



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 國控股份有限公司)

Stock Code : 01099

Caring for Life
Attending to
Health

Annual Report
2012

*The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) under its Chinese name and the English name "Sinopharm Group Co. Ltd.".



Company Profile

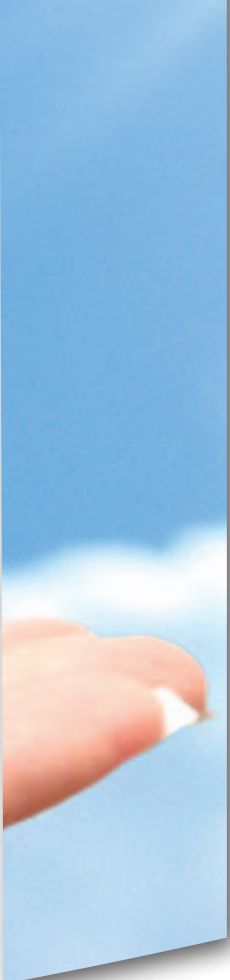


Sinopharm Group Co. Ltd. (“the **Company**” or “**Sinopharm Group**”) and its subsidiaries (“the **Group**”) has rapidly increased its market share and profits in a highly fragmented industry by taking advantage of its economies of scale and nationwide distribution network, through which the Group offers 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 segment:** 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 stands out from its competitors in China by its geographical coverage, the breadth of its product portfolio and the strength of the supply chain services provided to its customers and suppliers.
- **Retail pharmacy segment:** The Group has established a network of retail drug stores in major cities of China via direct operations and franchises.
- **Other business segment:** The Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies.

The Group is the industry leader in the distribution of pharmaceutical and healthcare products in China both in terms of its market share and the geographical coverage of its distribution network. As a leading pharmaceutical distributor in China, the Group will benefit from the rapid growth, consolidation, and structural reform in the pharmaceutical and healthcare industry in the PRC.



Sinopharm Group Co. Ltd. is the largest distributor of pharmaceutical and healthcare products and a leading value-added supply chain service provider in the PRC.

Looking forward, we are confident in being the benchmark of the pharmaceutical distribution industry in the PRC and becoming a pharmaceutical and healthcare service provider with international competitiveness.

Contents

2	Corporate Information	83	Independent Auditor's Report
4	Financial Highlights	85	Consolidated Income Statement
8	Chairman's Statement	86	Consolidated Statement of Comprehensive Income
14	Shareholding Structure of the Group	87	Consolidated Balance Sheet
15	Management Discussion and Analysis	89	Company Balance Sheet
26	Corporate Governance Report	91	Consolidated Statement of Changes in Equity
41	Biographies of Directors, Supervisors and Senior Management	92	Consolidated Cash Flow Statement
54	Report of the Board of Directors	94	Notes to the Consolidated Financial Statements
79	Report of the Supervisory Committee		
81	Corporate Social Responsibility		

Corporate Information

DIRECTORS

Mr. She Lulin (*Non-executive Director and Chairman*)
Mr. Wang Qunbin (*Non-executive Director*)
Mr. Zhou Bin (*Non-executive Director*)
Mr. Chen Qiyu (*Non-executive Director*)
Mr. Deng Jindong (*Non-executive Director*)
Mr. Fan Banghan (*Non-executive Director*)
Mr. Liu Hailiang (*Non-executive Director*)
Mr. Wei Yulin (*Executive Director and President*)
Mr. Wang Fanghua (*Independent Non-executive Director*)
Mr. Tao Wuping (*Independent Non-executive Director*)
Mr. Xie Rong (*Independent Non-executive Director*)
Mr. Zhou Bajun (*Independent Non-executive Director*)
Ms. Li Ling (*Independent Non-executive Director*)

SUPERVISORS

Mr. Yao Fang (*Chief Supervisor*)
Mr. Lian Wanyong
Ms. Zhang Jian

JOINT COMPANY SECRETARIES

Mr. Ma Wanjun
Mr. Liu Wei

STRATEGY AND INVESTMENT COMMITTEE

Mr. She Lulin (*Chairman*)
Mr. Wang Qunbin
Mr. Chen Qiyu
Mr. Zhou Bin
Mr. Fan Banghan
Mr. Wei Yulin
Mr. Wang Fanghua
Mr. Zhou Bajun
Ms. Li Ling

AUDIT COMMITTEE

Mr. Xie Rong (*Chairman*)
Mr. Wang Fanghua
Mr. Fan Banghan
Mr. Deng Jindong
Mr. Zhou Bajun

REMUNERATION COMMITTEE

Mr. Tao Wuping (*Chairman*)
Mr. Wang Fanghua
Mr. Xie Rong
Mr. Fan Banghan
Mr. Liu Hailiang

NOMINATION COMMITTEE

Mr. She Lulin (*Chairman*)
Mr. Wang Fanghua
Mr. Tao Wuping
Mr. Xie Rong
Mr. Fan Banghan

AUTHORIZED REPRESENTATIVES

Mr. Wei Yulin
Mr. Ma Wanjun

LEGAL ADVISERS

As to Hong Kong and United States laws:
DLA Piper

As to PRC law:
Jincheng & Tongda Law Firm

Corporate Information

COMPLIANCE ADVISER

China International Capital Corporation
Hong Kong Securities Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2302, 23th Floor, Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN THE PRC

Sinopharm Plaza
No. 1001 Zhongshan West Road
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.
Beijing Branch Tiantan 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 Co. Ltd.
Shanghai Branch Minhang Sub-branch
Industrial and Commercial Bank of China
Shanghai Branch Operating Department

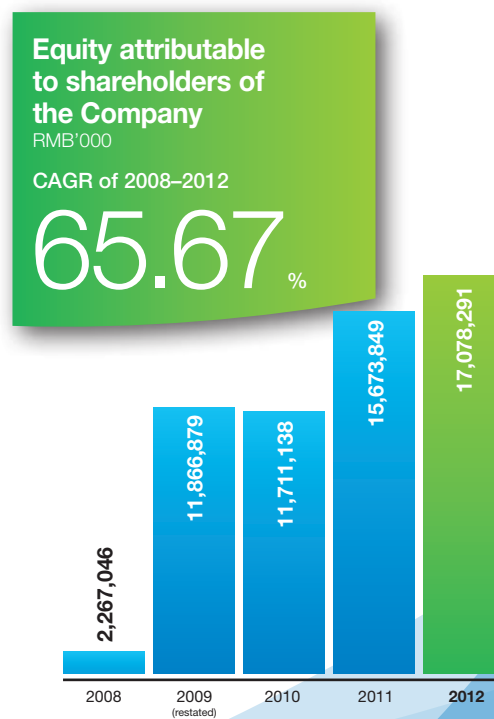
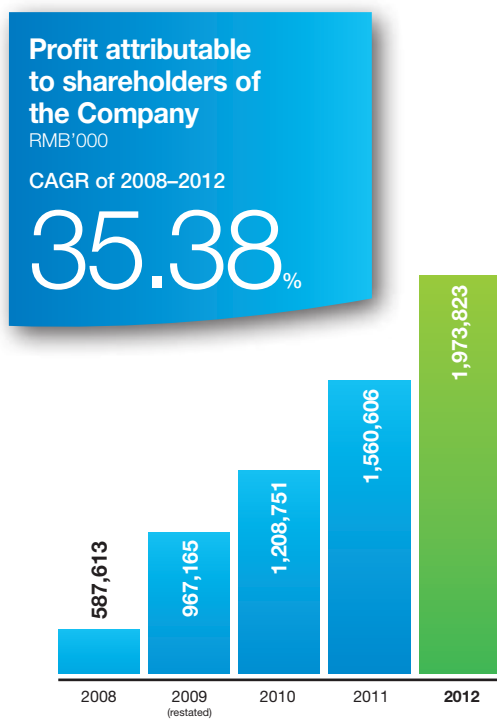
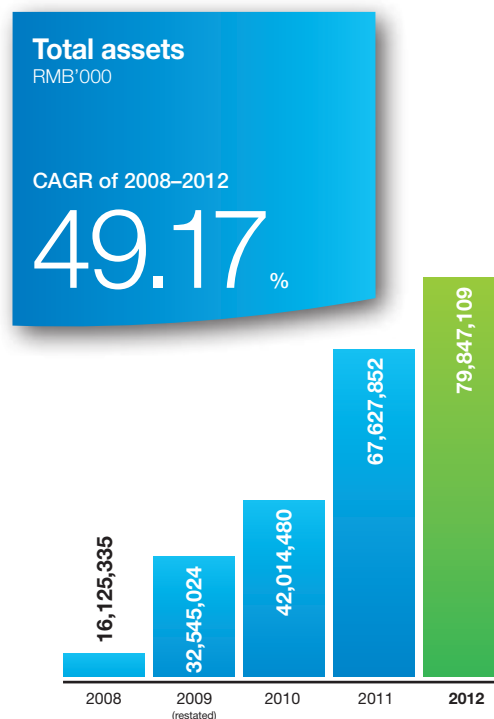
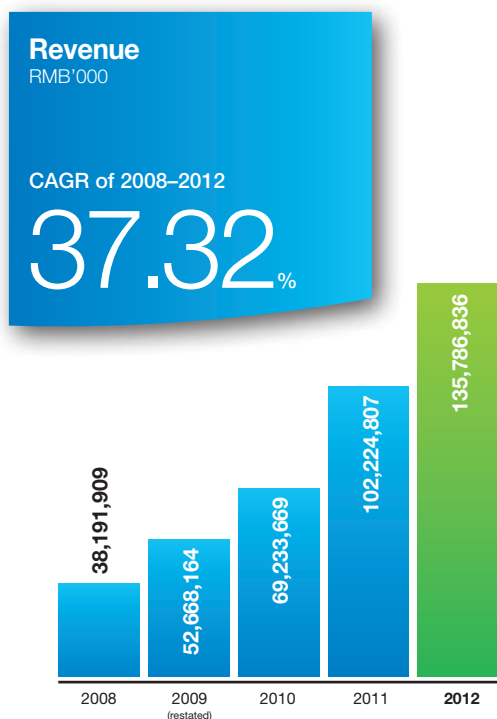
OFFICE OF BOARD OF DIRECTORS

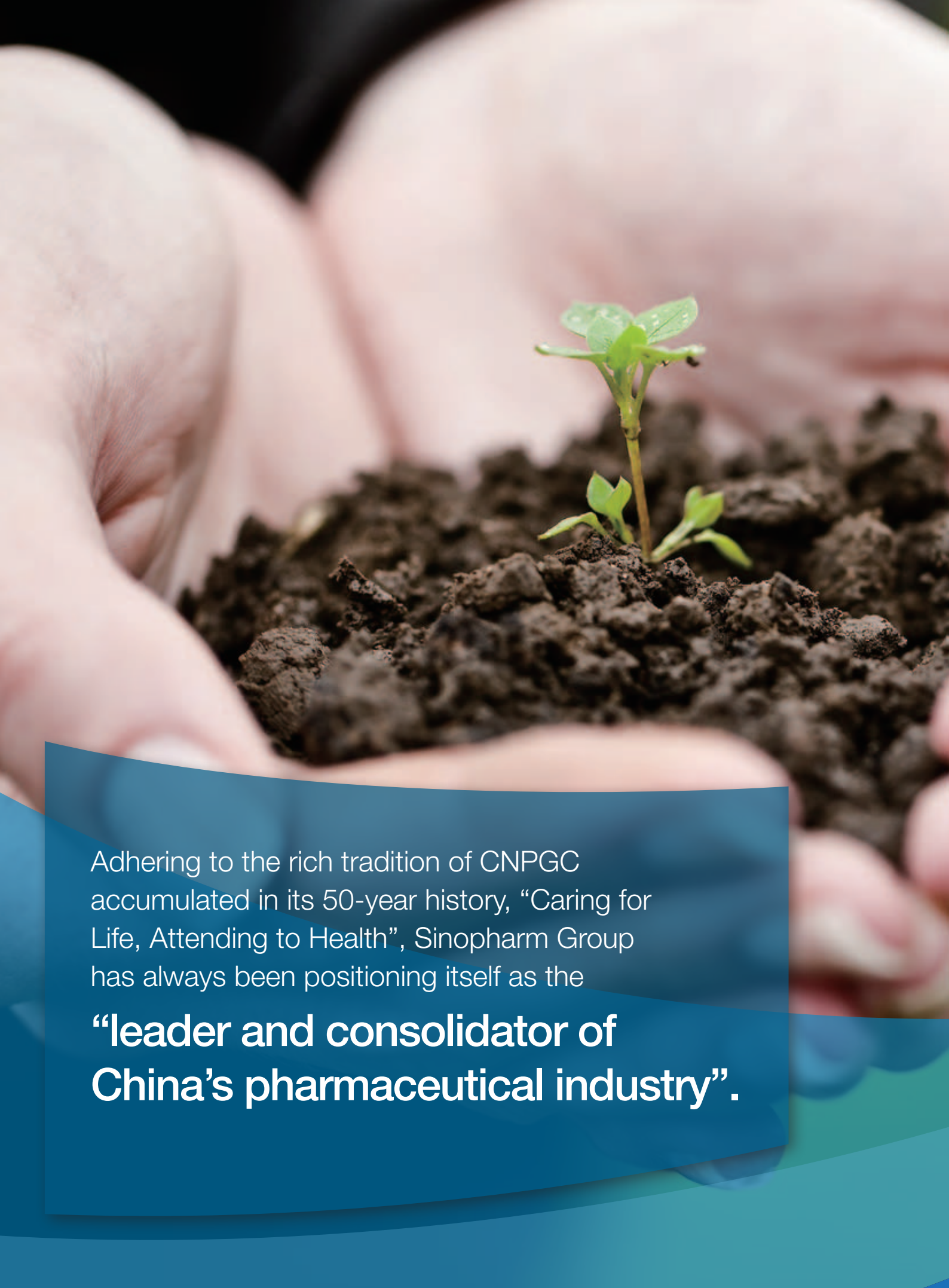
Tel: (+86 21) 2305 2666
Email: ir@sinopharmholding.com

Financial Highlights

	2008-2012					RMB'000
	2008	2009	2009 (restated)	2010	2011	2012
Operating results						
Revenue	38,191,909	47,045,853	52,668,164	69,233,669	102,224,807	135,786,836
Gross profit	3,039,147	3,784,568	4,407,340	5,835,870	8,354,697	10,942,598
Operating profit	1,173,510	1,550,279	1,891,964	2,408,815	3,636,216	4,863,347
Earnings before interest and tax	1,321,013	1,788,379	2,140,065	2,670,204	3,945,605	5,285,867
Profit attributable to shareholders of the Company	587,613	845,819	967,165	1,208,751	1,560,606	1,973,823
Profitability						
Gross margin	7.96%	8.05%	8.37%	8.43%	8.17%	8.06%
Operating margin	3.07%	3.29%	3.59%	3.48%	3.56%	3.58%
Net profit margin	1.54%	1.80%	1.84%	1.75%	2.35%	2.27%
Asset status						
Total assets	16,125,335	28,275,250	32,545,024	42,014,480	67,627,852	79,847,109
Equity attributable to shareholders of the Company	2,267,046	10,910,856	11,866,879	11,711,138	15,673,849	17,078,291
Total liabilities	12,711,937	15,770,795	18,522,507	27,295,400	47,239,766	57,103,908
Cash and cash equivalents	1,712,119	6,616,801	7,567,839	7,474,698	13,091,012	9,721,992
Gearing ratio	78.83%	55.78%	56.92%	64.97%	69.85%	71.52%
Liquidity ratio						
Current ratio (times)	1.15	1.71	1.35	1.68	1.40	1.32
Inventory turnover ratio (days)	30	31	32	37	38	38
Trade receivables turnover ratio (days)	67	71	69	78	78	86
Trade payables turnover ratio (days)	84	89	86	97	90	88
Data per share (RMB)						
Earnings per share – Basic	0.36	0.47	0.53	0.53	0.66	0.82
Earnings per share – Fully diluted	0.36	0.37	0.43	0.53	0.66	0.82

Financial Highlights





Adhering to the rich tradition of CNPGC accumulated in its 50-year history, “Caring for Life, Attending to Health”, Sinopharm Group has always been positioning itself as the

**“leader and consolidator of
China’s pharmaceutical industry”.**



Caring for Life
Attending to

Health



Chairman's Statement

Dear respected shareholders,

I would like to express my heartfelt gratitude to the shareholders and the community for your great support and encouragement to Sinopharm Group over time. 2012 was an important year for Sinopharm Group, a year in which sustained and stable progress was achieved on the hand of business development and transformation and improvement. The board of directors of the Company (the "**Board**"), the senior management and all the staff once again satisfied the investors by outstanding performance.

In 2012, the pharmaceutical industry faced complex and volatile domestic and international situations and withstood the test of China's tightening implementation of the policies of the reform of pharmaceutical and healthcare system (the "**Healthcare Reform**"). Under the wise leadership of the Board, Sinopharm Group was able to focus on its strategic plan of "Business Innovation", "Service Transformation", "Extension of Upstream and Downstream Industry Chain" and "Diversified Development in the Big Health Industry", so as to create the leading pharmaceutical distribution logistics network in the world by establishing county-level markets and strengthening its network layout. Transformation in service model was achieved through platforms for innovative business. Management standards were enhanced through establishment of a strong headquarter. Operation efficiency was improved through the development of most profitable business in each business segment.

SUSTAINED AND STABLE GROWTH IN RESULTS

For the year ended 31 December 2012 (the "**Reporting Period**"), the revenue of the Group amounted to RMB135,786.84 million, representing an increase of RMB33,562.03 million or 32.83% as compared with last year.

During the Reporting Period, net profit of the Group amounted to RMB3,080.14 million, representing an increase of RMB677.59 million or 28.20% as compared with last year. Profit attributable to equity holders of the Company amounted to RMB1,973.82 million, representing an increase of RMB413.21 million or 26.48% as compared with last year.

During the Reporting Period, earnings per share of the Company amounted to RMB0.82, representing a 24.24% increase over the corresponding period of last year.

Compared to 2011, total assets of the Group increased from RMB67,627.85 million to RMB79,847.11 million, net assets increased from RMB20,388.09 million to RMB22,743.20 million, and gearing ratio increased from 69.85% to 71.52%.

Chairman's Statement

For the year 2012, total capital expenditure of the Group amounted to RMB2,682.02 million, which was primarily used for the expansion and development of distribution channels, and the enhancement of logistic delivery network and the level of informatization, so to increase the Group's market share and improve delivery efficiency.

CO-EXISTENCE OF COMPLEX INDUSTRY ENVIRONMENT AND ALL KINDS OF OPPORTUNITIES

2012 was a key stage for deepening the sustained reform of pharmaceutical and healthcare system in China. Various policies in relation to the reform were frequently introduced, such as the continuously advancing of the new Good Manufacturing Practice for Pharmaceutical Products (the "GMP"), further development of county-level public hospitals and pilot projects for reforming public hospitals in Beijing, Shenzhen and other places, and the promotion of the reform of payment method of the medical insurance. These new policies are either innovative or system-related, or focus on hot issues or have far-reaching implications, but all reflect the government's confidence and determination to tackle the matter.



Chairman's Statement

The reform of the pharmaceutical and healthcare system is a social system engineering that has wide implications and complex in nature. For developing countries such as China, which has a large population, low income per capita and widening gap between urban and rural areas and between regions, the deepening of the Healthcare Reform is an extremely difficult and complex task. With the deepening of the reform, the pattern of interest distribution was adjusted profoundly and deep-seated institutional and structural contradictions exposed intensively, which significantly increased the difficulty of the reform. The Healthcare Reform has reached a deep area. As stated in the keynote report delivered during the 18th Congress of the Communist Party of China (the “**18th CPC National Congress**”), “Basically Realization of Universal Medical Insurance Coverage and Preliminary Establishment of Basic Medical and Healthcare System for Urban and Rural Areas” was the most important new achievement in social development since the convening of the 17th CPC National Congress. The 18th CPC National Congress also made clear plans for the realization of “Basic Medical and Healthcare Service Covering the Whole Population”, which was determined as an important goal in the process of building a well-off society by 2020, and explained clearly the country's goal, mission and policies in intensifying the Healthcare Reform and developing the pharmaceutical and healthcare industry, hence started a new chapter in the reform and development of the pharmaceutical and healthcare industry.

For the pharmaceutical distribution industry, the sustained deepening of the new Healthcare Reform has further accelerated the pace of the industry's consolidation and unification. Industry guidelines such as the “Pharmaceutical Wholesale Enterprise Logistics Service Capability Assessment Indicators” and “Good Supply Practices for Pharmaceutical Products” (the “**GSP**”) introduced in 2012 both conveyed a clear message of China's intent to further raise the threshold for entry into the pharmaceutical trading industry and reduce low-level duplications by supervision of the implementation of various industry guidelines and specifications; to raise the overall quality of the enterprises by improving the enterprise quality control system; and to accelerate industrial restructuring and enhance market concentration, so as to create favourable external environment for the strengthening of supervision of drug safety.

As a leader in the pharmaceutical industry, Sinopharm Group is always firmly grasping new opportunities emerged in the pharmaceutical and healthcare field, particularly in the pharmaceutical distribution industry and actively adapting to new models emerging from industrial restructuring, as well as innovating its business model proactively. We truly believe that the implementation of the new Healthcare Reform has brought the change of way of thinking and behaviour patterns to various parties in the medical industry chain, and pushed pharmaceutical distribution enterprises to change their original business model and upgrade their principal business. To continuously search for new profit model is the inevitable strategic choice for realization of the Group's service transformation.

Chairman's Statement

PROSPECTS

In 2013, China's economic growth will enter into a new stage of adjustment and transformation. However, the domestic pharmaceutical market, driven by rigid demand, is still expected to sustain its relatively rapid growth rate. The pharmaceutical policies to be introduced by the government soon, together with the existing policies like public hospital reform, zero-difference pricing, public bidding for national essential drugs and controlled use of antibiotics, etc. will bring synergy effect on the pharmaceutical industry. The Group will still uphold its strategy of early investigation of and active response to the new changes and directions emerged in the industry.

2013 is the first year of comprehensive implementation of the principles as established by the 18th CPC National Congress, as well as a year to strive to realize the industrial upgrading. Sinopharm Group will utilise the golden opportunity created by the Healthcare Reform to enhance its strategic goal, while at the same time, adhering to its three core strategies of operation-driven, capital-driven and innovation-driven, and will create a new Sinopharm Group by the end of the Twelfth Five-Year Plan period and become an integrated pharmaceutical and healthcare service provider with international competitive edge.

Finally, I would like to express heartfelt gratitude to all the shareholders, directors, strategic partners, members of senior management of the Company and all my fellow colleagues for their great support and hard work during the past year, which have enabled the Group to continuously achieve the milestone of hundred-billion sales, maintain a sustained, stable and rapid growth, and stride forward towards our goal to be a first-tier integrated pharmaceutical and healthcare service provider in the world.

She Lulin
Chairman

Shanghai, China
22 March 2013



Deliver health, Benefit common people

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

Most
Powerful

Most
Reliable

Best
Partner

Shareholding Structure of the Group

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



Note:

Upon completion of the placing of 165,668,190 H shares of the Company on 10 April 2013, the total issued shares of the Company has been enlarged to 2,568,293,489, among which the number of total issued H shares number has increased to 994,009,140 (including 57,853,102 H shares held by the National Council for Social Security Fund) and the number of total issued domestic shares remains as 1,574,284,349 shares (of which 2,728,396 shares were directly held by China National Pharmaceutical Group Corporation and 1,571,555,953 shares were directly held by Sinopharm Industrial Investment Co., Ltd.).

Management Discussion and Analysis

INDUSTRY OVERVIEW

2012 was a crucial year for the deepening of the reform of Chinese Pharmaceutical and healthcare system. It was also the first year for comprehensive implementation of the detailed plans and measures in respect of the deepening of the Healthcare Reform in the Twelfth-Five Year Plan Period. From 2009 to 2011, which were the first three years and the preliminary stage of the Healthcare Reform, the framework of universal basic medical insurance system was initially built, the national essential drug system was



basically established, the medical service system at the basic level was gradually improved, the standard of equal treatment in the basic public health service system was significantly enhanced, and pilot projects for reforming the public hospitals was advanced actively. In the beginning of 2012, the State successively published “The Scheme for Deepening the Healthcare Reform during the Twelfth-Five Year Plan Period” with its Implementation Measures and “The Major Work Arrangements in 2012 for Deepening of the Healthcare Reform”. After comprehensive reviewing of the practices of Healthcare Reform in the past three years, it was expressly stated by the government that the pace to improve universal basic medical insurance system, consolidate and enhance national essential drug system and new functional mechanisms at the basic level, and promote the reform of public hospitals should be expedited to obtain major breakthrough during the Twelfth-Five Year Plan period. At the same time, reforms in other fields should be advanced under overall planning. In August, the State promulgated “The Guidance Opinions regarding the Development of Critical Illness Insurance for Urban and Rural Residents”, and in September, “The Notice on Promoting Drug Prices Reform in Hospitals at the County Level” was also published, both of which set out more detailed requirements of the government for the implementation of the Healthcare Reform.

As the Healthcare Reform entered into the key stage, there were transitions between the old and new systems, as well as conflicts of interests among various stakeholders. In 2012, as being driven by the relevant policies of the State, each province (or autonomous region or municipality) conducted bold reform according to the framework of the Healthcare Reform as laid down by the State, and combing their own experience, and achieved certain breakthrough. For example, pilot projects for integrated reforms of public hospitals at the county level had been launched at 311 counties on trial basis. Pilot projects for reforming urban public hospitals, represented by those in Beijing and Shenzhen had achieved material progress in terms of separation of medical service and pharmaceutical sales and that of management and execution.

Management Discussion and Analysis

The stable progresses achieved in separation of medical service and pharmaceutical sales as well as the abolishment of the policy of mark-up on medicine promoted the outsourcing of pharmaceutical department of the hospital and improved the logistics operation efficiency of pharmaceuticals within the hospitals on one hand, which provided opportunities to pharmaceutical distributors in providing value-added services and is beneficial to acquire the market share by those large scale pharmaceutical distributors cooperating with hospitals. On the other hand, there would be a mild increase in the market share in respect of retail pharmacy. There were signs that most of the pharmaceutical distributors began to extend their logistics services to pharmacies in the hospitals, so as to be involved in the reform of separation of medical service and pharmaceutical sales. Strong retail enterprises were also actively trying to seize opportunities in the market. It can be summed up that the two essential factors affecting the competitiveness of such retail enterprises will be the capabilities in the management of supply chain and professionalism in retail services.

Looking back into the achievements and experience derived from the new Healthcare Reform in the past three years, it is obviously indicated that public welfare is underlying in the new Healthcare Reform. The separation of medical service and pharmaceutical sales is critical to the reform of public hospitals. The coordination between “medical insurance, medical service and medicines” is the trend of the reform. Policies in relation to Chinese pharmaceutical and healthcare reform are gradually formulated. There are many policies driving the reallocation of medical resources. The advancing of provision of different levels of medical service is imperative. With the deepening of the reform of public hospitals will bring uncertainties to the upstream sectors in the pharmaceutical industry chain. In the short term, there may be more pressure on the operation of pharmaceutical enterprises. Despite the challenges arising from various uncertainties, the management is still deeply confident that relying on the advantages of its existing network, brand reputation, integration, customers and logistics systems, Sinopharm Group, as a leading company in the pharmaceutical distribution industry, will have more advantages in grasping various opportunities emerged in the process of the deepening of the new Healthcare Reform, and will achieve more remarkable results.



The changes brought by the Healthcare Reform were impetus to the systematic transformation of the pharmaceutical industry. Corresponding to the development in the society, the advance in urbanization, the continuous increase in the level of income per capita and more and more concerns over health and life of quality, the pharmaceutical industry will maintain sustained growth. In the meanwhile, the organic growth in population and its aging trend are also long-term beneficial factors and would continue to support the development of the pharmaceutical economy.

Management Discussion and Analysis

In accordance with the findings provided by the South Institute for Pharmaceutical Economy Research of the State Food and Drug Administration, in 2012, Chinese pharmaceutical industry also faced challenges in respect of market demand under the impact brought by the slowdown in macro economy in China, yet the overall growth remained relatively stable at around 20%. There was slowdown in the growth of the pharmaceutical manufacturing sector at the beginning of the year, but return to a steadier pace in the second half of the year; the growth in the end-user terminal market which mainly comprises hospitals at county level or above experienced a mild drop, but still occupying the most important position in the market by over 70% market share; and growth in retail end-user terminal market was expected as relatively steady.

