



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

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

Stock Code : 01099

Annual Report **2013**



Caring For

**Life** Health  
Attending To



\* The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name "Sinopharm Group Co. Ltd."

# Company

## Profile

Sinopharm Group Co. Ltd. (the “**Company**” or “**Sinopharm Group**”) and its subsidiaries (the “**Group**”) 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.



## Contents

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

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

2	Corporate Information
4	Financial Highlights
8	Chairman's Statement
12	Shareholding Structure of the Group
13	Management Discussion and Analysis
21	Corporate Governance Report
36	Biographies of Directors, Supervisors and Senior Management
50	Report of the Board of Directors
72	Report of the Supervisory Committee
74	Corporate Social Responsibility
76	Independent Auditor's Report
78	Consolidated Income Statement
79	Consolidated Statement of Comprehensive Income
80	Consolidated Balance Sheet
82	Company Balance Sheet
84	Consolidated Statement of Changes in Equity
85	Consolidated Cash Flow Statement
87	Notes to the Consolidated Financial Statements

## DIRECTORS

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

## AUDIT COMMITTEE

Mr. Xie Rong (*Chairman*)  
Mr. Deng Jindong  
Mr. Li Dongjiu  
Mr. Tao Wuping  
Mr. Zhou Bajun

## REMUNERATION COMMITTEE

Mr. Tao Wuping (*Chairman*)  
Mr. Liu Hailiang  
Mr. Xie Rong

## NOMINATION COMMITTEE

Mr. Wei Yulin (*Chairman*)  
Mr. She Lulin  
Mr. Wang Qunbin  
Mr. Wang Fanghua  
Mr. Xie Rong  
Mr. Tao Wuping  
Ms. Li Ling

## 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

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B2-A, 20th 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  
Bank of Communications Co. Ltd.  
Beijing Branch Tiantan Sub-branch  
Bank of Communications Co. Ltd.  
Guangzhou Branch Operating Department  
China Merchants Bank Co. Ltd.  
Shanghai Branch Nanxi Sub-branch  
Bank of China Limited  
Shanghai Yangpu Sub-branch  
China Minsheng Banking Co. Ltd.  
Shanghai Branch Minhang Sub-branch  
Industrial and Commercial Bank of China  
Shanghai Branch Operating Department

## OFFICE OF BOARD OF DIRECTORS

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

# Financial

## Highlights

	2009-2013						RMB'000
	2009	2009 (restated)	2010	2011	2012	2012 (restated)	2013
<b>Operating results</b>							
Revenue	47,045,853	52,668,164	69,233,669	102,224,807	135,786,836	136,501,660	<b>166,866,146</b>
Gross profit	3,784,568	4,407,340	5,835,870	8,354,697	10,942,598	10,987,624	<b>13,378,516</b>
Operating profit	1,550,279	1,891,964	2,408,815	3,636,216	4,863,347	4,868,904	<b>6,101,920</b>
Earnings before interest and tax	1,788,379	2,140,065	2,670,204	3,945,605	5,285,867	5,291,329	<b>6,280,874</b>
Profit attributable to equity holders of the Company	845,819	967,165	1,208,751	1,560,606	1,973,823	1,979,381	<b>2,250,002</b>
<b>Profitability</b>							
Gross margin	8.05%	8.37%	8.43%	8.17%	8.06%	8.05%	<b>8.02%</b>
Operating margin	3.29%	3.59%	3.48%	3.56%	3.58%	3.57%	<b>3.66%</b>
Net profit margin	1.80%	1.84%	1.75%	2.35%	2.27%	2.26%	<b>2.15%</b>
<b>Asset status</b>							
Total assets	28,275,250	32,545,024	42,014,480	67,627,852	79,847,109	81,127,223	<b>105,453,110</b>
Equity attributable to equity holders of the Company	10,910,856	11,866,879	11,711,138	15,673,849	17,078,291	17,283,745	<b>21,815,546</b>
Total liabilities	15,770,795	18,522,50	27,295,400	47,239,766	57,103,908	58,178,568	<b>76,841,760</b>
Cash and cash equivalents	6,616,801	7,567,839	7,474,698	13,091,012	9,721,992	9,801,502	<b>14,001,962</b>
<b>Gearing ratio</b>	55.78%	56.92%	64.97%	69.85%	71.52%	71.71%	<b>72.87%</b>
<b>Liquidity ratio</b>							
Current ratio (times)	1.71	1.35	1.68	1.40	1.32	1.31	<b>1.27</b>
Inventory turnover ratio (days)	31	32	37	38	38	38	<b>36</b>
Trade receivables turnover ratio (days)	71	69	78	78	86	86	<b>98</b>
Trade payables turnover ratio (days)	89	86	97	90	88	88	<b>91</b>
<b>Data per share (RMB)</b>							
Earnings per share – Basic	0.47	0.53	0.53	0.66	0.82	0.82	<b>0.89</b>
Earnings per share – Fully diluted	0.37	0.43	0.53	0.66	0.82	0.82	<b>0.89</b>

