



**SINOPHARM GROUP CO. LTD.\***  
**國藥控股股份有限公司**

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

Stock Code : 01099



# Caring for Life

## Attending to Health

**Interim Report 2013**

\* 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."

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 an internationally recognized pharmaceutical and healthcare service provider.

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## Corporate Profile

Sinopharm Group Co. Ltd. (“the Company” or “Sinopharm Group”) and its subsidiaries (“the Group”) is China’s largest distributor and leading supply-chain solution provider for pharmaceutical and healthcare products. The Group has continuously increased its market share and profits in a highly fragmented industry by taking advantage of economies of scale and nationwide distribution network.

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

- **Pharmaceuticals 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, customers and other 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.

China’s pharmaceutical and healthcare industry is poised for rapid growth, concentration and institutional reforms with opportunities. As a leading pharmaceutical distributor in China, the Group is committed to fully leverage on its superior geographical coverage, product portfolio and supply-chain service networks, to further consolidate its market leadership.

# 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

## Auditor

PricewaterhouseCoopers

## Principal Place of Business in Hong Kong

Room 2302, 23rd 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](http://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  
Industrial and Commercial Bank of China Limited  
Shanghai Branch Operating Department  
Bank of China Limited  
Shanghai Yangpu Sub-branch  
Bank of Communications Co., Ltd.  
Beijing Branch Tiantan Sub-branch  
Bank of Communications Co., Ltd.  
Tianjin Branch Binjiang Sub-branch  
Bank of Communications Co., Ltd.  
Guangzhou Branch Operating Department

## Office of Board of Directors

Tel: (+86 21) 2305 2666  
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# Management Discussion and Analysis

## Industry Overview

As Chinese economy and society recently enter a re-alignment and upgrading stage, the healthcare reform continues to evolve in depth, and the market is becoming more and more competitive, the overall growth rate of the pharmaceuticals industry has mildly slowed down compared to a decade ago. Meanwhile, the sector still sustains a strong growth momentum, not only because the national economy continues a robust growth pace in the context of a maturing macro-economic regulatory environment; but also because a deepening, policy-driven urbanization process among a massive aging population will ensure the inelastic demand for healthcare and pharmaceutical products and services.

In the first half of 2013, China's healthcare reform featured further elaboration of three themes, namely "medical insurances", "pharmaceuticals" and "medical services", which exerted noticeable influences on the overall pharmaceutical industry:

- The medical insurance system was further strengthened.

During 2013, the standard medical insurance subsidies for urban residents and government subsidies of new rural cooperative medical system were further increased pursuant to "The Major Arrangements to Further Implement the Healthcare Reform in 2013" as promulgated by General Office of the State Council. At the same time, contributions from individuals in urban and rural areas were increased accordingly. Moreover, the central government also actively promoted the development of protection on critical illnesses as well as the corresponding relief mechanisms. There was also additional legislation to implement critical illness protections for residents in the urban and rural areas on a trial basis. The expansion of coverage in medical insurance also facilitated the stable and sustainable development in the pharmaceutical industry. On the other hand, the government also sought to further improve and standardize the medical insurance system through "control over prescriptions and expenses".

- The Essential Drug System was further improved.

In February 2013, General Office of the State Council promulgated "The Opinions of General Office of the State Council Concerning the Enhancement of the Essential Drug System and Implementation of New Mechanisms at the Low Tier Level", which specifically provided the requirement details on procurement, delivery, payment, operations and regulations of essential drugs. The 2012 edition of "National Essential Drug List" (referred to as EDL), which officially became effective on 1 May 2013, further enhanced the EDL from the aspects of "additional quantities, optimized mix, and standardized drug dosage forms and specifications". The EDL contributed to the development of social and medical benefits towards "lower tier" and "wider coverage" directions, and brought higher expectations towards the operation capability of pharmaceutical distributors at the low tier level.

## Management Discussion and Analysis

- Industry standards were further streamlined and calibrated.

The revised edition of “Good Supply Practices for Pharmaceutical Products” (GSP) officially became effective on 1 June 2013, which required for substantial improvement in the quality on the management of pharmaceutical operations. This had been a challenge to pharmaceutical distribution enterprises, especially to small and mid-sized enterprises (SME) in the industry, resulting in some unqualified SMEs being eliminated. However, those leading pharmaceutical enterprises would have more advantages in the aspect of meeting the requirements of the new GSP. On the other hand, the new “Good Manufacturing Practice for Pharmaceutical Products” (GMP) considerably lifted the threshold in controlling the quality management of pharmaceuticals production that matched the standards at developed countries in Europe and US. The new standards are more stringent and require more investment. In general, the implementation of new GSP and GMP will further raise the entry barrier for the pharmaceutical manufacturing and distribution industry, standardize the operating environments, and promote consolidation within the industry.

- Adjustments in the pricing systems of pharmaceuticals and medical services.

In the first half of 2013, the NDRC continued to implement drug price adjustment for two rounds at a relatively extensive scale. A number of provinces and municipalities began to implement new measures for drug tender. It is expected that these adjustments will exert a certain impact on sales revenue and profitability of the pharmaceutical distribution and production enterprises in the short term. In addition, public hospitals are undergoing further reforms, whilst medical institutions at certain provinces and areas also are implementing reform on consultation fees. In the middle-to-long term, the State will gradually streamline the pricing systems of medical services and pharmaceuticals, which will be beneficial to improve business environment for pharmaceutical enterprises and promoting healthy competition.

China’s pharmaceutical industry stands at a new threshold of development. After ten years of rapid growth, we shall embrace a more complicated policy environment as well as an ever more intense competitive landscape. While the market is still with abundant opportunities, both upstream and downstream players shall be prepared for the difficulties and challenges brought by deep-rooted contradictions and uncertainties down the road.

Nevertheless, we believe that the age of industry restructuring provides also ample opportunities for more innovative and proactive players who will take full advantage of the rising demand for integrated pharmaceuticals services in a nation going through a fundamental modernization drive.

In 2013, China National Pharmaceutical Group Corporation, our ultimate holding company, became the first and only Chinese pharmaceutical enterprise that enters into the Fortune Global 500 enterprises list. The event is testimony to the continuous and fruitful upgrading and expansion efforts of industry players; as well as a catalyst for more profound impacts for the future growth of Sinopharm Group.



# Management Discussion and Analysis

Notwithstanding challenges and difficulties, the management of Sinopharm Group remain optimistic and confident. The Company will commit its long-established market strengths and advantages to developing new growth opportunities brought by the new round of institutional reforms, with a view to consolidate its industry leadership through continuous endeavors at operational and strategic improvements.

## Business Review

In the first half of 2013, despite the complex market environment, the Group continued to expand its operations steadily, proactively pursue development opportunities, enhance business innovations, carry on group-level vertical integration of operations, gradually unleash effects of economies of scale and lead the development of the industry, and therefore achieved a solid and steady growth in its operation results.

- **Pharmaceuticals 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. As at 30 June 2013, the Group had an extensive distribution network formed by 51 distribution centers covering 30 provinces, municipalities and autonomous regions in China through acquisitions and establishments. The Group's direct customers included 10,692 hospitals (only referring to hospitals with ranking and including 1,332 of the class-three hospitals which are the largest and most highly-ranked hospitals), accounting for approximately 77% of all hospitals in China (and approximately 94% of all the class-three hospitals); 83,439 small end-customers (including primary health services institutions); 56,731 retail pharmacies; and 7,064 other customers (such as pharmaceutical distributors).

- **Retail pharmacy segment:**

To support its integrated supply chain, 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 30 June 2013, the number of retail pharmacies was 1,762 (only referring to those owned by Sinopharm Holding Guoda Drug Store Co., Ltd.), among which 1,512 were directly operated by the Group and 250 were operated by franchisees.

- **Other business segment:**

The Group's other businesses include the production of pharmaceuticals, chemical reagents and laboratory supplies.

During the six months ended 30 June 2013 (the "**Reporting Period**"), the Group continued its endeavors to establish a centralized procurement system at both state and provincial levels. The Group recorded a significant increase in the purchase amount during the first half of 2013 as compared with the same period last year. Such system further realized the market value of the integrated operating network, forming an auxiliary differentiated management and service system.



## Management Discussion and Analysis

The Group continued to strengthen the building of the integrated logistics platform. Logistics centers were categorized into different layers, whilst the control being exercised at the headquarter level were enhanced. By capitalizing on early moving advantages of being the first third-party operator for logistics services in pharmaceutical distribution of China, the Group further expanded its business operation on multiple warehouses throughout the country. This laid on a solid foundation for the establishment of a professional cold chain logistics and logistics solution for equipment and devices.

The Group has always been dedicated to becoming an internationally competitive pharmaceutical and health service provider. By actively participating in the communications with the elite companies in the pharmaceutical industry all over the world, the Group engaged broad intentions of cooperation with a number of overseas enterprises. The Group also achieved substantial progresses in providing value-added services for hospitals, supplying, processing and distributing (SPD) of medical supplies, sterile supply at regional level, as well as health care, which were aimed to create more benefits for customers and cooperation ventures for mutual benefits.

### Financial Summary

The financial summary set out below is extracted from the unaudited interim results of the Group for the Reporting Period which were prepared in accordance with the Hong Kong Financial Reporting Standards:

During the Reporting Period, the Group recorded a revenue of RMB80,066.36 million, representing an increase of RMB13,504.06 million or 20.29% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB1,796.17 million, representing an increase of RMB267.13 million or 17.47% as compared with the corresponding period of last year. Profit attributable to equity holders of the Company was RMB1,151.73 million, representing an increase of RMB192.82 million or 20.11% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.46, representing an increase of 15.00% as compared with the corresponding period of last year.

## Management Discussion and Analysis

Unit: RMB million

	Six months ended 30 June 2013	Six months ended 30 June 2012	Change
<b>Operating results:</b>			
Revenue	80,066.36	66,562.30	13,504.06
Earnings before interest and tax	3,084.80	2,634.45	450.35
Profit attributable to equity holders of the Company	1,151.73	958.91	192.82
<b>Profitability</b>			
Gross margin	7.90%	8.19%	decreased by 0.29 percentage point
Operating margin	3.74%	3.87%	decreased by 0.13 percentage point
Net profit margin	2.24%	2.30%	decreased by 0.06 percentage point
Earnings per share – Basic (RMB)	0.46	0.40	0.06
<b>Key operational indicators</b>			
Trade receivables turnover days	98	86	12
Inventory turnover days	34	35	(1)
Trade payables turnover days	93	89	4
Current ratio (multiples)	1.35	1.34	0.01

Unit: RMB million

	30 June 2013	31 December 2012	Change
<b>Asset position</b>			
Total assets	97,387.28	81,127.22	16,260.06
Equity attributable to equity holders of the Company	20,782.61	17,283.75	3,498.86
Gearing ratio	72.19%	71.71%	increased by 0.48 percentage point
Cash and cash equivalents	13,496.08	9,801.50	3,694.58

# Management Discussion and Analysis

## Revenue

During the Reporting Period, the Group recorded a revenue of RMB80,066.36 million, representing an increase of 20.29% as compared with RMB66,562.30 million for the six months ended 30 June 2012. The increase in revenue of the Group was primarily due to the substantial increase in revenue from the Group's pharmaceutical distribution business and retail pharmacy business. The growth of the revenue and the market share of the Group is apparently faster than the overall development of the pharmaceutical market in China, and were higher than the average level in the industry.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB75,853.68 million, representing an increase of 20.95% as compared with RMB62,716.35 million for the six months ended 30 June 2012, which accounted for 94.74% of the total revenue of the Group. The increase was primarily due to the good momentum of growth in the pharmaceutical distribution business and further expansion of the pharmaceutical distribution network of the Group.
- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB2,274.69 million, representing an increase of 17.14% as compared with RMB1,941.82 million for the six months ended 30 June 2012, which accounted for 2.84% of the total revenue of the Group. The increase was primarily due to the retail pharmacy market growth and the network expansion of the Group's retail pharmacies.
- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB1,937.99 million, representing an increase of 1.78% as compared with RMB1,904.13 million for the six months ended 30 June 2012, which accounted for 2.42% of the total revenue of the Group. The growth slowed down, which was primarily attributable to the adjustment of certain product mix made by the Group so as to tackle the adverse effect arising from the policies imposed on the pharmaceutical industry and ensure the profitability of this segment.

## Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB73,742.22 million, representing an increase of 20.67% as compared with RMB61,108.88 million for the six months ended 30 June 2012, which was comparable with the growth of the sales revenue.

## Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group for the Reporting Period increased by 15.97% from RMB5,453.42 million for the six months ended 30 June 2012 to RMB6,324.15 million.

The gross profit margin of the Group for the six months ended 30 June 2013 was 7.90%, whilst the gross profit margin for the same period in 2012 was 8.19%. The fall in gross profit margin was primarily attributable to the impact of the adjustment of drug prices during the first half of 2013 according to the national policies and the market changes.

# Management Discussion and Analysis

## Other Income

During the Reporting Period, other income of the Group was RMB84.40 million, representing a decrease of 20.92% as compared with RMB106.73 million for the six months ended 30 June 2012. The decrease was primarily due to the decrease in subsidies obtained from the central and local governments.

## Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB2,064.66 million, representing an increase of 16.59% as compared with RMB1,770.92 million for the six months ended 30 June 2012. The increase was primarily attributable to the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business.

## General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB1,346.59 million, representing an increase of 11.18% as compared with RMB1,211.23 million for the six months ended 30 June 2012. The increase in general and administrative expenses was primarily attributable to the increase in administrative expenses incurred by the expansion of the Group's network and its business growth.

During the Reporting Period, the proportion of the Group's general and administrative expenses to the total revenue of the Group decreased from 1.82% for the six months ended 30 June 2012 to 1.68%. The decrease reflected the economics of scale achieved by the Group.

## Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB2,997.30 million, representing an increase of 16.26% from RMB2,577.99 million for the six months ended 30 June 2012.

## Other Gains – Net

The other gains of the Group less other losses increased by RMB32.51 million from RMB-9.03 million for the six months ended 30 June 2012 to RMB23.48 million for the Reporting Period. The increase was primarily due to the increase in gains from profit distribution, disposal of land use rights, property, plant and equipment and write-offs of liabilities by the Group.

## Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB776.52 million, representing an increase of RMB157.80 million as compared with RMB618.72 million for the six months ended 30 June 2012. The increase was primarily due to the business growth and change in financing structure of the Group.

# Management Discussion and Analysis

## Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB64.02 million, representing a decrease of 2.24% as compared with RMB65.49 million for the six months ended 30 June 2012.

## Income Tax Expenses

The Group's income tax expenses increased by 5.22% from RMB486.69 million for the six months ended 30 June 2012 to RMB512.11 million for the Reporting Period. The increase was primarily due to the increase in profits of the Group led to an increase in income tax and the preferential taxation policies entitled by certain subsidiaries. The Company's effective income tax rate decreased from 24.14% for the six months ended 30 June 2012 to 22.19% for the six months ended 30 June 2013.

## Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB1,796.17 million, representing an increase of 17.47% from RMB1,529.04 million for the six months ended 30 June 2012.

## Profit Attributable to Equity Holders of the Company

During the Reporting Period, profit or net profit attributable to equity holders of the Company was RMB1,151.73 million, representing an increase of 20.11%, or RMB192.82 million, from RMB958.91 million for the six months ended 30 June 2012. The Group's net profit margin for the Reporting Period and for the corresponding period of 2012 were 1.44% and 1.44%, respectively.

## Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB644.44 million, representing an increase of 13.03% from RMB570.13 million for the six months ended 30 June 2012.

## 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, the facilities of the Company and the business growth and expansion.

# 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 RMB874.15 million, representing an increase of RMB297.42 million from RMB576.73 million for the six months ended 30 June 2012. The increase was primarily attributed to the consolidated efforts devoted by the Group in the collection of accounts receivables and the management and control over payment in the course of its operations, and the deployment of banking products such as factoring by the Group, aiming for the reduction in finance costs.

## ***Net cash used in investing activities***

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,657.33 million, representing an increase of RMB686.45 million as compared with RMB970.88 million for the six months ended 30 June 2012. The increase was primarily attributable to the increase in acquisitions from external parties and other investments.

## ***Net cash generated from/used in financing activities***

During the Reporting Period, the net cash generated from financing activities of the Group was RMB4,517.60 million, whilst the net cash used in financing activities of the Group for the six months ended 30 June 2012 was RMB2,351.96 million. The turnaround was primarily attributable to the issue of the corporate bonds and the increase in equity financing.

## **Capital Structure**

### ***Fiscal resources***

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The proceeds received by the Group from the placing of H shares of the Company amounted to approximately RMB3,200 million in the form of cash denominated in Hong Kong dollars. Through issue of the corporate bonds, the Group obtained approximately RMB4,000 million for the purpose of replenishing working capital, promoting the balance of the long and short term indebtedness mix of the Group and reducing financing costs.

The Group's borrowings are mainly denominated in Renminbi. There are certain loans denominated in US dollars for settlement of payments for import of drugs. The Group's interest-bearing borrowings are determined at fixed rates.

As at 30 June 2013, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong dollars and small amount denominated in US dollars and Euro.

# Management Discussion and Analysis

## ***Indebtedness***

As at 30 June 2013, among the Group's total borrowings, RMB14,448.46 million will be due within one year and RMB7,201.79 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

## ***Gearing ratio***

As at 30 June 2013, the Group's gearing ratio was 72.19% (31 December 2012: 71.71%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 30 June 2013. The increase in gearing ratio was primarily attributable to the issue of the corporate bonds and increase in bank loans.

## **Foreign Exchange Risks**

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

## **Pledge of Assets**

As at 30 June 2013, the Group's certain bank borrowings was secured by land use rights, properties, plant and equipment with book value of RMB268.70 million (unaudited) and trade receivables with book value of RMB1,308.22 million (unaudited).

## **Capital Expenditure**

The Group's capital expenditures are primarily utilized for acquisition of property, plant and equipment, leasing of land, cost of acquiring land use rights, and the acquisition of intangible assets through merger or acquisition activities. The Group's capital expenditures for the Reporting Period amounted to RMB1,026.17 million, whilst the amount for the corresponding period of last year was RMB1,368.60 million.

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 is subject to a variety of uncertain factors, including the future operating results, financial condition and cash flows of the Group, 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

## 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.

## Human Resources

As at 30 June 2013, the Group had a total of 42,634 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.

# Biographies of Directors, Supervisors and Senior Management

## Directors

**Mr. Wei Yulin**, aged 56, executive Director, joined the Group on 16 January 2003. He was the deputy general manager, chief operating officer and managing deputy general manager of the Company from January 2003 to December 2009. Mr. Wei has been an executive Director since 22 December 2008, and has been the president and the secretary of Party Committee since December 2009. Mr. Wei has around 36 years of working experience, over 20 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. He was also a director of China National Medicines Corporation Ltd. from December 2005 to March 2011. Mr. Wei was also the chairman of each of Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Waigaoqiao 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 Logistics Co., Ltd., Sinopharm Holding Henan Co. Ltd., Sinopharm Holding Beijing Huahong Co., Ltd., Beijing Tianxingpuxin Bio-Medicine, Co., Ltd., Sinoexcelsior Investment Incorporation and Sinopharm Lerentang Pharmaceutical Co., Ltd., from May 2006 to January 2009, from July 2006 to June 2010, 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 May 2010, from April 2008 to January 2009, from August 2008 to November 2011, from April 2010 to November 2011, from September 2010 to November 2011 and from April 2011 to June 2013 respectively. In addition, Mr. Wei was also a director of Shenzhen Accord Pharmaceutical Co., Ltd. and China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. from September 2007 to May 2011 and March 2009 to August 2009. Mr. Wei was the chairman of Sinopharm Holding Hong Kong Co. Limited, China National Accord Medicines Corporation Ltd., China National Pharmaceutical Group Chemical Reagent Co., Ltd. and Sinopharm Holding GuoDa Drug Store Co., Ltd. and the vice chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd. since January 2011, October 2011, December 2011, August 2012 and June 2013 respectively. Mr. Wei is also currently a member of the Party Committee of China National Pharmaceutical Group Corporation and a deputy to the Shanghai Municipal Fourteenth People's Congress.

**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. Mr. She 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 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 has been 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, and has been a non-executive director of Winteam Pharmaceutical Group Limited (a company listed on The Stock Exchange of Hong Kong Limited) since February 2013.

## 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 a director of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since October 2007, of which he was 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 was a director of Shanghai Friendship Group Incorporated Co. Ltd. (a company listed on the Shanghai Stock Exchange) from September 2000 to 22 June 2010, has been a director of Henan Lingrui Pharmaceutical Company Ltd. (a company listed on the Shanghai Stock Exchange) since May 2002, 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. Mr. Zhou 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 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 China Institute of Pharmaceutical Industry since October 2010 and was a secretary to the Party Committee of China Institute of Pharmaceutical Industry from October 2010 to October 2012. He is also currently the president of the National Medical Technology Market Profession Association.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Deng Jindong**, aged 48, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. Mr. Deng 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 41, non-executive Director, joined the Company on 8 January 2003, and had served as the chief Supervisor until 31 May 2010. Mr. Chen has served as a non-executive Director since 31 May 2010. He has around 20 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 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 Shanghai 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 of Shanghai Biopharmaceutics Industry Association, the vice chairman of China Pharmaceutical industry Research and Development Association, the vice chairman of China Pharmaceutical Industry Association and the vice-chief commissioner of China Medicinal Biotech Association.

