,093,256	6,845,900
	29,045,565	22,259,999
Total liabilities	29,309,005	26,600,294
Total equity and liabilities	51,855,729	48,666,352

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

The financial statements were approved by the Board of Directors on 25 March 2016 and were signed on its behalf by

Wei Yulin
Director

Lyu Changjiang
Director

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

44 Balance sheet and reserve movement of the Company (continued)

(i) Reserve movement of the Company

	Share premium	Statutory reserves	Revaluation of available- for-sale financial assets	Other reserves	Retained Earnings	Total
As at 1 January 2014	13,874,085	344,312	-	(58,723)	826,478	14,986,152
Profit for the year	-	-	-	-	792,798	792,798
Issue shares, net of expenses	4,191,913	-	-	-	-	4,191,913
Appropriation to statutory reserves	-	79,086	-	-	(79,086)	-
Remeasurement on post-employment benefit obligation						
- gross	-	-	-	(5,525)	-	(5,525)
- tax	-	-	-	1,381	-	1,381
Dividends	-	-	-	-	(667,756)	(667,756)
As at 31 December 2014	18,065,998	423,398	-	(62,867)	872,434	19,298,963
Profit for the year	-	-	-	-	1,335,205	1,335,205
Appropriation to statutory reserves	-	134,792	-	-	(134,792)	-
Revaluation of available-for-sale financial assets						
- gross	-	-	9,872	-	-	9,872
- tax	-	-	(2,468)	-	-	(2,468)
Remeasurement on post-employment benefit obligation						
- gross	-	-	-	(5,525)	-	(5,525)
- tax	-	-	-	1,381	-	1,381
Dividends	-	-	-	-	(857,799)	(857,799)
As at 31 December 2015	18,065,998	558,190	7,404	(67,011)	1,215,048	19,779,629

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

45 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and chief executives' emoluments

The emoluments of every director and chief executive for the year ended 31 December 2015 are set out below:

	Salary	Discretionary bonuses	Housing allowance	Estimated value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive director								
Mr. Wei Yulin	1,705	1,842	-	-	99	-	-	3,646
Mr. Li Zhiming (i)	1,555	1,673	-	-	99	-	-	3,327
Non-executive directors								
Mr. She Lulin	-	-	-	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-	-	-	-
Mr. Zhou Bin	-	-	-	-	-	-	-	-
Mr. Chen Qiyu	-	-	-	-	-	-	-	-
Mr. Li Dongjiu	-	-	-	-	-	-	-	-
Mr. Li Yuhua (ii)	-	-	-	-	-	-	-	-
Independent non-executive directors								
Ms. Li Ling	300	-	-	-	-	-	-	300
Mr. Lyu Changjiang (ii)	300	-	-	-	-	-	-	300
Mr. Liu Zhengdong (ii)	300	-	-	-	-	-	-	300
Mr. Chen Weicheng (ii)	300	-	-	-	-	-	-	300
Mr. Yu Zishan (ii)	300	-	-	-	-	-	-	300
Supervisor								
Ms. Zhang Jian (iii)	272	435	-	-	61	-	-	768
Mr. Lian Wanyong	-	-	-	-	-	-	-	-
Mr. Yao Fang	-	-	-	-	-	-	-	-
Mr. Yang Jun (iv)	476	527	-	-	53	-	-	1,056
Ms. Jin Yi (iv)	148	-	-	-	63	-	-	211
Mr. Tao Wuping (v)	175	-	-	-	-	-	-	175
	5,831	4,477	-	-	375	-	-	10,683

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(All amounts in Renminbi thousands unless otherwise stated)

45 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and chief executives' emoluments (continued)

The emoluments of every director and chief executive for the year ended 31 December 2014 (restated) are set out below:

	Salary	Discretionary bonuses	Housing allowance	Estimated value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive director								
Mr. Wei Yulin	1,564	1,887	-	-	94	-	-	3,545
Mr. Li Zhiming (i)	1,401	1,378	-	-	94	-	-	2,873
Non-executive directors								
Mr. She Lulin	-	-	-	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-	-	-	-
Mr. Zhou Bin	-	-	-	-	-	-	-	-
Mr. Chen Qiyu	-	-	-	-	-	-	-	-
Mr. Wang Fucheng (vi)	-	-	-	-	-	-	-	-
Mr. Li Dongjiu	-	-	-	-	-	-	-	-
Mr. Li Yuhua (ii)	-	-	-	-	-	-	-	-
Independent non-executive directors								
Mr. Wang Fanghua (vi)	188	-	-	-	-	-	-	188
Mr. Tao Wuping (v)	188	-	-	-	-	-	-	188
Mr. Xie Rong (vi)	188	-	-	-	-	-	-	188
Mr. Zhou Bajun (vi)	188	-	-	-	-	-	-	188
Ms. Li Ling	263	-	-	-	-	-	-	263
Mr. Lyu Changjiang (ii)	75	-	-	-	-	-	-	75
Mr. Liu Zhengdong (ii)	75	-	-	-	-	-	-	75
Mr. Chen Weicheng (ii)	75	-	-	-	-	-	-	75
Mr. Yu Zishan (ii)	75	-	-	-	-	-	-	75
Supervisor								
Ms. Zhang Jian (iii)	577	318	-	-	94	-	-	989
Mr. Lian Wanyong	-	-	-	-	-	-	-	-
Mr. Yao Fang	-	-	-	-	-	-	-	-
	4,857	3,583	-	-	282	-	-	8,722

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45 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and chief executives' emoluments (continued)

notes:

- (i) Mr. Li Zhiming is the chief executive.
 - (ii) Appointed on 21 September 2014.
 - (iii) Resigned on 18 June 2015.
 - (iv) Appointed on 18 June 2015.
 - (v) Resigned as Independent non-executive director on 20 September 2014, appointed as Supervisor on 18 June 2015.
 - (vi) Resigned on 20 September 2014.
- (b) Except the contribution to a retirement benefit scheme, no other retirement benefits paid to any director during the year ended 31 December 2015.
- (c) No termination benefit paid to any director during the year ended 31 December 2015.
- (d) No consideration provided to third parties for making available directors' services during the year ended 31 December 2015.
- (e) No loans, quasi-loans or other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favor of director of the Company and of the holding company of the Company, or bodies corporate controlled by such directors, or entities connected with such directors, also include a shadow director of that director.
- (f) No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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