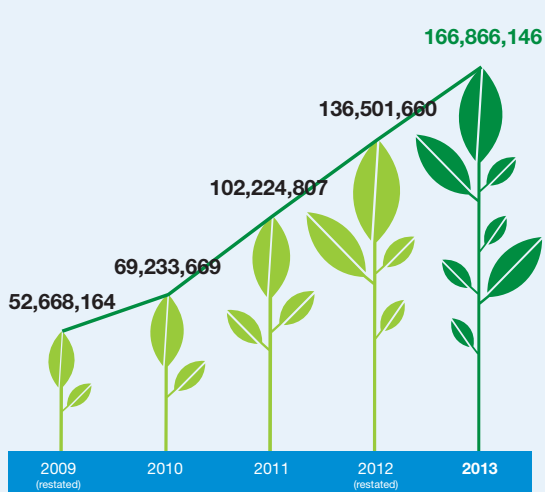
## Financial Highlights

### Revenue

RMB'000

CAGR of 2009–2013

# 33.42%

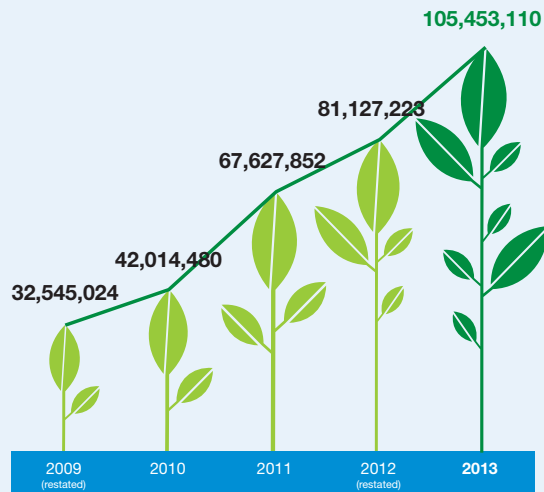


### Total assets

RMB'000

CAGR of 2009–2013

# 34.17%

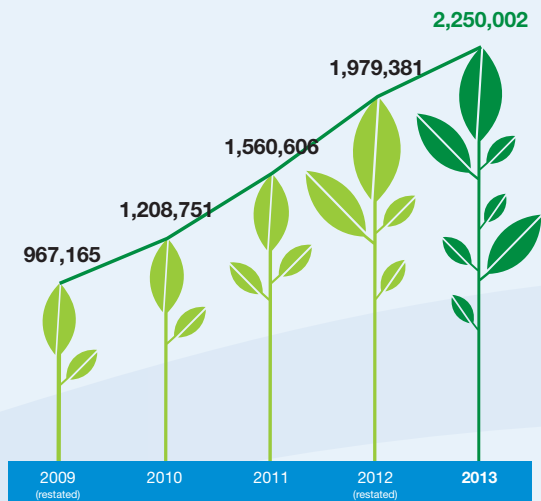


### Profit attributable to shareholders of the Company

RMB'000

CAGR of 2009–2013

# 23.50%

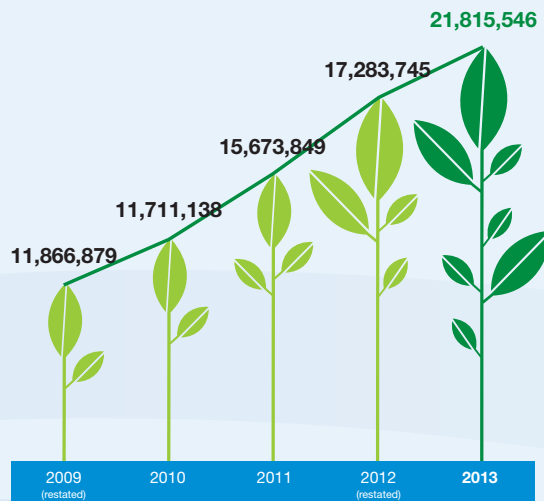


### Equity attributable to shareholders of the Company

RMB'000

CAGR of 2009–2013

# 16.44%





Caring For

Life

Attending To

Health



Adhering to the rich tradition of CNPGC accumulated in its 50-year history, “Caring for Life, Attending to Health”, Sinopharm Group has always been positioning itself as the “leader and consolidator of China’s pharmaceutical industry”.





# Chairman's

## Statement



Dear respected shareholder,

I would like to express my heartfelt gratitude to the shareholders and the community for your great support and encouragement to Sinopharm Group over time. 2013 was an important year of boldly development and positive transformation for Sinopharm Group. The board of the Company (the “**Board**”), the senior management and all the staff once again deliver returns with sustained and stable growth in results to shareholders for their support and concern for the growth of the Company.