**Mr. Fan Banghan**, aged 60, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director since then. Mr. Fan has around 32 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. (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange) from 2000 to February 2013, of which he was the general manager of the investment department of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from March 2000 to May 2005, the chairman of the business management committee of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from May 2010 to December 2012. He has also been the secretary of party committee and a senior advisor with the president of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since December 2010 and March 2013 respectively. 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Liu Hailiang**, aged 63, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director since then. Mr. Liu has around 43 years of working experience, over 23 years of which is management experience. Mr. Liu obtained an associate education in business administration from Shanghai Construction Institute in September 1986. Mr. Liu was previously the human resources manager of Shanghai RAAS Blood Products Limited (now known as Shanghai RAAS Blood Products Co., Ltd., a company listed on the SME Board of the Shenzhen Stock Exchange) from November 1989 to March 1995. He was the human resources manager of Johnson & Johnson China Ltd. from March 1995 to March 2000. Mr. Liu was an assistant to the general manager and chief human resources supervisor of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from March 2000 to May 2004. He was a supervisor of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from May 2004 to June 2013, of which he was the chairman of the supervisory committee from May 2008 to June 2013. Mr. Liu is a senior advisor with the president of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since June 2013.

**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. Mr. Wang has 45 years of working experience. Mr. Wang 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 worked at the Shanghai Jiaotong University (SJTU) since April 1998, and 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 retired from the Shanghai Jiaotong University since July 2012. He is now the president of Shanghai Management Science Society and the chief editor of a magazine, "Shanghai Management Science". Mr. Wang was an independent director of Shanghai Friendship Group Co., Ltd. (a company listed on the Shanghai Stock Exchange) from 1996 to 2002, an independent director of Shanghai Highly (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange) from 1998 to 2004, 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, an independent director of Shanghai Oriental Pearl Co. Ltd. (a company listed on the Shanghai Stock Exchange) from June 2005 to May 2011, and an independent director of Shenzhen Auto Electric Power Plant Co. Ltd. (a company listed on the Shenzhen Stock Exchange) from March 2007 to April 2013. Mr. Wang has been an independent director of each of 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 June 2008 and August 2010 respectively.

**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.



## Biographies of Directors, Supervisors and Senior Management

**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. Mr. Xie has around 44 years of working experience. Mr. Xie 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), China Everbright Bank Co. Ltd. (a company listed on the Shanghai Stock Exchange) and Winteam Pharmaceutical Group Limited (a company listed on The Stock Exchange of Hong Kong Limited) since April 2008, April 2010, January 2013 and February 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.

**Mr. Zhou Bajun**, aged 64, independent non-executive Director, joined the Group on 19 August 2009, and has been an independent non-executive Director since then. He has over 29 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 a chief of business operations in China and a director at the China research department of SHK Financial Group from November 1990 to November 1998. 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 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, the visiting professor in the School of Business Administration at Hong Kong Baptist University from October 2007 to August 2009, and has served as a standing commissioner of the Hong Kong and Macau Research Center of Shanghai Academy of Social Science since March 2007. Mr. Zhou has also been an independent non-executive director of Winteam Pharmaceutical Group Limited (a company listed on The Stock Exchange of Hong Kong Limited) since February 2013.

## Biographies of Directors, Supervisors and Senior Management

**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 "Top Ten Teachers" of Peking University. Ms. Li has served as an independent director of PICC Health Insurance Company Limited since 2009. Ms. Li currently also serves as the 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.

### Supervisors

**Mr. Yao Fang**, aged 44, the chief Supervisor, has around 21 years of working experience. Mr. Yao obtained a bachelor's degree in economics from Fudan University in July 1989 and a master of business administration degree from The Chinese University of Hong Kong in December 1993. Mr. Yao served as a Credit Administrator in No.1 Credit Department of Shanghai Branch of Bank of Communications from 1989 to 1991, and worked in Shanghai Wanguo Securities Co. Ltd. (currently known as Shenyin & Wanguo Securities Co. Ltd.) from 1993 to 1996, where his final position was assistant general manager of the International Business Department. Mr. Yao worked in Shanghai Shang Shi Assets Operation and Management Co. Ltd., from June 1996 to December 2002 where his final position was general manager. From January 2003 to October 2005, he served as the general manager of Shang Shi Management (Shanghai) Co. Ltd.. From November 2005 to December 2008, he served as managing director of Shanghai Industrial Pharmaceutical Investment Co. Ltd. (stock code: 600607) listed on the Shanghai Stock Exchange. From December 2008 to December 2009, he worked as the chairman of Shanghai Overseas Co. Ltd.. From May 2003 to 31 December 2009, he served as an executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on the Hong Kong Stock Exchange. Mr. Yao served as the executive deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. (stock code:600196) since April 2010 and became the deputy chairman and president of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since 9 June 2010. Mr. Yao 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. Mr. Yao has been the vice chairman of Shanghai Pharmaceutical Profession Association since June 2010. Mr. Yao has served as the Supervisor of the Company since 7 January 2011.



## Biographies of Directors, Supervisors and Senior Management

**Mr. Lian Wanyong**, aged 42, joined the Company on 22 December 2008 as a non-executive Director and has been a Supervisor since 7 January 2011. Mr. Lian 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 Yatsen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian was previously the manager of the operation and audit department of China National Group Corp. of Traditional & Herbal Medicine 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.

**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 2006. Ms. Zhang 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 and general manager of Delong International Strategic Investment Co., Ltd. from December 1999 to December 2002, and general manager of audit department of Youlian Strategic Management Research Center from January 2003 to June 2004. Ms. 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 of the Company and the secretary to the Board. Please refer to the section headed "senior management" for Mr. Ma's biography.

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

# Biographies of Directors, Supervisors and Senior Management

## Senior Management

**Mr. Wei Yulin**, is currently 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 27 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li graduated from the Xinjiang Commerce College (新疆商業學校) with associate degree and a major in finance and accounting in July 1981, and graduated from the economic management discipline of the Urumuqi Branch of Xi’an Military Academy (西安陸軍學院烏魯木齊分院) with associate degree in July 1997. Mr. Li was qualified as a senior economist. Mr. Li was the deputy chief finance officer of Xinjiang New & Special Ethnic Drug Store, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trade Company, deputy general manager and chief accountant of Xinjiang New & Special Ethnic Drug Corporation, and deputy director of the office of the preparatory and leading group of Xinjiang Pharmaceutical Administration Bureau steering the construction of the group entity from July 1985 to July 1996. Mr. Li was the general manager, chairman, secretary to the Party Committee of Xinjiang New & Special Ethnic Drug Corporation, and the director, general manager, vice chairman, chairman and secretary to the Party Committee of Xinjiang Pharmaceutical Group Company from July 1996 to February 2009. He was the chairman, general manager and secretary to the Party Committee of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. from February 2009 to May 2013. Mr. Li was the chairman of China National Medicines Co. Ltd. and Sinopharm Holding Heilongjiang Co. Ltd. from August 2010 to October 2011 and from November 2010 to April 2013 respectively, and was the chairman of Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Jilin Co. Ltd. and Sinopharm Holding Mudanjiang Co. Ltd. from October 2011 to April 2013. Mr. Li is currently the chairman of Sinopharm Holding Tianjin Co. Ltd., Sinopharm Holding Inner Mongolia Co. Ltd., Sinopharm Holding Ningxia Co. Ltd., Sinopharm Holding Shaanxi Co. Ltd., Sinopharm Holding Gansu Co. Ltd., Sinopharm Holding Shanxi Co. Ltd. and Sinopharm Holding Qinghai Co. Ltd., and is also the chairman and secretary to the Party Committee of China National Pharmaceutical Group Shanxi Co. Ltd. and China National Pharmaceutical Group Xinjiang Medicines Co. Ltd.

**Mr. Li Guangfu**, aged 56, was a deputy general manager of the Company from January 2003 to July 2003 and has been a vice president of the Company since September 2010. He has over 38 years of working experience, over 28 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li completed his undergraduate education in Chinese medicine at the College of Chinese Traditional Medicine of Guangzhou University of Chinese Medicine in January 1982 and obtained a master’s degree in business administration from Jinan University in Guangzhou in June 2002. Mr. Li is a deputy chief pharmacist and a practicing public pharmacist. He served as the staff, deputy manager and assistant to the general manager of the pharmacy department in Guangzhou purchase and supply station of China National Pharmaceutical (Group) Corporation from January 1982 to August 1996, the general manager and secretary to the Party Committee of CNPGC Guangzhou Branch from August 1996 to March 2003, the

## Biographies of Directors, Supervisors and Senior Management

general manager of and secretary to the Party Committee of China National Group Corp. of Traditional & Herbal Medicine from July 2003 to September 2010, and the managing vice chairman of China Association of Traditional Chinese Medicine. Mr. Li is currently the executive director of Sinopharm Logistics Co. Ltd. and the chairman of Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Mudanjiang Co. Ltd., Sinopharm Holding Jilin Co. Ltd. and Sinopharm Holding Shenyang Co. Ltd..

**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. Mr. Lu has over 37 years of working experience, over 14 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 School of Management of Maastricht University of the Netherlands in August 2001 and obtained an executive master's degree in business administration in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. Mr. Lu was qualified as a senior economist. Mr. Lu taught at the Second Military Medical University from March 1980 to August 1998, and was previously the general manager of China National Pharmaceutical Group Shanghai Likang Co. Ltd. and Sinopharm Holding Guoda Drug Store Co. Ltd. from August 1998 to June 2008. Mr. Lu was the director of Shenzhen Accord Pharmaceutical Co., Ltd., the chairman of Sinopharm Holding Guoda Drug Store Co. Ltd., the director of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd., the director of Sinopharm Holding Fujian Co. Ltd., the director of Sinopharm Holding Jiangxi Co. Ltd., the chairman of Sinopharm Holding Chongqing Co. Ltd., the director of Sinopharm Holding Changzhou Co. Ltd., chairman of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., and the director of Shenzhen Accord Pharmaceutical Co., Ltd. from September 2007 to December 2008, from July 2008 to November 2011, from March 2009 to August 2009, from January 2010 to November 2011, from March 2010 to November 2011, from August 2010 to November 2011, from December 2010 to January 2013, from December 2010 to June 2013, from March 2011 to October 2011, respectively. Mr. Lu is now a director of Sinopharm Holding Guoda Drug Store Co. Ltd., Sinopharm Holding Sinoexcelsior Investment Incorporation, and Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd. He is also the executive director of Sinopharm Holding Jiangsu Co. Ltd. (formerly known as Sinopharm Nanjing) and the vice chairman of China National Pharmaceutical Group Shanxi Co. Ltd. He is also the chairman of Sinopharm Holding Wuxi Co. Ltd., Sinopharm Holding Yangzhou Co. Ltd. (formerly Sinopharm Jiangsu), 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., and Sinopharm Holding Wenzhou Co. Ltd.