Following the continuous increase in the concentration in the industry, the pace of restructuring in the industry has been accelerated as well. Economy of scale began to emerge and competition became more intensive. Transformation will become the dominant trend in the development of the industry.

BUSINESS REVIEW

In 2012, the Group continued to tightly capture the dynamics in the development of the pharmaceutical market, and consistently accomplished the development missions of “Maintaining Growth” and “Improving Efficiency”. Despite the ongoing increase of pressures in the market, the Group sought for development opportunities by integrating market elements, improving operations, enhancing business capabilities and innovations, so as to strengthen the capability of sustainable development, and achieved good results.

- **Pharmaceutical distribution segment:** The Group provides pharmaceutical supply chain management services for the distribution of domestic and imported prescription drugs and over-the-counter medicines from manufacturers and suppliers to hospitals, other wholesalers, retail drug stores and other customers. During the Reporting Period, based on the distribution platform already established at the provincial level and closely adhering to the strategic deployment of “One Province, One Region, One Subsidiary”, the Group continued to expand its distribution network downstream. Such strategy deployment is in line with the direction of the new Healthcare Reform which is to give preference to the county-level hospitals in the government policies, as well as the objective of the reform which is to further enhance the capability of medical services at basic level, and has achieved desired effects. As at 31 December 2012, the Group enlarged its distribution network to 51 distribution centers (secondary distribution center) covering 30 provinces, municipalities and autonomous regions in China through acquisitions and establishments. In addition to continuously secure its leading position in first-tier cities, the Group had expanded its business in second and third-tier cities and achieved a total coverage of 180 cities. The distribution network of Sinopharm Group entirely covered all top 100 counties in China, which can provide products and services to customers throughout China in a timely and efficient manner.

Management Discussion and Analysis

The Group's direct customers included 10,351 hospitals (only referring to hospitals with ranking) (including 1,321 of the class-three hospitals which are the largest and most highly-ranked hospitals) or approximately 76.66% of all hospitals (only referring to hospitals with ranking) in China (and approximately 94.42% of all the class-three hospitals). There were 78,238 primary health services institutions (small end-customers) and 54,452 retail pharmacies. There were also more than 6,581 other customers, such as pharmaceutical wholesale enterprises.

- **Retail pharmacy segment:** The Group has a network of retail pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 31 December 2012, the number of retail pharmacies was 1,795 (only referring to those owned by Sinopharm Holding Guoda Drug Store Co., Ltd.), among which 1,554 were directly operated by the Group.
- **Other business segment:** The Group's other business includes the production and sales of pharmaceuticals, chemical reagents and laboratory supplies.
- **Strengthening the management of centralized procurement:** During the Reporting Period, the Group focused on the development of a global and centralized procurement platform, advanced the establishment of centralized procurement system at both State and provincial level. On the basis of consolidation of procurement experience of different regions, the process flow of centralized procurement was further upgraded, the reviewing and optimization of procurement catalogs and specifications was speed up, and the administration measures on the tendering procedures were also improved.
- **Further amelioration of the logistics systems:** In 2012, the Group strengthened the construction of an integrated logistics platform, and achieved significant progresses in the construction of an integrated logistics delivery network covering the whole country. Official qualifications for logistics services by third party operator in pharmaceutical distribution had been obtained from the competent pharmaceutical regulatory authority. A chill chain network of Sinopharm logistics covering the country as a whole had been developed, which will capitalize on the resources of the chill chain and the unified operation standard.
- **Accelerating the informatization construction and enhancing business management efficiency:** During the Reporting Period, the Group implemented the second phase of the ERP internally, which realized central management and control over the general ledger, fixed assets and cash; and continued to promote the integrated supply chain solution developed by the company itself to secondary and third-level subsidiaries, so as to increase operation efficiency and management capacities.
- **International cooperation:** In 2012, the Group continued to actively participated in the communications with the elite companies in the pharmaceutical industry all over the world and had reached broad intentions of cooperation with a number of overseas enterprises. Meanwhile, the Group also accelerated the progress of various cooperation projects with those internationally well-known pharmaceutical companies.

Management Discussion and Analysis

FINANCIAL SUMMARY

The financial summary set out below is extracted from the audited financial statements of the Group for the Reporting Period which was prepared in accordance with the Hong Kong Financial Reporting Standards:

During the Reporting Period, the Group recorded a revenue of RMB135,786.84 million, representing an increase of RMB33,562.03 million or 32.83% as compared with the corresponding period of last year, of which revenue from the distribution business was RMB128,319.72 million, representing an increase of RMB31,952.48 million or 33.16% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profits of RMB3,080.14 million, representing an increase of RMB677.59 million or 28.20% as compared with the corresponding period of last year. Profit attributable to equity holders of the Company was RMB1,973.82 million, representing an increase of RMB413.21 million or 26.48% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company was RMB0.82, representing an increase of 24.24% as compared with the corresponding period of last year.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB135,786.84 million, representing an increase of 32.83% as compared with RMB102,224.81 million for the twelve months ended 31 December 2011. The increase in revenue of the Group was primarily due to substantial increase in revenue from the Group's pharmaceutical distribution, retail pharmacy and other operations. The Group's revenue grows faster than the overall development of pharmaceutical market in China.

- **Pharmaceutical Distribution:** During the Reporting Period, the revenue from pharmaceutical distribution was RMB128,319.72 million, representing an increase of 33.16% as compared with RMB96,367.24 million for the twelve months ended 31 December 2011, which accounted for approximately 93.85% of the total revenue of the Group. The increase in revenue was primarily due to a remarkable growth of the industry and the further expansion of the pharmaceutical distribution network.
- **Retail Pharmacy:** During the Reporting Period, the revenue from retail pharmacy was RMB3,982.56 million, representing an increase of 30.80% as compared with RMB3,044.87 million for the twelve months ended 31 December 2011. The increase was primarily due to the business growth of existing pharmacies and the expansion of retail pharmacy network of the Group.
- **Other Business:** During the Reporting Period, revenue from other business was RMB4,429.40 million during the Reporting Period, representing an increase of 13.63% as compared with RMB3,898.11 million for the twelve months ended 31 December 2011. The increase was primarily due to the growth of pharmaceutical manufacturing operations, chemical reagent operations as well as laboratory supplies business.

Management Discussion and Analysis

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB124,844.24 million, representing an increase of 33.00% as compared with RMB93,870.11 million for the twelve months ended 31 December 2011. The increase was primarily due to the increase in revenue of the Group.

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group increased by 30.98% from RMB8,354.70 million for the twelve months ended 31 December 2011 to RMB10,942.60 million during the Reporting Period. The gross profit margin of the Group for the twelve months ended 31 December 2011 and 2012 were 8.17% and 8.06% respectively.

Other Income

During the Reporting Period, other income of the Group was RMB218.90 million, representing an increase of 29.57% as compared with RMB168.94 million for the twelve months ended 31 December 2011. The increase was primarily due to the increase in subsidies obtained from the central and regional governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB3,729.72 million, representing an increase of 27.61% as compared with RMB2,922.79 million for the twelve months ended 31 December 2011. The increase was primarily attributable to the enlarged scale of the Group, business development and the expansion of distribution network through new set-ups and acquisitions.

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB2,568.44 million, representing an increase of 30.73% as compared with RMB1,964.63 million for the twelve months ended 31 December 2011. 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.

The proportion of the Group's general and administrative expenses to the total revenue of the Group decreased from 1.92% for the twelve months ended 31 December 2011 to 1.89% for the corresponding period in 2012. The decrease was the reflection of the economics of scale.

Management Discussion and Analysis

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB4,863.35 million, representing an increase of 33.75% from RMB3,636.22 million for the twelve months ended 31 December 2011.

Other Gains – Net

The other net gains of the Group less other losses increased by 41.99% from RMB201.99 million for the twelve months ended 31 December 2011 to RMB286.80 million during the Reporting Period. The increase was primarily due to the disposal of land use rights and property by the Group.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB1,271.61 million, representing an increase of 55.45% as compared with RMB818.01 million for the twelve months ended 31 December 2011. The increase was primarily due to the business growth and change in funding structure of the Group.

Share of Results from Associates

During the Reporting Period, the Group's share of results from associates was RMB135.72 million, representing an increase of 26.37% as compared with RMB107.40 million for the twelve months ended 31 December 2011.

Income Tax Expenses

The Group's income tax expenses increased by RMB209.07 million, from RMB725.05 million for the twelve months ended 31 December 2011 to RMB934.12 million during the Reporting Period. The increase was primarily due to the increase in profits of the Group led to an increase in income tax. The Company's effective income tax rate increased from 23.18% for the twelve months ended 31 December 2011 to 23.27% during the Reporting Period.

Profit for the Year

As a result of the abovementioned factors, the profit for the year 2012 was RMB3,080.14 million, representing an increase of 28.20% from RMB2,402.55 million for the twelve months ended 31 December 2011. The profit margin of the Group for the twelve months ended 31 December 2011 and 2012 were 2.35% and 2.27%, respectively.

Management Discussion and Analysis

Profit Attributable to Equity Holders of the Company

During the Reporting Period, profit or net profit attributable to equity holders of the Company increased by 26.48%, or RMB413.21 million to RMB1,973.82 million, from RMB1,560.61 million for the twelve months ended 31 December 2011. The Group's net profit margins during the Reporting Period and that of the corresponding period of 2011 were 1.45% and 1.53%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests during the Reporting Period was RMB1,106.31 million, representing an increase of RMB264.37 million from RMB841.94 million for the twelve months ended 31 December 2011.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB54,491 million, of which approximately RMB33,400 million were not yet utilized. Cash and cash equivalents of RMB9,721.99 million primarily comprises 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 expanding 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 2011 and 2012, respectively:

	2012 RMB million	2011 RMB million
Net cash generated from operating activities	4,017.21	1,019.27
Net cash used in investing activities	(2,208.62)	(2,830.83)
Net cash (used in)/generated from financing activities	(5,177.61)	7,427.87
Net (decrease)/increase in cash and cash equivalents	(3,369.02)	5,616.31
Cash and cash equivalents at the beginning of year	13,091.01	7,474.70
Cash and cash equivalents at the end of year	9,721.99	13,091.01

Management Discussion and Analysis

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 RMB4,017.21 million, representing an increase of RMB2,997.94 million from RMB1,019.27 million for the twelve months ended 31 December 2011. The increase was primarily attributed to the enhancement of the management and control of collections of trade receivables and payments in the Group's business operation as well as the Group utilizing banking products such as factoring with an aim to decrease finance costs.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB2,208.62 million, representing a decrease of RMB622.21 million as compared with RMB2,830.83 million for the twelve months ended 31 December 2011.

Net cash used in/generated from financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB5,177.61 million, representing an increase of RMB12,605.48 million as compared with RMB7,427.87 million for the twelve months ended 31 December 2011. The increase was primarily attributable to the expansion of the scale in sales and increase in financing so as to meet the working capital requirements.

Capital Expenditure

The Group's capital expenditures are primarily utilized for the development and expansion of distribution channels, the upgrading of its logistics systems and the increase of level of informatization. The Group's capital expenditures amounted to RMB4,962.70 million and RMB2,682.02 million for the year ended 31 December 2011 and during 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 for its future capital expenditure is subject to a variety of factors, including its future operational results, financial condition and cash flows, economic, political and other conditions in China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

Management Discussion and Analysis

Capital Structure

Indebtedness

As of 31 December 2012, the Group had aggregate banking facilities of RMB54,491 million, of which RMB33,400 million were not utilized and are available to be drawn down. These banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as of 31 December 2012, RMB10,888.20 million will be due within one year and RMB5,191.58 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

The Group's gearing ratio was 71.52% as of 31 December 2012 (31 December 2011: 69.85%), which is calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as of 31 December 2012.

FOREIGN EXCHANGE RISKS

The uncertainties of foreign currency exchange rate will not incur significant risks to the Group.

PLEDGE OF ASSETS

As of 31 December 2012, part of the Group's bank borrowings was secured by land use rights with book value of RMB74.58 million, properties, plant and equipment with book value of RMB214.18 million and trade receivables with book value of RMB2,158.72 million.

MAJOR ACQUISITIONS AND DISPOSALS

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

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.

Management Discussion and Analysis

CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

As at 31 December 2012, the Group neither had any material contingent liabilities, nor had any material litigations.

HUMAN RESOURCES

As at 31 December 2012, the Group had a total of 40,737 employees. In order to meet the development needs and support and promote the implementation of its strategic objectives, the Group has adopted the model of reorganizing current human resources and innovating management systems in accordance with the requirements of professional operation and integrated management, optimized the management mechanism, actively advanced the organizational reform and increased its speed of nurturing and recruiting 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.

FUTURE PLAN

The Group's objective is to consolidate its position as the leading distributor of, and supply chain services provider for, pharmaceutical and healthcare products in China. The Group shall assume the social responsibility of maintaining the healthy development of the pharmaceutical distribution market, ensure the accumulative and intensive effect after integration of the network, create harmonious and prosperous internal and external environment, raise the Group's competitiveness of scale through integration, create competitiveness of differentiation by changing business operation models, gain competitiveness in bargaining through supply chain integration service, win competitiveness in cost from operation integrations, and fully explore the value-added development model created by the strategic synergy of logistics and distribution business. The Group will speed up the construction of the logistic hub and improve its centralized purchasing and multi-storage operation system, establish a multi-purpose logistic delivery network adapting to the full coverage of essential drugs as introduced by the Healthcare Reform, and accelerate the construction of the biological cold chain distribution network pattern.

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 consists of 13 directors (the “**Director(s)**”), including one executive Director, Mr. Wei Yulin; seven non-executive Directors, namely Mr. She Lulin, Mr. Wang Qunbin, Mr. Zhou Bin, Mr. Chen Qiyu, Mr. Deng Jindong, Mr. Fan Banghan and Mr. Liu Hailiang; and five independent non-executive Directors, namely Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong, Mr. Zhou Bajun and Ms. Li Ling. To the knowledge of the Company, there is no financial, business or 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 and supervision on operation management. In general, 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, shareholders and others 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 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.

Corporate Governance Report

The Company has separated the roles of Chairman and President with Mr. She Lulin acting as the Chairman of the Company and Mr. Wei Yulin 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 their recommendations to the Board based on their 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 has made a lot of efforts in improving the corporate governance system of the Company and enhancing the corporate governance standards, which include amending the provisions in the articles of association of the Company (the “**Articles of Association**”) in respect of the number of independent non-executive Directors in the Board according to the recent amendments to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”); appointing an additional independent non-executive Director to comply with the requirement of the Listing Rules; fully reviewing and amending the Company's information disclosure rules and other related internal rules according to the recent amendments to the Securities and Futures Ordinance of Hong Kong (the “**SFO**”) regarding disclosure of inside information and corresponding amendments to the Listing Rules; organising the Directors and company secretary to participate in relevant training courses; supervising the formulation and updating of the staff handbook of the Company; and reviewing regularly the Company's compliance with the domestic and overseas regulatory requirements and its implementation of various internal corporate governance rules and policies.

Corporate Governance Report

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. On 3 August 2012, the Resolution in relation to the Re-election of Mr. Zhou Bajun as an Independent Non-executive Director of the Second Session of the Board of Directors of Sinopharm Group was considered and passed at the 2012 First Extraordinary General Meeting of Sinopharm Group. The term of Mr. Zhou Bajun commences from 19 August 2012 and up to the expiration of the term of office of the second session of the Board.
2. On 29 December 2012, the Resolution in relation to the Appointment of Ms. Li Ling as an Independent Non-executive Director of the Second Session of the Board of Directors of Sinopharm Group was considered and passed at the 2012 Second Extraordinary General Meeting of Sinopharm Group. The term of Ms. Li Ling commences from 29 December 2012 and up to the expiration of the term of office of the second session of the Board. Ms. Li Ling was appointed as the member of the strategy and investment committee of the Company on 20 February 2013.
3. On 18 January 2013, Mr. Chen Wenhao, the non-executive Director and a member of the audit committee, passed away.
4. On 23 February 2012, the Resolution in relation to the Nomination and Appointment of Operation Team of Sinopharm Group was considered and passed at the Second Meeting of the Second Session of the Board of Directors of Sinopharm Group: Mr. Wei Yulin was appointed as the president of Sinopharm Group; Mr. Li Guangfu, Ms. Shen Linian, Mr. Lu Jun, Mr. Shi Jinming, Mr. Liu Yong, Mr. Li Zhiming, Mr. Cai Zhongxi, Mr. Ma Wanjun were appointed as the vice presidents of the Company; Mr. Xu Shuangjun was appointed as the non-executive vice president of the Company; Mr. Jiang Xiuchang was appointed as the chief financial officer of the Company. The appointment of the above staff was in force from 23 February 2012.
5. On 22 March 2012, the Resolution in relation to the Appointment of Mr. Ma Wanjun as the Joint Company Secretary of the Company, as proposed by the nomination committee of the Board, was considered and passed at the Third Meeting of the Second Session of the Board of Directors of Sinopharm Group: Mr. Ma Wanjun was appointed as the secretary to the second session of the Board and the joint company secretary; and Mr. Wu Aimin ceased to serve as the secretary to the second session of the Board and the joint company secretary of the Company due to work relocation from 22 March 2012.
6. In April 2012, Mr. Wu Aimin ceased to serve as a vice president of the Company due to work relocation.
7. In November 2012, Ms. Shen Linian reached the retirement age and ceased to serve as a vice president of the Company.

Corporate Governance Report

BOARD MEETINGS AND GENERAL MEETINGS

The Board convened five meetings during the Reporting Period. Notices for regular board meetings shall be given to each Directors 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	5/5
Non-executive Directors	
Mr. She Lulin	5/5
Mr. Wang Qunbin	5/5
Mr. Chen Wenhao ⁽¹⁾	4/5
Mr. Zhou Bin ⁽²⁾	3/5
Mr. Chen Qiyu ⁽³⁾	4/5
Mr. Deng Jindong	5/5
Mr. Fan Banghan	5/5
Mr. Liu Hailiang	5/5
Independent non-executive Directors	
Mr. Wang Fanghua	5/5
Mr. Tao Wuping	5/5
Mr. Xie Rong	5/5
Mr. Zhou Bajun	5/5
Ms. Li Ling ⁽⁴⁾	0/0

Notes:

- (1) Mr. Chen Wenhao attended one meeting not in person but by his proxy due to sickness, which was not included in the attendance;
- (2) Mr. Zhou Bin attended two meetings not in person but by his proxy, which was not included in the attendance;
- (3) Mr. Chen Qiyu attended one meeting not in person but by his proxy, which was not included in the attendance;
- (4) Ms. Li Ling was appointed as an independent non-executive Director on 29 December 2012, and no Board meeting was convened during her term of office in 2012.

Corporate Governance Report

At Board meetings, the Company's senior management reported the information of business activities and development of the Company to all Directors on a timely basis. The executive Director also met with and consulted the independent 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	3/3
Non-executive Directors	
Mr. She Lulin	1/3
Mr. Wang Qunbin	0/3
Mr. Chen Wenhao	2/3
Mr. Zhou Bin	0/3
Mr. Chen Qiyu	0/3
Mr. Deng Jindong	0/3
Mr. Fan Banghan	3/3
Mr. Liu Hailiang	3/3
Independent non-executive Directors	
Mr. Wang Fanghua	1/3
Mr. Tao Wuping	2/3
Mr. Xie Rong	3/3
Mr. Zhou Bajun	1/3
Ms. Li Ling ⁽¹⁾	0/0

Note:

- (1) Ms. Li Ling was appointed as an independent non-executive Director on 29 December 2012, and no general meeting of the Company was convened during her term of office in 2012.

Corporate Governance Report

TRAINING FOR DIRECTORS

On 22 March 2012, except that Mr. Zhou Bin did not participate due to business engagement, all the other Directors attended the training on disclosure of connected transactions, notifiable transactions and price sensitive information under the Listing Rules provided by the Company's Hong Kong legal advisers, Mr. Zhou Bin had read carefully the relevant training materials after the training were conducted. On 28 and 29 December 2012, Mr. Ma Wanjun, the company secretary, and certain middle-level and senior management of the Company attended the training on recent amendments to the Listing Rules provided by the Company's Hong Kong legal advisers. On 28 February 2013, Ms. Li Ling, the newly appointed Director, obtained the training on guidelines for director's duty and the Listing Rules provided by the Company's Hong Kong legal advisers.

AUDIT COMMITTEE

The audit committee of the Company comprises five Directors: including three independent non-executive Directors being Mr. Xie Rong, Mr. Wang Fanghua, Mr. Zhou Bajun, and two non-executive Directors being Mr. Fan Banghan and Mr. Deng Jindong. Mr. Xie Rong 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
- developing and implementing policies on the engagement of an external auditor to supply non-audit services.

During the Reporting Period, three meetings were held by the audit committee to mainly consider the annual results for the year ended 31 December 2011, the audit fee for 2011, the appointment of auditors for 2012, the interim results for the six months ended 30 June 2012 and the third quarterly results for the period ended 30 September 2012.

Corporate Governance Report

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

Directors	Attendance/No. of meetings held
Mr. Xie Rong	3/3
Mr. Wang Fanghua	3/3
Mr. Fan Banghan	3/3
Mr. Deng Jindong ⁽¹⁾	2/3
Mr. Zhou Bajun	3/3

Note:

(1) Mr. Deng Jindong attended one meeting not in person but by his proxy.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2012. 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 year 2012. 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.

The audit committee has reviewed the remuneration of the auditor for 2012 and recommended the Board to re-appoint PricewaterhouseCoopers as the auditor of the Company for 2013, subject to the approval of shareholders at the forthcoming annual general meeting.

Corporate Governance Report

NOMINATION COMMITTEE

The nomination committee of the Company comprises five Directors: including three independent non-executive Directors being Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong and two non-executive Directors being Mr. She Lulin and Mr. Fan Banghan. Mr. She Lulin 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; and
- 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).

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 of the 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, two meetings were held by the nomination committee to consider the resolutions regarding the appointment of Mr. Ma Wanjun as the secretary to the Board and the joint company secretary and the recommendation on appointment of Ms. Li Ling as the independent non-executive Director of the second session of the Board.

Corporate Governance Report

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

Directors	Attendance/No. of meetings held
Mr. She Lulin	2/2
Mr. Wang Fanghua	2/2
Mr. Tao Wuping	2/2
Mr. Xie Rong	2/2
Mr. Fan Banghan	2/2

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises five Directors: including three independent non-executive Directors being Mr. Tao Wuping, Mr. Wang Fanghua, Mr. Xie Rong, and two non-executive Directors being Mr. Fan Banghan and Mr. Liu Hailiang. Mr. Tao Wuping 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 Director 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, one meeting was held by the remuneration committee, during which the resolutions regarding the payment of annual remuneration of the President of the Company in 2011 and the annual remuneration standards of the President in 2012 were considered and approved.

Corporate Governance Report

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

Directors	Attendance/No. of meetings held
Mr. Tao Wuping	1/1
Mr. Wang Fanghua	1/1
Mr. Xie Rong	1/1
Mr. Fan Banghan	1/1
Mr. Liu Hailiang	1/1

STRATEGY AND INVESTMENT COMMITTEE

The strategy and investment committee of the Company comprises nine Directors: Mr. She Lulin, Mr. Wang Qunbin, Mr. Chen Qiyu, Mr. Zhou Bin, Mr. Fan Banghan, Mr. Wei Yulin, Mr. Wang Fanghua, Mr. Zhou Bajun and Ms. Li Ling who was appointed as the committee member on 20 February 2013. Mr. She Lulin 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 planning and reviewing the development strategies of each business segment of the Company; making decision on and giving guidance to the projects, such as Company's financing activities, material merger and acquisitions, constructions, assets disposal and new cooperations with hospital.

Corporate Governance Report

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

Directors	Attendance/No. of meetings held
Mr. She Lulin	6/6
Mr. Wang Qunbin	6/6
Mr. Wang Fanghua	6/6
Mr. Zhou Bin ⁽¹⁾	4/6
Mr. Chen Qiyu ⁽²⁾	5/6
Mr. Wei Yulin	6/6
Mr. Fan Banghan	6/6
Mr. Zhou Bajun	6/6

Note:

- (1) Mr. Zhou Bin attended two meetings not in person but by his proxy;
 (2) Mr. Chen Qiyu attended one meeting not in person but by his proxy.

TERM OF OFFICE OF THE NON-EXECUTIVE DIRECTORS

Name	Position	Commencement Date	Expiry Date
She Lulin	non-executive Director	21 September 2011	20 September 2014
Wang Qunbin	non-executive Director	21 September 2011	20 September 2014
Zhou Bin	non-executive Director	7 January 2011	6 January 2014
Chen Qiyu	non-executive Director	31 May 2010	31 May 2013
Deng Jindong	non-executive Director	21 September 2011	20 September 2014
Fan Banghan	non-executive Director	21 September 2011	20 September 2014
Liu Hailiang	non-executive Director	21 September 2011	20 September 2014
Wang Fanghua	independent non-executive Director	21 September 2011	20 September 2014
Tao Wuping	independent non-executive Director	21 September 2011	20 September 2014
Xie Rong	independent non-executive Director	21 September 2011	20 September 2014
Zhou Bajun	independent non-executive Director	19 August 2012	20 September 2014
Li Ling	independent non-executive Director	29 December 2012	20 September 2014

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) as the code of corporate governance of the Company.

Saved as disclosed below, during the Reporting Period, the Company has complied with the code provisions as set out in the Corporate Governance Code and the Code on Corporate Governance Practices which was in force prior to 1 April 2012.

In accordance with the relevant amendments in the Corporate Governance Code that became effective on 1 April 2012, the Company has purchased liability insurance for the directors in early 2013.

During the Reporting Period, some Directors were not able to attend the general meetings of the Company in person due to business engagements. However, they were subsequently informed by the Company about the matters conducted in the meetings as well as the questions and recommendations raised by the shareholders in the meetings. The Directors are aware of their responsibilities of attending the general meetings to develop an understanding of the views of the shareholders, and will use their best endeavours to actively participate in the future.

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 of the Company (the “**Supervisor(s)**”). 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 domestic auditors, PricewaterhouseCoopers Zhong Tian CPAs Limited Company and the overseas auditors, PricewaterhouseCoopers are the independent external auditors of the Group. The remuneration paid and payable by the Group to PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers in respect of the services provided during the Reporting Period is as follows:

Services provided

Statutory audit service provided for 2012
Non-statutory audit service provided for 2012
Non-audit service – tax consultancy services

Fee paid and payable

RMB17,830,000
RMB1,744,000
RMB503,900

Corporate Governance Report

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 (10) days upon receipt of such requisition.

Corporate Governance Report

When the Company convenes an annual general meeting, shareholders who individually or jointly hold three percent (3%) 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 stated in this annual report.

EFFECTIVE COMMUNICATIONS WITH INVESTORS

The Group had made remarkable improvements in investor relations in 2012 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. It 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 also 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.

The amendments to the Articles of Association regarding the legal representative of the Company, the composition of the Board (including the number of independent non-executive Directors) and the change in registered capital upon completion of the placing of H shares in 2011 were passed by the shareholders of the Company at the 2011 annual general meeting of the Company held on 5 June 2012. For details, please refer to the announcements dated 22 March 2012 and 5 June 2012 and the circular dated 20 April 2012 of the Company.

Corporate Governance Report

EXCLUDED COMPANIES

The independent non-executive Directors have reviewed the compliance by China National Pharmaceutical Group Corporation (the “**CNPGC**”) of the “Non-Competition Agreement” and confirmed that CNPGC has complied with the terms of such agreement from the date of signing of such agreement to 31 December 2012. 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 from the date of signing of such agreement to 31 December 2012.

In accordance with the arrangements disclosed in the prospectus of the Company dated 10 September 2009 (the “**Prospectus**”), the independent non-executive Directors have held one meeting during the Reporting Period to consider and decide on whether to exercise the options or rights of first refusal in relation to the excluded companies granted by CNPGC to the Company under the Non-Competition Agreement (the “**Relevant Rights**”) and had reviewed all decisions made on the above-mentioned issues during the Reporting Period in early 2013 with details as follows:

1. Excluded Companies (as defined in the Prospectus) against which the Relevant Rights were exercised

The Company did not exercise the abovementioned Relevant Rights in the year of 2012.