### **SUSTAINED AND STABLE GROWTH IN RESULTS**

For the year ended 31 December 2013 (the “**Reporting Period**”), the revenue of the Group amounted to RMB166,866.15 million, representing an increase of RMB30,364.49 million or 22.24% as compared with last year.

During the Reporting Period, net profit of the Group amounted to RMB3,579.71 million, representing an increase of RMB494.02 million or 16.01% as compared with last year. Profit attributable to equity holders of the Company amounted to RMB2,250.00 million, representing an increase of RMB270.62 million or 13.67% as compared with last year.

During the Reporting Period, earnings per share of the Company amounted to RMB0.89, representing an 8.54% increase over the corresponding period of last year.

Compared to 2012, total assets of the Group increased from RMB81,127.22 million to RMB105,453.11 million, net assets increased from RMB22,948.66 million to RMB28,611.35 million, and gearing ratio increased from 71.71% to 72.87%.

For the year 2013, total capital expenditure of the Group amounted to RMB2,013.17 million, which was primarily used for the expansion and development of distribution channels, and the enhancement of logistic delivery network and the level of informatization, so to increase the Group's market share and improve delivery efficiency.

### **DEEPENING OF THE SUSTAINED HEALTHCARE REFORM AND PROMOTING INDUSTRIAL UPGRADING**

As the adjustment of Chinese economic growth strategies and the deepening of the reform of pharmaceutical and healthcare system, 2013 become an important year for deepening healthcare reform. Resolutions on deepening the reform of pharmaceutical and healthcare system, including balance promoting a comprehensive reform in medical insurance, medical services, public health, pharmaceutical supply and regulation system, were considered and approved at the Third Plenary Session of the 18th Central Committee. The implementation and execution of such measures as deepening the reform on medical and healthcare institution at the basic level, improving the operating mechanism of a network of urban and rural medical and health care services at basic level and accelerate the reform on public hospitals, will be accelerated.

The deepening of healthcare reform in 2013 and the strict enforcement of industry regulations, has laid a solid foundation for the development of healthcare industry in coming years. On one hand, various policies on healthcare reform has turned the role of market from “fundamental” into “decisive”, which will ensure effective implementation of and touch the heart part of those policies; on the other hand, in formulating various reform measures by the government, the coordination between “medical insurance, medical service and medicines” was reflected, and more attentions were paid on public welfare and problems on people's livelihood.



## Chairman's Statement

After three year's new healthcare reform, we have established a basic medical insurance system, and fully implemented the essential drug system at the low tier level. In 2013, we further improve the fundraising standard under a new type of rural cooperative health care system to around RMB340 per capita. The number of integrated pilot county-level public hospital counties accounted for over 50% of the total number of counties in PRC. In 2013, a new version of National Essential Drug List was officially implemented. Essential drug list will be enlarged under the cooperation of class-two and class-three hospitals, and may cause the scale of essential drug market to significantly grow in coming years.

From Sinopharm Group's pharmaceutical distribution industry, the adoption of the revised edition of GSP fully improved software and hardware standards and requirements for corporate operation, increased the risk control ability over drug quality during distribution, and also restrained enterprises from doing lower-level repetitive work, facilitated industry restructuring, and provided great benefit to powerful enterprises.

Reviewing the pharmaceutical market in 2013, in mid-year, some multinational drug companies were suspected of commercial bribery and were investigated in China, which drew great public attention and got many pharmaceutical enterprises involved in after its continuous fermenting, however, this event represented a transformation of Chinese pharmaceutical industry, showed new government's resolution to tackle corruption problems, and would indicate enormous impact on traditional operation model and development model of the industry, thus a reform is necessary.

Though various medical reforms have started to produce preliminary results with the deepening of the reform, yet we are very conscious of the fact that deepening medical reform is an extremely arduous and complex task in China, a developing country with large population, low level of per capita income, great gap between urban and rural areas, unbalanced development among regions and obvious contradiction between demand and supply.

## PROSPECTS

In 2014, China will continue to carry out structural adjustment to its economic growth. From the pharmaceutical and healthcare sector, as there is a huge market capacity and stable aggregate demand, pharmaceutical economy will enter into a new stage of economic development, and various policies related to the reform of pharmaceutical and health care system will influence on and ensure the growth of the sector.

Meanwhile, as the development of the industry and the change of the health concept of consumers, the pharmaceutical industry has extended to the medicine and healthcare sector, while the present situation is that the later, especially the healthcare sector is far from fulfill people's needs. The State Council issued Several Opinions of the State Council on Promoting the Development of Health Service Industry (《國務院關於促進健康服務業發展的若干意見》), which explains the country's development plans for healthcare sector by 2020, and provides policy support and development opportunity for healthcare sector.