## Biographies of Directors, Supervisors and Senior Management

**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 23 years of working experience, over 18 years of which is management experience in the pharmaceutical and healthcare products industry. 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 an executive master's degree in business administration from Sun Yat-sen University in June 2005. Mr. Shi was qualified as an economist. Mr. Shi was previously the worker at the pharmaceuticals department, manager of Yuexing Company, deputy general manager and manager of Yuexing Company of China National Pharmaceutical Group Guangzhou Co. Ltd. from July 1989 to April 2003. Mr. Shi was the general manager and chairman of Sinopharm Holding Guangzhou Co. Ltd. and the general manager of Shenzhen Accord Medicines Corporation Ltd. from April 2003 to December 2008. Mr. Shi also served as the chairman of Shenzhen Accord Medicines Corporation Ltd., the director of Sinopharm Holding Fujian Co. Ltd., the chairman of Sinopharm Holding Fuzhou Co. Ltd., the chairman of Sinopharm Holding Jiangxi Co. Ltd. and the chairman of Sinopharm Holding A-Think Pharmaceutical Co. Ltd. from January 2009 to October 2011, from January 2009 to August 2012, from December 2009 to August 2012, from March 2010 to June 2013, and from June 2010 to November 2011 respectively. Mr. Shi is also the executive director of Sinopharm Holding Distribution Co. Ltd., and the director of Sinopharm Holding Hong Kong Co. Ltd. and China National Accord Medicines Co. Ltd. He is also the chairman of each of China National Pharmaceutical Group Southwest Medicine Co. Ltd., Sinopharm Holding Hubei Co. Ltd., Sinopharm Holding Hunan Co. Ltd., Sinopharm Holding Yunnan Co. Ltd., Sinopharm Holding Hainan Co. Ltd., Sinopharm Holding Guizhou Co. Ltd. and Sinopharm Holding Chongqing Co. Ltd.

**Mr. Liu Yong**, aged 44, joined the Group on 8 January 2003, and has been a vice president of the Company since 9 January 2009. He has over 20 years of working experience, over 17 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises, from China Pharmaceutical University in July 1992 and a master's degree in business administration from Fudan University in January 2000. Mr. Liu is a practicing pharmacist. Mr. Liu was employed at Shanghai Pharmaceutical station from July 1992 to July 1999. He was the deputy general manager at the marketing department of China National Pharmaceutical Group Shanghai Corporation and the deputy general manager of Shanghai Guoda Drug Chain Store Co. Ltd. from July 1999 to April 2003. Mr. Liu served as the general manager of Sinopharm Holding Shenyang Co. Ltd., the chairman of Sinopharm Holding Shenyang Co. Ltd. and the chairman of China National Pharmaceutical Group Chemical Reagent Co. Ltd. from April 2003 to December 2008, from January 2009 to November 2011 and from February 2009 to March 2010 respectively. He was also the executive director of Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd., the chairman of Sinopharm Holding Henan Co. Ltd. and the chairman of China National Pharmaceutical Group Shanghai Likang Co. Ltd. from February 2009 to October 2010. Mr. Liu also served as the director of China National Medicines Co. Ltd., the chairman of Sinopharm Holding Anhui Co. Ltd., the chairman of Sinopharm Holding Shandong Co. Ltd., the chairman of Sinopharm Holding Jilin Co. Ltd., the executive director of Sinopharm Logistics Co. Ltd., the director of Sinopharm Holding Henan Co. Ltd. and the director of China National Pharmaceutical Group Shanxi Co. Ltd. from May 2009 to October 2011, from May 2009 to November 2011, from October 2009 to June 2010, from May 2010 to November 2011, from May 2010 to October 2010, from October 2010 to October 2011, and from September 2011 to March 2012 respectively. Mr. Liu is also the chairman of each of Sinopharm Holding Tianxingpuxin BioMed 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Cai Zhongxi**, aged 48, has been a vice president of the Company since May 2010. He has over 23 years of working experience, over 21 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Cai graduated from the military medical discipline of the Second Military Medical University in July 1989 and received a bachelor degree. He obtained a master's degree in business administration from the School of Management of Maastricht University of the Netherlands in August 2000 and a doctorate degree in business administration from the Southwestern Polytechnic University of the United States in September 2002. Mr. Cai is a deputy chief pharmacist. Mr. Cai was a doctor of 302 Military Hospital of China, the manager for eastern China at the distribution and trading department of Shenzhen Southern Pharmaceuticals (999), the operations director of Zhejiang Asia-Pacific Pharmaceutical Plant, and the marketing manager of APC Hong Kong from August 1989 to July 1995. He was also the marketing officer, assistant to manager, deputy manager and manager of new and special drug department and manager of pharmaceuticals department, assistant to general manager, deputy general manager, managing deputy general manager and general manager at China National Pharmaceutical Group Shanghai Co. Ltd. from August 1995 to January 2005. He also served as general manager of the sales and marketing department (hospital) at Sinopharm Group Co., Ltd., the chairman of Shanghai Yijia Medical Device Co., Ltd., and the chairman and general manager of Shanghai Shengtai Medical Technologies Co., Ltd. from February 2005 to November 2011. Mr. Cai was the director of Sinopharm Holding Sinoexcelsior Investment Incorporation, the chairman of Shanghai Bionuo Industrial Co., Ltd. and the director of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd. from September 2010 to November 2011, from October 2010 to November 2011, from December 2010 to June 2013 respectively. Mr. Cai is also the director of Sinopharm Holding Beijing Tianxingpuxin BioMed Co. Ltd., and the executive director of each of Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd. and Shanghai Merro Pharmaceutical Co., Ltd.. He is also the chairman of each of China National Pharmaceutical Group Shanghai Likang Co. Ltd., Sinopharm Holding Medical Instruments Co. Ltd., Sinopharm Holding Sinoexcelsior Investment Incorporation, Sinopharm Medicine Holding Beijing Huahong Co. Ltd., Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., Shanghai Donghong Medicine Co., Ltd. and Sinopharm Lingshang Hospital Management Services (Shanghai) Co., Ltd.

**Mr. Jiang Xiuchang**, aged 49, joined the Company in May 2010 as the chief financial officer, and has been the vice president of the Company since July 2013. He has over 26 years of working experience, over 15 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986 and graduated from class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at China National Pharmaceutical Corporation from July 1986 to March 2002, and was the deputy head of the department of information, reform office, finance department and deputy management of the department of pharmacy. He was deputy head, head and chief financial officer of the finance department of China National Medicines Co. Ltd. from March 2002 to May 2010, and was the director of China National Pharmaceutical Group Shanxi Co. Ltd. from April 2011 to September 2011. Mr. Jiang is currently also the chairman of Sinopharm Holding Jiangxi Co. Ltd. and the director of each 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. He is also the supervisor of Sinopharm Holding Guoda Drug Store Co. Ltd., Sinopharm Holding Sinoexcelsior Investment Incorporation, Sinopharm Holding Distribution Co. Ltd. and Sinopharm Holding Beijing Co. Ltd.



## Biographies of Directors, Supervisors and Senior Management

**Mr. Ma Wanjun**, aged 44, joined the Company in May 2003, and has been the vice president of the Company since September 2010. He has also been the secretary to the Board and one of the joint company secretaries since 22 March 2012. Mr. Ma has over 22 years of working experience, over 15 years of which is management experience in the pharmaceutical and healthcare products industry. He obtained a bachelor degree of science majoring in chemistry from Nankai University in July 1991 and an executive master's degree in business administration from China Europe International Business School in September 2006. He is also a chief pharmacist. Mr. Ma was a staff and manager in purchase and supply station in Tianjin of China National Pharmaceutical (Group) Corporation from July 1991 to November 1999, and deputy general manager and standing deputy general manager of China National Pharmaceutical (Group) Tianjin Corporation from December 1999 to May 2003. He was the deputy general manager of pharmaceutical business department of Sinopharm Group Co. Ltd, the general manager of Sinopharm Holding Tianjin Co. Ltd., the general manager of Shanghai Sinopharm Waigaoqiao Pharmaceutical Co., Ltd. and the deputy general manager of the operation centre of Sinopharm Group Co. Ltd. from May 2003 to September 2010. Mr. Ma was the director of Sinopharm Holding Shenyang Co. Ltd., the director of Wenzhou Bio-medical Device Supplies Co. Ltd., the chairman of Sinopharm Holding Henan Co. Ltd., the director of China National Pharmaceutical Group Shanxi Co. Ltd. and the chief legal advisor of Sinopharm Group Co. Ltd. from January 2010 to November 2011, from July 2010 to November 2011, from October 2010 to February 2013, from April 2011 to September 2011, from May 2011 to October 2012 respectively. He was also the director of Sinopharm Holding Suzhou Co. Ltd. and the chairman of Sinopharm Holding Jiangsu Co. Ltd. from May 2010 to November 2011. Mr. Ma was the director of each of Sinopharm Holding Changzhou Co. Ltd. and Shanghai Bionuo Industrial Co., Ltd. from December 2010 to November 2011. Mr. Ma is currently also the executive director of China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd., China National Medicines Corporation Ltd., Sinopharm Holding Sinoexcelsior Investment Incorporation, Sinopharm Holding Henan Co. Ltd. and Shanghai Tongyu Information Technology Co., Ltd. He is also the chairman of Guangdong Oriental New & Special Medicines Co. Ltd., Sinopharm Nutraceuticals (Shanghai) Co. Ltd., Sinopharm Holding Health Development (Shanghai) Co., Ltd., Sinopharm Holding Fujian Co., Ltd. and Sinopharm Holding Fuzhou Co., Ltd.

**Mr. Xu Shuangjun**, aged 44, has been the non-executive vice president of the Company since March 2011. He has over 28 years of working experience, over 20 years of which is management experience in the pharmaceutical and healthcare products industry. He graduated from the School of Pharmacy of the Second Military Medical University in Shanghai and obtained a bachelor's degree in medicine in 2001. He further obtained a master's degree in business administration from the Macau University of Science and Technology in 2006 and has the qualifications of practicing pharmacist and chief pharmacist. Mr. Xu was employed at Shijiazhuang Lerentang from October 1987 to March 1999. He was a manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co. Ltd. (石家莊市醫藥藥材股份有限公司) from March 1999 to August 2004, and was the chairman and general manager of Hebei Zhongrui Medicines Co. Ltd. (河北中瑞醫藥有限公司), the general manager and secretary to the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co. Ltd. (石家莊樂仁堂醫藥股份有限公司), and the chairman and general manager of and secretary to the Party Committee of Lerentang Pharmaceutical Group Co. Ltd. from August 2004 to May 2011. Mr. Xu was the vice chairman and general manager of and secretary to the Party Committee of Sinopharm Lerentang Pharmaceutical Co., Ltd. from May 2011 to June 2013, and has been its chairman since June 2013.

## Other Information

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

As at 30 June 2013, none of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

As at 30 June 2013, as known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors and the chief executive) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	Long position/short position/shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 (Note 2)	0.11	0.17	–
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 2)	61.19	99.83	–
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Note 1 and 2)	61.19	99.83	–
Qishen Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 3)	61.19	99.83	–
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 4)	61.19	99.83	–



## Other Information

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	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)	61.19	99.83	–
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 6)	61.19	99.83	–
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 7)	61.19	99.83	–
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	61.19	99.83	–
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 9)	61.19	99.83	–
Capital Research and Management Company	H shares	Investment manager	42,110,000	1.64	4.24	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 10)	78,520,030	3.06	7.90	Long position
			8,000	0.0003	0.0008	Short position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.58	4.09	Long position

## Other Information

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	Long position/short position/shares available for lending
JPMorgan Chase & Co.	H shares	Beneficial owner,	75,505,532	2.94	7.60	Long position
		Investment manager,	4,284,322	0.17	0.43	Short position
		Custodian corporation/ approved lending agent (Note 11)	58,362,789	2.27	5.87	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	66,286,800	2.58	6.67	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	90,124,800	3.51	9.07	Long position
OppenheimerFunds, Inc.	H shares	Investment manager	100,503,000	3.91	10.11	Long position

### Notes:

The information in relation to the interests and short positions held by the substantial shareholders of H shares of the Company as set out above was disclosed based on the data available on the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), while the respective percentage of the total issued share capital and total issued H shares of the Company was calculated by the number of the aforesaid interests or short positions divided by the enlarged total issued share capital and total issued H shares upon completion of the H share placing of the Company in April 2013, respectively.