2. Excluded Companies against which the Relevant Rights were not exercised as at the end of the Reporting Period

- (1) Tianjin Company: the independent non-executive Directors decided not to exercise the Relevant Rights. The reason for such decision is that shareholders of Tianjin Company have resolved to liquidate the company and the same will then be wound up.
- (2) South Trade: the independent non-executive Directors decided not to exercise the Relevant Rights. The reason for such decision is that South Trade only engages in Western medicines distribution business to a limited extent. In addition, it also intends to cease to engage in any Western medicines distribution business gradually and to focus on its current principal business.

During the Reporting Period, CNPGC and its subsidiaries (other than the Company) did not refer any business opportunity to the Company 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. Therefore, the independent non-executive Directors did not make any decisions in relation to whether to take up any such business opportunity.

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Wei Yulin, aged 55, executive Director, joined the Group on 16 January 2003, and has been an executive Director since 22 December 2008. Mr. Wei was the deputy general manager of the Company from January 2003 to December 2009 and has been the president and the secretary of Party Committee of the Company since December 2009. Mr. Wei has around 35 years of working experience, over 18 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 practicing pharmacist, and was qualified as a senior economist in December 2009. Mr. Wei was also the general manager of Sinopharm Holding Tianjin Co. Ltd. from January 2003 to December 2003 and from October 2004 to April 2006, and its chairman from January 2004 to October 2004. Mr. Wei was also the chairman of each of Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Shanxi Co. Ltd., China National Pharmaceutical Group Southwest Medicine Co. Ltd., Sinopharm Holding Hunan Co. Ltd., Sinopharm Holding Zhejiang Co. Ltd., Sinopharm Holding Henan Co. Ltd., Beijing Tianxingpuxin Bio-Medicine, Co. and Yujia Medical Service Co. Ltd., from May 2006 to January 2009, from January 2007 to January 2009, from March 2007 to January 2009, from September 2007 to January 2009, from October 2007 to January 2009, from April 2008 to January 2009, from April 2010 to November 2011 and from September 2010 to November 2011 respectively. In addition, Mr. Wei was a director of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. from March 2009 to August 2009. Mr. Wei has been appointed as the chairman of Sinopharm Holding Hongkong Co. Limited since January 2011 and the chairman of Sinopharm Lerentang Pharmaceutical Co. Ltd. since April 2011. He is currently the chairman of China National Accord Medicines Corporation Limited and Sinopharm Chemical Reagent Ltd.

Mr. She Lulin, aged 56, non-executive Director, joined the Group as a non-executive Director on 8 January 2003. He was the vice chairman of the Company and has served as the chairman of the Company since 30 August 2007. He has around 29 years of working experience, over 26 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 general manager's 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 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, general manager and deputy secretary of Party Committee of CNPGC since October 2009. Mr. She has been the chairman and legal representative of Sinopharm Industrial Investment Co. Ltd. since July 2008. Mr. She was appointed the chairman of China National Medicines Corporation Ltd. from December 1998 to January 2001.

Biographies of Directors, Supervisors and Senior Management

Mr. Wang Qunbin, aged 43, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director since then. He has around 21 years of working experience, over 18 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 been the chairman of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from October 2007 to June 2010, a director and the president of Shanghai Fosun High Technology (Group) Co. Ltd. since November 1994 and January 2009, respectively, as well as a director of Shanghai Friendship-Fortune Holding Co. Ltd. and Sinopharm Industrial Investment Co. Ltd. since September 2000 and July 2008, respectively. Mr. Wang has been a director of Shanghai Friendship Group Incorporated Co. Ltd. (a company listed on the Shanghai Stock Exchange) from September 2000 to 22 June 2010 and Henan Lingrui Pharmaceutical Company Ltd. (a company listed on the Shanghai Stock Exchange) since May 2003, and has also 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 is currently the chairman of the Huzhou Chamber of Commerce in Shanghai and the vice chairman of China Chamber of International Commerce.

Mr. Zhou Bin, aged 44, non-executive Director, has served as a non-executive Director since 7 January 2011 and has around 21 years of working experience. He 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. He was a research trainee, a research assistant and an assistant to the director of the department of information of Shanghai Institute of Pharmaceutical Industry from July 1990 to July 1998. He was a deputy director, research assistant and secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry from July 1998 to December 1999. He was a deputy director, associate researcher and secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry from December 1999 to May 2002. Mr. Zhou was subsequently a director and a secretary to the branch of the Party at the department of information and the director of the department of market investment of Shanghai Institute of Pharmaceutical Industry from May 2002 to January 2003. He was an assistant dean, the director of the department of market investment and a secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry and the chairman of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from January 2003 to October 2004. He was a vice dean, the director of the department of market investment and the director of the department of information of Shanghai Institute of Pharmaceutical Industry and the chairman of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from October 2004 to September 2005. Mr. Zhou was a vice dean and a member of the Party committee of Shanghai Institute of Pharmaceutical Industry and the chairman

Biographies of Directors, Supervisors and Senior Management

of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from September 2005 to September 2006. He was a vice dean of and a secretary to the Party Committee of Shanghai Institute of Pharmaceutical Industry from October 2006 to April 2008. He was the dean of and a secretary to the Party Committee of Shanghai Institute of Pharmaceutical Industry from April 2008 to October 2010 and chairman of Shanghai Modern Pharmaceutical Co. Ltd. (a company listed on the Shanghai Stock Exchange) since August 2008 and a vice general manager of CNPGC since May 2010. He has also been the dean of and a secretary to the Party Committee of China Institute of Pharmaceutical Industry since October 2010. He is also currently the president of the National Medical Technology Market Profession Association.

Mr. Deng Jindong, aged 48, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. He has over 25 years of working experience, over 20 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics, majoring in industrial accounting, 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 and a director and the chief financial officer of Sinopharm Industrial Investment Co. Ltd. since July 2008.

Mr. Chen Qiyu, aged 40, non-executive Director, joined the Company on 8 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. He has around 19 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and a master's degree in business administration, majoring in executive business administration, from China Europe International Business School in September 2005. Mr. Chen was previously the deputy general manager, the chief financial officer, the board secretary, general manager, president and vice chairman 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 Fosun International Limited and Fosun High Technology (Group) Co., Ltd. since August 2010. Mr. Chen has been the chairman of Tianjin Pharmaceuticals Group Co., Ltd. and a supervisor of Shanghai Friendship-Fortune Holding Co. Ltd. and a director of Zhejiang DIAN Diagnostics Co., Ltd. since February 2009, October 2003 and May 2010, respectively. Mr. Chen is also the chairman on duty of China Pharmaceutical Industry Research and Development Association, the chairman of Shanghai Biopharmaceutics Industry Association, the vice chairman of China Pharmaceutical Industry Association and the vice-chief commissioner of China Medicinal Biotech Association.

Biographies of Directors, Supervisors and Senior Management

Mr. Fan Banghan, aged 59, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director since then. He has around 31 years of working experience, over 28 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Fan obtained an associate education from Branch Institute of the Shanghai Education Institute, majoring in politics and education, in July 1984. Mr. Fan was a deputy general manager and a director of medicine department of Shanghai Pharmaceutical Co. Ltd. from April 1996 to December 1997. Mr. Fan was a deputy general manager of Shanghai Pharmaceutical Co. Ltd. (a company listed on the Shanghai Stock Exchange) from January 1998 to March 2000 and has been a senior vice president of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since 2000. Mr. Fan was a supervisor of China National Medicines Corporation Ltd. (a company listed on the Shanghai Stock Exchange) from December 2005 to May 2009. Mr. Fan has been a director of China National Medicines Corporation Ltd. since May 2009. Mr. Fan has been a director and the general manager of Sinopharm Industrial Investment Co. Ltd. since July 2008. Mr. Fan is currently the vice chairman of the Shanghai Pharmaceutical Trade Association.

Mr. Liu Hailiang, aged 63, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director since then. He has around 43 years of working experience, over 16 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 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, and has been a supervisor and the chief supervisor of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since May 2004 and May 2008, respectively.

Mr. Wang Fanghua, aged 65, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director since then. He has 45 years of working experience. He obtained a master's degree in economics from Fudan University in January 1987 and then worked at Fudan University from July 1994 to April 1998 as assistant to the Dean of the School of Management and the head of the Department of Business Administration of Fudan University. Mr. Wang has been working in the Shanghai Jiaotong University(SJTU) since April 1998. He has served as the vice-dean, general vice-dean and dean of the School of Management, and as the special principal consultant of the university and dean of Institute of Chinese Enterprises Development, SJTU since December 2009. Mr. Wang was an independent director of Shanghai Jinjiang International Hotels Development Co. Ltd. (a company listed on the Shanghai Stock Exchange) from August 2003 to May 2009. Mr. Wang was an independent director of Shanghai Oriental Pearl Co. Ltd. (a company listed on the Shanghai Stock Exchange) from June 2005 to May 2011. Mr. Wang was an independent director of each of Shenzhen Auto Electric Power Plant Co. Ltd. (a company listed on the Shenzhen Stock Exchange), Shanghai New World Co. Ltd. (a company listed on the Shanghai Stock Exchange) and Shanghai Mechanical and Electrical Co. Ltd. (a company listed on the Shanghai Stock Exchange) since March 2007, June 2008 and August 2010 respectively.

Biographies of Directors, Supervisors and Senior Management

Mr. Tao Wuping, aged 57, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director since then. Mr. Tao is a lawyer and has over 29 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 was recognized as the "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

Mr. Xie Rong, aged 60, independent non-executive Director, joined the Group on 25 April 2005, and has been an independent non-executive Director since 30 August 2007. Before his appointment as an independent non-executive Director was formally approved by the relevant shareholders' resolution in August 2007, he had already been acting in such capacity since 25 April 2005. He has around 44 years of working experience. He obtained a doctorate degree in economics, majoring in accounting from Shanghai University of Finance & Economics, in January 1993. He was previously the deputy head of the Accounting Department of Shanghai University of Finance & Economics, a partner of KPMG China and vice-dean of Shanghai National Accounting Institute from September 1994 to November 1997, from December 1997 to October 2002 and from October 2002 to August 2012, respectively. Mr. Xie has been a director of SAIC Motor Co. Ltd. (a company listed on the Shanghai Stock Exchange) since April 2003 and was its independent director from April 2003 to June 2008. Mr. Xie was an independent non-executive director of each of China Shipping Development Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), China Eastern Airlines Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and China CITIC Bank Co. Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from May 2003 to May 2009, from June 2003 to May 2010 and from February 2007 to October 2012, respectively. Mr. Xie has been an independent non-executive director of each of Tianjin Capital Environmental Protection Group Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), Shanghai Baosight Software Co. Ltd. (a company listed on the Shanghai Stock Exchange) and China Everbright Bank Co. Ltd. (a company listed on the Shanghai Stock Exchange) since April 2008, April 2010 and January 2013, respectively. Mr. Xie is currently a professor of the Shanghai National Accounting Institute, a member of the Master of Accounting Professional Education Guidance Committee of the State Department Degree Committee, a standing commissioner of the China Auditing Institute and standing commissioner of the China Accounting Institute.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhou Bajun, aged 63, independent non-executive Director, joined the Group on 19 August 2009, and has been an independent non-executive Director since then. He has over 28 years of working experience, over 12 years of which is in the PRC securities market. Mr. Zhou obtained a doctorate degree in Economics from East China Normal University in October 1988. Mr. Zhou worked as deputy general manager of the China Business Department of Hong Kong Construction (Holdings) Limited (currently known as “Hong Kong Construction (Hong Kong) Limited”) from March 1999 to February 2000. Mr. Zhou has been a senior research fellow of China Everbright Holdings Company Limited since February 2002, and has also been a director and later a responsible officer of China Everbright Research Limited since March 2000 and August 2004, respectively. Mr. Zhou served as a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region from November 2005 to June 2012 and has served as a standing commissioner of the Hong Kong and Macau Research Center of Shanghai Academy of Social Science since March 2007.

Ms. Li Ling, aged 51, 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 30 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 a professor and Ph.D. supervisor of economics at China Centre for Economic Research of National School of 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 Ten Best 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 Deputy Chairman of China Health Economics Association, a member of the State Council Health Reform Advisory Commission, a member of Health Policy and Management Advisory Commission of the Ministry of Health, 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 Deputy Chairman of Gerontological Society of China.

Biographies of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Yao Fang, aged 43, the chief Supervisor, has around 21 years of working experience. He 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) listed on 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 Hong Kong Stock Exchange. Mr. Yao served as the deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. (Stock Code:600196) since April 2010 and became the deputy chairman and president of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since 9 June 2010. He has served as a non-executive director of Biosion Bio-Technology and Science Incorporation (Stock code: 8247) listed on the Hong Kong Stock Exchange since 24 January 2011. He has been the vice chairman of Shanghai Pharmaceutical Profession Association since June 2010. He has served as the Supervisor of the Company since 7 January 2011.

Mr. Lian Wanyong, aged 42, joined the Company on 22 December 2008 as a non-executive Director and had been a Supervisor since 7 January 2011. He has over 16 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. Mr. Lian was previously the manager of the operation and audit department of China National Group Corp. of Traditional & Herbal Medicine and a deputy head of the financial assets management department of CNPGC from January 2004 to June 2005 and from June 2005 to February 2008, respectively. Mr. Lian has been the head of the investment management department of CNPGC since February 2008.

Biographies of Directors, Supervisors and Senior Management

Ms. Zhang Jian, aged 39, joined the Group on 16 June 2005, and has been a Supervisor since 12 September 2008 and the head of the auditing department of the Company since June 2005. She has around 15 years of working experience. She obtained a bachelor's degree in economics, majoring in accounting, from Shanghai University of Finance & Economics in July 1997. Ms. Zhang obtained 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 of Delong International Strategic Investment Co., Ltd. from December 1999 to December 2002, and senior manager of audit department of Youlian Strategic Management Research Center from January 2003 to June 2004. Ms. Zhang joined the Group in June 2005 and has also served as the supervisor of Sinopharm Holding Shanxi Co. Ltd., China National Pharmaceutical Group Xinjiang Medicines Co. Ltd., Beijing Tianxingpuxin BioMed Co. Ltd. and Sinopharm Medicine Holding Beijing HuaHong Co. Ltd.

COMPANY SECRETARIES

Mr. Ma Wanjun as one of the joint company secretaries, is also the vice president and board secretary of the Group. Please refer to the section headed "senior management" for Mr. Ma's biography.

Dr. Liu Wei, is currently the managing partner of China Service 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 and in England. 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) with the University of Hong Kong in 2000. Dr. Liu was the first PRC student 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 the chairman of DLA Piper's China Group 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 the drafting of the Hong Kong Basic Laws, and then he was retained by the Securities and Futures Commission as a PRC affairs officer responsible for the supervision and policies of red chip shares, H-shares and B-shares, and was responsible for coordination with the China Securities Regulatory Commission, Shenzhen Stock Exchange and Shanghai Stock Exchange.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Wei Yulin, is the president of the Company. Please refer to the section headed “Directors” above for Mr. Wei’s biography.

Mr. Li Zhiming, aged 50, joined the Company in May 2010, and has been the vice president since then. He is now the vice president, deputy secretary to the Party Committee, secretary to disciplinary committee, chairman of labor union and chief legal advisor. He has more than 32 years of working experience, over 22 years of which is management experience. Mr. Li graduated from the economic management discipline of the Urumuqi Branch of Xi’an Military Academy (西安陸軍學院烏魯木齊分院). He was the deputy secretary to the Party Committee, vice chairman and general manager of Xinjiang Pharmaceutical Group Company (新疆藥業集團公司) from October 2003 to January 2008. He was the secretary to the Party Committee, chairman and general manager of Xinjiang Pharmaceutical Group Company from January 2008 to February 2009. He has been the secretary to the Party Committee, chairman and general manager of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. since February 2009. He is currently the chairman of Sinopharm Holding Tianjin Co. Ltd., Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Jilin Co. Ltd., Sinopharm Holding Neimeng Co. Ltd., Sinopharm Holding Ningxia Co. Ltd., Sinopharm Holding Shaanxi Co. Ltd., Sinopharm Holding Gansu Co. Ltd., Sinopharm Holding Mudanjiang Co. Ltd. and Sinopharm Holding Qinghai Co. Ltd..

Mr. Li Guangfu, aged 55, joined the Company on May 2010, and has been a vice president of the Company since then. He has over 33 years of working experience, over 28 years of which is management experience in the pharmaceutical industry. Mr. Li completed his undergraduate education in Chinese medicine at the College of Chinese Traditional Medicine of Guangzhou University of Chinese Medicine (廣州中醫學院中藥系) in January 1982 and obtained a master’s degree in business administration from Jinan University in Guangzhou in June 2002. He was the general manager of and secretary to the Party Committee of China National Group Corp. of Traditional & Herbal Medicine, the vice chairman of China Association of Traditional Chinese Medicine, the pharmaceutical department head and the deputy manager of Guangzhou Medical Station (廣州醫藥站) and the general manager of and secretary to the Party Committee of CNPGC Guang Zhou Branch from July 2003 to May 2010. He has been the executive director of Sinopharm Logistics Co. Ltd. since October 2010.

Biographies of Directors, Supervisors and Senior Management

Mr. Lu Jun, aged 54, joined the Group on 8 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. He has over 35 years of working experience, over 12 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Lu obtained a master's degree in business administration (specializing in International Business) from the Maastricht School of Management in August 2001 and obtained a master degree of Business Management in Antai College of Economic and Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. Mr. Lu was previously the general manager of each of China National Pharmaceutical Group Shanghai Likang Medicine Co. Ltd., Shanghai Guoda Pharmacy Chain Store Co. Ltd. and Sinopharm Holding Guoda Drug Store Co. Ltd. from August 1998 to January 2001, from January 2001 to December 2004 and from June 2004 to June 2008, respectively. Mr. Lu was also a director of China National Accord Medicines Corporation Ltd. from September 2007 to December 2008 and of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. from March 2009 to August 2009, Sinopharm Holding Fujian Co. Ltd. from January 2010 to November 2011, Sinopharm Jiangxi from March 2010 to November 2011, Yujia Medical Service Co. Ltd. since September 2010, Sinopharm Holding Changzhou Co. Ltd. since December 2010 and Sinopharm Holding Shanxi Co. Ltd. since March 2011. Mr. Lu was the chairman of Sinopharm Holding Guoda Drug Store Co. Ltd. and Sinopharm Holding Chongqing Co. Ltd. from July 2008 to November 2011 and from August 2010 to November 2011. He is currently the chairman of Sinopharm Holding Lingyun Biopharmaceutical (Shanghai) Co. Ltd., Sinopharm Holding Yangzhou Co. Ltd. (formerly Jiangsu company), Sinopharm Holding Suzhou Co. Ltd., Sinopharm Holding Shandong Co. Ltd., Sinopharm Holding Anhui Co. Ltd., Sinopharm Holding Nantong Co. Ltd., Sinopharm Holding Changzhou Co. Ltd., Sinopharm Holding Zhejiang Co. Ltd., Sinopharm Holding Wenzhou Co. Ltd..

Mr. Shi Jinming, aged 45, joined the Group on 8 January 2003, and has been a vice president of the Company since 9 January 2009. He has over 22 years of working experience, over 17 years of which is management experience. Mr. Shi obtained a bachelor's degree in Economics, majoring in trade and economy, from Shanghai University of Finance and Economics in July 1989 and a master's degree in business administration for executives from Sun Yat-sen University in June 2005. Mr. Shi was previously the general manager of China National Accord Medicines Corporation Ltd. from February 2004 to December 2008, and has been its chairman and director since January 2009. Mr. Shi has also been the chairman of each of China National Pharmaceutical Group Southwest Medicine Co. Ltd., Sinopharm Holding Hubei Co. Ltd. and Sinopharm Holding Hunan Co. Ltd. since February 2009, and has been the chairman of each of Sinopharm Holding Yunnan Co. Ltd., Sinopharm Holding Hainan Co. Ltd., Sinopharm Holding Jiangxi Co. Ltd., Sinopharm Holding Guizhou Co. Ltd. and Sinopharm Holding Chongqing Co. Ltd. since November 2009, December 2009, March 2010, March 2010 and November 2011. He is currently an executive director of Sinopharm Holding Distribution Co. Ltd. and a director of Sinopharm Holding Hongkong Co. Limited.

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Yong, aged 43, joined the Group on 8 January 2003, and has been a vice president of the Company since 9 January 2009. He has over 19 years of working experience, over 15 years of which is management experience. 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. He was previously a deputy general manager of Shanghai Guoda Pharmacy Chain Store Co. Ltd. from April 2000 to April 2003. Mr. Liu was the general manager of Sinopharm Holding Shenyang Co. Ltd. from April 2003 to December 2008 and was the chairman of Sinopharm Holding Shenyang Co. Ltd. from January 2009 to November 2011. He was the chairman of Sinopharm Holding Henan Co. Ltd., Sinopharm Chemical Reagent Ltd., China National Pharmaceutical Group Shanghai Likang Medicine Co. Ltd. and Sinopharm Holding Jilin Co. Ltd. from February 2009 to October 2010, February 2009 to March 2010, February 2009 to October 2010 and May 2010 to November 2011. He is currently the chairman of Sinopharm Holding Tianxingpuxin Co. Ltd., Sinopharm Holding Beijing Co. Ltd., Beijing Kangchen Biopharmaceutical Co. Ltd. (北京康辰生物藥業有限公司), China National Medicines Co. Ltd. and Sinopharm Holding Guoda Drug Store Co. Ltd.

Mr. Cai Zhongxi, aged 47, joined the Company as vice president of the Company since May 2010. He has over 23 years of working experience, over 21 years of which is management experience. Mr. Cai graduated from the military medical discipline of Second Military Medicine University in July 1989. He obtained a master's degree in business administration from the School of Management of Maastricht University of the Netherlands in August 2000 and a doctorate degree in business administration from the Southwestern Polytechnic University of the United States in September 2002. Mr. Cai was a doctor of 302 Beijing Military Hospital from August 1989 to April 1991. He held various positions in China National Pharmaceutical Group Shanghai Corporation, including deputy manager of newly specialized medicines department, assistant to general manager, deputy general manager, deputy general manager of general affairs and general manager, from August 1995 to December 2005. He was the chairman of Shanghai Yijia Medical Equipment Co. Ltd. (上海倚嘉醫療器械有限公司) from January to July 2006 and was the chairman and general manager of Shanghai Shengtai Medical Technology Co. Ltd. (上海盛泰醫療科技有限公司) from July 2006 to November 2011. He has also been the executive director of Shanghai Huyong Medicines Co. Ltd. (上海滬甬醫藥有限公司), and a chairman of China National Pharmaceutical Group Shanghai Likang Medicine Co. Ltd and Sinopharm Holding Medical Equipment Co. Ltd. since October 2010. He has also been the chairman of Sinoexcelsior Investment Incorporation and Sinopharm Medicine Holding Beijing HuaHong Co. Ltd. since November 2011. He has been the chairman of Shanghai Milo Pharmaceutical Co., Ltd., Shanghai Donghong Medicine Co., Ltd., Sinopharm Lingshang Hospital Management Services (Shanghai) Co., Ltd. since June 2012.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 48, joined the Company in May 2010, and has been the chief financial officer of the Company since then. He has over 26 years of working experience, over 14 years of which is management experience. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986 and received his postgraduate education in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang joined China Medicines Corporation in July 1986 and was the deputy head of the department of information, reform office, finance department and department of pharmacy from May 1998 to March 2002. He also worked as deputy head, head and chief financial officer of the finance department of China National Medicines Co. Ltd. from March 2002 to May 2010. He is currently a director of China National Medicines Co. Ltd., China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd., Sinopharm Holding Hongkong Co. Ltd. and Sinopharm Group Finance Co. Ltd. and the supervisor of Sinopharm Holding Guoda Drug Store Co. Ltd., Yujia Medical Service Co. Ltd., Sinopharm Holding Distribution Co. Ltd. and Sinopharm Holding Beijing Co. Ltd..

Mr. Ma Wanjun, aged 44, acted as vice president of the Company since September 2010. He has been the secretary to the Board and one of the joint company secretaries since 22 March 2012 respectively. Mr. Ma has nearly 22 years of working experience, over 12 years of which is management experience. He obtained a bachelor of science degree in chemistry from Nankai University in July 1991 and an EMBA from China Europe International Business School in September 2006. He is a chief pharmacist. He was a business officer and manager in purchase and supply station of China National Pharmaceutical (Group) Tianjin Corporation from July 1991 to November 1999, and deputy general manager and deputy general manager of general affairs of China National Pharmaceutical (Group) Tianjin Corporation from December 1999 to May 2003. From May to December 2003, he was the deputy general manager of Pharmaceutical Business Department of Sinopharm Holding Medicines Co. Ltd.. From December 2003 to September 2004, he served as the general manager of Sinopharm Holding Tianjin Co. Ltd.. From December 2009 to September 2010, he served as the deputy general manager of the operation centre of the Company, he is currently the director of China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd., China National Medicines Corporation Ltd., Sinoexcelsior Investment Incorporation and the executive director Shanghai Tongyu Information Technology Co., Ltd. He is also the chairman of Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd., Sinopharm Holding Henan Co. Ltd., Sinopharm Healthy Industry(Shanghai) Co. Ltd., Sinopharm Holding Health Development (Shanghai) Co., Ltd., Sinopharm Holding Fujian Co., Ltd. and Sinopharm Holding Fuzhou Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Xu Shuangjun, aged 44, acted as non-executive vice president of the Company since March 2011. He has over 27 years of working experience, over 19 years of which is management experience in the pharmaceutical 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 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. He served as a manager of the operating branch and a deputy 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. He was the chairman and general manager of Hebei Zhongrui Medicines Co. Ltd. (河北中瑞醫藥有限公司) from August 2004 to December 2004. He served as the general manager and secretary to the Party Committee of Shijiazhuang Le Ren Tang Pharmaceutical Co. Ltd. (石家莊樂仁堂醫藥股份有限公司) from December 2004 to December 2005. He has been the chairman and general manager of and secretary to the Party Committee of Le Ren Tang Pharmaceutical Group Co. Ltd. since December 2005. He has been the chairman and general manager of Sinopharm Lerentang Pharmaceutical Co., Ltd.

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 2012.

PRINCIPAL BUSINESS

Our 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 segment:** 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 geographic coverage, the breadth of its product portfolio and the strength of the comprehensive supply chain services provided to its customers and suppliers.
- **Retail pharmacy segment:** The Group has established a network of retail drug stores in major cities of China via direct operations and franchises.
- **Other business segment:** The Group is also engaged in the 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 85 of this annual report.

Report of the Board of Directors

DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 22 March 2013, and the Board proposed to distribute a final dividend of RMB0.25 per share (tax inclusive) for the year ended 31 December 2012, totalling approximately RMB600,656,000.

The Company has completed the placing of 165,668,190 H shares on 10 April 2013. As a result, the number of the total issued shares of the Company has been increased from 2,402,625,299 shares to 2,568,293,489 shares. On 15 April 2013, the Board resolved to make the adjustment to the Company's profit distribution plan for the year 2012 based on the enlarged total issued share capital of the Company after completion of the aforesaid placing (being 2,568,293,489 shares), and to propose to distribute a final dividend of RMB0.25 per share (inclusive of tax) for the year ended 31 December 2012, totaling approximately RMB642,073,372 (the "**Final Dividend**").

As the above adjustment to the profit distribution plan for the year 2012 took place after the date of the completion of the audit of the financial statements of the Group for the year ended 31 December 2012, which was 22 March 2013, it has not been disclosed in the audited financial statements of the Group for the year ended 31 December 2012 pursuant to the Hong Kong Financial Reporting Standard, but will be reflected in the financial statements of the Group for the six months ending 30 June 2013.

If the adjusted profit distribution plan is approved by the shareholders by way of an ordinary resolution at the 2012 annual general meeting to be held on Wednesday, 5 June 2013, the Final Dividend will be distributed on Friday, 12 July 2013 to holders of the H shares whose names appear on the register of members of H shares of the Company on Wednesday, 12 June 2013.

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.

Report of the Board of Directors

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 whose names appear on the register of members of H shares of the Company on 12 June 2013, 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

The names, principal places of business, places of incorporation and issued share capital of the Company’s principal subsidiaries are set out in note 43 to the financial statements.

RESERVES

Movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 91 of this annual report and note 31 to the financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Company Law of the PRC, the Company may only distribute dividends out of its distributable 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) Hong Kong Financial Reporting Standards.

Report of the Board of Directors

In year 2012, the distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB621.9 million, which is prepared in accordance with the Hong Kong Financial Reporting Standards.