As the largest and most powerful pharmaceutical distribution enterprise, Sinopharm Group's distribution network has covered all provinces, municipalities and autonomous regions in China. Sinopharm Group will continue to focus on hospital end-user terminal market and retail end-user terminal market, accelerate informationization and network deployment, and build core competitiveness. Meanwhile, the Company will rely on the existing network resources to expand and integrate the upstream and downstream industrial chain of pharmaceuticals commerce, seize good opportunities of the sound development in pharmaceutical and healthcare industry to further develop medical service industry, unleash synergy from the whole industrial chain and constantly improve the Company's value.

Finally, I would like to express heartfelt gratitude to all the shareholders, directors, strategic partners, members of senior management of the Company and all my fellow colleagues. Let us make great efforts hand in hand to help Sinopharm Group achieve a leap-forward development through reform and transformation.

**Wei Yulin**  
*Chairman*

Shanghai, the People's Republic of China  
21 March 2014





Most Powerful

Most Reliable

Best Partner

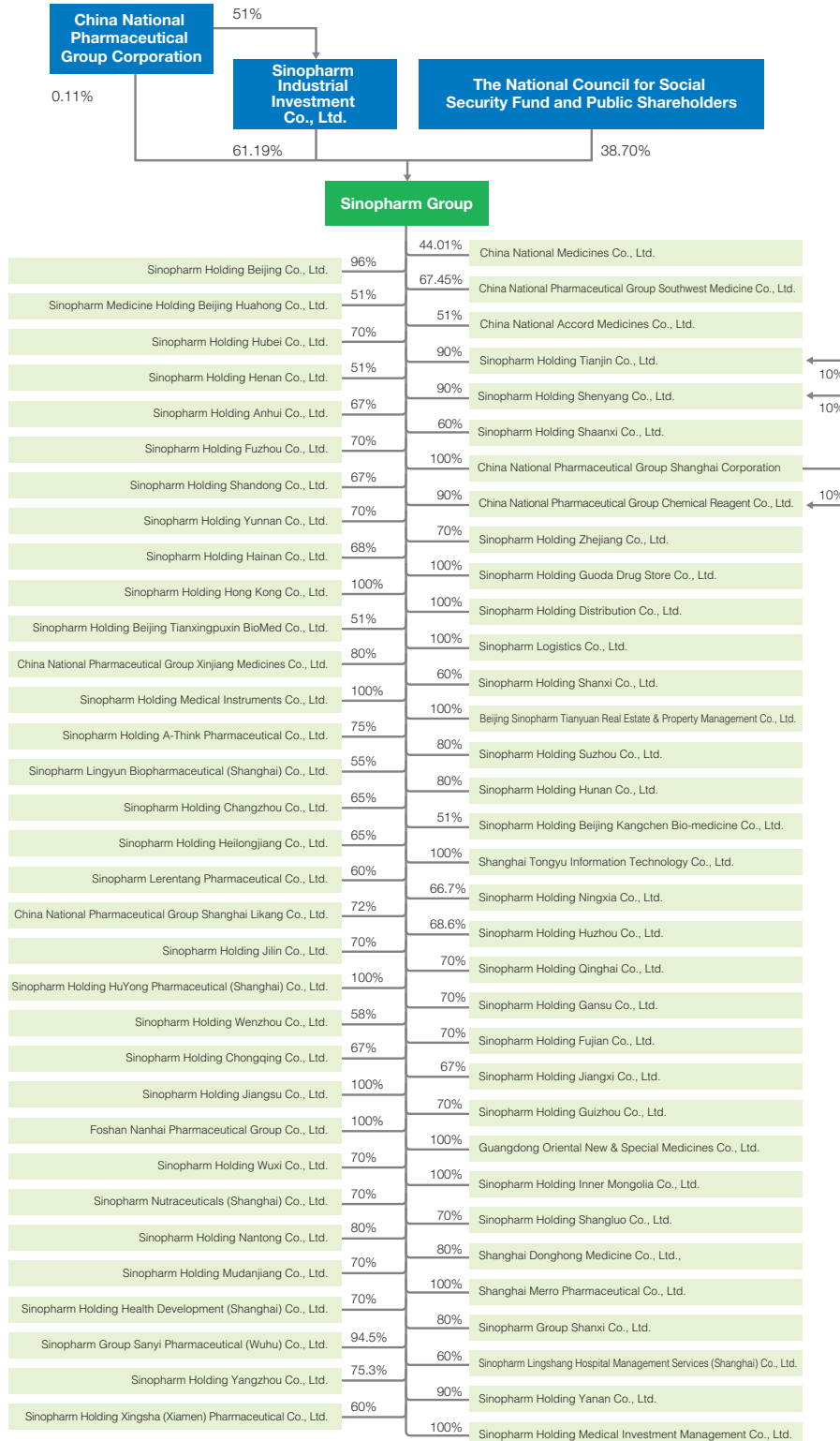
Deliver health, Benefit common people  
Sinopharm Group believes that a company's development is closely related with people's livelihood. The pioneering quality and professional concept will be able to develop the health industry together with the community and create and realize superior corporate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



# Shareholding Structure

of the Group

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





# Management

## Discussion and Analysis

### INDUSTRY OVERVIEW

As the Chinese macro-economic conditions enter a re-alignment and upgrading stage, the overall growth rate of the pharmaceutical industry in China has mildly slowed down compared to a decade ago. However, with the continuous increase in social purchasing power, rise in aging population, further development in disease spectrum and the advance in urbanization, the medical conditions have been improved. The covering area and depth of medical insurance has also increased, and the awareness on medical services and healthcare has enhanced. The rigid demand of medicine and medical service in China remained strong, which facilitated the fast growth in pharmaceutical industry.