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is directly interested in 2,728,396 domestic shares and indirectly interested in 1,571,555,953 domestic shares through Sinopharm Investment (as CNPGC owns a 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO).
- (3) Qishen Company is the beneficial owner of the 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.

## Other Information

- (4) Fosun Pharma is the beneficial owner of 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 the 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.
- (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 the 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 the 58% equity interest in Fosun International Holdings and the 0.006% equity interest in Fosun Pharma and, therefore, Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (10) BlackRock, Inc. is indirectly interested in the long positions of 78,520,030 H shares and the short positions of 8,000 H shares of the Company through a series of controlled corporations.
- (11) JPMorgan Chase & Co. is indirectly interested in the long positions of 75,505,532 H shares of the Company (including shares available for lending of 58,362,789 H shares) and the short positions of 4,284,322 H shares of the Company through a series of controlled corporations.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2013, no other person (other than the Directors, Supervisors and the chief executive) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Other Information

### Dividends

Pursuant to the relevant resolution passed at the 2012 annual general meeting of the Company convened on 5 June 2013, the Company has paid the final dividend for the year ended 31 December 2012 to the shareholders on 12 July 2013, totalling approximately RMB642,073,372.

The board of directors of the Company (the **"Board"**) does not recommend the distribution of an interim dividend for the six months ended 30 June 2013.

### Significant Subsequent Events

China National Accord Medicines Corporation Ltd. (**"Sinopharm Accord"**), a subsidiary of the Company, is listed on the Shenzhen Stock Exchange in Mainland China. According to the relevant resolution passed at a meeting of the Board held on 19 July 2013, the Company entered into a share subscription agreement with Sinopharm Accord, pursuant to which the Company agreed to subscribe for 74,482,543 new A shares to be issued by Sinopharm Accord through non-public issuance at a consideration of RMB1,941,759,896.01 (the subscription price is RMB26.07 per new A share). As at the date of this announcement, such transaction is still subject to the approval of the general meeting of Sinopharm Accord, as well as the approval of China Securities Regulatory Commission.

### Audit Committee

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Xie Rong (Chairman), Mr. Wang Fanghua and Mr. Zhou Bajun, and two non-executive Directors, namely Mr. Deng Jindong and Mr. Fan Banghan. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2013 and agreed on the accounting treatment adopted by the Company.

### Compliance with the Corporate Governance Code Set out in Appendix 14 to the Listing Rules

The Company has adopted all the code provisions contained in the Corporate Governance Code (the **"Code"**) as set out in Appendix 14 to the Listing Rules as the Company's code on corporate governance. During the Reporting Period, the Company had complied with the code provisions set out in the Code.

### Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as the code of conduct of the Company regarding the transactions of the listed securities of the Company by the Directors and Supervisors. Having made specific enquiry of all the Directors and Supervisors, all of them confirmed that they had complied with the required standard regarding securities transactions by the Directors and Supervisors as set out in the Model Code during the Reporting Period.

### Disclosure of Information

This report will be despatched to the shareholders of the Company and published on the websites of the Company (<http://www.sinopharmgroup.com.cn>) and the Stock Exchange (<http://www.hkexnews.hk>).

# Report on Review of Interim Financial Information



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SINOPHARM GROUP CO. LTD.

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

### Introduction

We have reviewed the interim financial information set out on pages 35 to 72, which comprises the interim condensed consolidated balance sheet of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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# Report on Review of Interim Financial Information

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 23 August 2013

# Condensed Consolidated Interim Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2013 (Unaudited)	2012 (Unaudited, as restated)
Revenue	7	80,066,362	66,562,297
Cost of sales	10	(73,742,215)	(61,108,881)
<b>Gross profit</b>		<b>6,324,147</b>	5,453,416
Other income	8	84,401	106,726
Distribution and selling expenses	10	(2,064,657)	(1,770,915)
General and administrative expenses	10	(1,346,594)	(1,211,233)
<b>Operating profit</b>		<b>2,997,297</b>	2,577,994
Other gains/(losses) – net	9	23,483	(9,033)
Finance income		71,003	55,453
Finance costs		(847,527)	(674,175)
Finance costs – net	12	(776,524)	(618,722)
Share of results of associates		64,022	65,486
<b>Profit before income tax</b>		<b>2,308,278</b>	2,015,725
Income tax expense	13	(512,113)	(486,690)
<b>Profit for the period</b>		<b>1,796,165</b>	1,529,035
<b>Attributable to:</b>			
– Shareholders of the Company		1,151,729	958,910
– Non-controlling interests		644,436	570,125
		<b>1,796,165</b>	1,529,035
<b>Earnings per share for profit attributable to the shareholders of the Company during the period</b> (expressed in RMB per share)			
– Basic and fully diluted	14	0.46	0.40
<b>Dividends</b>	15	<b>642,073</b>	456,499

The accompanying notes form an integral part of this condensed consolidated interim financial information.



# Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited, as restated)
<b>Profit for the period</b>	<b>1,796,165</b>	1,529,035
<b>Other comprehensive income:</b>		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post-employment benefit obligations	<b>(5,932)</b>	(1,015)
<i>Items that may be reclassified to profit or loss</i>		
Fair value gains on available-for-sale financial assets, net of tax	<b>748</b>	3,574
Currency translation differences	<b>(1,251)</b>	293
Total items that may be reclassified subsequently to profit or loss	<b>(503)</b>	3,867
<b>Other comprehensive income for the period, net of tax</b>	<b>(6,435)</b>	2,852
<b>Total comprehensive income for the period</b>	<b>1,789,730</b>	1,531,887
<b>Total comprehensive income for the period attributable to:</b>		
– Shareholders of the Company	<b>1,147,061</b>	961,014
– Non-controlling interests	<b>642,669</b>	570,873
	<b>1,789,730</b>	1,531,887

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2013  (Unaudited)	As at 31 December 2012  (Audited, as restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	16	1,234,584	1,017,029
Investment properties	16	165,809	175,588
Property, plant and equipment	16	5,840,487	5,412,037
Intangible assets	16	5,591,944	5,550,612
Investments in associates	17	528,680	689,324
Available-for-sale financial assets		268,907	205,408
Deferred income tax assets		373,190	339,713
Other non-current assets		870,290	471,772
<b>Total non-current assets</b>		<b>14,873,891</b>	13,861,483
<b>Current assets</b>			
Inventories		14,447,822	13,864,730
Trade receivables	18	48,058,024	38,187,200
Prepayments and other receivables		4,081,158	3,803,354
Available-for-sale financial assets		1,559	1,559
Pledged bank deposits		2,428,748	1,607,395
Cash and cash equivalents		13,496,082	9,801,502
<b>Total current assets</b>		<b>82,513,393</b>	67,265,740
<b>Total assets</b>		<b>97,387,284</b>	81,127,223
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Share capital	19	2,568,293	2,402,625
Reserves		18,214,320	14,881,120
		<b>20,782,613</b>	17,283,745
<b>Non-controlling interests</b>		<b>6,299,856</b>	5,664,910
<b>Total equity</b>		<b>27,082,469</b>	22,948,655

# Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2013  (Unaudited)	As at 31 December 2012  (Audited, as restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	7,201,789	5,191,580
Deferred income tax liabilities		610,580	591,899
Post-employment benefit obligations benefits and	21	449,550	449,933
Other non-current liabilities	22	825,949	790,026
<b>Total non-current liabilities</b>		<b>9,087,868</b>	7,023,438
<b>Current liabilities</b>			
Trade payables	23	41,237,425	35,255,162
Accruals and other payables		4,383,212	4,598,411
Dividends payable		825,315	15,655
Current income tax liabilities		322,533	337,699
Borrowings	20	14,448,462	10,948,203
<b>Total current liabilities</b>		<b>61,216,947</b>	51,155,130
<b>Total liabilities</b>		<b>70,304,815</b>	58,178,568
<b>Total equity and liabilities</b>		<b>97,387,284</b>	81,127,223
<b>Net current assets</b>		<b>21,296,446</b>	16,110,610
<b>Total assets less current liabilities</b>		<b>36,170,337</b>	29,972,093

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Wei Yulin**  
Director

**Xie Rong**  
Director

# Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited					
		Attributable to shareholders of the Company				Non-controlling interests	Total equity
Note	Share capital	Other reserves	Retained earnings	Total			
	<b>As at 1 January 2013 (restated)</b>	<b>2,402,625</b>	<b>11,074,307</b>	<b>3,806,813</b>	<b>17,283,745</b>	<b>5,664,910</b>	<b>22,948,655</b>
	Total comprehensive income	-	(4,668)	1,151,729	1,147,061	642,669	1,789,730
	Issue shares, net of expenses	19	165,668	3,060,505	-	3,226,173	-
	Effects of transaction with non-controlling interests	24	-	(3,593)	(10,512)	(14,105)	5
	Revaluation gain of subsidiaries in conversion of corporate institution		-	368	-	368	92
	Capital injection from non-controlling shareholders of subsidiaries		-	-	-	223,770	223,770
	Acquisition of subsidiaries		-	-	-	98,792	98,792
	Other changes in shareholding of non-controlling interests of subsidiaries		-	-	-	(10,327)	(10,327)
	Effect of business combination under common control	25	-	(219,600)	-	(219,600)	-
	Dividends		-	-	(642,073)	(642,073)	(320,282)
	Others		-	1,044	-	1,044	227
	<b>As at 30 June 2013</b>	<b>2,568,293</b>	<b>13,908,363</b>	<b>4,305,957</b>	<b>20,782,613</b>	<b>6,299,856</b>	<b>27,082,469</b>

		Unaudited, as restated					
		Attributable to shareholders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total			
	<b>As at 1 January 2012 (restated)</b>	<b>2,402,625</b>	<b>10,782,917</b>	<b>2,488,202</b>	<b>15,673,744</b>	<b>4,714,237</b>	<b>20,387,981</b>
	Total comprehensive income	-	2,104	958,910	961,014	570,873	1,531,887
	Effects of transaction with non-controlling interests	-	24,356	(14,212)	10,144	(2,754)	7,390
	Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	89,786	89,786
	Acquisition of subsidiaries	-	-	-	-	150,710	150,710
	Other changes in shareholding of non-controlling interests of subsidiaries	-	-	-	-	(26,173)	(26,173)
	Dividends	-	-	(456,499)	(456,499)	(157,297)	(613,796)
	Others	-	(229)	-	(229)	471	242
	<b>As at 30 June 2012</b>	<b>2,402,625</b>	<b>10,809,148</b>	<b>2,976,401</b>	<b>16,188,174</b>	<b>5,339,853</b>	<b>21,528,027</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Interim Statement of Cash Flow

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited, as restated)
<b>Cash flows from operating activities – net</b>	<b>874,148</b>	576,733
<b>Cash flows from investing activities – net</b>	<b>(1,657,334)</b>	(970,878)
<b>Cash flows from financing activities – net</b>	<b>4,517,598</b>	(2,351,961)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,734,412</b>	(2,746,106)
Cash and cash equivalents at beginning of period	<b>9,801,502</b>	13,140,820
Exchange losses	<b>(39,832)</b>	–
<b>Cash and cash equivalents at end of period</b>	<b>13,496,082</b>	10,394,714

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

(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 contributed capital and reserves as at 30 September 2007 at the ratio of 1: 0.8699 into share capital of 1,637,037,451 shares with par value of RMB1 per share. 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 parent company of the Company is Sinopharm Industrial Investment Co., Ltd.. The ultimate holding company of the Company is China National Pharmaceutical Group Corporation (“**CNPGC**”).