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 17 and 18 to the financial statements.

BORROWINGS

The details of borrowings of the Group are set out in note 32 to the 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 2012, 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.

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 contemplated by the Group during the Reporting Period.

Non-Exempt Continuing Connected Transactions

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

As disclosed in the 2011 Annual Report of the Company, in order to regulate the continuing connected transactions in respect of the procurement and sales of pharmaceutical products between the Group and CNPGC and its subsidiaries and associates (the "**CNPGC Group**"), the Company and CNPGC (the ultimate controlling shareholder of the Company and the connected person of the Company) renewed the Master Procurement Agreement of Pharmaceutical Products, Personal-care Supplies and Medical Equipment ("**Master Procurement Agreement**") and Master Sales Agreement of Pharmaceutical Products, Personal-care Supplies, Medical Equipment, Chemical Reagents and Laboratory Supplies ("**Master Sales Agreement**") on 11 November 2011, respectively, and set up the annual caps for the three years ending 31 December 2014 of the continuing connected transactions under the Master Procurement Agreement and the Master Sales Agreement.

Report of the Board of Directors

Pursuant to the Listing Rules, the Master Procurement Agreement mentioned above and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2014 have been approved by the independent shareholders of the Company; and the Master Sales Agreement and the relevant annual caps for the continuing connected transactions contemplated thereunder are not subject to the approval of the independent shareholders of the Company. The principle terms of the agreements are as follows:

Master Procurement Agreement

Date: 11 November 2011

Parties: (i) the Company
(ii) CNPGC

Nature of Transactions: 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, other related and ancillary services.

Term and Termination: The Master Procurement Agreement is for a term of three years with effect from 1 January 2012 and ending on 31 December 2014. 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.

Either party may, at any time before the Master Procurement Agreement expires, by giving not less than 3 months' notice to terminate the transactions under the Master Procurement Agreement.

Report of the Board of Directors

Price Under the Master Procurement Agreement, the price shall be determined in Determination: accordance with the following pricing principles:

- the stated-prescribed price;
- where there is no stated-prescribed price, the relevant stated-recommended price;
- where there is no stated-recommended price neither, the relevant market price which means normal commercial terms, or on terms no less favourable to the Group than those available to or from independent third parties under prevailing local market conditions; or
- where there is none of the above available or applicable, the price shall be calculated based on, if lower, the reasonable cost or the actual cost, plus reasonable profit margin. The reasonable profit margin shall be determined by reference to the profit margin of the prevailing market and the then market for each of the product or service as contemplated thereunder, the average profit margin in the related industry, and the overall profit margin of the Group in the past years.

Master Sales Agreement

Date: 11 November 2011

Parties: (1) the Company
(2) CNPGC

Nature of Transactions: 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, other related and ancillary services.

Report of the Board of Directors

Term and Termination: The Master Sales Agreement is for a term of three years with effect from 1 January 2012 and ending on 31 December 2014. Upon expiry, the Master Sales Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and agreement of the parties, be renewed for a further term of three years.

Either party may, at any time before the Master Sales Agreement expires, by giving not less than 3 months' notice to terminate the transactions under the Master Sales Agreement.

Price Determination: Under the Master Sales Agreement, the price shall be determined in accordance with the following pricing principles:

- the stated-prescribed price;
- where there is no stated-prescribed price, the relevant stated recommended price;
- where there is no stated-recommended price neither, the relevant market price which means normal commercial terms, or on terms no less favourable to the Group than those available to or from independent third parties under prevailing local market conditions; or
- where there is none of the above available or applicable, the price shall be calculated based on, if lower, the reasonable cost or the actual cost, plus reasonable profit margin. The reasonable profit margin shall be determined by reference to the profit margin of the prevailing market and the then market for each of the product or service as contemplated thereunder, the average profit margin in the related industry, and the overall profit margin of the Group in the past years.

Members of the Group and members of the CNPGC Group will enter into, from time to time and as necessary, separate implementation agreements to set out the specific terms and conditions in respect of the procurement of the goods and services under the Master Procurement Agreement and the sale of the goods and services under the Master Sales Agreement.

Report of the Board of Directors

For the year ended 31 December 2012, the approved annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions between the Group and the CNPGC Group under the above Master Procurement Agreement and the Master Sales Agreement are set out below:

Transactions	Annual caps for the year 2012 (RMB million)	Actual transaction amounts for the year ended 31 December 2012 (RMB million)
Transactions between the Group and the CNPGC Group under the Master Procurement Agreement	5,200	2,475
Transactions between the Group and the CNPGC Group under the Master Sales Agreement	507	461

The continuing connected transactions between the Group and Sinopharm Group Finance Co., Ltd 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., Ltd, ("**Sinopharm Group Finance Co.**"), the Company and Sinopharm Group Finance Co. (a subsidiary of the ultimate controlling shareholder of the Company and the connected person of the Company) entered into the Financial Services Framework Agreement on 8 June 2012, and set up the annual caps for the continuing connected transactions thereunder for the six months ended 31 December 2012 and the two years ending 31 December 2014.

Report of the Board of Directors

Pursuant to the Listing Rules, the Financial Services Framework Agreement mentioned above and the relevant annual caps for the continuing connected transactions contemplated thereunder are not subject to the approval of the independent shareholders of the Company. The principle terms of the agreements are as follows:

Financial Services Framework Agreement

Date: 8 June 2012

Parties: (1) the Company
(2) Sinopharm Group Finance Co.

Term of the Agreement: The Financial Services Framework Agreement shall be effective from 1 June 2012 to 31 December 2014.

Financial Services Provided by Sinopharm Group Finance Co. to the Company and/or Its Subsidiaries:

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. Such services include:

- deposit services;
- loan and entrustment loan services;
- other financial services including bill discounting and acceptance services, finance lease services, settlement services and entrustment loan agency services; and
- other services as approved by China Banking Regulatory Commission.

Principle of the Provision of Services: Under the Financial Services Framework Agreement, Sinopharm Group Finance Co. has undertaken to the Company that whenever it provides financial services to the Company, the conditions thereof shall neither be less favorable than those offered to other members of the CNPGC Group, nor be less favorable than those available to the Company and/or its subsidiaries from commercial banks or other financial institutions for comparable services.

The Company and/or its subsidiaries will utilize the financial services of Sinopharm Group Finance Co. on a voluntary and non-compulsory basis and is not obliged to engage Sinopharm Group Finance Co. for any particular service.

Sinopharm Group Finance Co. may, from time to time, enter into separate individual financial service agreement with the Company and/or its subsidiaries for the provision of specific financial services, provided that the principles as agreed in the Financial Services Framework Agreement must be followed.

Report of the Board of Directors

Price Fees and charges payable by the Company and/or its subsidiaries to Sinopharm Determination: Group Finance Co. under the Financial Services Framework Agreement are determined on the following basis:

- 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.
- 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.
- 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.

Report of the Board of Directors

For the six months ended 31 December 2012, the approved annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions between the Group and Sinopharm Group Finance Co. under the above Financial Services Framework Agreement are set out below:

Transactions	Annual caps for the six months ended 31 December 2012 (RMB million)	Actual transaction amounts for the six months ended 31 December 2012 (RMB million)
Maximum daily balance of the deposits placed with Sinopharm Group Finance Co. by the Group	1,600	509
Interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Co.	140	24

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

- i. in the ordinary and usual course of business of the Company;
- ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- iii. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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.

Report of the Board of Directors

Non-Exempt Connected Transactions

Entering into the Joint Venture Agreement

The Joint Venture Agreement was entered into between the Company and CNPGC on 8 June 2012 for the purpose of the formation and opening of business of Sinopharm Group Finance Co., so as to facilitate the centralized capital management of the Group, enhance capital supervision and prevent capital risk; meanwhile, to help improve efficiency in the use of capital, lower finance cost and optimize financial structure of the Company. Pursuant to the Joint Venture Agreement, the registered capital of Sinopharm Group Finance Co. is RMB500 million, which is owned as to 20% and 80% by the Company and CNPGC respectively.

Pursuant to the Listing Rules, the connected transaction in respect of the entering into of the Joint Venture Agreement between the Company and CNPGC is not subject to the approval of the independent shareholders of the Company. The principle terms of the agreement are as follows:

The Joint Venture Agreement

Date: 8 June 2012

Parties: (1) the Company
(2) CNPGC

Conditions The establishment of Sinopharm Group Finance Co. is subject to the approval of Precedent: China Banking Regulatory Commission.

Business The scope of business of Sinopharm Group Finance Co. mainly includes providing Scope: its member(s) with financial services such as deposit taking, provision of loans, bills acceptance and discounting, finance lease, entrustment loans agency and settlement services, etc.

Registered RMB500 million, to be contributed as follows:

Capital of

Sinopharm (1) 20% (equivalent to RMB100,000,000) by the Company; and

Group Finance

Co. and (2) 80% (equivalent to RMB400,000,000) by CNPGC.

Contributions of

the Parties: Apart from the registered capital set out above, no further capital commitment is required to be contributed by the parties.

Report of the Board of Directors

Subscription of Upon the preparation of the establishment of Sinopharm Group Finance Co. being the Registered approved by China Banking Regulatory Commission, the registered capital shall be Capital: paid in full by the parties in cash.

Restrictions No party shall transfer any rights or obligations under the Joint Venture Agreement to on Transfer a third party before the duly incorporation of Sinopharm Group Finance Co..
of Rights and
Obligations by
the Parties:

Composition The board of directors of Sinopharm Group Finance Co. comprises five (5) directors, of the Board of of which one (1) will be designated by the Company, three (3) will be designated Directors and by CNPGC and one (1) will be elected by the employees' representative meeting of the Supervisory Sinopharm Group Finance Co..

Committee
of Sinopharm The supervisory committee of Sinopharm Group Finance Co. comprises three (3) Group Finance supervisors, of which two (2) are shareholders' representative supervisors and one (1) Co.: is employee representative supervisor.

Entering into the Limited Partnership Agreement

The Limited Partnership Agreement was entered into on 25 June 2012 among Sinopharm Capital Limited Company ("**Sinopharm Capital**"), as the general partner, and the Company, CNPGC, Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**") and other investors, as the limited partners, for the purpose of the establishment of Shanghai Sinopharm Private Equity Fund (Limited Partnership) (the "**Fund**" or "**Partnership**"). Pursuant to the Limited Partnership Agreement, the total capital commitment of the Fund is expected to be RMB1 billion, and the Company will invest an amount of RMB50 million in the Fund as a founding limited partner. The medical and healthcare sector in the PRC presents a wealth of attractive investment opportunities and is also likely to flourish in the future. Accordingly, the Board considers that the Fund will provide an effective means of investing in the domestic medical and healthcare sector. The Company expects to realize substantial long-term capital appreciation from such investment.

Sinopharm Capital is an associate (as defined under the Listing Rules) of CNPGC, the ultimate controlling shareholder and the connected person of the Company, hence, is also a connected person of the Company. Pursuant to the Listing Rules, the connected transaction in respect of the entering into of the Limited Partnership Agreement among the Company and CNPGC, Sinopharm Capital, Fosun Pharma and other investors is not subject to the approval of the independent shareholders of the Company. The principle terms of the agreements are as follows:

Report of the Board of Directors

The Limited Partnership Agreement

Date: 25 June 2012

Parties: (1) Sinopharm Capital, as the general partner;

(2) the Company, as a limited partner;

(3) CNPGC, as a limited partner;

(4) Fosun Pharma, as a limited partner; and

(5) other investors, as limited partners

- Capital Contribution:
- total capital commitment expected to be RMB1 billion;
 - RMB5 million contributed by Sinopharm Capital, the general partner with unlimited liability to the Partnership;
 - RMB50 million contributed by each of the Company, CNPGC and Fosun Pharma, and a total of RMB845 million expected to be contributed by other investors, all being limited partners with limited liability to the Partnership in proportion to their respective capital contribution under the Limited Partnership Agreement

Except for the above capital contribution, the Company has no further capital commitment to the Partnership in any kind under the Limited Partnership Agreement.

- Payment of the Capital Contribution:
- The capital contribution shall be paid in cash by the parties as follows:
- as to 40% within five (5) business days after the signing of the Limited Partnership Agreement as well as the issue of the payment notice upon the opening of the capital account of the Partnership;
 - as to 30% within five (5) business days after the issue of the payment notice in the ninth (9th) month after completion of the business registration of the Partnership; and
 - as to 30% within five (5) business days after the issue of the payment notice in the eighteenth (18th) month after completion of the business registration of the Partnership.

Report of the Board of Directors

Term of the Partnership: The term of the Partnership shall be five years from completion of the initial fundraising and may be extended by no more than two consecutive years by the general partner according to the operation of the Partnership and at its sole discretion.

Business Scope of the Partnership: The Partnership is principally engaged in investment in medical and healthcare industries, investment, business management and technology consulting (excluding securities consulting), technology services, industrial investment (need to be approved separately) and other investments permitted by the laws and administrative regulations of the PRC.

Investment Focus of the Fund: Medical and healthcare industry, including, but not limited to, investment in enterprises or projects with effective profit model, advanced technology and outstanding business growth in the medical, pharmaceutical manufacture and distribution, medical equipment, pharmaceutical research and development, medical services, pharmaceutical services and healthcare industries

Restrictions on Investments: Investments of the Fund shall be made in accordance with the terms of the Limited Partnership Agreement including investment restrictions, and subject to the approval of the partners' meeting or the board of directors of the general partner, if needed.

- Fees:**
- The Fund will bear all fees, costs and expenses incurred for the establishment, operation, termination, dissolution and liquidation of the Fund including opening fees, management fees, custodian fees, auditing fees, lawyers' fees and litigation or arbitration costs, and other fees and expenses generally not included in the working capital of the general partner.
 - The Fund will pay a management fee, on a half-year basis and at 2% per annum of the total committed capital contribution, to the general partner for the provision of management and other services during the term of the Partnership.

Management of the Partnership: Sinopharm Capital, the general partner, is responsible for the executive functions and management of the Partnership.

An investment committee comprising not more than three (3) members shall be established by the general partner, which will be authorized by the general partner to manage the investments of the Fund, provided that the decisions made by the investment committee shall not violate any provision in the Limited Partnership Agreement, or any decision or resolution of the partners' meeting.

Report of the Board of Directors

- Distribution Mechanism:
- Generally, 80% of the profits of the Fund will be shared among all the partners to the Partnership in proportion to their respective capital commitments, and 20% of the profits will be distributed to the general partner as performance award.
 - The above profit distribution shall be made within three months from the exit of each investment project and/or availability of distributable cash flow of such project.

Save as the disclosed above, for the year ended 31 December 2012, there is no other related party transaction or continuing related party transaction set out in note 42 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 determinable 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 41 to 53 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 2012 are set out in note 11 to the financial statements.

The five highest paid individuals of the Group in 2012 include one Director. Details of the five highest paid individuals are set out in note 11 to the consolidated financial statements on page 133 of this annual report.

Report of the Board of Directors

Details of the remuneration of the current senior management of the Company for the year ended 31 December 2012 are set out as follows:

Range	Number of individuals
RMB nil to RMB1,000,000	0
RMB1,000,000 to RMB2,000,000	9
RMB2,000,000 to RMB3,000,000	1

INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

For the year ended 31 December 2012, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) subsisting in which a Director or Supervisor is or was materially interested, whether directly or indirectly.

For the year ended 31 December 2012, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director or Supervisor has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

For the year ended 31 December 2012, none of the Directors or Supervisors was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at 31 December 2012, four non-executive Directors, namely Mr. Wang Qunbin, Mr. Fan Banghan, Mr. Chen Qiyu and Mr. Liu Hailiang had interest in businesses which compete or 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. Fan Banghan, is a non-executive director of each of the Fosun Distribution Companies and certain of the Fosun Retail Companies. Mr. Chen Qiyu is director of some of the Fosun Production Companies. Mr. Liu Hailiang, is the chief supervisor of Fosun Pharma.

Report of the Board of Directors

One of the Fosun Distribution Companies, certain Fosun Production Companies and certain Fosun Distribution Companies are wholly-owned or controlled by Fosun Pharma. Set out below is a summary of the facts and circumstances regarding the Fosun Distribution Companies, the Fosun Production Companies and the Fosun Retail Companies:

(i) Fosun Distribution Companies

Description of business

The Fosun Distribution Companies principally engage in the distribution of medicines in the PRC.

For the year ended 31 December 2012, the aggregate revenue of the Fosun Distribution Companies attributable to their medicines distribution business was approximately RMB648 million, only representing approximately 0.48% of the Group's total audited revenue for the same period. Given the insignificant size of the Fosun Distribution Companies' total revenue generated from the distribution of medicines and the fact that such total revenue covered not only Western medicines but also Chinese medicines, the Directors believe that there is no material competition between the Fosun Distribution Companies and the Group.

Independence

The Company is financially independent from the Fosun Distribution Companies. For the year ended 31 December 2012, the total sales of pharmaceutical products to all of the Fosun Distribution Companies represent only approximately 0.02% of the Group's total audited revenue; and the purchases of pharmaceutical products from all of the Fosun Distribution Companies only represent approximately 0.03% of the Group's total audited costs. Therefore, the Group is also operationally independent from the Fosun Distribution Companies.

As mentioned above, Mr. Fan Banghan, who is a non-executive Director, is a non-director of certain of the Fosun Distribution Companies. Apart from the above non-executive Director, who is not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Distribution 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 Distribution Companies.

Report of the Board of Directors

(ii) Fosun Production Companies

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. In addition, for the year ended 31 December 2012, revenue from the production of pharmaceutical products only accounted for approximately 2% 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. For the year ended 31 December 2012, the sales of pharmaceutical products to certain Fosun Production Companies only represent approximately 0.07% of the Group's total audited revenue; and the purchases of pharmaceutical products from certain Fosun Production Companies only represent approximately 0.31% of the Group's total audited costs. Therefore, the Group is also operationally independent from the Fosun Production Companies.

As mentioned above, Mr. Chen Qiyu, who is a non-executive Director, is a director of certain Fosun Production Companies. Apart from the above non-executive Director, who is not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not 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.

Report of the Board of Directors

(iii) Fosun Retail Companies

Description of business

The Fosun Retail Companies only engage in the operation of retail drug stores in the PRC.

The core business of the Group is the distribution of pharmaceutical products in the PRC, but not the operation of retail drug stores. In addition, for the year ended 31 December 2012, the operation of retail drug stores by the Fosun Retail Companies only accounted for approximately 0.57% of the Group's total audited revenue. Since operation of retail drug stores is not the core business of the Group, the Directors believe that there is no material competition between the Fosun Retail Companies and the Group.

Independence

The Company is financially independent from the Fosun Retail Companies. For the year ended 31 December 2012, the sales of pharmaceutical products to two of the Fosun Retail Companies only represent approximately 0.03% of the Group's total audited revenue. Therefore, the Group is also operationally independent from the Fosun Retail Companies.

Mr. Fan Banghan, the non-executive Director, is a director of certain Fosun Retail Companies. Other than the above non-executive Director, who is not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Retail 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 Retail Companies.

DIRECTORS', SUPERVISORS' AND THE CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2012, none of the Directors, Supervisors and the chief executive of the Company and their respective associates have interests and 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) required to be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or required to be recorded in the register as kept under Section 352 of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

Report of the Board of Directors

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors, Supervisors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in 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 2012, 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 which were required to be recorded in the register kept by the Company 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 share in the Company (Note 13) (%)	Approximate percentage to the relevant class of shares (Note 13) (%)	Long position/ short position/ shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 (Note 2)	0.11	0.17	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 2)	65.41	99.83	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Note 1 and 2)	65.41	99.83	Long position
Qishen Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 3)	65.41	99.83	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 4)	65.41	99.83	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 share in the Company (Note 13) (%)	Approximate percentage to the relevant class of shares (Note 13) (%)	Long position/ short position/ shares available for lending
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 5)	65.41	99.83	Long position
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 6)	65.41	99.83	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 7)	65.41	99.83	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	65.41	99.83	Long position
Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 9)	65.41	99.83	Long position
National Council for Social Security Fund	H shares	Beneficial owner	57,853,102	2.41	6.98	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 10)	68,315,597 3,294,399	2.84 0.14	8.25 0.40	Long position Short position
Government of Singapore Investment Corporation Pte Ltd	H shares	Investment manager	59,935,600	2.49	7.24	Long position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.69	4.91	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 share in the Company (Note 13) (%)	Approximate percentage to the relevant class of shares (Note 13) (%)	Long position/ short position/ shares available for lending
JPMorgan Chase & Co.	H shares	Beneficial owner, Investment manager, Custodian corporation/ approved lending agent (Note 11)	66,215,418	2.76	7.99	Long position
			4,200,000	0.17	0.51	Short position
			53,306,919	2.22	6.44	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	66,274,800	2.76	8.00	Long position
The Capital Group Companies, Inc.	H shares	Interest of controlled corporation (Note 12)	47,705,200	1.99	5.76	Long position
Capital Research and Management Company	H shares	Investment manager (Note 12)	42,110,000	1.75	5.08	Long position

Notes:

- (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 a 51% of the 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) Qishen Company is the beneficial owner of a 49% equity interest in Sinopharm Investment and, therefore, Qishen Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun Pharma is the beneficial owner of a 100% equity interest in Qishen Company and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun High Technology is the beneficial owner of a 49.03% 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.

Report of the Board of Directors

- (6) 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.
- (7) Fosun Holdings is the beneficial owner of 78.24% 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.
- (8) 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.
- (9) Mr. Guo Guangchang is the beneficial owner of 58% equity interest in Fosun International Holdings and 0.006% 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.
- (10) Black Rock, Inc is interested in long positions of 68,315,597 H shares and short positions of 3,294,399 H shares of the Company indirectly through a series of controlled corporations.
- (11) JPMorgan Chase & Co. is interested in long positions of 66,215,418 H shares (of which 53,306,919 H shares are shares available for lending) and short positions of 4,200,000 H shares of the Company through a series of controlled corporations.
- (12) The Capital Group Companies Group, Inc. is interested in long positions of 47,705,200 H shares of the Company indirectly through a series of controlled corporations, including the long positions of 42,110,000 H shares held by its wholly owned subsidiary Capital Research and Management Company.
- (13) The relevant percentages were calculated based on the number of the Company's total issued share capital and total issued shares of each class as at 31 December 2012. The Company has completed the placing of 165,668,190 new H shares on 10 April 2013. The number of total issued shares of the Company after such issuance has increased to 2,568,293,489 shares, among which the number of total issued H shares has increased to 994,009,140 shares and the number of total issued domestic shares remains unchanged. Please refer to the relevant announcement published by the Company on 10 April 2013 for further details.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2012, 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 which were required to be recorded in the register kept by the Company 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 2012 and prior to the issue of this annual report.

Report of the Board of Directors

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 financial statements.

ENTRUSTED DEPOSIT AND MATURED TIME DEPOSIT

As at 31 December 2012, 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 INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received confirmation of independence from each independent non-executive Director. Based on the confirmation, the Company considered that all independent non-executive Directors were independent during the Reporting Period.

AUDITOR

The financial statements set out in this annual report have been audited by PricewaterhouseCoopers who will retire and be eligible for re-appointment at the forthcoming annual general meeting of the Company. The Company did not change its auditors over the past three years.

By Order of the Board
Sinopharm Group Co. Ltd.
She Lulin
Chairman

Shanghai, China
15 April 2013

Report of the Supervisory Committee

During the Reporting Period, all members of the second session of the Supervisory Committee of the Company (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 2012, the Supervisory Committee held two meetings and the details are as follows:

On 22 March 2012, the first meeting of the second session of the Supervisory Committee was convened to discuss and approve the “Report of the Supervisory Committee of 2011” and the “Report of the 2011 Annual Results”.

On 22 August 2012, the second meeting of the second session of the Supervisory Committee was convened to discuss and approve the “Report of the 2012 Interim Results”.

II. COMMENTS OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2012

During the Reporting Period, the members of the Company’s 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 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 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.

Report of the Supervisory Committee

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 2012 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 other unrelated shareholders has been found.
6. Preparation and review of annual report of the Company. The preparation and review of the 2012 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 profitability of the Company and to protect the interests of shareholders and the Company.

Yao Fang
Chief Supervisor

22 March 2013

Corporate Social Responsibilities

Moving into year 2012, with the philosophy of “Care for life and health”, the company continued to improve the social responsibility management system and carefully delivered all the commitments we had made. Cherishing the “Benevolence, love, and responsibility” as our core value, we strive to bring long-lasting and sustainable value to our shareholders, clients, environment, and the public community, and stand out to take the leadership as a pharmaceutical manufacturer with strong sense of social responsibility.

1. COMPREHENSIVE PROMOTION OF CORPORATE SOCIAL RESPONSIBILITIES

We commit to issuing the Social Responsibility Report by Sinopharm Group Co., Ltd. on a regular basis. We will bridge the communication channels between all concerned parties, and receive the public supervision in order to constantly improve our social responsibility work.

In 2012, the company issued a guidance document Opinions on Accelerating the Social Responsibility Initiatives, which explicitly formulated the guidance idea, organization structure, target, and implementation methods. We also formulated and issued Sinopharm Group SA8000 Categorization Standard for Social Responsibilities, which requires all branches to start an internal certification based on such standard, and practically boost the social responsibility construction. It encourages the branches that are compliant with the 3A standard to apply a third-party certification. By the year end, 30 branches have applied for the social responsibility classification to the Company.

The headquarters and its affiliated four subsidiaries passed the international certificate renewal of SA8000 social responsibility management system.

2. FURTHER ENHANCING CORPORATE CULTURAL INTEGRATION AND DEVELOPING HARMONIOUS WORKING ENVIRONMENT FOR EMPLOYEES OF SINOPHARM GROUP

The corporation will continue to enhance the inclusive and open culture. We will organize and carry out the study of corporate culture integration and enhance its influence and attractiveness.

Always abiding by the human-oriented principle, the company respects our employees and protects the lawful rights and interests of them. We will continue to strengthen and optimize the democratic management, salary and benefits system, vocational training to continuously attract talents. We plan to improve employees' comprehensive qualities and professional skills through training, and enable the employees to grow with the corporation.

Corporate Social Responsibilities

The Company has sponsored all sorts of entertainment to enrich the cultural lives of employees. All levels of organizations – the CPC party, political, work union, and Youth League Committees, have hosted such activities as book reading and share, health forum, speech contest, sports dancing, tourism and study, as part of the efforts to build a pleasant place for Sinopharm Group employees to work and enjoy.

3. CONTRIBUTIONS TO THE SOCIETY AND ACTIVE PARTICIPATION IN PUBLIC WELFARE

As a central-government-owned enterprise, Sinopharm Group and the overwhelming majority of its subsidiaries undertake the strategic missions of medicine storage, in support of disaster relief, emergency rescue, military requirement, foreign aid and other tasks from all levels of governments. The corporation has established a long effective emergent reaction system and process to ensure the accomplishment of emergency tasks, and fulfill social needs.

The company will continue to implement the aid agreement. We donated the Villager Cultural Square at Fujun village, Gangyan township of Chongming county. 26 CPC branches from the headquarters and the Shanghai subsidiaries have knotted the long-term assistance pairs with Fujun villagers, providing support to families in need, and the widowed elderly. The company advocates and supports volunteer activities. Volunteer from Sinopharm Group donated money and planted trees for the Villager Cultural Square program on 7 April 2012.

Expressing their love and care to the community, the Shanghai branch has donated the education fund for poor middle school students in Zhabei District of Shanghai, and all other subsidiary companies under Sinopharm Group also actively joined the social public welfare events.

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 (together, the "Group") set out on pages 85 to 248, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 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, 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.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Independent Auditor's Report

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.