In 2013, as the national healthcare reform entered into the key stage, the reform on public hospitals and pharmaceutical distribution industries had substantially commenced. The standardization management on pharmaceutical distribution industries deepened. The effects of various policies such as zero-difference pricing rate, medical insurance control, tendering, and policies toward “essential drugs and the low tier level” gradually emerged. The growth in hospital and retail end-user terminal market was relatively slow, while there was significant growth in the third end-user terminal market of medical consumption at the low tier level. The pharmaceutical distribution and retail business will face a transformation and new business opportunities. The market will face an ever more intensive competition and develop towards much more market segments.

### POLICY ENVIRONMENT

In 2013, as the State steadily implemented its comprehensive deepened reform policies, there were certain major policies implemented in the medical industry, providing guidance for the continuous industry transformation.

The coordination between “medical insurance, medical service and medicines”, which developed towards the direction of “valuing public welfare and benefiting people”, was continued. The public hospital reform, medical insurance control and several rounds of medicine price adjustments made by the National Development and Reform Commission had put further pressure on the profitability of the pharmaceutical distribution industry. Meanwhile, the medical insurance payment scope had further expanded. The payment proportion of low tier level was higher, and the payment was settled by the unified planning fund of the basic medical insurance.

The new Essential Drug List (EDL) was issued and implemented. The tendering and purchase of the supplemental essential drugs was gradually carried out under strict control across the country. There was a higher requirement on the low tier level delivery capability of drug distributors. Meanwhile, the new GSP standard was officially implemented, thereby promoting the upgrade of pharmaceutical distribution and accelerated industry integration.

By promoting the diversity of medical service market, moderately loosening the control over the price of medical service and encouraging the development of private and foreign investment medical institutions, a preliminary foundation was established for the adjustment on the layout and structure of the medical service market.

The anti-commercial bribery investigation on certain international pharmaceutical enterprises caused massive social repercussions. The traditional operating mode had raised public concern, which accelerated the reform and transformation of the industry.



### BUSINESS REVIEW

In 2013, in the context of exceptional challenges for the industry, the Group further promoted business integration, strengthened its scale edges and facilitated transformation. It continued to maintain comparatively fast development momentum. The Group basically completed various operating indicators and working missions, and achieved relatively good operating results.

- **Pharmaceuticals distribution segment:** The Group has an integrated pharmaceutical supply chain and advanced supply chain management model of domestic and imported prescription drugs and over-the-counter medicines from manufacturers and suppliers to hospitals, other distributors, retail drug stores and other customers. As at 31 December 2013, the Group had an extensive affiliated

distribution network formed by 51 distribution centers covering 31 provinces, municipalities and autonomous regions in China through acquisitions, establishments and other methods. In addition to continuously securing its leading position in first-tier cities, the Group had expanded its business in second and third-tier cities and achieved a total coverage of 197 cities. The Group's direct customers included 11,552 hospitals (only referring to hospitals with ranking and including 1,614 of the class-three hospitals which are the largest and most highly-ranked hospitals); 87,634 small end-customers (including primary health services institutions and others); 57,399 retail terminals; and 7,790 other customers (pharmaceutical distributors).

- **Retail pharmacy segment:** Meanwhile, 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 31 December 2013, the number of retail pharmacies was 1,917 (only referring to those owned by Sinopharm Holding Guoda Drug Store Co., Ltd.), among which 1,632 were directly operated by the Group and 285 were operated by franchisees.

- **Other business segment:** As a preparation for the whole industry chain, the Group is also engaged in the manufacturing business including development of pharmaceuticals, chemical reagents and laboratory supplies.

The Group continued to strengthen the building of the integrated logistics platform. It had established 4 logistics hubs, 40 provincial logistics centers and 141 municipal level logistics networks with a sum of 185 logistic networks. Hence, the distribution capability of the whole logistics network was further enhanced. The Group also accelerated the process of conducting business operation on multiple warehouses throughout the country, and proactively promoted the operation of warehouse network management project of pharmaceutical wholesale enterprises of Sinopharm Group.

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 and continued to speed up the cooperation projects with lots of globally well known companies in the pharmaceutical industries. 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, etc.