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) thousands, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 23 August 2013.

This condensed consolidated interim financial information has not been audited.

### Key events

In April 2013, the Company issued additional 165,668,190 H shares at HK\$24.60 per share, raising a net proceeds of HK\$4,004,187 thousands (equivalent to RMB3,226,173 thousands). Further details are given in Note 19.

In March 2013, the Company issued 40,000,000 corporate bonds at a total par value of RMB4,000,000 thousands in the PRC. Further details are given in Note 20.

In June 2013, the Group acquired 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. from Sinopharm Industrial Investment Co., Ltd. The condensed consolidated interim financial information incorporate the financial statements of this entity in which the common control combination occurs as if it had been combined from the date when it first came under the control of Sinopharm Industrial Investment Co., Ltd. As a result, comparatives have been restated accordingly. Further details are given in Note 25(a).

During the six month period ended 30 June 2013, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB122,981 thousands. Further details are given in Note 25 (b).



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

### (i) Business combination under common control

In June 2013, the Group acquired 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. The transaction has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by HKICPA. The condensed consolidated financial information for the six months period ended 30 June 2013 have been restated to incorporate the financial statements of the entity and business in which the common control combination occurs as if it had been combined from the date when they first came under control of Sinopharm Industrial Investment Co., Ltd.

## 3 Accounting policies

- (i) Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.
- HKFRS 10, 'Consolidated financial statements'. Under IFRS/HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group assessed that adoption of HKFRS 10 will not result in any changes in the consolidation status of its subsidiaries.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 3 Accounting policies (continued)

(ii) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. 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.

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

## 4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

## 5 Financial risk management

### (i) 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 interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 5 Financial risk management (continued)

### (ii) Liquidity risk

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 below are the contractual undiscounted cash flows. Balances due within 12 months are their carrying amounts, 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
<b>As at 30 June 2013 (Unaudited)</b>					
Borrowings (Note 20)	14,448,462	3,011,282	4,190,507	-	21,650,251
Interests payments on borrowings (Note)	672,651	220,281	553,852	-	1,446,784
Trade and other payables	45,237,353	-	-	-	45,237,353
	<b>60,358,466</b>	<b>3,231,563</b>	<b>4,744,359</b>	<b>-</b>	<b>68,334,388</b>
<b>As at 31 December 2012 (Audited, as restated)</b>					
Borrowings (Note 20)	10,948,203	5,079,149	112,431	-	16,139,783
Interests payments on borrowings (Note)	496,801	153,118	22,882	-	672,801
Trade and other payables	39,509,355	-	-	-	39,509,355
	<b>50,954,359</b>	<b>5,232,267</b>	<b>135,313</b>	<b>-</b>	<b>56,321,939</b>

Note: Interest is based on borrowings as at 30 June 2013 and 31 December 2012 and the interest rate as at 30 June 2013 and 31 December 2012.

### (iii) 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 Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 5 Financial risk management (continued)

### (iii) Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013 and 31 December 2012.

	Level 1	Level 2	Level 3	Total
At 30 June 2013 (Unaudited)				
Available-for-sale financial assets	30,275	4,570	–	34,845
At 31 December 2012 (Audited)				
Available-for-sale financial assets	29,277	4,570	–	33,847

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

### (iv) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the non-current borrowings are as follows:

	Carrying Amount		Fair Value	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Borrowings from banks (Note 20)	237,245	216,419	238,044	216,536
Bond (Note 20)	6,964,544	4,975,161	6,917,658	4,903,643

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Other non-current asset-long term deposits
- Trade receivables
- Other receivables
- Restricted bank deposits
- Cash and cash equivalents
- Current borrowings
- Trade payables
- Accruals and other payables

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 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:

- (1) Pharmaceutical distribution – distribution of medicine, medical device and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;
- (2) Retail pharmacy – operation of pharmaceutical chain stores; and
- (3) Other business operations – distribution of laboratory supplies, manufacturing and distribution of chemical reagents, production and sale of pharmaceutical products.

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.

During the six-month period ended 30 June 2012, certain pharmaceutical distribution operations that were closely related to retail pharmacy operations were managed and reported under the pharmaceutical distribution segment. In line with the internal operating reports, these operations were then subsequently managed and reported under the retail pharmacy segment in 2012. Certain comparative figures have been reclassified to conform with the current period's presentation.

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 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 condensed consolidated income statement.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

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

### (i) For the six months period ended 30 June 2013 and 2012

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
<b>Six months ended 30 June 2013 (Unaudited)</b>					
<b>Segment results</b>					
External segment revenue	75,853,682	2,274,685	1,937,995	-	80,066,362
Inter-segment revenue	441,102	-	122,508	(563,610)	-
Revenue	76,294,784	2,274,685	2,060,503	(563,610)	80,066,362
Operating profit	2,692,639	91,302	215,775	(2,419)	2,997,297
Other gains/(losses)	46,547	1,525	(24,589)	-	23,483
Share of results of associates	227	443	63,352	-	64,022
Finance costs – net	2,739,413	93,270	254,538	(2,419)	3,084,802 (776,524)
Profit before income tax					2,308,278
Income tax expense					(512,113)
Profit for the period					1,796,165
<b>Other segment items included in the income statement</b>					
Provision for impairment of trade and other receivables	93,816	790	356		94,962
Provision for impairment of inventories	16,720	63	675		17,458
Amortisation of land use rights	12,326	123	3,357		15,806
Depreciation of property, plant and equipment	163,038	21,240	48,414		232,692
Depreciation of investment properties	-	-	6,641		6,641
Amortisation of intangible assets	70,534	483	2,517		73,534
<b>Capital expenditures</b>	<b>532,404</b>	<b>27,209</b>	<b>466,560</b>		<b>1,026,173</b>



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

### (i) For the six months period ended 30 June 2013 and 2012 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
<b>Six months ended 30 June 2012</b>					
<b>(Unaudited, as restated)</b>					
<b>Segment results</b>					
External segment revenue	62,716,351	1,941,820	1,904,126	–	66,562,297
Inter-segment revenue	482,165	–	108,020	(590,185)	–
<b>Revenue</b>	<b>63,198,516</b>	<b>1,941,820</b>	<b>2,012,146</b>	<b>(590,185)</b>	<b>66,562,297</b>
Operating profit	2,237,099	85,099	259,059	(3,263)	2,577,994
Other gains/(losses)	4,094	608	(13,735)	–	(9,033)
Share of results of associates	3,347	666	61,473	–	65,486
Finance costs – net	2,244,540	86,373	306,797	(3,263)	(618,722)
Profit before income tax					2,015,725
Income tax expense					(486,690)
Profit for the period					1,529,035
<b>Other segment items included in the income statement</b>					
Provision for impairment of trade and other receivables	81,844	177	1,877		83,898
Provision for impairment of inventories	9,215	30	175		9,420
Amortisation of land use rights	10,184	101	1,916		12,201
Depreciation of property, plant and equipment	122,711	26,369	38,209		187,289
Depreciation of investment properties	–	–	5,037		5,037
Amortisation of intangible assets	51,600	754	12,404		64,758
<b>Capital expenditures</b>	<b>1,297,941</b>	<b>25,052</b>	<b>45,608</b>		<b>1,368,601</b>

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

### (ii) As at 30 June 2013 and 31 December 2012

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
<b>As at 30 June 2013 (Unaudited)</b>					
<b>Segment assets and liabilities</b>					
Segment assets	90,862,100	2,493,218	5,701,021	(2,042,245)	97,014,094
Segment assets include:					
Investments in associates	4,470	8,863	515,347	-	528,680
Unallocated assets – Deferred income tax assets					373,190
Total assets					97,387,284
Segment liabilities	45,988,236	1,497,494	2,041,236	(1,482,982)	48,043,984
Unallocated liabilities – Borrowings and deferred income tax liabilities					22,260,831
Total liabilities					70,304,815
<b>As at 31 December 2012 (Audited, as restated)</b>					
<b>Segment assets and liabilities</b>					
Segment assets	75,770,161	1,575,065	5,454,114	(2,011,830)	80,787,510
Segment assets include:					
Investments in associates	3,624	10,533	675,167	-	689,324
Unallocated assets – Deferred income tax assets					339,713
Total assets					81,127,223
Segment liabilities	39,956,787	885,886	1,745,159	(1,140,946)	41,446,886
Unallocated liabilities – Borrowings and deferred income tax liabilities					16,731,682
Total liabilities					58,178,568

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 7 Revenue

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Sales of goods	79,933,011	66,449,670
Rental income	35,955	31,111
Franchise fees and other service fee from medicine chain stores	16,516	13,404
Consulting income	56,428	41,828
Import and export agency income	12,868	19,200
Others	11,584	7,084
	<b>80,066,362</b>	66,562,297

## 8 Other income

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Government grants (Note)	84,401	106,726

Note: Government grants mainly represented subsidy income provided by government authorities to certain subsidiaries.

## 9 Other gains/(losses), net

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Gain on disposal of subsidiaries	–	6,793
Gain on disposal of land use rights and property, plant and equipment	15,715	2,198
Foreign exchange loss – net	(2,540)	(8,292)
Write-back of certain liabilities	11,171	267
Compensation (Note)	(22,040)	(17,600)
Dividend from a subsidiary prior to acquisition	15,878	–
Others – net	5,299	7,601
	<b>23,483</b>	(9,033)

Note: In March 2010, one subsidiary of the Group signed a “Real estate transfer and corporation agreement” with a Real Estate Development Company (the “counterparty”). In June 2012, the subsidiary determined to terminate the agreement due to its long-term development, and made compensation provision amounting to RMB17,600 thousands accordingly. In April 2013, the counterparty did not receive full compensation as scheduled and sued the subsidiary for additional compensation of RMB22,040 thousands. The decision of the court went in the counterparty’s favour at the first instance and the subsidiary made additional compensation provision amounting to RMB22,040 thousands during the period ended 30 June 2013. The subsidiary also has initiated the second instance proceeding.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 10 Expenses by nature

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited, as restated)
Raw materials and trading merchandise consumed	73,732,687	61,128,744
Changes in inventories of finished goods and work in progress	(132,366)	(107,894)
Employee benefit expenses (Note 11)	1,507,608	1,327,212
Provision for impairment of trade receivables	93,177	81,956
Provision for impairment of other receivables	1,785	1,942
Provision for impairment of inventories	17,458	9,420
Operating leases in respect of leasehold land and buildings	222,142	247,957
Depreciation of property, plant and equipment (Note 16)	232,692	187,289
Depreciation of investment properties (Note 16)	6,641	5,037
Amortisation of intangible assets (Note 16)	73,534	64,758
Amortisation of land use rights (Note 16)	15,806	12,201
Auditors' remuneration	10,464	11,440
Consulting and other service fees	30,525	35,482
Transportation expenses	236,647	217,354
Travel expenses	106,607	93,049
Promotion and advertising expenses	486,712	419,331
Utilities	41,619	46,755
Others	469,728	308,996
Total cost of sales, distribution and selling expenses and general and administrative expenses	77,153,466	64,091,029

## 11 Employee benefit expenses

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Salaries, wages and bonuses	1,149,588	1,033,983
Contributions to pension plans (i)	121,415	96,444
Post-employment benefits (Note 21)	11,609	10,593
Housing benefits (ii)	44,450	33,604
Other benefits (iii)	180,546	152,588
	1,507,608	1,327,212

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 11 Employee benefit expenses (continued)

Notes:

- (i) As stipulated by rules and 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 for the 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 payable 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.