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 state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March 2013

Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2012	2011
Revenue	5, 6	135,786,836	102,224,807
Cost of sales	9	(124,844,238)	(93,870,110)
Gross profit		10,942,598	8,354,697
Other income	7	218,899	168,941
Distribution and selling expenses	9	(3,729,715)	(2,922,793)
General and administrative expenses	9	(2,568,435)	(1,964,629)
Operating profit		4,863,347	3,636,216
Other gains – net	8	286,802	201,987
Finance income		148,760	115,493
Finance costs		(1,420,374)	(933,498)
Finance costs – net	12	(1,271,614)	(818,005)
Share of results of associates	21	135,718	107,402
Profit before income tax		4,014,253	3,127,600
Income tax expense	13	(934,117)	(725,050)
Profit for the year		3,080,136	2,402,550
Attributable to:			
Shareholders of the Company		1,973,823	1,560,606
Non-controlling interests		1,106,313	841,944
		3,080,136	2,402,550
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	15	0.82	0.66
Dividends	37	600,656	456,499

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	
		2012	2011
Profit for the year		3,080,136	2,402,550
Other comprehensive income/(losses):			
Share of other comprehensive income in associates	21, 13	1,543	–
Change in value of available-for-sale financial assets	23, 13	(314)	(14,971)
Remeasurement losses of post-employment benefit obligation	33, 13	(16,214)	(24,196)
Currency translation differences	13	41	(1,213)
Other comprehensive losses for the year, net of tax		(14,944)	(40,380)
Total comprehensive income for the year		3,065,192	2,362,170
Attributable to:			
– Shareholders of the Company		1,964,286	1,534,209
– Non-controlling interests		1,100,906	827,961
		3,065,192	2,362,170

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	
		2012	2011
ASSETS			
Non-current assets			
Land use rights	16	1,017,029	932,511
Investment properties	17	175,588	154,069
Property, plant and equipment	18	5,382,461	4,430,655
Intangible assets	19	5,549,494	4,642,436
Investments in associates	21	689,324	670,829
Available-for-sale financial assets	23	205,408	58,036
Deferred income tax assets	24	339,713	283,977
Other non-current assets	25	471,772	222,278
		13,830,789	11,394,791
Current assets			
Inventories	26	13,618,051	12,214,060
Trade receivables	27	37,400,918	26,591,821
Prepayments and other receivables	28	3,683,426	3,136,486
Available-for-sale financial assets	23	1,559	1,163
Bank deposits and restricted cash	29	1,590,374	1,198,519
Cash and cash equivalents	29	9,721,992	13,091,012
		66,016,320	56,233,061
Total assets		79,847,109	67,627,852
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	30	2,402,625	2,402,625
Reserves	31	14,675,666	13,271,224
		17,078,291	15,673,849
Non-controlling interests		5,664,910	4,714,237
Total equity		22,743,201	20,388,086

Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2012	2011
LIABILITIES			
Non-current liabilities			
Borrowings	32	5,191,580	5,182,353
Deferred income tax liabilities	24	591,899	517,551
Post-employment benefit obligations	33	449,933	435,451
Other non-current liabilities	34	765,026	812,851
		6,998,438	6,948,206
Current liabilities			
Trade payables	35	34,685,397	27,053,995
Accruals and other payables	36	4,180,880	4,269,641
Dividends payable		15,655	12,106
Current income tax liabilities		335,335	289,033
Borrowings	32	10,888,203	8,666,785
		50,105,470	40,291,560
Total liabilities		57,103,908	47,239,766
Total equity and liabilities		79,847,109	67,627,852
Net current assets		15,910,850	15,941,501
Total assets less current liabilities		29,741,639	27,336,292

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

The financial statements were approved by the Board of Directors on 22 March 2013 and were signed on its behalf by

Wei Yulin
Director

Xie Rong
Director

Company Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2012	2011
ASSETS			
Non-current assets			
Investment properties	17	5,093	5,343
Property, plant and equipment	18	39,859	71,632
Intangible assets	19	80,746	21,110
Investments in subsidiaries	20	12,505,612	11,733,744
Investments in associates	21	158,582	165,715
Available-for-sale financial assets	23	173,620	6,620
Deferred income tax assets	24	40,537	30,466
Other non-current assets	25	49,410	100,382
		13,053,459	12,135,012
Current assets			
Inventories	26	505,897	734,679
Trade receivables	27	3,678,140	1,568,720
Prepayments and other receivables	28	9,884,506	7,207,260
Restricted cash	29	–	2,200
Cash and cash equivalents	29	2,597,932	6,993,072
		16,666,475	16,505,931
Total assets		29,719,934	28,640,943
EQUITY			
Share capital	30	2,402,625	2,402,625
Reserves	31	11,638,233	11,396,945
Total equity		14,040,858	13,799,570

Company Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2012	2011
LIABILITIES			
Non-current liabilities			
Borrowings	32	4,975,161	4,960,656
Other non-current liabilities	34	246,278	226,123
Post-employment benefit obligations		37,580	42,871
		5,259,019	5,229,650
Current liabilities			
Trade payables	35	2,855,101	2,522,120
Accruals and other payables	36	7,109,956	6,025,765
Current income tax liabilities		–	3,838
Borrowings	32	455,000	1,060,000
		10,420,057	9,611,723
Total liabilities		15,679,076	14,841,373
Total equity and liabilities		29,719,934	28,640,943
Net current assets		6,246,418	6,894,208
Total assets less current liabilities		19,299,877	19,029,220

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

The financial statements were approved by the Board of Directors on 22 March 2013 and were signed on its behalf by

Wei Yulin
Director

Xie Rong
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 2011		2,264,568	9,446,570	11,711,138	3,007,942	14,719,080
Total of comprehensive income		–	1,534,209	1,534,209	827,961	2,362,170
Issue shares, net of expenses		138,057	2,696,683	2,834,740	–	2,834,740
Effect of transactions with non-controlling interests		–	(228)	(228)	(751)	(979)
Revaluation loss of subsidiaries in conversion of corporate institution		–	(667)	(667)	(110)	(777)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	435,468	435,468
Acquisition of subsidiaries		–	–	–	677,041	677,041
Other changes in shareholding of non-controlling interests of subsidiaries		–	–	–	(26,546)	(26,546)
Distribution of subsidiaries acquired under common control prior to acquisition		–	(44,770)	(44,770)	–	(44,770)
Dividends		–	(363,082)	(363,082)	(205,350)	(568,432)
Others		–	2,509	2,509	(1,418)	1,091
As at 31 December 2011		2,402,625	13,271,224	15,673,849	4,714,237	20,388,086
Total of comprehensive income		–	1,964,286	1,964,286	1,100,906	3,065,192
Effect of transactions with non-controlling interests	40	–	(106,911)	(106,911)	(37,322)	(144,233)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	133,486	133,486
Acquisition of subsidiaries	41	–	–	–	211,442	211,442
Other changes in shareholding of non-controlling interests of subsidiaries		–	–	–	(222,096)	(222,096)
Dividends	37	–	(456,499)	(456,499)	(238,436)	(694,935)
Others		–	3,566	3,566	2,693	6,259
As at 31 December 2012		2,402,625	14,675,666	17,078,291	5,664,910	22,743,201

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

Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2012	2011
Cash flows from operating activities:			
Cash generated from operations	38	4,983,907	1,847,146
Income tax paid		(966,698)	(827,877)
Net cash generated from operating activities		4,017,209	1,019,269
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		674	–
Proceeds from disposal of land use rights		171,948	107
Proceeds from disposal of property, plant and equipment		105,898	148,438
Proceeds from disposal of available-for-sale financial assets		4,065	4,335
Proceeds from disposal of investment properties		64	11,644
Disposal of subsidiaries, net of cash disposed		4,781	(137)
Dividends received from associates		114,903	85,210
Dividends received from available-for-sale financial assets		1,469	2,871
Prepayment for acquisition		(58,006)	(191,000)
Purchase of land use rights		(166,955)	(102,776)
Purchase of property, plant and equipment		(1,252,257)	(996,818)
Purchase of intangible assets		(100,099)	(29,949)
Purchase of investment properties		(3,078)	(1,607)
Acquisition of available-for-sale financial assets		(73,120)	(15,750)
Acquisition of subsidiaries, net of cash acquired	41	(328,188)	(1,386,133)
Consideration paid for prior year acquisitions		(264,392)	(144,941)
Acquisition of associates		–	(190,039)
Acquisition of non-controlling interests of subsidiaries	40(a)	(366,329)	(24,284)
Net cash used in investing activities		(2,208,622)	(2,830,829)

Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2012	2011
Cash flows from financing activities:			
Increase in restricted cash	29	(391,855)	(466,421)
Proceeds from borrowings from banks		21,452,015	14,352,764
Proceeds from borrowings from other financial institution		422,000	–
Repayment of borrowings from banks		(24,910,408)	(13,166,504)
Repayments of borrowings from other financial institution		(60,000)	–
Issue of bond, net of expense	32	398,400	4,953,770
Issue of shares, net of expense		–	2,834,740
Capital injections from non-controlling shareholders of subsidiaries		133,486	435,468
Dividends paid to shareholders of the Company		(456,499)	(363,082)
Dividends paid to non-controlling shareholders of subsidiaries		(265,561)	(206,818)
Interest paid		(1,297,596)	(749,961)
Distribution of subsidiary acquired under common control prior to acquisition		–	(44,770)
Repayment of H1N1 medical reserve from government	34	(201,589)	(151,312)
Net cash (used in)/generated from financing activities		(5,177,607)	7,427,874
(Decrease)/increase in cash and cash equivalents		(3,369,020)	5,616,314
Cash and cash equivalents at beginning of year	29	13,091,012	7,474,698
Cash and cash equivalents at end of year	29	9,721,992	13,091,012

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 22 March 2013.

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.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with 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.

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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) 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 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) New standards and interpretations not yet adopted (continued)

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.
- HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group assessed that adoption of HKFRS 10 will not result in any change in the consolidation status of its subsidiaries and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- HKFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has assessed HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Control also exists when the Company owns half or less of the voting rights of an entity when there is: (1) the Company is the largest shareholder of the entity; (2) the other shareholdings in the entity individually or in aggregate are widely dispersed; (3) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by the Company; and (4) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(i) Business combinations not under common control

The Group uses 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 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 acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

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

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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(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.

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

Associates are all entities 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. See Note 2(i) 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 results of associates' 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.

Dilution gains and losses arising in investments 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)

(d) 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 general manager and the general manager office) that makes strategic decisions.

(e) 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 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 the settlement of such transactions and from the 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 (losses)/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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

(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;
- (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 the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(f) 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

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	5-8 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 (losses)/gains – net, in the income statement.

(g) 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property (continued)

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.

(h) 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.

(i) Intangible assets

(i) Goodwill

Goodwill 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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (continued)

(ii) Sales network

Sales network represents customer relationship and distribution channels which are measured initially at cost and are amortised using the straight-line method over their estimated useful lives of 9 to 20 years.

(iii) Trademarks and patent rights

Trademarks are measured initially at cost and are amortised using the straight-line method over their estimated useful lives of 10 years. Patent rights are initially recorded at actual cost and are amortised using the straight-line method over the estimated useful lives of 5 to 15 years.

(iv) 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.

(v) 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:

- 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;

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (continued)

(v) Internally generated product development cost (continued)

- 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.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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 trade and other receivables, pledged bank deposits and cash and cash equivalents in the balance sheet.

(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 balance sheet 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 gains and losses from investment securities.

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)

(I) 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of financial assets (continued)

(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, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also the evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, 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 income statement on equity instruments are not reversed through the income statement.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established its fair value by using the valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(m) 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.

(n) 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. If not, 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) Share capital

Share capital is classified as equity. Incremental costs directly attributable to share capital are shown in equity as a deduction, net of tax, from the proceeds of issuance of share capital.

(q) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

(r) 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.

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.

(s) Borrowing costs

General and specific borrowing costs directly attributable to the 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.

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

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.

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 (and laws) 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except 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.

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)

(u) Employee benefits

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays 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 plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. 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 liability.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income and will not be recycled through profit or loss in subsequent periods.

Past-service costs are recognised in the income statement immediately as incurred.

For defined contribution plans, 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. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

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.

(w) 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition (continued)

(i) Sales of goods – pharmaceutical distribution (continued)

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.

(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) Rental income

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

(v) Franchise income

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

(vi) 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.

(vii) Dividend income

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the income statement on a straight-line basis over the year of the lease.

(y) 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.

(z) 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

(a) 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 2012, 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 2012 would have been approximately RMB121,573 thousands higher/lower (2011: RMB11,797 thousands lower/higher), mainly as a result of foreign exchange gains/losses 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 which earn interest at floating rates (Note 29), 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 2012, if interest rates on deposits in bank or other financial institution had been 15 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2012 would have been RMB14,400 thousands (2011: RMB12,654 thousands) higher/lower, mainly as a result of higher/lower interest income on bank or other financial institution.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Fair value and cash flow interest rate risk (continued)

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 2012, 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 2012 would have been RMB40,899 thousands (2011: RMB33,950 thousands) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

(iii) Credit risk

The carrying amounts of 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 2012, 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iv) Liquidity risk (continued)

At the reporting date, the Group held cash and cash equivalents of RMB9,721,992 thousands (2011: RMB13,091,012 thousands) (Note 29) and trade receivables of RMB37,400,918 thousands (2011: RMB26,591,821 thousands) (Note 27) 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 3.04% to 9.10% 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 year at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2012					
Borrowings	10,888,203	5,079,149	112,431	-	16,079,783
Interests payments on borrowings (note)	495,439	153,118	22,882	-	671,439
Trade and other payables	38,522,723	-	-	-	38,522,723
	49,906,365	5,232,267	135,313	-	55,273,945
As at 31 December 2011					
Borrowings	8,666,785	46,058	5,022,581	113,714	13,849,138
Interests payments on borrowings (note)	448,723	282,177	179,787	5,646	916,333
Trade and other payables	30,643,324	-	-	-	30,643,324
	39,758,832	328,235	5,202,368	119,360	45,408,795

note: Interest is based on borrowings as at 31 December 2012 and 2011 and the interest rate as at 31 December 2012 and 2011.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(b) 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 net liabilities divided by the aggregate of its total equity and net liabilities.

The gearing ratios are as follows:

	As at 31 December	
	2012	2011
Total liabilities	57,103,908	47,239,766
Total assets	79,847,109	67,627,852
Gearing ratio	71.52%	69.85%

(c) 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).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

The table below presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

	Level 1	Level 2	Level 3	Total
At 31 December 2012				
Available-for-sale financial assets	29,277	4,570	–	33,847
At 31 December 2011				
Available-for-sale financial assets	28,330	30,869	–	59,199

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.

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 fair value hierarchy classifications.

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, seldom 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.

(a) De facto control over China National Accord Medicines Co., Ltd. (“Accord Medicines”) and China National Medicines Co., Ltd. (“National Medicines”)

The Company’s directors and the Group’s management are of the view that the Group has the power to govern the financial and operating policies of Accord Medicines although the Group held less than 50% of its equity interests since December 2004, after considering that (1) the Company has been the single largest shareholder of Accord Medicines; (2) the shareholding in Accord Medicines has been dispersed and the other top ten shareholders held less than 3% equity interests individually or less than 20% 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 Accord Medicines were representatives of the Company.

The Company’s directors and the Group’s management are of the view that the Group has the power to govern the financial and operating policies of 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 19% 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.

(b) 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) 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.

(d) 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 indicated 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.

(e) 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(f) 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.

(g) Income taxes and deferred income tax

The Group is subject to income taxes in Mainland China 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.

(h) 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 high-quality corporate bonds that are denominated in 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 33.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).

(j) Fair value of contingent consideration

The Group determines the fair value of contingent consideration of acquisition based on the forecast of future performance results of acquired entities or business and terms of acquisition agreement. Management will increase or decrease the fair value of contingent consideration where future performance results are different from previous forecast and as a result affect the Group's financial condition and results of operations.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the general manager and the executives at the general manager 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued)

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

(i) For the Year ended 31 December 2012 and 2011

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
Year ended 31 December 2012					
Segment results					
External segment revenue	127,559,199	3,982,561	4,245,076	-	135,786,836
Inter-segment revenue	760,524	-	184,323	(944,847)	-
Revenue	128,319,723	3,982,561	4,429,399	(944,847)	135,786,836
Operating profit	4,370,951	123,838	389,919	(21,361)	4,863,347
Other gains	220,600	9,395	56,807	-	286,802
Share of results of associates	2,795	1,583	131,340	-	135,718
	4,594,346	134,816	578,066	(21,361)	5,285,867
Finance costs – net					(1,271,614)
Profit before income tax					4,014,253
Income tax expense					(934,117)
Profit for the year					3,080,136
Other segment items included in the income statement					
Provision for impairment of trade and other receivables, net	89,248	965	966		91,179
Provision for impairment of inventories	28,491	242	419		29,152
Amortisation of land use rights	20,343	48	3,973		24,364
Depreciation of property, plant and equipment	326,444	38,795	22,299		387,538
Depreciation of investment properties	-	-	12,713		12,713
Amortisation of intangible assets	137,995	1,378	1,622		140,995
Capital expenditures	2,404,295	127,459	150,270		2,682,024

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued)

(i) For the Year ended 31 December 2012 and 2011 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
Year ended 31 December 2011					
Segment results					
External segment revenue	95,489,133	3,044,869	3,690,805	–	102,224,807
Inter-segment revenue	878,105	–	207,303	(1,085,408)	–
Revenue	96,367,238	3,044,869	3,898,108	(1,085,408)	102,224,807
Operating profit	3,282,097	69,224	311,156	(26,261)	3,636,216
Other gains	181,069	21	20,897	–	201,987
Share of results of associates	6,020	1,625	99,757	–	107,402
	3,469,186	70,870	431,810	(26,261)	3,945,605
Finance costs – net					(818,005)
Profit before income tax					3,127,600
Income tax expense					(725,050)
Profit for the year					2,402,550
Other segment items included in the income statement					
Provision/(write-back) for impairment of trade and other receivables, net	36,561	641	(6)		37,196
Provision for impairment of inventories	23,966	357	156		24,479
Amortisation of land use rights	18,669	135	3,440		22,244
Depreciation of property, plant and equipment	262,703	31,587	14,955		309,245
Depreciation of investment properties	–	–	14,012		14,012
Amortisation of intangible assets	113,343	535	766		114,644
Capital expenditures	4,394,303	414,117	154,282		4,962,702

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued)

(ii) As at 31 December 2012 and 2011

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
As at 31 December 2012					
Segment assets and liabilities					
Segment assets	74,489,882	1,575,065	5,454,114	(2,011,665)	79,507,396
Segment assets include:					
Investments in associates	3,624	10,533	675,167	-	689,324
Unallocated assets – Deferred income tax assets					339,713
Total assets					79,847,109
Segment liabilities	38,941,962	885,886	1,745,159	(1,140,781)	40,432,226
Unallocated liabilities – Deferred income tax liabilities and borrowings					16,671,682
Total liabilities					57,103,908
As at 31 December 2011					
Segment assets and liabilities					
Segment assets	64,025,103	1,044,854	4,408,535	(2,134,617)	67,343,875
Segment assets include:					
Investments in associates	28,926	8,930	632,973	-	670,829
Unallocated assets – Deferred income tax assets					283,977
Total assets					67,627,852
Segment liabilities	31,902,135	808,773	1,506,441	(1,344,272)	32,873,077
Unallocated liabilities – Deferred income tax liabilities and borrowings					14,366,689
Total liabilities					47,239,766

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	
	2012	2011
Sales of goods	135,443,832	101,973,667
Rental income (Note 17)	117,944	81,706
Franchise fees and other service fee from medicine chain stores	47,525	48,259
Consulting income	125,656	83,701
Import agency income	35,317	37,474
Others	16,562	–
	135,786,836	102,224,807

7 OTHER INCOME

	Year ended 31 December	
	2012	2011
Government grants (i)	218,899	168,941

note:

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

8 OTHER GAINS – NET

	Year ended 31 December	
	2012	2011
Write-back of certain liabilities (i)	6,131	32,608
Gain on disposal of subsidiaries	4,446	123,557
(Loss)/gain on disposal of available-for-sale financial assets	(2,285)	4,133
Gain on re-measuring of existing interest in connection with acquisitions (ii)	35,259	393
Gain on disposal of land use rights and property, plant and equipment	223,428	57,039
Foreign exchange gain/(loss) – net	10,156	(13,692)
Others – net	9,667	(2,051)
	286,802	201,987

notes:

- (i) In 2012, the Group reviewed all the trade and other payables with aging over 5 years and wrote-back these unpayable long aging liabilities of RMB6,131 thousands.
- (ii) In 2012, the Group acquired additional equity interests in certain associates and they became the subsidiaries of the Group after the acquisitions. The Group remeasured the existing interests of these associates before the acquisitions and recognized a gain of RMB35,259 thousands.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

9 EXPENSES BY NATURE

	Year ended 31 December	
	2012	2011
Raw materials and trading merchandise consumed	124,511,558	93,607,765
Changes in inventories of finished goods and work in progress	(4,841)	116,851
Employee benefit expenses (Note 10)	2,808,089	2,259,559
Provision for impairment of trade receivables (Note 27)	81,892	30,095
Provision for impairment of other receivables (Note 28)	9,287	7,101
Provision for impairment of inventories (Note 26)	29,152	24,479
Provision for impairment of intangible assets (Note 19)	–	3,000
Operating lease rental in respect of land and buildings	360,006	278,849
Depreciation of property, plant and equipment (Note 18)	387,538	309,245
Depreciation of investment properties (Note 17)	12,713	14,012
Amortisation of intangible assets (Note 19)	140,995	114,644
Amortisation of land use rights (Note 16)	24,364	22,244
Auditors' remuneration		
– statutory audit service	17,830	16,850
– non-statutory audit service	1,744	1,313
– non-audit service	504	–
Advisory and consulting fees	60,962	42,035
Transportation expenses	569,496	428,623
Travel expenses	196,515	165,036
Market development and business promotion expenses	971,150	728,412
Utilities	102,979	57,377
Others	860,455	530,042
Total cost of sales, distribution and selling expenses and general and administrative expenses	131,142,388	98,757,532

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2012	2011
Salaries, wages, allowances and bonuses	2,058,845	1,632,346
Contributions to pension plans (i)	249,789	207,224
Post-employment benefits (Note 33)	42,010	46,869
Housing benefits (ii)	104,074	83,105
Other benefits (iii)	353,371	290,015
	2,808,089	2,259,559

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 individual assurance 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.
- (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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the Directors for the year ended 31 December 2012 are set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
Executive director					
Mr. Wei Yulin	1,256	1,144	-	67	2,467
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Mr. Zhou Bin	-	-	-	-	-
Mr. Chen Qiyu	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua	250	-	-	-	250
Mr. Tao Wuping	250	-	-	-	250
Mr. Xie Rong	250	-	-	-	250
Mr. Zhou Bajun	250	-	-	-	250
Ms. Li Ling (i)	-	-	-	-	-
Supervisor					
Ms. Zhang Jian	560	317	-	67	944
Mr. Lian Wanyong	-	-	-	-	-
Mr. Yao Fang	-	-	-	-	-
	2,816	1,461	-	134	4,411

notes:

(i) Appointed on 29 December, 2012.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the Directors for the year ended 31 December 2011 are set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
Executive director					
Mr. Wei Yulin	1,000	920	–	59	1,979
Non-executive directors					
Mr. She Lulin	–	–	–	–	–
Mr. Wang Qunbin	–	–	–	–	–
Mr. Fan Banghan	–	–	–	–	–
Mr. Liu Hailiang	–	–	–	–	–
Mr. Deng Jindong	–	–	–	–	–
Mr. Zhou Bin	–	–	–	–	–
Mr. Chen Wenhao	–	–	–	–	–
Mr. Chen Qiyu	–	–	–	–	–
Independent non-executive directors					
Mr. Wang Fanghua	250	–	–	–	250
Mr. Tao Wuping	250	–	–	–	250
Mr. Xie Rong	250	–	–	–	250
Mr. Zhou Bajun	250	–	–	–	250
Supervisor					
Ms. Zhang Jian	300	220	–	55	575
Mr. Lian Wanyong	–	–	–	–	–
Mr. Yao Fang	–	–	–	–	–
	2,300	1,140	–	114	3,554

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

One of the five highest paid individuals, whose emoluments are reflected in the analysis presented above, is one of the Directors.

The emoluments to the other four highest paid individuals are as follows:

	Year ended 31 December	
	2012	2011
Salaries	3,840	2,740
Discretionary bonuses	3,466	2,740
Employer's contribution to pension scheme	273	255
	7,579	5,735

	Year ended 31 December	
	2012 Number	2011 Number
In the band of:		
Nil – HK\$500,000 (Nil – RMB405,400)	–	–
HK\$500,001 – HK\$1,000,000 (RMB405,400 – RMB810,800)	–	–
HK\$1,000,001 – HK\$2,000,000 (RMB810,800 – RMB1,621,600)	4	4

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

12 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2012	2011
Interest expense:		
– Borrowings	910,384	523,839
– Discount of notes receivable	235,830	209,865
– Discount of accounts receivable	205,230	147,805
Gross interest expense	1,351,444	881,509
Bank charges	102,988	86,626
Less: capitalised interest expense	(34,058)	(34,637)
Finance costs	1,420,374	933,498
Finance income:		
– Interest income on deposits in bank or other financial institution	(148,760)	(115,493)
Net finance costs	1,271,614	818,005

13 TAXATION

Income tax expense

	Year ended 31 December	
	2012	2011
Current PRC income tax	1,013,000	770,934
Deferred taxation (Note 24)	(78,883)	(45,884)
	934,117	725,050

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

13 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	
	2012	2011
Profit before income tax	4,014,253	3,127,600
Less: Share of results of associates	(135,718)	(107,402)
	3,878,535	3,020,198
Tax calculated at weighted average tax rate applicable	905,279	715,181
Expenses not deductible for tax purposes	36,099	35,723
Income not subject to tax	(22,646)	(21,332)
Unrealised intra-group profit	15,962	–
Tax losses for which no deferred income tax asset was recognised, net	10,290	6,136
Tax losses utilised for which no deferred income tax asset recognised in prior years	(5,581)	(6,781)
Impact of change in applicable income tax rate on deferred tax	(5,286)	(3,877)
Income tax expense	934,117	725,050
Weighted average applicable tax rate (i)	23%	24%

note:

- (i) During 2012, 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.

One of the Group's subsidiaries is 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)

13 TAXATION (continued)

Income tax expense (continued)

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

	2012			2011		
	Before tax	Tax (charge)/credit	After tax	Before tax	Tax (charge)/credit	After tax
Fair value losses on available-for-sale financial assets	(611)	297	(314)	(19,961)	4,990	(14,971)
Remeasurement losses of post-employment benefit obligations	(21,601)	5,387	(16,214)	(32,210)	8,014	(24,196)
Share of other comprehensive income in associates	1,543	-	1,543	-	-	-
Currency translation differences	41	-	41	(1,213)	-	(1,213)
Other comprehensive losses	(20,628)	5,684	(14,944)	(53,384)	13,004	(40,380)

14 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company for the year ended 31 December 2012 as recorded in the financial statements of the Company is RMB621,853 thousands (2011: RMB401,806 thousands).

15 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	
	2012	2011
Profit attributable to shareholders of the Company (RMB'000)	1,973,823	1,560,606
Weighted average number of ordinary shares in issue ('000)	2,402,625	2,356,102
Basic earnings per share (RMB per share)	0.82	0.66

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)

16 LAND USE RIGHTS – GROUP

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	
	2012	2011
Cost	1,144,142	1,046,244
Accumulated amortisation	(127,113)	(113,733)
Net book amount	1,017,029	932,511
Opening net book amount	932,511	665,499
Additions	166,956	102,776
Acquisition of subsidiaries (Note 41)	16,052	193,455
Disposal	(74,126)	(6,975)
Amortisation (Note 9)	(24,364)	(22,244)
Closing net book amount	1,017,029	932,511

The approved use periods of land use rights that are located in Mainland China range from 10 to 50 years (2011: 10 to 50 years).

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

As at 31 December 2012, the land use rights with a net book amount of approximately RMB74,577 thousands (2011: RMB33,565 thousands) were pledged as collaterals for the Group's bank borrowings (Note 32).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

17 INVESTMENT PROPERTIES

The Group

	Year ended 31 December	
	2012	2011
Cost	331,741	287,429
Accumulated depreciation	(156,153)	(133,360)
Net book amount	175,588	154,069
Opening net book amount	154,069	149,545
Acquisition of subsidiaries (Note 41)	18,641	4,574
Additions	3,078	1,607
Transfer from property, plant and equipment (Note 18)	16,828	26,651
Transfer to property, plant and equipment (Note 18)	(4,251)	(2,652)
Disposal	(64)	(11,644)
Depreciation (Note 9)	(12,713)	(14,012)
Closing net book amount	175,588	154,069

Investment properties are located in Mainland China on land with the land use periods of 25 to 50 years (2011: 40 to 50 years).

As at 31 December 2012, the fair value of the investment properties was estimated to be approximately RMB2,056,247 thousands (2011: RMB1,666,673 thousands). These estimates were based on market transacted prices for similar properties in the vicinity of the related properties.