## FINANCIAL SUMMARY

The financial summary set out below is extracted from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRS”):

During the Reporting Period, the Group recorded a revenue of RMB166,866.15 million, representing an increase of RMB30,364.49 million or 22.24% as compared with the corresponding period of last year, of which revenue from the distribution business was RMB158,972.52 million, representing an increase of RMB29,997.17 million or 23.26% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB3,579.71 million, representing an increase of RMB494.02 million or 16.01% as compared with the corresponding period of last year. Profit attributable to equity holders of the Company was RMB2,250.00 million, representing an increase of RMB270.62 million or 13.67% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company was RMB0.89, representing an increase of 8.54% as compared with the corresponding period of last year.

### Revenue

During the Reporting Period, the Group recorded a revenue of RMB166,866.15 million, representing an increase of 22.24% as compared with RMB136,501.66 million for the twelve months ended 31 December 2012, which was primarily due to the increase in revenue from each of the Group’s pharmaceutical distribution, retail pharmacy and other business segments. The Group’s revenue grows faster than the overall development of pharmaceutical market in China.



## Management Discussion and Analysis

- **Pharmaceutical Distribution:** During the Reporting Period, the revenue from pharmaceutical distribution was RMB158,972.52 million, representing an increase of 23.26% as compared with RMB128,975.35 million for the twelve months ended 31 December 2012, which accounted for 94.46% of the total revenue of the Group. Such increase was primarily due to a remarkable growth of the business of pharmaceutical distribution and the further expansion of the pharmaceutical distribution network of the Group.
- **Retail Pharmacy:** During the Reporting Period, the revenue from retail pharmacy was RMB4,833.15 million, representing an increase of 17.49% as compared with RMB4,113.60 million for the twelve months ended 31 December 2012. The increase was primarily due to the business growth of the Group's existing pharmacies and the expansion of retail pharmacy network.
- **Other Business:** During the Reporting Period, revenue from other business was RMB4,495.51 million, representing an increase of 1.49% as compared with RMB4,429.40 million for the twelve months ended 31 December 2012.

### Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB153,487.63 million, representing an increase of 22.29% as compared with RMB125,514.04 million for the twelve months ended 31 December 2012. The increase was primarily due to the increase in the sales revenue of the Group.

### Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group increased by 21.76% from RMB10,987.62 million for the twelve months ended 31 December 2012 to RMB13,378.52 million for the Reporting Period. The gross profit margin of the Group for the twelve months ended 31 December 2012 and 2013 were 8.05% and 8.02%, respectively.

### Other Income

During the Reporting Period, other income of the Group was RMB288.94 million, representing an increase of 32.00% as compared with RMB218.90 million for the twelve months ended 31 December 2012. The increase was primarily due to the increase 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 RMB4,473.77 million, representing an increase of 19.29% as compared with RMB3,750.41 million for the twelve months ended 31 December 2012. The increase in distribution and selling expenses was primarily attributable to the enlarged business scale of the Group, business development and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

### General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB3,091.76 million, representing an increase of 19.50% as compared with RMB2,587.21 million for the twelve months ended 31 December 2012. The increase in general and administrative expenses was primarily attributable to the increase in administrative costs incurred by the expansion of network scale and business growth of the Group.

## Management Discussion and Analysis

The proportion of the Group's general and administrative expenses to the total revenue of the Group decreased from 1.90% for the twelve months ended 31 December 2012 to 1.85% for the corresponding period in 2013, which was the reflection of the economics of scale.

### Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB6,101.92 million, representing an increase of 25.32% from RMB4,868.90 million for the twelve months ended 31 December 2012.

### Other Gains – Net

The other net gains of the Group less other losses decreased from RMB286.71 million for the twelve months ended 31 December 2012 to RMB40.20 million for the Reporting Period. The decrease was primarily due to the diminution of the disposal of land use rights and property by the Group.

### Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB1,660.37 million, representing an increase of 30.83% as compared with RMB1,269.14 million for the twelve months ended 31 December 2012. The increase was primarily due to the increase in financing scale brought about by the business growth of the Group.

### Share of Results from Associates

During the Reporting Period, the Group's share of results from associates was RMB138.76 million, representing an increase of 2.24% as compared with RMB135.72 million for the twelve months ended 31 December 2012.

### Income Tax Expenses

The Group's income tax expenses increased by RMB104.29 million, from RMB936.50 million for the twelve months ended 31 December 2012 to RMB1,040.79 million for the Reporting Period. The increase was primarily due to the increase in profits of the Group, which led to a corresponding increase in income tax. The Company's effective income tax rate decreased from 23.28% for the twelve months ended 31 December 2012 to 22.53% for the Reporting Period.

### Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year 2013 was RMB3,579.71 million, representing an increase of 16.01% from RMB3,085.69 million for the twelve months ended 31 December 2012. The profit margin of the Group for the twelve months ended 31 December 2012 and 2013 were 2.26% and 2.15%, respectively.