## 12 Finance income and costs

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited, as restated)
Interest expense:		
– Borrowings	<b>522,496</b>	434,272
– Discounting of notes receivable	<b>135,962</b>	98,798
– Discounting of accounts receivable	<b>140,215</b>	101,047
Gross interest expense	<b>798,673</b>	634,117
Bank charges	<b>61,565</b>	52,735
Less: capitalised interest expense	<b>(12,711)</b>	(12,677)
Finance costs	<b>847,527</b>	674,175
Finance income:		
– Interest income on deposits in bank or other financial institution	<b>(71,003)</b>	(55,453)
Net finance costs	<b>776,524</b>	618,722

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 13 Income tax expense

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited, as restated)
Current PRC income tax	551,101	508,374
Deferred taxation	(38,988)	(21,684)
	<b>512,113</b>	486,690

During the six months ended June 2013, 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.

## 14 Earnings per share

Basic earnings per share is based on the profit attributable to shareholders of the Company for the reporting period and on the weighted average number of ordinary shares in issue during the reporting period.

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited, as restated)
Profit attributable to shareholders of the Company (RMB'000)	1,151,729	958,910
Weighted average number of ordinary shares in issue ('000)	2,477,679	2,402,625
Basic earnings per share (RMB per share)	0.46	0.40

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



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 15 Dividends

The final dividend for year 2012 of RMB0.25 per share (tax inclusive), amounting to RMB642,073 thousands in total, was approved by the shareholders on 5 June 2013 and was paid on 12 July 2013 to the shareholders whose names appeared on the register of members of the Company on 12 June 2013.

No interim dividend was proposed for the six-month period ended 30 June 2013.

## 16 Land use rights, investment properties, property, plant and equipment and intangible assets

	Land use rights	Investment properties	Property, plant and equipment	Intangible assets
<b>Six months ended 30 June 2013</b>				
<b>(Unaudited)</b>				
Opening net carrying amount as at 1 January 2013	1,017,029	175,588	5,412,037	5,550,612
Additions	166,413	2,729	463,233	37,670
Acquisition of subsidiaries (Note 25)	67,196	–	211,659	77,273
Transfer	–	(4,107)	4,107	–
Disposals	(248)	(1,760)	(17,857)	(77)
Depreciation or amortization (Note 10)	(15,806)	(6,641)	(232,692)	(73,534)
Closing net carrying amount as at 30 June 2013	1,234,584	165,809	5,840,487	5,591,944
<b>Six months ended 30 June 2012</b>				
<b>(Unaudited, as restated)</b>				
Opening net carrying amount as at 1 January 2012	932,511	154,069	4,430,661	4,642,436
Additions	74,499	–	438,630	10,426
Acquisition of subsidiaries	13,891	–	57,951	773,204
Transfer	–	2,634	(2,634)	–
Disposals	(6,051)	(296)	(23,263)	(1,369)
Depreciation or amortization (Note 10)	(12,201)	(5,037)	(187,289)	(64,758)
Closing net carrying amount as at 30 June 2012	1,002,649	151,370	4,714,056	5,359,939

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 17 Investments in associates

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited)
Share of net assets	<b>511,327</b>	604,362
Goodwill	<b>17,353</b>	84,962
	<b>528,680</b>	689,324

	<b>Six months ended 30 June</b>	
	<b>2013 (Unaudited)</b>	2012 (Unaudited)
Beginning of the period	<b>689,324</b>	670,829
Share of post-tax profit	<b>64,022</b>	65,486
Unrealized profit in transaction with associates	<b>6,614</b>	–
Dividends declared by associates attributable to the Group	<b>(69,610)</b>	(50,637)
Reclassified to subsidiaries upon gaining control over invested companies	<b>(161,670)</b>	(29,568)
End of the period	<b>528,680</b>	656,110

## 18 Trade receivables

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited, as restated)
Accounts receivable	<b>44,590,630</b>	35,362,351
Notes receivable	<b>3,923,682</b>	3,194,492
	<b>48,514,312</b>	38,556,843
Less: Provision for impairment	<b>(456,288)</b>	(369,643)
	<b>48,058,024</b>	38,187,200

The fair values of trade receivables approximate their carrying amounts.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 18 Trade receivables (continued)

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

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited, as restated)
Below 3 months	<b>36,770,169</b>	29,546,453
3 to 6 months	<b>8,176,426</b>	5,751,788
6 months to 1 year	<b>3,088,602</b>	3,093,816
1 to 2 years	<b>414,987</b>	118,412
Over 2 years	<b>64,128</b>	46,374
<b>Total</b>	<b>48,514,312</b>	38,556,843

The trade receivables are denominated in RMB.

## 19 Share capital

	<b>Number of shares</b>	<b>Domestic shares with par value of RMB1 per share</b>	<b>H Shares with par value of RMB1 per share</b>	<b>Total</b>
At 1 January 2013	2,402,625	1,574,284	828,341	2,402,625
Issue of shares (i)	165,668	–	165,668	165,668
<b>At 30 June 2013</b>	<b>2,568,293</b>	<b>1,574,284</b>	<b>994,009</b>	<b>2,568,293</b>

Note:

- (i) On 10 April 2013, the Company issued 165,668,190 H shares at HK\$24.60 per share, and raised gross proceeds of HK\$ 4,075,437 thousands (equivalent to RMB3,283,580 thousands). After deduction of the expenses of HK\$ 71,250 thousands (equivalent to RMB57,407 thousands) in relation to the placement, the total net proceeds was HK\$ 4,004,187 thousands (equivalent to RMB3,226,173 thousands), of which RMB165,668 thousands is recorded as share capital and RMB3,060,505 thousands is recorded as share premium.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 20 Borrowings

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited, as restated)
<b>Non-current</b>		
Bank borrowings	<b>237,245</b>	216,419
Bond (i)	<b>6,964,544</b>	4,975,161
	<b>7,201,789</b>	5,191,580
<b>Current</b>		
Bank borrowings	<b>11,706,774</b>	10,187,188
Borrowings from other financial institution (Note 27(ii))	<b>348,000</b>	362,000
Bond (i)	<b>2,393,688</b>	399,015
	<b>14,448,462</b>	10,948,203
<b>Total borrowings</b>	<b>21,650,251</b>	16,139,783

Note:

- (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%.

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 bonds are guaranteed by the Company.

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. 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.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 20 Borrowings (continued)

At respective balance sheet dates, borrowings were repayable as follows:

	Borrowings from banks or other financial institution		Bond	
	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited, as restated)	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Within 1 year	12,054,774	10,549,188	2,393,688	399,015
Between 1 to 2 years	20,766	103,988	2,990,516	4,975,161
Between 2 to 5 years	216,479	112,431	3,974,028	–
Over 5 years	–	–	–	–
	<b>12,292,019</b>	10,765,607	<b>9,358,232</b>	5,374,176

Movements in borrowings are as follows:

### Six months ended as at 30 June 2013 (Unaudited)

Opening balance at 1 January 2013	16,139,783
Additions from acquisition of subsidiaries (Note 25)	24,000
Issue of bond (i)	3,974,028
Other increase in borrowings	16,045,515
Amortised bond issuance expense	10,029
Repayment of borrowings	(14,543,104)
Closing balance as at 30 June 2013	<b>21,650,251</b>

### Six months ended 30 June 2012 (Unaudited)

Opening balance at 1 January 2012	13,849,138
Additions from acquisition of subsidiaries	97,083
Other increase in borrowings	10,466,296
Amortised bond issuance expense	6,854
Repayment of borrowings	(9,967,081)
Closing balance as at 30 June 2012	14,452,290

Interest expense on borrowings and loans for the six months ended 30 June 2013 is approximately RMB522,496 thousands (For the six months ended 30 June 2012 (unaudited); RMB434,272 thousands) (Note 12).

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 21 Post-employment benefit obligations

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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b> <b>(Unaudited)</b>	2012 (Unaudited)
Current service cost	<b>2,234</b>	2,106
Past service cost	<b>577</b>	492
Interest cost	<b>8,798</b>	7,995
Total expenses, included in staff costs	<b>11,609</b>	10,593

The amounts recognized in the consolidated balance sheet are analyzed below:

	<b>As at</b> <b>30 June</b> <b>2013</b> <b>(Unaudited)</b>	As at 31 December 2012 (Audited)
	Present value of funded obligations	<b>13,042</b>
Fair value of plan assets	<b>(16,002)</b>	(10,774)
(Surplus)/deficit of funded plans	<b>(2,960)</b>	1,767
Present value of unfunded post-employment benefit obligations	<b>452,510</b>	448,166
Liability in the balance sheet	<b>449,550</b>	449,933

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 22 Other non-current liabilities

	<b>As at 30 June 2013  (Unaudited)</b>	As at 31 December 2012  (Audited, as restated)
Medical reserve funds (i)		
– general	<b>347,736</b>	350,017
– for 2009 H1N1 vaccines	<b>71,574</b>	71,683
Office relocation funds (ii)	<b>63,800</b>	64,067
Government grants for construction of logistic centers (iii)	<b>38,959</b>	45,872
Government grants for products development	<b>49,973</b>	48,912
Deferred revenue	<b>144,553</b>	127,322
Others	<b>109,354</b>	82,153
	<b>825,949</b>	790,026

- (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 period ended 30 June 2013 (31 December 2012: 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 30 June 2013, 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 30 June 2013, 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 Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 23 Trade payables

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited, as restated)
Accounts payable	<b>31,532,905</b>	26,502,715
Notes payable	<b>9,704,520</b>	8,752,447
	<b>41,237,425</b>	35,255,162

Purchases are made on credit terms ranging from 45 to 210 days. The ageing analysis of trade payables is as follows:

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited, as restated)
Below 3 months	<b>36,523,730</b>	30,325,135
3 to 6 months	<b>3,014,869</b>	1,973,194
6 months to 1 year	<b>1,107,175</b>	2,394,025
1 to 2 years	<b>286,024</b>	344,453
Over 2 years	<b>305,627</b>	218,355
	<b>41,237,425</b>	35,255,162

The Group has accounts payable financing program with certain banks whereby the bank repaid accounts payables on behalf of the Group with an equivalent sum drawn as borrowings. Such draw down of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows. During the six months ended 30 June 2013, accounts payable of RMB2,678,501 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2013, all bank borrowings arising from this program were repaid.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 24 Transactions with non-controlling interests

### Acquisition of additional interest in subsidiaries

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

<b>Subsidiaries</b>	<b>Acquired interests Acquired %</b>	<b>Cash consideration</b>
Sinopharm Holding Chifeng Co., Ltd.	19	12,450
Shanghai Donghong Medical Co., Ltd.	5	11,860
Xinjiang Chemical Reagent & Glassware Medical Instruments Co., Ltd.	2	117
Xinjiang New & Special Medicines Chain Co., Ltd.	10	1,796
Sinopharm Holding Wuzhou Co., Ltd.	0.08	8
		<hr/>
		26,231

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

	<b>Effect on the total equity</b>
Carrying amount of non-controlling interests acquired	12,131
Consideration paid to non-controlling interests	26,231
	<hr/>
Net effect for transactions with non-controlling interests on total equity	14,100

## 25 Business combinations

### (a) Business combinations under common control

In June 2013, the Group acquired a 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. from Sinopharm Industrial Investment Co., Ltd..