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

	Year ended 31 December	
	2012	2011
Revenue (Note 6)	117,944	81,706

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

17 INVESTMENT PROPERTIES (continued)

The Company

	Year ended 31 December	
	2012	2011
Cost	7,343	7,343
Accumulated depreciation	(2,250)	(2,000)
Net book amount	5,093	5,343
Opening net book amount	5,343	5,589
Depreciation	(250)	(246)
Closing net book amount	5,093	5,343

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction In-progress	Total
At 1 January 2011						
Cost	2,472,087	624,418	370,513	299,005	489,265	4,255,288
Accumulated depreciation	(374,823)	(240,681)	(188,912)	(120,122)	–	(924,538)
Net book amount	2,097,264	383,737	181,601	178,883	489,265	3,330,750
Year ended 31 December 2011						
Opening net book amount	2,097,264	383,737	181,601	178,883	489,265	3,330,750
Acquisition of subsidiaries	233,861	4,546	33,642	29,941	175,468	477,458
Additions	121,949	33,898	90,346	83,157	683,081	1,012,431
Transfers	506,005	53,341	76,214	117	(635,677)	–
Transfer from investment properties (Note 17)	2,652	–	–	–	–	2,652
Transfer to investment properties (Note 17)	(26,554)	(97)	–	–	–	(26,651)
Deductions	(25,015)	(3,656)	(5,052)	(5,892)	–	(39,615)
Disposals of subsidiaries	(12,307)	(3,242)	(637)	(939)	–	(17,125)
Depreciation (Note 9)	(117,562)	(55,710)	(77,229)	(58,744)	–	(309,245)
Closing net book amount	2,780,293	412,817	298,885	226,523	712,137	4,430,655
At 31 December 2011						
Cost	3,291,680	702,334	570,635	402,787	712,137	5,679,573
Accumulated depreciation and impairment	(511,387)	(289,517)	(271,750)	(176,264)	–	(1,248,918)
Net book amount	2,780,293	412,817	298,885	226,523	712,137	4,430,655

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction In-progress	Total
At 1 January 2012						
Cost	3,291,680	702,334	570,635	402,787	712,137	5,679,573
Accumulated depreciation	(511,387)	(289,517)	(271,750)	(176,264)	-	(1,248,918)
Net book amount	2,780,293	412,817	298,885	226,523	712,137	4,430,655
Year ended 31 December 2012						
Opening net book amount	2,780,293	412,817	298,885	226,523	712,137	4,430,655
Acquisition of subsidiaries (Note 41)	9,430	2,794	7,345	13,687	17,671	50,927
Additions	308,581	111,133	102,272	71,695	783,962	1,377,643
Transfers	466,717	172,766	39,749	1,099	(680,331)	-
Transfer from investment properties (Note 17)	4,251	-	-	-	-	4,251
Transfer to investment properties (Note 17)	(16,828)	-	-	-	-	(16,828)
Deductions	(19,034)	(5,766)	(2,931)	(9,583)	(37,605)	(74,919)
Disposals of subsidiaries	(1,715)	(7)	-	(8)	-	(1,730)
Depreciation (Note 9)	(148,101)	(87,008)	(95,682)	(56,747)	-	(387,538)
Closing net book amount	3,383,594	606,729	349,638	246,666	795,834	5,382,461
At 31 December 2012						
Cost	4,021,750	977,083	704,918	466,999	795,834	6,966,584
Accumulated depreciation and impairment	(638,156)	(370,354)	(355,280)	(220,333)	-	(1,584,123)
Net book amount	3,383,594	606,729	349,638	246,666	795,834	5,382,461

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

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

	Year ended 31 December	
	2012	2011
Cost of sales	77,477	61,186
Distribution and selling expenses	102,150	83,869
General and administrative expenses	207,911	164,190
	387,538	309,245

As at 31 December 2012, property, plant and equipment with a net book amount of approximately RMB214,180 thousands (2011: RMB57,101 thousands) were pledged as collaterals of the Group's bank borrowings (Note 32).

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

	Year ended 31 December	
	2012	2011
Borrowing cost capitalized	34,058	34,637
Weighted average borrowing cost rate	5.2%	5.5%

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings	Furniture, fittings and equipment	Motor vehicles	Construction in Progress	Total
At 1 January 2011					
Cost	768	25,304	16,269	1,615	43,956
Accumulated depreciation	(258)	(10,545)	(7,265)	–	(18,068)
Net book amount	510	14,759	9,004	1,615	25,888
Year ended 31 December 2011					
Opening net book amount	510	14,759	9,004	1,615	25,888
Additions	–	4,354	3,860	45,765	53,979
Transfers	–	6,107	–	(6,107)	–
Deductions	–	(99)	(130)	–	(229)
Depreciation	–	(5,162)	(2,844)	–	(8,006)
Closing net book amount	510	19,959	9,890	41,273	71,632
At 31 December 2011					
Cost	768	33,858	19,505	41,273	95,404
Accumulated depreciation	(258)	(13,899)	(9,615)	–	(23,772)
Net book amount	510	19,959	9,890	41,273	71,632
Year ended 31 December 2012					
Opening net book amount	510	19,959	9,890	41,273	71,632
Additions	–	3,976	320	4,752	9,048
Transfers	–	6,504	–	(6,504)	–
Deductions	–	(111)	(73)	(31,346)	(31,530)
Depreciation	–	(6,610)	(2,681)	–	(9,291)
Closing net book amount	510	23,718	7,456	8,175	39,859
At 31 December 2012					
Cost	768	43,239	19,425	8,175	71,607
Accumulated depreciation	(258)	(19,521)	(11,969)	–	(31,748)
Net book amount	510	23,718	7,456	8,175	39,859

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS

The Group

	Goodwill	Sales network	Trademarks and patent	Software	Internally generated product development costs	Total
At 1 January 2011						
Cost	687,559	901,184	170,787	61,130	10,592	1,831,252
Accumulated amortization	-	(137,676)	(72,401)	(29,587)	-	(239,664)
Net book amount	687,559	763,508	98,386	31,543	10,592	1,591,588
Year ended of 31 December 2011						
Opening net book amount	687,559	763,508	98,386	31,543	10,592	1,591,588
Additions	-	-	505	25,062	4,382	29,949
Acquisition of subsidiaries	2,191,471	948,496	143	342	-	3,140,452
Disposal of subsidiaries	(412)	(1,390)	-	-	-	(1,802)
Disposal	-	-	(2)	(105)	-	(107)
Amortization (Note 9)	-	(79,380)	(29,128)	(6,136)	-	(114,644)
Impairment charge (Note 9)	-	-	(3,000)	-	-	(3,000)
Closing net book amount	2,878,618	1,631,234	66,904	50,706	14,974	4,642,436
At 31 December 2011						
Cost	2,878,618	1,847,619	171,441	87,308	14,974	4,999,960
Accumulated amortization	-	(216,385)	(104,537)	(36,602)	-	(357,524)
Net book amount	2,878,618	1,631,234	66,904	50,706	14,974	4,642,436
Year ended of 31 December 2012						
Opening net book amount	2,878,618	1,631,234	66,904	50,706	14,974	4,642,436
Additions	-	-	525	89,175	10,399	100,099
Acquisition of subsidiaries (Note 41)	518,337	430,124	-	167	-	948,628
Disposal	-	-	(129)	(545)	-	(674)
Amortization (Note 9)	-	(108,629)	(17,307)	(15,059)	-	(140,995)
Closing net book amount	3,396,955	1,952,729	49,993	124,444	25,373	5,549,494
At 31 December 2012						
Cost	3,396,955	2,277,743	171,666	176,125	25,373	6,047,862
Accumulated amortization	-	(325,014)	(121,673)	(51,681)	-	(498,368)
Net book amount	3,396,955	1,952,729	49,993	124,444	25,373	5,549,494

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS (continued)

The Group (continued)

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

	Year ended 31 December	
	2012	2011
Distribution and selling expenses	110,954	81,209
General and administrative expenses	30,041	33,435
	140,995	114,644

Impairment tests for goodwill:

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

	As at 31 December	
	2012	2011
Pharmaceutical distribution	2,623,673	2,199,317
Retail pharmacy	538,539	456,826
Other business	234,743	222,475
	3,396,955	2,878,618

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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS (continued)

The key assumptions used for value-in-use calculations in 2012 are as follows:

	Pharmaceutical distribution	Retail pharmacy	Other business
Gross margin	4.2%-11.0%	26.6%-36.7%	32.0%
Growth rate to extrapolate cash flows beyond the budget period	3.0%	3.0%	3.0%
Discount rate	14.3%	15.8%	15.0%

The key assumptions used for value-in-use calculations in 2011 are as follows:

	Pharmaceutical distribution	Retail pharmacy	Other business
Gross margin	3.0-11.0%	26.0-35.0%	32.0%
Growth rate to extrapolate cash flows beyond the budget period	4.0%	4.5%	6.0%
Discount rate	13.5%	13.3%	12.7%

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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS (continued)

The Company

	Software
At 1 January 2011	
Cost	4,213
Accumulated amortisation	(527)
Net book amount	3,686
Year ended 31 December 2011	
Opening net book amount	3,686
Additions	19,502
Amortization	(2,078)
Closing net book amount	21,110
At 31 December 2011	
Cost	23,715
Accumulated amortization	(2,605)
Net book amount	21,110
Year ended 31 December 2012	
Opening net book amount	21,110
Additions	64,580
Amortization	(4,944)
Closing net book amount	80,746
At 31 December 2012	
Cost	88,295
Accumulated amortization	(7,549)
Net book amount	80,746

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December	
	2012	2011
Investments, at cost		
– Listed shares (i)	500,260	500,260
– Unlisted shares	12,005,352	11,233,484
	12,505,612	11,733,744
Quoted market value of listed shares	6,969,150	4,883,427

note:

- (i) This represents the Group's investments in Accord Medicines and National Medicines, companies listed on the Shenzhen and Shanghai Stock Exchanges, respectively, in Mainland China.

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

Refer to Note 40 and 41 for the changes of investments in subsidiaries for the year.

Particulars of the Company's principal subsidiaries are set out in Note 43.

21 INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December	
	2012	2011
Share of net assets	604,362	585,867
Goodwill	84,962	84,962
	689,324	670,829

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES (continued)

The Group (continued)

	Year ended 31 December	
	2012	2011
At 1 January	670,829	486,412
Acquisitions	–	193,737
Share of post-tax profit	135,718	107,402
Share of other comprehensive income	1,543	–
Unrealised profit of transactions with associates	2,410	–
Derecognized upon acquisition of additional interests and transfer of control to the Group	(33,233)	–
Dividends declared by associates attributable to the Group	(87,943)	(111,387)
Disposals	–	(5,335)
At 31 December	689,324	670,829

The Group's shares of the assets, liabilities, revenues and results of the associates are as follows:

	Year ended 31 December	
	2012	2011
Assets	1,066,431	1,023,278
Liabilities	389,076	369,802
Revenues	905,302	945,543
Profit for the year	135,718	107,402

Particulars of the Group's principal associates, all of which are unlisted, are set out in Note 43.

The Company

	As at 31 December	
	2012	2011
Investments, at cost		
– Unlisted shares	158,582	165,715

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

At 31 December 2012	Loans and receivables	Available- for-sale	Total
Assets as per balance sheet			
Other non-current assets – long term deposits	300,500	–	300,500
Available-for-sale financial assets	–	206,967	206,967
Trade receivables	37,400,918	–	37,400,918
Other receivables	1,186,011	–	1,186,011
Restricted bank deposits	1,590,374	–	1,590,374
Cash and cash equivalents	9,721,992	–	9,721,992
Total	50,199,795	206,967	50,406,762
		Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet			
Borrowings		16,079,783	16,079,783
Trade payables		34,685,397	34,685,397
Accruals and other payables		3,837,326	3,837,326
Total		54,602,506	54,602,506

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group (continued)

At 31 December 2011	Loans and receivables	Available- for-sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	–	59,199	59,199
Trade receivables	26,591,821	–	26,591,821
Other receivables	1,371,550	–	1,371,550
Restricted bank deposits	1,198,519	–	1,198,519
Cash and cash equivalents	13,091,012	–	13,091,012
Total	42,252,902	59,199	42,312,101
		Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet			
Borrowings		13,849,138	13,849,138
Trade payables		27,053,995	27,053,995
Accruals and other payables		3,589,329	3,589,329
Total		44,492,462	44,492,462

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

At 31 December 2012	Loans and receivables	Available- for-sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	-	173,620	173,620
Amounts due from subsidiaries	8,986,809	-	8,986,809
Trade receivables	3,678,140	-	3,678,140
Other receivables	479,401	-	479,401
Cash and cash equivalents	2,597,932	-	2,597,932
Total	15,742,282	173,620	15,915,902
		Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		5,430,161	5,430,161
Trade payables		2,855,101	2,855,101
Accruals and other payables		7,101,016	7,101,016
Total		15,386,278	15,386,278

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company (continued)

At 31 December 2011	Loans and receivables	Available- for-sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	–	6,620	6,620
Amounts due from subsidiaries	6,676,159	–	6,676,159
Trade receivables	1,568,720	–	1,568,720
Other receivables	288,284	–	288,284
Restricted bank deposit	2,200	–	2,200
Cash and cash equivalents	6,993,072	–	6,993,072
Total	15,528,435	6,620	15,535,055
		Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		6,020,656	6,020,656
Trade payables		2,522,120	2,522,120
Accruals and other payables		6,016,287	6,016,287
Total		14,559,063	14,559,063

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	As at 31 December	
	2012	2011
Listed equity investments, at fair value	29,277	28,330
Unlisted equity investments, at fair value	4,570	30,869
Unlisted equity investments, at cost	173,120	–
	206,967	59,199
Less: Current portion	(1,559)	(1,163)
	205,408	58,036
	Year Ended 31 December	
	2012	2011
At 1 January	59,199	56,566
Additions	173,120	22,808
Acquisition of subsidiaries (Note 41)	394	–
Net loss	(611)	(19,961)
Disposals	(6,000)	(214)
Derecognized upon transfer of control to the Group	(19,135)	–
At 31 December	206,967	59,199

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

The Company

	As at 31 December	
	2012	2011
Unlisted equity investment, at fair value	620	6,620
Unlisted equity investment, at cost	173,000	–
	173,620	6,620

	Year Ended 31 December	
	2012	2011
At 1 January	6,620	6,620
Additions	173,000	–
Disposal	(6,000)	–
At 31 December	173,620	6,620

The fair value of listed equity investments is determined based on the quoted market prices. For unlisted equity investments, at fair value, the Company's directors estimate the fair value of these investments mainly based on the historical performance of these companies, the market environment and the prospective industry overview, or the prices of similar recent disposal if applicable.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX

The Group

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	
	2012	2011
Deferred income tax assets		
– to be recovered after more than 12 months	275,192	239,787
– to be recovered within 12 months	64,521	44,190
	339,713	283,977
Deferred income tax liabilities		
– to be settled after more than 12 months	(553,477)	(485,645)
– to be settled within 12 months	(38,422)	(31,906)
	(591,899)	(517,551)
Deferred income tax liability – net	(252,186)	(233,574)

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

	Year ended 31 December	
	2012	2011
At 1 January	(233,574)	(31,567)
Acquisition of subsidiaries (Note 41)	(103,179)	(260,895)
Credited to consolidated income statements (Note 13)	78,883	45,884
Tax credited relating to components of other comprehensive income (Note 13)	5,684	13,004
At 31 December	(252,186)	(233,574)

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX (continued)

The Group (continued)

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 2011	117,051	78,213	14,022	1,540	23,258	234,084
Acquisition of subsidiaries	4,702	12,288	-	-	5,460	22,450
(Charged)/credited to consolidated income statements	(11,166)	10,143	(5,059)	19,954	5,557	19,429
Credited to other comprehensive income	8,014	-	-	-	-	8,014
At 31 December 2011	118,601	100,644	8,963	21,494	34,275	283,977
Acquisition of subsidiaries (Note 41)	-	3,625	-	-	764	4,389
(Charged)/credited to consolidated income statements	15,022	25,114	1,321	(1,658)	6,161	45,960
Credited to other comprehensive income	5,387	-	-	-	-	5,387
At 31 December 2012	139,010	129,383	10,284	19,836	41,200	339,713

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX (continued)

The Group (continued)

Deferred income tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains from available-for- sale financial assets	Others	Total
At 1 January 2011	(252,757)	(11,699)	(1,195)	(265,651)
Acquisition of subsidiaries	(283,345)	–	–	(283,345)
Credited/(charged) to consolidated income statements	31,845	108	(5,498)	26,455
Credited to other comprehensive income	–	4,990	–	4,990
At 31 December 2011	(504,257)	(6,601)	(6,693)	(517,551)
Acquisition of subsidiaries (Note 41)	(107,568)	–	–	(107,568)
Credited/(charged) to consolidated income statements	35,853	–	(2,930)	32,923
Credited to other comprehensive income	–	297	–	297
At 31 December 2012	(575,972)	(6,304)	(9,623)	(591,899)

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 RMB25,465 thousands (2011: RMB14,084 thousands) in respect of tax losses amounting to approximately RMB104,043 thousands (2011: RMB56,337 thousands). As at 31 December 2012, these unrecognised tax losses amounting to RMB3,455 thousands, RMB6,412 thousands, RMB12,345 thousands, RMB23,783 thousands and RMB58,048 thousands will expire in 2013, 2014, 2015, 2016 and 2017 respectively.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX (continued)

The Company

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

	Year ended 31 December	
	2012	2011
At 1 January	30,466	35,156
Credited/(charged) to income statement	10,357	(5,746)
Credited to the other comprehensive income	(286)	1,056
At 31 December	40,537	30,466

The movement in deferred income tax assets, 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	Others	Total
At 1 January 2011	10,562	9,644	14,950	35,156
Credited/(charged) to income statements	6,844	(2,142)	(10,448)	(5,746)
Credited to other comprehensive income	1,056	–	–	1,056
At 31 December 2011	18,462	7,502	4,502	30,466
Credited to income statements	2,526	2,276	5,555	10,357
Charged to other comprehensive income	(286)	–	–	(286)
At 31 December 2012	20,702	9,778	10,057	40,537

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

25 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December	
	2012	2011
Partial payment for consideration for acquisition of subsidiaries (i)	58,006	91,000
Partial payment for available-for-sale financial assets	–	100,000
Long-term deposit	300,500	–
Property compensation for office relocation arrangement (ii)	70,250	–
Others	43,016	31,278
	471,772	222,278

notes:

- (i) The Group paid RMB58,006 thousands (2011: RMB91,000 thousands) for acquisition of several subsidiaries as partial payment of the total consideration. However, the related transactions have not been completed by 31 December 2012.
- (ii) According to the agreement with local government in May 2012, one of the Group's subsidiaries is entitled to receive a subsidy of RMB120,250 thousands, including cash of RMB50,000 thousands and part of one property with fair value of RMB70,250 thousands, for logistic centre relocation and rebuilding upon request from local government. As at 31 December 2012, the compensated property was under construction by a third party and recorded as non-current assets. The subsidy relating to the construction of relevant logistic centre of RMB93,320 thousands was recorded as non-current liability – deferred revenue (Note 34) and was credited to the income statement on a straight-line basis over the expected lives of the logistic centre. The remaining part of the subsidy was recognised in income statement directly.

The Company

	As at 31 December	
	2012	2011
Partial payment for consideration for acquisition of subsidiaries	45,000	–
Partial payment for available-for-sale financial assets	–	100,000
Others	4,410	382
	49,410	100,382

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

26 INVENTORIES

The Group

	As at 31 December	
	2012	2011
Raw materials	156,238	173,310
Work in progress	40,249	21,291
Finished goods and trading merchandise	13,467,803	12,065,316
	13,664,290	12,259,917
Less: Provision for impairment	(46,239)	(45,857)
	13,618,051	12,214,060

The cost of inventories recognised as expense and included in cost of sales amounted to RMB124,506,717 thousands (2011: RMB93,724,616 thousands) (Note 9).

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2012	2011
Provision for impairment		
At 1 January	45,857	24,007
Provision for the year (Note 9)	29,152	24,479
Credited to cost of sales when inventories were sold	(28,770)	(2,629)
At 31 December	46,239	45,857

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

26 INVENTORIES (continued)

The Company

	As at 31 December	
	2012	2011
Trading merchandise	515,980	740,969
Less: Provision for impairment	(10,083)	(6,290)
	505,897	734,679

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2012	2011
Provision for impairment		
At 1 January	6,290	4,450
Provision for the year	3,793	1,840
At 31 December	10,083	6,290

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES

The Group

	As at 31 December	
	2012	2011
Accounts receivable	34,597,266	24,463,832
Notes receivable	3,173,295	2,417,433
	37,770,561	26,881,265
Less: Provision for impairment	(369,643)	(289,444)
Trade receivables – net	37,400,918	26,591,821

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	
	2012	2011
Below 3 months	28,760,171	20,482,995
3 to 6 months	5,751,788	4,094,860
6 months to 1 year	3,093,816	2,206,129
1 to 2 years	118,412	64,512
Over 2 years	46,374	32,769
	37,770,561	26,881,265

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES (continued)

The Group (continued)

Certain trade receivables that are past due are not considered impaired. These relate to the customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2012	2011
3 to 6 months	5,472,199	3,896,363
6 months to 1 year	3,064,437	2,168,920
1 to 2 years	97,464	38,455
Over 2 years	6,647	5,088
	8,640,747	6,108,826

As of 31 December 2012, trade receivables of approximately RMB369,643 thousands (2011: RMB289,444 thousands), were impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult financial situations. The ageing of these receivables is as follows:

	As at 31 December	
	2012	2011
3 to 6 months	279,589	198,497
6 months to 1 year	29,379	37,209
1 to 2 years	20,948	26,057
Over 2 years	39,727	27,681
	369,643	289,444

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES (continued)

The Group (continued)

Movement of provision for impairment of trade receivables is as follows:

	Year ended 31 December	
	2012	2011
At 1 January	289,444	280,156
Provision for impairment (Note 9)	81,892	30,095
Receivables written off as uncollectible	(1,693)	(20,807)
At 31 December	369,643	289,444

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 2012, notes receivable of RMB452,683 thousands (2011: RMB59,051 thousands) and accounts receivable of RMB1,706,037 thousands (2011: RMB3,437,124 thousands) were pledged as collaterals for the Group's bank borrowings (Note 32).

As at 31 December 2012, outstanding accounts receivable of RMB2,620,273 thousands (2011: RMB2,402,512 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 2012, the collection of such accounts receivable on behalf of banks as financing activities, amounted to RMB452,092 thousands (2011: RMB457,440 thousands) was recorded in other payables and as cash generated from financing activities (Note 36).

The maximum exposure to credit risk as at 31 December 2012 is the carrying value of each category of receivable mentioned above and in Note 28.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES (continued)

The Company

	As at 31 December	
	2012	2011
Accounts receivable	3,435,529	1,428,208
Notes receivable	256,943	149,460
	3,692,472	1,577,668
Less: Provision for impairment	(14,332)	(8,948)
Trade receivables – net	3,678,140	1,568,720

The ageing analysis of trade receivables, before provision for impairment is as follows:

	As at 31 December	
	2012	2011
Below 3 months	3,401,418	1,020,546
3 to 6 months	280,736	501,506
6 months to 1 year	7,289	49,066
1 to 2 years	746	6,550
Over 2 years	2,283	–
	3,692,472	1,577,668

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

28 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December	
	2012	2011
Prepayments		
– purchase of inventories	2,252,741	1,583,856
– construction	85,593	84,093
– operating expenses	53,358	53,909
Value-added tax recoverable	260,953	356,712
Deposits	535,286	494,536
Staff advances	94,998	89,399
Government grant receivables	11,238	56,541
Amounts due from related parties (Note 42)		
– other receivables	6,776	26,831
– prepayments	105,723	43,078
Other receivables	335,956	398,531
	3,742,622	3,187,486
Less: Provision for impairment	(59,196)	(51,000)
	3,683,426	3,136,486

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

The other receivables are denominated in RMB.

Movement of provision for impairment of other receivables is as follows:

	Year ended 31 December	
	2012	2011
At 1 January	51,000	50,420
Provision for the year (Note 9)	9,287	7,101
Receivables written off as uncollectible	(1,091)	(6,521)
At 31 December	59,196	51,000

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

28 PREPAYMENTS AND OTHER RECEIVABLES (continued)

The Company

	As at 31 December	
	2012	2011
Amounts due from subsidiaries	8,986,809	6,676,159
Prepayments		
– purchase of inventories	418,296	241,557
– construction	–	1,260
Dividend receivable	440,268	214,966
Other receivables	53,829	88,087
	9,899,202	7,222,029
Less: Provision for impairment	(14,696)	(14,769)
	9,884,506	7,207,260

29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2012	2011
Bank deposits and restricted cash		
Pledged bank deposits	1,578,860	1,189,519
Term deposits over 3 months	11,514	9,000
	1,590,374	1,198,519

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS (continued)

The Group (continued)

	As at 31 December	
	2012	2011
Cash and cash equivalents		
– Cash on hand	12,422	15,687
– Cash at banks	9,200,364	13,075,325
– Cash in other financial institution (Note 42)	509,206	–
	9,721,992	13,091,012
Bank deposits and restricted cash, cash and cash equivalents		
Denominated in		
– RMB	11,072,027	13,199,014
– USD	123,963	114,433
– HKD	116,373	976,081
– Others	3	3
	11,312,366	14,289,531

Pledged bank deposits are collaterals for the following:

	As at 31 December	
	2012	2011
Collateral for bank acceptance notes	1,366,109	1,032,713
Collateral for bank borrowings (Note 32)	–	141,950
Collateral for letter of credit	212,751	14,856
	1,578,860	1,189,519

The maximum exposure to credit risk as at 31 December 2012 and 2011 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS (continued)

The Group (continued)

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

	As at 31 December	
	2012	2011
Weighted average effective interest rate (per annum)	1.15%	1.03%

The Company

	As at 31 December	
	2012	2011
Restricted cash		
Pledged bank deposits	–	2,200

	As at 31 December	
	2012	2011
Cash and cash equivalents		
– Cash on hand	141	211
– Cash at banks	2,097,771	6,992,861
– Cash in other financial institution	500,020	–
	2,597,932	6,993,072

	As at 31 December	
	2012	2011
Restricted cash and cash and cash equivalents		
Denominated in		
– RMB	2,481,933	6,019,873
– HKD	115,998	975,399
– USD	1	–
	2,597,932	6,995,272

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

30 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 2011	2,264,568	1,574,284	690,284	2,264,568
Issue of shares	138,057	–	138,057	138,057
At 31 December 2011 & 2012	2,402,625	1,574,284	828,341	2,402,625

The total authorised number of domestic shares and H shares is 2,402,625 thousands shares (2011: 2,402,625 thousands shares) with a par value of HK\$1 per share (2011: HK\$1 per share). All issued shares are fully paid.