### Profit Attributable to Equity Holders of the Company

During the Reporting Period, profit or net profit attributable to equity holders of the Company was RMB2,250.00 million, representing an increase of 13.67%, or RMB270.62 million from RMB1,979.38 million for the twelve months ended 31 December 2012. The Group's net profit margins for the Reporting Period and that of the corresponding period of 2012 were 1.35% and 1.45%, respectively.

### Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,329.71 million, representing an increase of RMB223.40 million from RMB1,106.31 million for the twelve months ended 31 December 2012.

## Liquidity and Capital Resources

### Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB73,483 million, of which approximately RMB45,228 million were not yet utilized. Cash and cash equivalents of RMB14,001.96 million primarily comprise cash, bank savings and income from current operating activities.

### Cash flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2012 and 2013, respectively:

	<b>2013</b>	2012
	<b>RMB million</b>	RMB million
Net cash generated from operating activities	<b>4,941.29</b>	3,855.84
Net cash used in investing activities	<b>(4,066.37)</b>	(2,469.19)
Net cash generated from/(used in) financing activities	<b>3,408.73</b>	(4,727.87)
Net increase/(decrease) in cash and cash equivalents	<b>4,283.65</b>	(3,341.22)
Cash and cash equivalents at the beginning of the year	<b>9,801.50</b>	13,140.82
Exchange gains and losses	<b>(83.19)</b>	1.90
Cash and cash equivalents at the end of the year	<b>14,001.96</b>	9,801.50

### Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB4,941.29 million, representing an increase of RMB1,085.45 million from RMB3,855.84 million for the twelve months ended 31 December 2012. The increase was primarily attributed to the enhancement of the management and control of collections and payments of trade receivables in the Group's business operation.

### Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB4,066.37 million, representing an increase of RMB1,597.18 million as compared with RMB2,469.19 million for the twelve months ended 31 December 2012.

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

During the Reporting Period, the net cash generated from financing activities of the Group was RMB3,408.73 million, which was primarily attributable to the expansion of sales scale resulting in the increase in financing scale so as to meet the working capital requirements. While net cash used in financing activities of the Group for the twelve months ended 31 December 2012 was RMB4,727.87 million.



## Management Discussion and Analysis

### Capital Expenditure

The Group's capital expenditures are primarily utilized for the development and expansion of distribution channels, the upgrading of its logistics systems and the increase of level of informatization. The Group's capital expenditures amounted to RMB2,714.23 million and RMB2,013.17 million for the year ended 31 December 2012 and the Reporting Period, respectively.

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

### 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-term 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 31 December 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.

#### Indebtedness

As at 31 December 2013, the Group had aggregate banking facilities of RMB73,483 million, of which RMB45,228 million were not utilized and are available to be drawn down. These banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2013, RMB21,007.28 million will be due within one year and RMB4,134.07 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

#### Gearing ratio

The Group's gearing ratio was 72.87% as at 31 December 2013 (31 December 2012: 71.71%), which is calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 31 December 2013.

### FOREIGN EXCHANGE RISKS

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

### **PLEDGE OF ASSETS**

As at 31 December 2013, part of the Group's bank borrowings was secured by land use rights with book value of RMB72.14 million, bank deposits with book value of RMB79.49 million, properties, plant and equipment with book value of RMB217.41 million and trade receivables with book value of RMB2,673.61 million.

### **MAJOR ACQUISITIONS AND DISPOSALS**

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

### **GOING CONCERN**

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

### **CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS**

As at 31 December 2013, the Group neither had any material contingent liabilities, nor had any material litigations.

### **HUMAN RESOURCES**

As at 31 December 2013, the Group had a total of 45,415 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has adopted the model of reorganizing current human resources and innovating management systems in accordance with the requirements of professional operation and integrated management, optimized the management mechanism, actively advanced the organizational reform and increased its speed of nurturing and

recruiting talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

### **FUTURE PLAN**

A more conspicuous oligopoly market mode can easily be observed under the policy environment and competition of the pharmaceutical market in China. Factors such as scale edges, service level, cost control ability, brand influence and innovation capacity are the major focus of the completion. Against this backdrop, the Group will continue to strengthen its major business of distribution. It will stick to its development principle of "System Innovation, Efficiency Enhancement and Steady Development", and promote management enhancement, marketing transformation and industry upgrade, hereby achieving a healthy and sustainable development. The Group will accelerate the transformation from traditional distribution to modern service through intensive operation and integrated service. It will provide a more comprehensive product variety, wider business coverage and more professional services. The Group sticks to the principle of enhancing efficiency and focusing on profitability, aiming to provide a solid foundation for the establishment of the largest pharmaceutical healthcare service platform.