The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of the above subsidiary on the consolidated balance sheets.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Business combinations (continued)

### (a) Business combinations under common control (continued)

The consolidated balance sheet as at 31 December 2012:

	The Group, excluding China National Pharmaceutical Group Shanxi Co., Ltd.	China National Pharmaceutical Group Shanxi Co., Ltd.	Adjustments	Consolidated
Investment in China National Pharmaceutical Group Shanxi Co., Ltd.	–	–	–	–
Other assets – Net	22,743,201	205,454	–	22,948,655
Net assets	22,743,201	205,454	–	22,948,655
Share capital	2,402,625	200,000	(200,000)	2,402,625
Share premium	10,826,368	–	–	10,826,368
Statutory reserves	252,040	556	(556)	252,040
Revaluation of available-for-sale financial assets	9,716	–	–	9,716
Other reserves	(213,817)	–	200,000	(13,817)
Retained earnings	3,801,359	4,898	556	3,806,813
Non-controlling interests	5,664,910	–	–	5,664,910
	22,743,201	205,454	–	22,948,655

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Business combinations (continued)

### (a) Business combinations under common control (continued)

The consolidated balance sheet as at 30 June 2013:

	<b>The Group, excluding China National Pharmaceutical Group Shanxi Co., Ltd.</b>	<b>China National Pharmaceutical Group Shanxi Co., Ltd.</b>	<b>Adjustments</b>	<b>Consolidated</b>
Investment in China National Pharmaceutical Group Shanxi Co.,Ltd.	819,600	-	(819,600)	-
Other assets – Net	26,055,995	1,026,474	-	27,082,469
<b>Net assets</b>	<b>26,875,595</b>	<b>1,026,474</b>	<b>(819,600)</b>	<b>27,082,469</b>
Share capital	2,568,293	1,000,000	(1,000,000)	2,568,293
Share premium	13,886,873	-	-	13,886,873
Statutory reserves	252,040	556	(556)	252,040
Revaluation of available-for-sale financial assets	10,464	-	-	10,464
Other reserves	(221,414)	-	(19,600)	(241,014)
Retained earnings	4,279,483	25,918	556	4,305,957
Non-controlling interests	6,099,856	-	200,000	6,299,856
	<b>26,875,595</b>	<b>1,026,474</b>	<b>(819,600)</b>	<b>27,082,469</b>

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Business combinations (continued)

### (b) Business combinations not under common control

Acquisitions during the period comprise:

The Group acquired equity interests in certain subsidiaries from third parties which are mainly engaged in distributions of medicines and pharmaceutical products to extend the market share of the Group, during the period as follows:

<b>Subsidiaries acquired</b>	<b>Acquisition date</b>	<b>Acquired interests</b>
Sinopharm Holding Dezhou Co., Ltd.	January, 2013	70%
Sinopharm Holding Liaocheng Co., Ltd.	January, 2013	70%
Sinopharm Holding Wencheng County Pharmaceutical Co., Ltd	January, 2013	58%
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd.	January, 2013	84%
Wuhu Sanyi Pharmaceutical Co., Ltd.	January, 2013	100%
Shanxi Zhengxiang Real Estate Development Co., Ltd.	June, 2013	100%

In addition, The Group effectively obtained the rights to control Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd. ("Sinopharm Xingsha") in April 2013, a then 60% equity interests owned entity without control. After the obtaining of control rights, Sinopharm Xingsha became a subsidiary of the Group.

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

The effect of the acquisitions during the period is summarised as follow:

Purchase consideration	
– Cash consideration	79,230
– Equity instruments	9,361
– Consideration payable	31,450
– Contingent consideration (Note (i))	2,940
Total purchase consideration	122,981
Fair value of previous stake at the dates of acquisitions	161,670
	284,651

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Business combinations (continued)

### (b) Business combinations not under common control (continued)

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

	Fair values at acquisition date	Acquirees' carrying amounts at acquisition date
Cash and cash equivalents	30,161	30,161
Property, plant and equipment	211,659	150,143
Land use rights	67,196	17,746
Intangible assets		
– sales network	500	–
– trademarks and patent	21,035	205
– software and others	854	854
Deferred income tax assets	7,701	7,701
Inventories	47,408	47,408
Other non-current assets	1,708	1,708
Trade and other receivables	140,536	140,536
Trade and other payables	(142,699)	(142,699)
Deferred income tax liabilities	(33,500)	–
Borrowings	(24,000)	(24,000)
Net assets	328,559	229,763
Non-controlling interest (Note (ii))	(98,792)	
Goodwill	54,884	
Net assets acquired	284,651	
Consideration for acquisitions settled in cash	79,230	
Prepayments for the acquisition in 2012	(45,320)	
Cash consideration paid in six-month period ended 30 June 2013	33,910	
Cash and cash equivalents in subsidiaries acquired	(30,161)	
Cash outflow on acquisition	3,749	

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Business combinations (continued)

### (b) Business combinations not under common control (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 profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB2,940 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB2,940 thousands. As at 30 June 2013, 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, net profit attributable to shareholders of the Company of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2013 are summarized as follows:

	From acquisition date to 30 June 2013 (Unaudited)
Revenue	193,809
Net profit attributable to shareholders of the Company	4,009

(iv) The related acquisition cost is immaterial.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 26 Commitments

### (a) Capital commitments

Capital commitments at balance sheet date are as follows:

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited)
Property, plant and equipment: – contracted but not provided for	<b>302,882</b>	398,555
Acquisition of equity interests – contracted but not provided for	<b>30,300</b>	79,379
	<b>333,182</b>	477,934

### (b) Operating lease commitments

#### (i) The Group is the lessee:

The Group had future minimum lease payments under non-cancellable operating leases of land and buildings as follows:

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited)
Within 1 year	<b>248,131</b>	319,314
Later than 1 year and not later than 5 years	<b>502,211</b>	638,366
Later than 5 years	<b>258,795</b>	141,174
	<b>1,009,137</b>	1,098,854

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 periods.



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 26 Commitments (continued)

### (b) Operating lease commitments (continued)

#### (ii) The Group is the lessor:

The Group leases out certain office premises, plant and equipment under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	<b>As at 30 June 2013 (Unaudited)</b>	As at 31 December 2012 (Audited)
Within 1 year	<b>43,769</b>	28,152
Later than 1 year and not later than 5 years	<b>101,230</b>	98,382
Later than 5 years	<b>15,178</b>	12,336
	<b>160,177</b>	138,870

## 27 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, the ultimate holding company 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 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, borrowings, pledged bank deposits, short-term loan receivable, cash and cash equivalents.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 27 Significant related party transactions (continued)

### (i) Significant transactions with related parties

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited, as restated)
<i>Significant transactions with related parties except for other state-owned enterprises</i>		
CNPGC and subsidiaries of CNPGC		
Sales of goods	286,902	90,599
Purchase of goods	891,452	206,848
Rental	395	96
Interest expenses	18,846	972
Borrowings	318,000	–
Notes receivable discount	486,165	7,681
Associates of the Group		
Sales of goods	128,097	85,028
Purchase of goods	527,842	449,629
Associates of CNPGC		
Sales of goods	32	–
Purchase of goods	420,880	357,003
Other income	–	290
The subsidiaries of entity which has significant influence over the Company		
Sales of goods	63,099	71,538
Purchase of goods	254,388	187,628

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 27 Significant related party transactions (continued)

### (ii) Significant balances with related parties

	<b>30 June 2013</b>	31 December 2012
	<b>(Unaudited)</b>	(Audited, as restated)
<i>Significant balances with related parties except for other state-owned enterprises</i>		
CNPGC and subsidiaries of CNPGC		
Cash in other financial institution	<b>137,447</b>	509,206
Trade receivables	<b>253,802</b>	256,351
Other receivables	<b>2,325</b>	3,603
Prepayments	<b>55,860</b>	95,564
Trade payables	<b>203,075</b>	105,770
Other payables	<b>14,774</b>	5,573
Advance	<b>3,355</b>	7,938
Borrowings	<b>348,000</b>	362,000
Associates of the Group		
Trade receivables	<b>33,631</b>	36,905
Other receivables	<b>300</b>	35
Prepayments	<b>125</b>	2,037
Trade payables	<b>517,919</b>	501,500
Other payables	<b>190</b>	935
Associates of CNPGC		
Trade receivables	<b>12</b>	2,780
Other receivables	<b>18</b>	3,055
Prepayments	<b>2,810</b>	5,092
Trade payables	<b>82,981</b>	202,862
Other payables	<b>–</b>	10
Advance	<b>3</b>	4
The subsidiaries of entity which has significant influence over the Company		
Trade receivables	<b>31,393</b>	20,792
Other receivables	<b>68</b>	83
Prepayments	<b>1,096</b>	3,893
Trade payables	<b>150,124</b>	121,706
Other payables	<b>–</b>	19
Advance	<b>5,720</b>	–

The receivables from related parties were unsecured, non-interest bearing and repayable on demand. The payables to related parties were unsecured and non-interest bearing.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 28 Significant subsequent events

China National Accord Medicines Co., Ltd. ("**Sinopharm Accord**"), a subsidiary of the Company, is listed on the Shenzhen Stock Exchange in Mainland China. According to the relevant resolution passed at a meeting of the Board held on 19 July 2013, the Company entered into a share subscription agreement with Sinopharm Accord, pursuant to which the Company agreed to subscribe for 74,482,543 new A shares to be issued by Sinopharm Accord through non-public issuance at a consideration of RMB1,941,759,896.01 (the subscription price is RMB26.07 per new A share). As at the report date, such transaction is still subject to the approval of the general meeting of Sinopharm Accord, as well as the approval of China Securities Regulatory Commission.