On 4 May 2011, the Company issued 138,056,825 H shares at HK\$25.00 per share, and raised gross proceeds of HK\$3,451,421 thousands (equivalent to RMB2,888,839 thousands). After deduction of the expenditures of HK\$64,635 thousands (equivalent to RMB54,099 thousands) in relation to the placement, the total net proceeds was HK\$3,386,786 thousands (equivalent to RMB2,834,740 thousands), of which RMB138,057 thousands is recorded as share capital and RMB2,696,683 thousands is recorded as share premium (Note 31).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

31 RESERVES

The Group

	Note	Share premium	Statutory reserves	Revaluation of available-for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
At 1 January 2011		8,131,102	130,852	16,443	(212,075)	1,380,248	9,446,570
Profit for the year		-	-	-	-	1,560,606	1,560,606
Revaluation of available-for-sale financial assets							
– gross		-	-	(8,785)	-	-	(8,785)
– tax		-	-	2,196	-	-	2,196
Remeasurement on post-employment benefit obligation							
– gross		-	-	-	(24,773)	-	(24,773)
– tax		-	-	-	6,178	-	6,178
Currency translation differences		-	-	-	(1,213)	-	(1,213)
Appropriation to statutory reserves		-	44,695	-	-	(44,695)	-
Issue of shares, net		2,696,683	-	-	-	-	2,696,683
Dividends		-	-	-	-	(363,082)	(363,082)
Transactions with non-controlling interests		-	-	-	(228)	-	(228)
Revaluation loss of subsidiaries in conversion from enterprises owned by the whole people to corporate institution		-	-	-	(667)	-	(667)
Distribution by subsidiaries acquired under common control prior to acquisition		-	-	-	-	(44,770)	(44,770)
Others		-	-	-	2,509	-	2,509
At 31 December 2011		10,827,785	175,547	9,854	(230,269)	2,488,307	13,271,224
Profit for the year		-	-	-	-	1,973,823	1,973,823
Revaluation of available-for-sale financial assets							
– gross		-	-	(269)	-	-	(269)
– tax		-	-	131	-	-	131
Remeasurement on post-employment benefit obligation							
– gross		-	-	-	(14,637)	-	(14,637)
– tax		-	-	-	3,654	-	3,654
Currency translation differences		-	-	-	41	-	41
Appropriation to statutory reserves	(a)	-	76,493	-	-	(76,493)	-
Share of other comprehensive income in associates		-	-	-	1,543	-	1,543
Dividends	37	-	-	-	-	(456,499)	(456,499)
Transactions with non-controlling interests		-	-	-	20,868	(127,779)	(106,911)
Others		(1,417)	-	-	4,983	-	3,566
At 31 December 2012		10,826,368	252,040	9,716	(213,817)	3,801,359	14,675,666

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

31 RESERVES (continued)

The Company

	Note	Share premium	Statutory reserves	Other reserves (Note (c))	Retained Earnings (Note (b))	Total
As at 1 January 2011		8,119,927	130,852	(55,232)	424,463	8,620,010
Profit for the year		-	-	-	446,501	446,501
Appropriation to statutory reserves		-	44,695	-	(44,695)	-
Remeasurement on post-employment benefit obligation						
- gross		-	-	(4,223)	-	(4,223)
- tax		-	-	1,056	-	1,056
Issue of shares		2,696,683	-	-	-	2,696,683
Dividends		-	-	-	(363,082)	(363,082)
As at 31 December 2011		10,816,610	175,547	(58,399)	463,187	11,396,945
Profit for the year		-	-	-	698,346	698,346
Appropriation to statutory reserves	(a)	-	76,493	-	(76,493)	-
Remeasurement on post-employment benefit obligation						
- gross		-	-	1,144	-	1,144
- tax	24	-	-	(286)	-	(286)
Dividends	37	-	-	-	(456,499)	(456,499)
Others		(1,417)	-	-	-	(1,417)
As at 31 December 2012		10,815,193	252,040	(57,541)	628,541	11,638,233

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 discretionary surplus reserve based on a resolution of the board of directors.
- (b) Retained earnings as at 31 December 2012 include the proposed final dividend of RMB600,656 thousands (2011: RMB456,499 thousands).
- (c) Other reserves mainly represents reserves for business combination under common control, transactions with non-controlling interests and remeasurement on post-employment benefit obligation.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS

The Group

	As at 31 December	
	2012	2011
Non-current		
Secured bank borrowings	134,214	–
Unsecured bank borrowings	82,205	221,697
Bond (i)	4,975,161	4,960,656
	5,191,580	5,182,353
Current		
Secured bank borrowings	1,990,695	2,550,506
Unsecured bank borrowings	8,136,493	6,116,279
Unsecured borrowings from other financial institution (Note 42)	362,000	–
Bond (ii)	399,015	–
	10,888,203	8,666,785
Total borrowings	16,079,783	13,849,138

The carrying amounts of the group's borrowings are denominated in the following currencies:

– RMB	15,250,271	13,849,138
– USD	829,512	–
	16,079,783	13,849,138

notes:

(i) On 11 May 2011, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000 thousands. After deduction of the expenses of approximately RMB18,840 thousands in relation to the bond offering, the total net proceeds was approximately RMB1,981,160 thousands. The bonds mature three years from the issue date with no early redemption options, and the annual interest rate is 4.89%.

On 19 August 2011, 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 RMB27,390 thousands in relation to the bond offering, the total net proceeds was approximately RMB2,972,610 thousands. The bonds mature three years from the issue date with no early redemption options, and the annual interest rate is 5.53%.

(ii) On 9 August 2012, one of the Group's subsidiaries issued 4,000,000 units of bonds at a total par value of RMB400,000 thousands. After deduction of the expenses of approximately RMB1,600 thousands in relation to the bond offering, the total net proceeds was approximately RMB398,400 thousands. The bonds mature one year from the issue date with no early redemption options, and the annual interest rate is 4.03%. The bond is guaranteed by the Company.

In 2012, borrowings under the trading financing programs amounted to RMB4,961,533 thousands. As at 31 December 2012, all these borrowings had been paid to the banks (Note 35).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS (continued)

The Group (continued)

The Group's borrowings were repayable as follows:

	Borrowings from banks or other financial institution		Bond	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Within 1 year	10,489,188	8,666,785	399,015	–
Between 1 to 2 years	103,988	46,058	4,975,161	–
Between 2 to 5 years	112,431	61,925	–	4,960,656
Over 5 years	–	113,714	–	–
	10,705,607	8,888,482	5,374,176	4,960,656

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

	Year ended 31 December	
	2012	2011
Weighted average effective interest rate (per annum)	5.94%	5.51%

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 2012, secured bank borrowings amounting to RMB80,324 thousands are guaranteed by third parties (31 December 2011: Nil). The collaterals for the rest of the Group's secured bank borrowings are as follows:

	As at 31 December	
	2012	2011
Property, plant and equipment (Note 18)	214,180	57,101
Land use rights (Note 16)	74,577	33,565
Pledged bank deposits (Note 29)	–	141,950
Notes receivable (Note 27)	452,683	59,051
Trade receivables (Note 27)	1,706,037	3,437,124
	2,447,477	3,728,791

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS (continued)

The Group (continued)

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	
	2012	2011	2012	2011
Borrowings from banks	216,419	221,697	216,536	216,774
Bond	4,975,161	4,960,656	4,903,643	5,037,308

The Company

	As at 31 December	
	2012	2011
Non-current		
Bond	4,975,161	4,960,656
	4,975,161	4,960,656
Current		
Secured bank borrowings	355,000	940,000
Unsecured bank borrowings	–	120,000
Unsecured borrowings from other financial institution	100,000	–
	455,000	1,060,000
Total borrowings	5,430,161	6,020,656

The borrowings were denominated in RMB.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS (continued)

The Company (continued)

At respective balance sheet dates, the Company's borrowings were repayable as follows:

	Borrowings from banks or other financial institution		Bond	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Within 1 year	455,000	1,060,000	-	-
Between 1 to 2 years	-	-	4,975,161	-
Between 2 to 5 years	-	-	-	4,960,656
Over 5 years	-	-	-	-
	455,000	1,060,000	4,975,161	4,960,656

All of the Company's borrowings from banks or other financial institution are at floating rates. The weighted average effective interest rates at respective balance sheet dates are as follows:

	Year ended 31 December	
	2012	2011
Weighted average effective interest rate (per annum)	5.04%	5.23%

The collaterals for the Company's secured bank borrowings are as follows:

	As at 31 December	
	2012	2011
Accounts receivable	477,353	1,327,313

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP

Certain subsidiaries provide post-employment pension and medical benefits to their retirees. The Group accounts for these benefits using the accounting basis similar to a defined benefit plan.

	As at 31 December	
	2012	2011
Balance sheet obligations for post-employment benefit	449,933	435,451

	Year ended 31 December	
	2012	2011
Income statement charge for post-employment benefit (Note 10)	42,010	46,869
Remeasurement losses recognised in the statement of other comprehensive income in the period	21,601	32,210
Cumulative remeasurement losses recognised in the statement of other comprehensive income	53,811	32,210

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

	As at 31 December	
	2012	2011
Present value of funded obligations	12,541	14,977
Fair value of plan assets	(10,774)	–
Deficit of funded plans	1,767	14,977
Present value of unfunded post-employment benefit obligations	448,166	420,474
Liability in the balance sheet	449,933	435,451

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

Movement of the post-employment benefit obligations is as follows:

	As at 31 December	
	2012	2011
At 1 January	435,451	368,712
Acquisition of subsidiaries	–	18,806
Total expenses, included in staff costs as shown below	42,010	46,869
Remeasurement losses recognised in other comprehensive income	21,601	32,210
Benefits paid	(49,129)	(31,146)
At 31 December	449,933	435,451

The amounts recognised in the consolidated income statements are as follows:

	Year ended 31 December	
	2012	2011
Current service cost	3,632	3,941
Past service cost	22,532	38,463
Interest cost	15,846	16,062
Gain on curtailment	–	(11,597)
Total expenses, included in staff costs	42,010	46,869

The above obligations are determined by an independent actuarial firm using the projected unit credit method, on each balance sheet date. The principal actuarial assumptions used are as follows:

	Year ended 31 December	
	2012	2011
Discount rate	4%	3.75%
Future pension increases	0-5%	0-5%
Future medical cost increases	5%	5%

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

34 OTHER NON-CURRENT LIABILITIES

The Group

	As at 31 December	
	2012	2011
Medical reserve funds (i)		
– general	325,017	336,972
– for H1N1 vaccines	71,683	273,272
Office relocation funds (ii)	64,067	47,548
Government grants for construction of logistic centers (iii)	45,872	43,107
Government grants for products development	48,912	27,710
Deferred revenue	127,322	16,300
Others	82,153	67,942
	765,026	812,851

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. No fund was used to offset trade receivables during the year ended 31 December 2012 (2011: 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 compensation for losses arising from office relocation upon requests from local governments. Upon completion of the office relocation, such funds, after offsetting against actual losses arising from office relocation, will be recognised as other income. As at 31 December 2012, the directors expect that such office relocation will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.
- (iii) Certain of the Group's subsidiaries received funds from local governments as a subsidy for construction of logistic centers. As at 31 December 2012, the directors expect that such constructions will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

34 OTHER NON-CURRENT LIABILITIES (continued)

The Company

	As at 31 December	
	2012	2011
Medical reserve funds – general	205,853	205,853
Others	40,425	20,270
	246,278	226,123

35 TRADE PAYABLES

The Group

	As at 31 December	
	2012	2011
Accounts payable	25,989,925	20,224,416
Notes payable	8,695,472	6,829,579
	34,685,397	27,053,995

The fair value of trade payables approximates their carrying amounts.

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2012	2011
Below 3 months	29,755,370	23,076,124
3 to 6 months	1,973,194	1,886,778
6 months to 1 year	2,394,025	1,656,735
1 to 2 years	344,453	230,915
Over 2 years	218,355	203,443
	34,685,397	27,053,995

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

35 TRADE PAYABLES (continued)

The Group (continued)

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

	As at 31 December	
	2012	2011
RMB	33,543,656	26,120,652
USD	1,119,373	687,195
HKD	–	235,697
EUR	22,368	10,451
	34,685,397	27,053,995

The Group has accounts payable financing program with certain banks when the bank repaid account payables on behalf of the Group with an equivalent sum drawn as borrowings.

During 2012, accounts payable of RMB4,961,533 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 31 December 2012, all bank borrowings related to this program were repaid.

The Company

	As at 31 December	
	2012	2011
Accounts payable	2,270,392	2,003,595
Notes payable	584,709	518,525
	2,855,101	2,522,120

The fair value of trade payables approximates their carrying amounts.

The ageing analysis of trade payables at respective balance sheet dates is as follows:

	As at 31 December	
	2012	2011
Below 3 months	2,752,796	2,366,279
3 to 6 months	85,894	136,882
6 months to 1 year	10,591	13,737
1 to 2 years	2,976	2,970
Over 2 years	2,844	2,252
	2,855,101	2,522,120

The Company's trade payables are denominated in RMB.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

36 ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December	
	2012	2011
Accrual of operating expenses	372,651	317,784
Collection of accounts receivables on behalf of banks under factoring programs (Note 27)	452,092	457,440
Salary and welfare payables	585,521	479,173
Advances from customers	335,612	680,312
Other deposits	281,939	143,525
Taxes payable other than income tax	283,183	260,820
Interest payable	175,388	136,643
Other payables due to related parties (Note 42)	6,637	60,564
Advance due to related parties (Note 42)	7,942	–
Payables arising from acquisition of subsidiaries and contingent consideration	635,973	596,124
Others	1,043,942	1,137,256
	4,180,880	4,269,641

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

The Group's other payables are denominated in RMB.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

36 ACCRUALS AND OTHER PAYABLES (continued)

The Company

	As at 31 December	
	2012	2011
Amounts due to subsidiaries	6,216,431	5,125,544
Amounts due to other related parties	6,185	5,775
Salary and welfare payables	48,061	31,595
Accrual of operating expenses	11,306	8,624
Collection of accounts receivables on behalf of banks under factoring programs	252,646	345,046
Taxes payable other than income tax	13,698	10,751
Interest payable	121,798	121,973
Advances from customers	8,940	9,478
Other deposits	1,080	157
Payables arising from acquisition of subsidiaries and contingent consideration	360,912	287,263
Others	68,899	79,559
	7,109,956	6,025,765

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

The Company's other payables are denominated in RMB.

37 DIVIDENDS

The dividends paid by the Company in 2012 were RMB456,499 thousands (RMB0.19 (tax inclusive) per ordinary share). A final dividend for the year ended 31 December 2012 of RMB0.25 (tax inclusive) per ordinary share, amounting to a total amount of RMB600,656 thousands is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 22 March 2013. These financial statements have not reflected this proposed dividend.

	Year ended 31 December	
	2012	2011
Proposed final dividend	600,656	456,499

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

38 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2012	2011
Profit before income tax	4,014,253	3,127,600
Adjustments for:		
– Share of profit from associates (Note 21)	(135,718)	(107,402)
– Asset impairment	120,331	64,675
– Depreciation	400,251	323,257
– Amortisation	165,359	136,888
– Gain on disposal of land use right and plant and equipment (Note 8)	(223,428)	(57,039)
– Write-back of certain liabilities (Note 8)	(6,131)	(32,608)
– Gain on adjustment of contingent consideration	(15,614)	–
– Loss/(gain) on disposal of available-for-sale financial assets (Note 8)	2,285	(4,133)
– Finance cost	1,317,386	846,872
– Gain on re-measuring of existing interest in connection with acquisitions (Note 8)	(35,259)	(393)
– Gain on disposal of subsidiaries (Note 8)	(4,446)	(123,557)
	5,599,269	4,174,160
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
– Inventories	(1,031,602)	(3,014,393)
– Trade receivables	(9,702,443)	(5,550,043)
– Prepayments and other receivables	(480,950)	(1,702,853)
– Trade payables	11,986,453	4,766,711
– Accruals and other payables	(1,386,820)	3,173,564
Cash generated from operations	4,983,907	1,847,146

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

39 COMMITMENTS

(a) Capital commitments

Capital expenditures at balance sheet date are as follows:

The Group

	As at 31 December	
	2012	2011
Property, plant and equipment:		
– contracted but not provided for	398,555	239,994
Acquisition of equity interests		
– contracted but not provided for	79,379	427,100
	477,934	667,094

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

39 COMMITMENTS (continued)

(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	
	2012	2011
Within 1 year	319,314	243,538
Later than 1 year and not later than 5 years	638,366	428,037
Later than 5 years	141,174	166,597
	1,098,854	838,172

(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	
	2012	2011
Within 1 year	28,152	49,061
Later than 1 year and not later than 5 years	98,382	101,595
Later than 5 years	12,336	43,604
	138,870	194,260

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 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
Zhejiang Guoda Drugstore Co., Ltd.	39	5,377
Sinopharm Holding Suzhou Boai Pharmaceutical Co., Ltd.	30	11,852
Sinopharm Holding Wulanchabu Co., Ltd.	19	1,950
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	25	31,650
Sinopharm Holding Zhangzhou Co., Ltd.	40	5,500
Xinjiang Province New & Special National Pharmaceutical Co., Ltd.	14	310,000
		366,329

The effect of changes in the equity interest of the these subsidiaries on the total equity of the Group during the year is summarised as follows:

	Effect on the total equity
Carrying amount of non-controlling interests acquired	197,725
Consideration paid to non-controlling interests	366,329
Excess of consideration paid over the carrying amount acquired	168,604

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

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

During the year, the Group reduced equity interests in Sinopharm Holding Hebei Pharmaceutical Co., Ltd., Sinopharm Lerentang Handan Pharmaceutical Co., Ltd., Sinopharm Lerentang Tangshan Pharmaceutical Co., Ltd., Sinopharm Holding Wuzhou Co., Ltd. and Sinopharm Holding Xinjiang Kuitun Medical & Herbal Medicines Co., Ltd. without loss of control.

The effect of changes in the equity interest of these five entities on the equity of the Group during the year is summarized as follows:

	Effect on the total equity
Carrying amount of non-controlling interests disposed	46,336
Consideration received from non-controlling interests	70,707
Gain on disposal within equity	(24,371)

(c) Effects of transactions with non-controlling interests on the total equity for the year ended 31 December 2012

	Effect on the total equity
Changes in total equity arising from:	
– acquisition of additional interest in a subsidiary	168,604
– disposal of interest in a subsidiary without loss of control	(24,371)
Net effect for transactions with non-controlling interests on total equity	144,233

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS

Acquisitions during the year comprise:

The Group acquired equity interests from third parties 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	Acquisition date	Acquired interests %
Jiangmeng Guoda Jiyuantang Pharmacy Chain Store Co., Ltd.	June, 2012	65
Jiangmeng Renren Medical Co., Ltd.	May, 2012	100
Shanghai Merro Pharmaceutical Co., Ltd.	August, 2012	100
Sinopharm Holding Health Development (Shanghai) Co., Ltd.	August, 2012	70
Sinopharm Group Med-Tech Co., Ltd.	January, 2012	70
Sinopharm Holding Jining Co., Ltd.	January, 2012	70
Sinopharm Holding Lu'an Co., Ltd.	May, 2012	60
Sinopharm Holding Nantong Co., Ltd.	January, 2012	80
Sinopharm Holding Pu'er Co., Ltd.	November, 2012	60
Sinopharm Holding Shaoguan Co., Ltd.	August, 2012	70
Sinopharm Holding Weihai Co., Ltd.	January, 2012	90
Sinopharm Holding Wuhu Co., Ltd.	January, 2012	70
Sinopharm Jiankun (Beijing) Medical Co., Ltd.	January, 2012	51
Sinopharm Lerentang Cangzhou Medical Co., Ltd.	October, 2012	70
Sinopharm Holding Zhaoqing Co., Ltd.	January, 2012	100
Sinopharm Holding Medical Instrument (Beijing) Co., Ltd.	January, 2012	70

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS (continued)

The Group also acquired additional equity interests in certain entities, which became the subsidiaries of the Group after the acquisitions, during the year, as follows:

In May 2012, the Group acquired an additional 45% equity interests in Shanghai Donghong Medical Co., Ltd. ("Shanghai Donghong"), a then existing 35% owned associate, from a third party. After the acquisition, the Group holds 80% equity interests in Shanghai Donghong.

In October 2012, the Group acquired an additional 12% equity interests in Sinopharm Prospect Dentech (Beijing) Co., Ltd. ("Sinopharm Prospect"), a then existing 39% owned associate, from a third party. After the acquisition, the Group holds 51% equity interests in Sinopharm Prospect.

The acquisition date is also the date on which the Group effectively obtained the rights to control these entities.

In addition, the Group also effectively obtained the rights to control Sinopharm Xinyu Co, Ltd. ("Sinopharm Xinyu") in January 2012, a then 70% equity interests owned entity without control or significant influence, and Dongtou Pharmaceutical Co. Ltd. ("Dongtou Pharmaceutical") in January 2012, a then 61% equity interests owned entity without control or significant influence. After the obtaining of control rights, Sinopharm Xinyu and Dongtou Pharmaceutical became subsidiaries of the Group.

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Cash consideration	640,175
– Contingent consideration (i)	319,855
Total purchase consideration	960,030
Fair value of previous equity interests at the dates of acquisitions	83,585
	1,043,615

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS (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	220,987	220,987
Property, plant and equipment	50,927	50,779
Intangible assets		
– sales network	430,124	–
– software and trademarks	167	167
Land use rights	16,052	16,052
Investment properties	18,641	18,641
Deferred income tax assets	4,389	4,389
Inventories	370,239	370,239
Available-for-sale financial assets	394	394
Other non-current assets	1,053	1,053
Trade and other receivables	1,298,608	1,298,608
Trade and other payables	(1,405,215)	(1,405,215)
Deferred income tax liabilities	(107,568)	–
Borrowings	(162,078)	(162,078)
Net assets	736,720	414,016
Non-controlling interests (ii)	(211,442)	
Goodwill (Note 19)	518,337	
	1,043,615	
Consideration for acquisitions settled in cash	640,175	
Prepayments for the acquisition in 2011 (Note 25)	(91,000)	
Cash consideration paid in 2012	549,175	
Cash and cash equivalents in subsidiaries acquired	(220,987)	
Cash outflow on acquisition	328,188	

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS (continued)

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:

(i) 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 RMB319,855 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB319,855 thousands. As at 31 December 2012, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interest

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

(iii) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2012 are summarised as follows:

	From acquisition date to 31 December 2012
Revenue	3,888,866
Net profit	87,016

(iv) The related acquisition cost is immaterial.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Bio-products Co., Ltd.	Controlled by CNPGC
China National Group Corporation of Traditional & Herbal Medicine	Controlled by CNPGC
Sinopharm Medicine Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Chengdu Institute of Biological Products	Controlled by CNPGC
Beijing Tiantan Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	Controlled by CNPGC
Sichuan Traditional & Herbal Co., Ltd.	Controlled by CNPGC
China National Group Corporation of Traditional & Herbal Medicine Chengde Co., Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Sinopharm Group Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Valley Biomedical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Corporation	Controlled by CNPGC
Wuhan Institute of Biological Products	Controlled by CNPGC
Shanghai Modern Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC
Lanzhou Bio-technology development Co., Ltd.	Controlled by CNPGC
China National Scientific Instrument&Material Imp. & Exp. Wuhan Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen(Shangqiu) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Changchun Keygen Biological Products Co., Ltd.	Controlled by CNPGC
Sinopharm Chuankang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Weifang Sinopharm Medical Equipment Co., Ltd.	Controlled by CNPGC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Qinghai Medical Pharmaceutical Material Co., Ltd.	Controlled by CNPGC
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
Gansu Lansheng Biological Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Group Shanghai Medical Equipment Co., Ltd.	Controlled by CNPGC
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Group Wuhan Institute of Chinese Medicine	Controlled by CNPGC
Shanghai Modern Hasen Shangqiu Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanxi Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
China Biotechnology Co., Ltd.	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
Sichuan Industrial Institute of Antibiotic Co., Ltd.	Controlled by CNPGC
Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
Sino-Swed Pharmaceutical Corporation Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Shanghai Salem Biological Technology Co., Ltd.	Associate of CNPGC
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	Associate of CNPGC
Shaanxi Zhonglin Medicine Co., Ltd.	Associate of CNPGC
Tianjin Rongsheng Medicine Co., Ltd.	Associate of CNPGC
Shaanxi Yiyue Medicine Co., Ltd.	Associate of CNPGC
Xian-Janssen Pharmaceutical Ltd.	Associate of CNPGC
Shanghai Huaxiang Pharmaceutical Co., Ltd.	Associate of CNPGC
Qinghai Pharmaceutical (Group) Co., Ltd.	Associate of CNPGC
Wuxi Huihua Qiangsheng Pharmacy Chain Store Co., Ltd.	Associate
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	Associate
Hubei Yuan Kang Medicine Co., Ltd.	Associate
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Shanghai Guoren Drugstore Co., Ltd.	Associate
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate
Sinopharm Holding Xingsha(Xiamen) Pharmaceutical Co., Ltd.	Associate
Shanghai Guoda Shuguang Drugstore Co., Ltd.	Associate
Qinghai Pharmaceutical Co., Ltd.	Subsidiary of associate
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma")	Non-controlling shareholders with significant influence to the Company
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	Subsidiary of Fosun Pharma
Shanghai Fosun Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharma

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Shanghai Chemo WangBang Biopharma Co., Ltd.	Subsidiary of Fosun Pharma
Shanghai Zhaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	Subsidiary of Fosun Pharma
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Chongqing Haisiman Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharma
Jiangsu Wanbang Pharmaceutical Marketing Limited	Subsidiary of Fosun Pharma
Mount Handan Luo Dan Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Hainan Peng Kang Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Jinzhou Aohong Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma
Guilin South Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharma

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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

(i) Significant transactions with related parties except for other PRC government-related entities

	Year ended 31 December	
	2012	2011
Sales of goods		
China National Pharmaceutical Foreign Trade Corporation	214,293	–
Wuxi Huihua Qiangsheng Pharmacy Chain Store Co., Ltd.	130,159	–
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	86,319	14,844
Chongqing Yaoyou Pharmaceutical Co., Ltd.	83,804	81,307
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	50,952	48,732
Hubei Yuan Kang Medicine Co., Ltd.	45,649	17,621
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	40,472	22,740
Wuhan Institute of Bio-products Co., Ltd.	25,620	–
Shanghai Fosun Pharmaceuticals Co., Ltd.	23,197	11,200
Lanzhou Institute of Bio-products Co., Ltd.	22,124	15,071
Sinopharm Group Shanxi Co., Ltd.	19,910	–
China National Group Corporation of Traditional & Herbal Medicine	19,483	–
Sinopharm Medicine Co., Ltd.	8,988	816
Shanghai Institute of Bio-products Co., Ltd.	8,926	5,572
Chengdu Institute of Biological Products	8,770	2,465
Shanghai Chemo WangBang Biopharma Co., Ltd.	6,578	1,152
Xian-Janssen Pharmaceutical Ltd.	6,223	–
Shanghai Huaxiang Pharmaceutical Co., Ltd.	5,728	–
Beijing Tiantan Biological Products Co., Ltd.	5,289	122
Shenzhen Main Luck Pharmaceutical Co., Ltd.	4,966	5,163
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	4,253	4,241
Sichuan Traditional & Herbal Co., Ltd.	3,168	–
Shanghai Zhaohui Pharmaceutical Co., Ltd.	3,035	1,588
China National Group Corporation of Traditional & Herbal Medicine Chengde Co., Ltd.	2,922	–
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	2,849	31
Chengdu Rongsheng Pharmaceutical Co., Ltd.	2,842	–
Beijing Institute of Bio-products Co., Ltd.	2,720	–
Sinopharm Group Weiqida Pharmaceutical Co., Ltd.	2,538	–
Shanghai Guoren Drugstore Co., Ltd.	2,140	–
Beijing Valley Biomedical Co., Ltd.	2,073	4
Sichuan Hexin Pharmaceutical Co., Ltd.	1,818	2,493
Wuhan Institute of Biological Products	–	5,039
China National Group Corporation of Traditional & Herbal Medicine	–	3,920
China National Group Corporation of Traditional & Herbal Medicine Chengde Co., Ltd.	–	2,590
Others	15,011	97,233
	862,819	343,944

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Purchases of goods		
Xian-Janssen Pharmaceutical Ltd.	967,475	–
Yichang Humanwell Pharmaceutical Co., Ltd.	962,172	736,164
Sino-Swed Pharmaceutical Corporation Ltd.	697,293	331,888
Jiangsu Wanbang Pharmaceutical Marketing Limited.	200,561	150,479
Shenzhen Main Luck Pharmaceutical Co., Ltd.	192,385	101,291
Chengdu Rongsheng Pharmaceutical Co., Ltd.	149,559	72,907
Chongqing Yaoyou Pharmaceutical Co., Ltd.	107,650	75,895
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	78,027	26,850
China National Group Corporation of Traditional & Herbal Medicine	72,746	–
Shanghai Modern Pharmaceutical Co., Ltd.	65,101	42,362
Shanghai Institute of Bio-products Co., Ltd.	52,657	4,694
Sinopharm Group Shanxi Co., Ltd.	51,854	–
China Otsuka Pharmaceutical Co., Ltd.	38,241	75,789
Chongqing Haisiman Pharmaceuticals Co., Ltd.	32,137	7,861
Qinghai Pharmaceutical Co., Ltd.	32,130	–
Shanghai Salem Biological Technology Co., Ltd.	31,604	28,446
China National Pharmaceutical Foreign Trade Corporation	24,445	95,576
Beijing Institute of Bio-products Co., Ltd.	20,916	–
Shanghai Fosun Pharmaceuticals Co., Ltd.	20,653	17,237
Mount Handan Luo Dan Pharmaceutical Co., Ltd.	20,645	17,377
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	19,796	15,994
Lanzhou Institute of Bio-products Co., Ltd.	18,008	46,227
Shanghai Shangsheng Biological Products Co., Ltd.	16,982	9,758
Sinopharm Group Weiqida Pharmaceutical Co., Ltd.	16,154	–
Hainan Peng Kang Pharmaceutical Co., Ltd.	11,722	–
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation.	11,479	6,972
Lanzhou Bio-technology development Co., Ltd.	10,544	–
China National Scientific Instrument&Material Imp. & Exp. Wuhan Co., Ltd.	10,451	–
China National Pharmaceutical Industry Corporation	9,692	1,123
Shanghai Modern Hasen(Shangqiu) Pharmaceutical Co., Ltd.	8,327	–

(to be continued)

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Purchases of goods (continued)		
Wuhan Institute of Bio-products Co., Ltd.	7,890	–
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	7,887	12,366
Changchun Keygen Biological Products Co., Ltd.	6,691	12,142
Shenyang Hongqi Pharmaceutical Co., Ltd.	6,144	3,777
Sinopharm Holding Xingsha(Xiamen) Pharmaceutical Co., Ltd.	6,091	–
Jinzhou Aohong Pharmaceutical Co., Ltd.	5,686	148
Sinopharm Chuankang Pharmaceutical Co., Ltd.	5,345	415
Weifang Sinopharm Medical Equipment Co., Ltd.	4,717	–
Qinghai Medical Pharmaceutical Material Co., Ltd.	4,717	–
Guilin South Pharmaceutical Co., Ltd.	4,439	5,314
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	4,270	–
Shaanxi Zhonglin Medicine Co., Ltd.	3,836	–
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	3,442	–
Qinghai Pharmaceutical (Group) Co., Ltd.	–	30,500
China National Group Corporation of Traditional & Herbal Medicine	–	10,291
China Pharmaceutical Group Wuhan Institute of Chinese Medicine	–	9,807
Lanzhou Bio-technology development Co., Ltd.	–	9,119
Shanghai Modern Hasen Shangqiu Pharmaceutical Co., Ltd.	–	2,446
Others	31,430	97,527
	4,053,991	2,058,742

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Notes receivable discount		
Sinopharm Group Finance Co., Ltd.	366,783	–

	Year ended 31 December	
	2012	2011
Borrowings		
Sinopharm Group Finance Co., Ltd.	422,000	–

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	
	2012	2011
Salaries and other short-term employee benefits	23,392	20,114
Termination benefits	–	–
Post-employment benefits	–	–
Other long-term benefits	–	–
	23,392	20,114

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Cash in other financial institution		
Sinopharm Group Finance Co., Ltd.	509,206	–
	As at 31 December	
	2012	2011
Trade receivables due from		
China National Pharmaceutical Foreign Trade Corporation	214,306	–
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	28,383	1,581
Sinopharm Group Shanxi Co., Ltd.	27,428	–
Hubei Yuan Kang Medicine Co., Ltd.	14,341	–
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co., Ltd.	11,292	10,876
Chongqing Yaoyou Pharmaceutical Co., Ltd.	9,101	41,328
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	8,574	5,494
Shanghai Huaxiang Pharmaceutical Co., Ltd.	3,919	–
Shanghai Guoda Shuguang Drugstore Co., Ltd.	2,718	–
Chengdu Institute of Biological Products	2,518	–
Sino-Swed Pharmaceutical Corporation Ltd.	2,312	–
Yichang Humanwell Pharmaceutical Co., Ltd.	2,000	–
Others	17,364	3,837
	344,256	63,116

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Other receivables due from		
Xian-Janssen Pharmaceutical Ltd.	3,055	–
Yichang Humanwell Pharmaceutical Co., Ltd.	1	25,830
Others	3,720	1,001
	6,776	26,831

	As at 31 December	
	2012	2011
Prepayments due from		
Chengdu Rongsheng Pharmaceutical Co., Ltd.	37,787	490
China National Pharmaceutical Foreign Trade Corporation	32,561	34,544
Wuhan Institute of Bio-products Co., Ltd.	9,330	–
Shanghai Institute of Bio-products Co., Ltd.	5,352	–
Sino-Swed Pharmaceutical Corporation Ltd.	5,013	993
Shanghai Shangsheng Biological Products Co., Ltd.	2,187	–
Others	13,493	7,051
	105,723	43,078

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Trade payables due to		
Yichang Humanwell Pharmaceutical Co., Ltd.	442,852	266,232
Xian-Janssen Pharmaceutical Ltd.	95,063	–
Sino-Swed Pharmaceutical Corporation Ltd.	78,815	12,263
Shenzhen Main Luck Pharmaceutical Co., Ltd.	56,253	13,289
Jiangsu Wanbang Pharmaceutical Marketing Limited	53,432	13,912
Chongqing Yaoyou Pharmaceutical Co., Ltd.	39,917	10,562
Shanghai Modern Pharmaceutical Co., Ltd.	22,699	6,714
China National Pharmaceutical Foreign Trade Corporation	19,156	8
Sinopharm Group Shanxi Co., Ltd.	13,037	–
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	13,013	2,523
China Otsuka Pharmaceutical Co., Ltd.	10,602	2,058
Chongqing Haisiman Pharmaceuticals Co., Ltd.	9,927	3,679
Shanghai Salem Biological Technology Co., Ltd.	7,911	35
Sinopharm Group Weiqida Pharmaceutical Co., Ltd.	7,849	–
Mount Handan Luo Dan Pharmaceutical Co., Ltd.	6,562	1,272
Lanzhou Bio-technology development Co., Ltd.	5,851	–
Qinghai Pharmaceutical Co., Ltd.	5,442	–
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	5,037	151
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation.	5,007	3,217
Lanzhou Institute of Bio-products Co., Ltd.	4,785	14,301
China National Corporation of Traditional & Herbal Medicine	4,622	–
China National Pharmaceutical Industry Corporation	4,215	763
Shanghai Fosun Pharmaceuticals Co., Ltd.	3,706	4,097
Guilin South Pharmaceutical Co., Ltd.	2,253	198
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	2,228	672
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	1,166	4,503
Changchun Keygen Biological Products Co., Ltd.	–	7,382
Shanxi Weiqida Pharmaceutical Co., Ltd.	–	4,638
China National Group Corporation of Traditional & Herbal Medicine	–	2,680
Others	18,817	6,766
	940,217	381,915

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 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	
	2012	2011
Other payables due to		
Sichuan Industrial Institute of Antibiotic Co., Ltd.	2,620	1,300
CNPGC	–	44,701
China National Group Corporation of Traditional & Herbal Medicine	–	13,198
Others	4,017	1,365
	6,637	60,564

The other payables to related parties were unsecured and non-interest bearing.

	As at 31 December	
	2012	2011
Advanced from customers		
China National Group Corporation of Traditional & Herbal Medicine	3,000	–
Others	4,942	–
	7,942	–

	As at 31 December	
	2012	2011
Borrowings due to		
Sinopharm Group Finance Co., Ltd.	362,000	–

Borrowings from Sinopharm Group Finance Co., Ltd, a financial institution, bear interest at 5.18% and have repayment terms within one year.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

As at 31 December 2012, 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 Hong Kong Co., Ltd. (國藥控股股份香港有限公司)	PRC, 14 August 2009	USD9.5 million HKD73.8 million	100	–	Investment; distribution of pharmaceutical, healthcare products; medicine chain store; and, provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Distribution 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 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
China National Pharmaceutical Group Xinjiang Medicine Co., Ltd. (國藥集團新疆藥業有限公司)	PRC, 31 March 2009	780,637	80	–	Pharmaceutical circulation, housing and venue rental, animal husbandry, planting, property management, Chinese herbal medicine research in the PRC
Sinopharm Holding Beijing Co., Ltd. (國藥控股北京有限公司)	PRC, 28 October 2003	550,000	96	–	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	500,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Medicines Co., 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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
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 GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)	PRC, 23 March 2004	600,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Guangzhou Co., Ltd. (國藥控股廣州有限公司)	PRC, 1 September 2003	400,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents 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
China National Accord Medicines Co., Ltd. (國藥集團一致藥業股份有限公司)	PRC, 18 June 2001	288,149	38	–	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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
Sinoexcelsior Investment Incorporation (煜嘉投資有限公司)	PRC, 13 January 2011	260,000	51	–	Investment in specific company in PRC under the allowance of the law and provision of relevant medical equipment, medical facilities and technical advisory services to its invested companies.
Shenzhen Zhijun Pharmaceutical Co., Ltd. (深圳致君製藥有限公司)	PRC, 22 December 1984	200,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding 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 and chemical reagents in the PRC
Sinopharm Holding Logistics Tianjin 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	150,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Lerentang Pharmaceutical Co., Ltd. (國藥樂仁堂醫藥有限公司)	PRC, 09 March 2011	150,000	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
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	–	86	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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	100,000	–	100	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 Hubei Co., Ltd. (國藥控股湖北有限公司)	PRC, 1 December 2003	100,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beijing Tianxingpuxin Bio-Med 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 Heilongjiang Co., Ltd. (國藥控股黑龍江有限公司)	PRC, 02 December 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents 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	95,551	2	98	Medicine manufacture and trading 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
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. (蘇州致君萬慶藥業有限公司)	PRC, 10 March 2003	80,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 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
Sinopharm Holding Pingdingshan Co., Ltd. (國藥控股平頂山有限公司)	PRC, 25 April 2011	80,000	–	60	Distribution of pharmaceutical, healthcare products and chemical reagents in the 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 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 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 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 and chemical reagents 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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Shenzhen Chinese Herbal Co., Ltd. (國藥控股深圳中藥有限公司)	PRC, 28 May 1987	50,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Guangdong Oriental New & 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
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 Beijing Kangchen Bio-medicine Co., Ltd. (國藥控股北京康辰生物醫藥有限公司)	PRC, 19 January 2005	80,000	51	–	Distribution of pharmaceutical products and laboratory supplies 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 Nanjing Co., Ltd. (國藥控股南京有限公司)	PRC, 12 October 2001	50,000	100	–	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 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	50,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 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 Anhui Co., Ltd. (國藥控股安徽有限公司)	PRC, 5 January 2007	50,000	67	–	Distribution of pharmaceutical products in the PRC
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 and chemical reagents in the PRC
Sinopharm Holding Jiangsu Co., Ltd. (國藥控股江蘇有限公司)	PRC, 17 January 1991	41,489	65	–	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	–	Property management, labor services, and sell goods 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
Sinopharm Holding Guangdong Accord Hengxing Pharmaceutical Co., Ltd. (國藥控股廣東恒興有限公司)	PRC, 1 December 2004	40,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Yujia chengyue Investment Management Co., Ltd. (北京禦佳誠悅投資管理有限公司)	PRC, 02 August 2011	40,000	–	100	Investment management, asset management, and distribution of medical instruments

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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
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
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, 03 November 2011	35,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products 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 Health Development (Shanghai) Co., Ltd. (國藥控股健康發展(上海)有限公司)	PRC, 19 January 2004	31,500	70	–	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services
Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd. (國藥控股滬甬醫藥(上海)有限公司)	PRC, 23 September 1993	31,150	100	–	Distribution of pharmaceutical products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 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
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 Holding Guangdong Yuexing Pharmaceutical Co., Ltd. (國藥控股廣東粵興有限公司)	PRC, 1 December 1993	30,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Gansu Co., Ltd. (國藥控股甘肅有限公司)	PRC, 14 January 2010	30,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
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, 03 March 2011	30,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Linyi Co., Ltd. (國藥控股臨沂有限公司)	PRC, 29 April 2007	30,000	–	65	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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	30,000	67	–	Distribution of pharmaceutical products and chemical reagents 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 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	70	–	Distribution of pharmaceutical products and laboratory supplies 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	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Tangshan Pharmaceutical Co., Ltd. (國藥樂仁堂唐山醫藥有限公司)	PRC, 10 July 2000	30,000	68	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Tangshan Xintiandi Co., Ltd. (國藥樂仁堂唐山醫藥有限公司)	PRC, 01 April 2011	30,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
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, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Huzhou Co., Ltd. (國藥控股湖州有限公司)	PRC, 09 September 2011	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies 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, 02 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
Shandong Guoda Renhetang 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 Luoyang Co., Ltd. (國藥控股洛陽有限公司)	PRC, 13 January 2012	26,800	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents 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, laboratory supplies and chemical reagents in the 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 Medical Instrument (Beijing) Co., Ltd. (國藥控股醫療器械(北京)有限公司)	PRC, 01 January 2012	25,000	–	70	Distribution of medical equipments, Import and export of goods and technology in PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
Jiangmeng Guoda Jiyuantang Pharmacy Chain Store Co., Ltd. (江門國大濟源堂藥房連鎖有限公司)	PRC, 01 June 2012	24,000	–	65	Distribution of pharmaceutical products, laboratory supplies 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 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
China National Pharmaceutical 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
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
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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Guoda Wanmin Pharmacy Chain Store Co., Ltd. (山西國大萬民藥房連鎖有限公司)	PRC, 09 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products 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
Neimenggu Guoda Jiuling Pharmacy Chain Store Co., Ltd. (內蒙古國大九齡藥房連鎖有限公司)	PRC, 13 July 2011	20,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products 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 Nutraceuticals (Shanghai) Co., Ltd. (國藥健康實業(上海)有限公司)	PRC, 04 January 2011	20,000	70	–	Sales of health food
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, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qinghai Co., Ltd. (國藥控股青海有限公司)	PRC, 01 November 2011	20,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Zhumadian Co., Ltd. (國藥控股駐馬店有限公司)	PRC, 24 May 2012	20,000	–	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	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies medical equipments 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 Anqing Co., Ltd. (國藥控股安慶有限公司)	PRC, 25 February 2010	18,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Lerentang Handan Pharmaceutical Co., Ltd. (國藥樂仁堂邯鄲醫藥有限公司)	PRC, 17 January 2011	18,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents 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
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 and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Guizhou Co., Ltd. (國藥控股貴州有限公司)	PRC, 1 April 2010	15,000	70	–	Distribution of pharmaceutical 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	–	90	Distribution of pharmaceutical 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 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
Fujian Guoda Pharmacy Chain Store Co., Ltd. (福建國大藥房連鎖有限公司)	PRC, 28 November 2002	15,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Zhanjiang Co., Ltd. (國藥控股湛江有限公司)	PRC, 8 February 1985	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
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 Hunan Deyuan Pharmaceutical Co., Ltd. (國藥控股湖南德源醫藥有限公司)	PRC, 25 November 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Lu'an Co., Ltd. (國藥控股六安有限公司)	PRC, 06 May 2012	15,000	–	60	Distribution of pharmaceutical products, laboratory supplies 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
Shanghai Wanli Medical Cosmetology Clinic Co., Ltd. (上海萬麗醫療美容門診部有限公司)	PRC, 07 September 2012	15,000	–	100	Medical cosmetology, medical laboratory, business services and sales of cosmetic and daily commodity in the PRC
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	13,980	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products 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
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
Shanghai Donghong Medical Co., Ltd. (上海東虹醫藥有限公司)	PRC, 04 June 2012	12,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 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	–	99	Distribution of pharmaceutical products 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 and chemical reagents in the PRC
Shenzhen Accord Pharmacy Chain Store Co., Ltd. (深圳市一致醫藥連鎖有限公司)	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, 06 July 2011	10,500	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents 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 and chemical reagents in the PRC
Sinopharm Holding Xinjiang Korla Pharmaceutical Co., Ltd. (國藥新疆庫爾勒醫藥有限公司)	PRC, 13 June 2002	10,156	–	100	Distribution of pharmaceutical products, laboratory supplies 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 and chemical reagents in the PRC
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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 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	10,000	–	100	Medicine chain store; distribution of pharmaceutical products, healthcare products and chemical reagents 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	20,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents 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 and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Kaifeng Co., Ltd. (國藥控股開封有限公司)	PRC, 21 May 2010	10,000	–	70	Distribution of pharmaceutical 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 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 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 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 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	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Ankang Co., Ltd. (國藥控股安康有限公司)	PRC, 06 January 2011	10,000	–	70	Distribution of pharmaceutical and healthcare products 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 products and chemical reagents in the PRC
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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Huainan Co., Ltd. (國藥控股淮南有限公司)	PRC, 08 April 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Fuyang Co., Ltd. (國藥控股阜陽有限公司)	PRC, 05 September 2011	10,000	–	55	Distribution of pharmaceutical 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	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products 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 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股份有限公司)	PRC, 27 July 1994	30,000	72	–	Distribution of pharmaceutical products 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 Dongguan Accord Pharmaceutical Co., Ltd. (國藥控股東莞有限公司)	PRC, 12 September 2001	10,000	–	100	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Dongguan Accord Pharmaceutical Co., Ltd. (國藥控股錦州有限公司)	PRC, 12 May 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Taizhou Co., Ltd. (國藥控股台州有限公司)	PRC, 14 March 2011	30,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Putian Co., Ltd. (國藥控股莆田有限公司)	PRC, 08 December 2010	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Sanming Co., Ltd. (國藥控股三明有限公司)	PRC, 02 April 2011	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies 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	10,000	–	60	Distribution of pharmaceutical 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, laboratory supplies and chemical reagents in the PRC
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 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 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, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
Jiangmeng Renren Medical Co., Ltd. (國藥控股江門仁仁有限公司)	PRC, 03 May 2012	10,000	–	100	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, 05 May 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jining Co., Ltd. (國藥控股濟寧有限公司)	PRC, 08 January 2012	10,000	–	70	Distribution of pharmaceutical 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	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Merro Pharmaceutical Shanghai Merro Pharmaceutical Co., Ltd. (上海美羅醫藥有限公司)	PRC, 17 May 2012	10,000	100	–	Distribution of pharmaceutical products, medical equipments and chemical reagents, import and export of goods and technology 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 Yuyang Co., Ltd. (國藥控股重慶雲陽有限公司)	PRC, 06 March 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Hengshui Medical Co., Ltd. (國藥樂仁堂衡水醫藥有限公司)	PRC, 13 December 2011	10,000	–	90	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
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 Baise Co., Ltd. (國藥控股百色有限公司)	PRC, 07 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
Sinopharm Holding Zhongshan Co., Ltd. (國藥控股中山有限公司)	PRC, 06 September 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Tianjin Purchasing & Supplying Station Development Zone Branch (中國醫藥天津採購供應站開發區藥品公司)	PRC, 1 July 1993	9,000	–	100	Distribution of pharmaceutical products and laboratory supplies in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 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 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	8,000	–	70	Distribution of pharmaceutical products and chemical reagents 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 products and chemical reagents in the PRC
Nanjing Guoda 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 in the PRC
Liaoning Guoda 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 in the PRC
Sinopharm Holding Zaozhuang Co., Ltd. (國藥控股棗莊有限公司)	PRC, 17 February 2011	8,000	–	70	Distribution of pharmaceutical 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	7,100	–	100	Investment in logistics and transportations, property rental and provide medical consulting service 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 products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Huizhou Co., Ltd. (國藥控股惠州有限公司)	PRC, 9 May 2004	7,000	–	100	Distribution of pharmaceutical 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
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	6,234	–	100	Distribution of pharmaceutical and healthcare products 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, 09 March 2011	6,150	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
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
Sinopharm Holding Yichang Co., Ltd. (國藥控股宜昌有限公司)	PRC, 24 May 2010	6,000	–	100	Distribution of pharmaceutical 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 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	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Huangshi Co., Ltd. (國藥控股黃石有限公司)	PRC, 26 July 2010	6,000	–	70	Distribution of pharmaceutical 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 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 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 products and chemical reagents in the PRC
Shenzhen Accord Traditional & Herbal Medicine Co., Ltd. (國藥控股深圳藥材有限公司)	PRC, 1 December 2001	6,000	–	100	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 and chemical reagents in the PRC
Sinopharm Holding Henan Guoda 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	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Weihai Co., Ltd. (國藥控股威海有限公司)	PRC, 07 January 2012	6,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Nantong Co., Ltd. (國藥控股南通有限公司)	PRC, 03 January 2012	36,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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, 06 May 2011	5,300	–	90	Distribution of pharmaceutical products and chemical reagents in the PRC
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	5,000	–	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	5,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Xinjiang Kuitun Pharmaceutical Co., Ltd. (國藥控股新疆奎屯藥業有限公司)	PRC, 14 May 1982	5,000	–	100	Distribution of pharmaceutical products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
Xinjiang Chemical Reagent & Glassware Medical Instruments Co., Ltd. (新疆化玻醫療器械有限責任公司)	PRC, 2 April 2004	5,000	–	97	Distribution of pharmaceutical products and chemical reagents in the PRC
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 and healthcare products 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	5,000	–	70	Distribution of pharmaceutical 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
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 products and chemical reagents in the PRC
Sinopharm Holding Yueyang Co., Ltd. (國藥控股嶽陽有限公司)	PRC, 25 August 2010	5,000	–	80	Distribution of pharmaceutical products 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	5,000	–	100	Distribution of pharmaceutical 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 products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Changzhi Co., Ltd. (國藥控股山西長治有限公司)	PRC, 24 December 2010	5,000	–	70	Distribution of pharmaceutical products 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	5,000	–	100	Warehousing services, Sales of imported goods 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, 01 April 2011	5,000	–	60	Distribution of chemical reagents in the PRC
Ourchem Laboratory Systems Engineering (Suzhou) Co., Ltd. (沃凱實驗室系統工程(蘇州)有限公司)	PRC, 07 November 2011	5,000	–	60	Overall planning, design, research and development of the laboratory, production and supporting construction of the laboratory furniture
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 products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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, 07 January 2011	5,000	–	80	Distribution of pharmaceutical 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 products and chemical reagents in the PRC
Sinopharm Holding Yongzhou Co., Ltd. (國藥控股永州有限公司)	PRC, 03 November 2011	5,000	–	80	Distribution of pharmaceutical 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 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 products and chemical reagents in the PRC
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
Shenzhen Jianmin Pharmaceutical Co., Ltd. (國藥控股深圳健民有限公司)	PRC, 8 January 2001	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanxi Tongfeng Pharmacy Logistics Co., Ltd. (山西同豐醫藥物流有限公司)	PRC, 09 March 2011	5,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products 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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Medical Co., Ltd. (國藥樂仁堂河北藥業有限公司)	PRC, 09 March 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chifeng Co., Ltd. (國藥控股赤峰有限公司)	PRC, 22 November 2011	5,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Pu'er 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 Holding Leshan Medical Co., Ltd. (國藥控股樂山醫藥有限公司)	PRC, 05 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, 06 July 2012	5,000	–	60	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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, 04 January 2012	20,000	–	51	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 products 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
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
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
Sinopharm Holding Qingdao Co., Ltd. (國藥控股青島有限公司)	PRC, 18 January 2011	10,000	–	100	Distribution of pharmaceutical products 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	3,300	–	100	Distribution of pharmaceutical products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (長治市國大萬民藥房有限公司)	PRC, 09 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, 09 March 2011	3,010	–	70	Distribution of medical instruments in the PRC
Guangxi Guoda Pharmacy Chainstore Co., Ltd. (廣西國大藥房連鎖有限公司)	PRC, 14 August 2001	3,000	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xinjiang New&Special Medicines Chain Co., Ltd. (新疆新特藥業連鎖有限公司)	PRC, 4 November 2003	3,000	–	90	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xinjiang Medicines Holding West Tianshan Traditional&Herbal Co., Ltd. (新疆藥業集團西天山藥材有限責任公司)	PRC, 10 December 2003	3,000	–	80	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Panzhuhua 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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Ningxia Guyuan Co., Ltd. (國藥控股寧夏固原有限公司)	PRC, 04 September 2012	2,100	–	85	Sales of pharmaceutical products 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, 09 March 2011	2,560	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Prospect Dentech (Beijing) Co., Ltd. (國藥前景口腔科技(北京)有限公司)	PRC, 05 August 2010	5,000	–	51	Sales of medical equipments, Imports and exports of goods and technology, business consultation in the PRC
Sinopharm Holding Xinyu Co., Ltd. (國藥控股新餘有限公司)	PRC, 01 January 1999	22,500	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xinjiang Pharmaceutical Holding Shache Medicines Co., Ltd. (新疆藥業集團莎車醫藥有限責任公司)	PRC, 29 November 2001	2,111	–	69	Distribution of pharmaceutical products in the PRC
Guangzhou Accord Pharmacy Chain Store Co., Ltd. (廣州一致藥店連鎖有限公司)	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	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Ningxia Xihaiyu Co., Ltd. (國藥控股寧夏西海固有限公司)	PRC, 16 March 2011	2,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
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 products and chemical reagents in the PRC
Sinopharm Holding Guangxi Accord 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
Guangxi Accord 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; property rental in the PRC
Sinopharm Holding Lishui Co., Ltd. (國藥控股麗水有限公司)	PRC, 14 March 2011	2,000	–	98	Distribution of pharmaceutical products 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, 09 March 2011	2,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhaoqing Co., Ltd. (國藥控股肇慶有限公司)	PRC, 02 January 2012	2,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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, laboratory supplies medical equipments and chemical reagents 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	1,890	–	100	Distribution of pharmaceutical, healthcare products and laboratory supplies in the PRC
Dalian Guoda-Accord Meiluo Chain Drugstore Co., Ltd. (大連國大一致美羅大藥房連鎖有限公司)	PRC, 12 August 1999	1,740	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products 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, 09 March 2011	1,700	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products 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	1,500	–	100	Distribution of chemical reagents, etc. 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
RMC Marketing Consulting Co., Ltd. (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
Sinopharm Holding Meizhou Co., Ltd. (國藥控股梅州有限公司)	PRC, 30 June 2010	1,200	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
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
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
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 and chemical reagents in the PRC
Shanghai Tongyu Information Technology Co., Ltd. (上海統藥資訊科技有限公司)	PRC, 27 December 2005	1,000	100	–	Information technology development and medicine consulting 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 Accord Pharmaceutical Logistics Co., Ltd. (國藥控股深圳物流有限公司)	PRC, 8 September 2005	1,000	–	100	Provision of 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	wholesale and retail of Office supplies, property management services in the PRC
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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
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
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
Hangzhou Sinopharm Holding Drugstore Co., Ltd. (杭州國控大藥房有限公司)	PRC, 04 July 2012	600	–	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Urumqi Pharmaceutical Building (烏魯木齊醫藥大廈)	PRC, 20 March 1998	500	–	100	Property rental in the PRC
Xinjiang Baitong Property Management Co., Ltd. (新疆百通物業管理有限責任公司)	PRC, 30 May 2006	500	–	100	Property rental in the PRC
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
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	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Zhejiang Intlmecine 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	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 %	
Lanxi Conba Pharmacy Chain Store Co., Ltd. (金華國控大藥房連鎖有限公司)	PRC, 06 May 2011	500	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shanghai Meiluo Guoda Drugstore Co., Ltd. (上海美羅大藥房有限公司)	PRC, 04 February 2008	500	–	100	Sales of pharmaceutical products 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 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
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	Sales of pharmaceutical products in the PRC
Guangdong Accord Pharmaceutical Skill Training Centre. (廣東一致醫藥職業技能培訓中心)	PRC, 8 April 2006	30	–	100	Pharmaceutical skill training in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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 Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd. (國藥控股星鯊製藥(廈門)有限公司)	PRC, 20 December 1998	95,000	60	Medicine and healthcare products manufacture
China National Pharmaceutical Group Xinjiang Co., Ltd. (國藥集團新疆製藥有限公司)	PRC, 1958	90,964	45	Medicine manufacture
Shanghai Beiyi Guoda Traditional & Herbal 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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 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
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 Pharmacy Chain Store 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
Dongshi 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

notes:

- (i) Except for Accord Medicines, 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, and Guangdong Accord Pharmaceutical Skill Training Centre which is a private non-enterprise organisation, 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.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

44 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2012, the Group acquired 5 subsidiaries from third parties and total considerations for these acquisitions amounted to RMB12,714 thousands.

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”), and Sinopharm Industrial Investment Co., Ltd. provided an unconditional and irrevocable guarantee with joint and several liability to the aggregate amount of 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 creditors enjoyed the right of early redemption at the end of the third year subsequent to the issue date, i.e. 13 March 2016. Through a comprehensive assessment, China Chengxin Securities Appraisal Co., Ltd. (中誠信證券評估有限公司) has assigned a first-time AAA issuer rating to the Company, and also assigned AAA rating to the Corporate Bonds. Both the outlook of the Company and the Corporate Bonds are stable. 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.



www.sinopharmgroup.com.cn

SINOPHARM GROUP CO. LTD.

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