Facing intense competition and the huge task of internal integration, the management has confidence in grasping the opportunities arising from industry transformation. It continues to optimize its strategy, strengthen management synergy, lower management cost, enhance operating efficiency and maintain steady development. Hence, the Group will strengthen its leading position in pharmaceutical distribution industry in China and lead the industry development, thereby achieving our objectives in pharmaceutical industry.

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

### COMPOSITION OF THE BOARD

As at the date of this report, the Board consists of 15 directors (the “**Directors**”), including two executive Directors, Mr. Wei Yulin and Mr. Li Zhiming; eight non-executive Directors, namely Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Wang Fucheng, Mr. Zhou Bin, Mr. Deng Jindong, Mr. Li Dongjiu and Mr. Liu Hailiang; and five independent non-executive Directors, namely Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong, Mr. Zhou Bajun and Ms. Li Ling. To the knowledge of the Company, there is no financial, business and family relationships or material relevant relationships among members of the Board or between the Chairman and the President.

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

### MAJOR RESPONSIBILITIES OF THE BOARD

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

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



## | Corporate Governance Report

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

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

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

### **CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

- (1) On 18 January 2013, Mr. Chen Wenhao, the non-executive Director and a member of the audit committee of the Company, passed away.
- (2) On 20 February 2013, Ms. Li Ling, the independent non-executive Director, was appointed as a member of the strategy and investment committee of the Company.
- (3) On 5 June 2013, the resolution in respect of the re-election of Mr. Chen Qiyu as a non-executive director of the Second Session of the Board of Directors of Sinopharm Group for a term from 5 June 2013 until the expiry of the term of office of the Second Session of the Board was considered and approved at the 2012 annual general meeting of the Company.
- (4) Mr. Fan Banghan resigned from his positions as a non-executive director of the Second Session of the Board of Directors of Sinopharm Group and a member of each of the audit committee, the remuneration committee, the nomination committee and the strategy and investment committee due to re-designation of work, with effect from 18 October 2013.

## Corporate Governance Report

- (5) On 12 July 2013, the resolution in respect of the appointment of Mr. Jiang Xiuchang as the Vice President of Sinopharm Group was considered and approved at the Tenth Meeting of the Second Session of the Board of Directors of Sinopharm Group, with effect from 12 July 2013.
- (6) On 18 October 2013, the resolutions in respect of the appointment of Mr. Wang Fucheng and Mr. Li Dongjiu as non-executive directors of the Second Session of the Board of Directors of Sinopharm Group for a term from 18 October 2013 until the expiry of the term of office of the Second Session of the Board were considered and approved at the 2013 first extraordinary general meeting of the Company.
- (7) On 8 November 2013, (i) Mr. She Lulin resigned from his position as the Chairman of the Board due to work arrangement (but remains serving as a non-executive Director), with effect from 8 November 2013; the Board resolved to elect Mr. Wei Yulin as the Chairman of the Second Session of the Board of Directors of Sinopharm Group, with effect from 8 November 2013; (ii) Mr. Wei Yulin resigned from his position as the President of the Company, with effect from 8 November 2013; the Board resolved to appoint Mr. Li Zhiming as the President of Sinopharm Group, with effect from 8 November 2013; (iii) Mr. Wang Qunbin resigned from his position as the Vice Chairman of the Board due to work arrangement (but remains serving as a non-executive Director), with effect from 8 November 2013; the Board resolved to elect Mr. Chen Qiyu as the Vice Chairman of the Second Session of the Board of Directors of Sinopharm Group, with effect from 8 November 2013; (iv) the Board also resolved to adjust the composition of each of the special committees under the Board as follows:

<b>Board Committee</b>	<b>Chairman</b>	<b>Member</b>
Audit Committee	Mr. Xie Rong	Mr. Deng Jindong, Mr. Tao Wuping, Mr. Li Dongjiu and Mr. Zhou Bajun
Remuneration Committee	Mr. Tao Wuping	Mr. Liu Hailiang and Mr. Xie Rong
Nomination Committee	Mr. Wei Yulin	Mr. She Lulin, Mr. Wang Qunbin, Mr. Wang Fanghua, Mr. Xie Rong, Mr. Tao Wuping and Ms. Li Ling
Strategy and Investment Committee	Mr. Wei Yulin	Mr. She Lulin, Mr. Wang Qunbin, Mr. Zhou Bin, Mr. Chen Qiyu, Mr. Wang Fanghua, Mr. Zhou Bajun, Ms. Li Ling, Mr. Wang Fucheng, Mr. Li Dongjiu and Mr. Li Zhiming

Mr. Li Zhiming started to perform his duty as a member of the strategy and investment committee only after his appointment as an executive Director being approved by the shareholders on 6 January 2014.

- (8) On 6 January 2014, the resolution in respect of the appointment of Mr. Li Zhiming as an executive director of the Second Session of the Board of Directors of Sinopharm Group for a term from 6 January 2014 until the expiry of the term of office of the Second Session of the Board was considered and approved at the 2014 first extraordinary general meeting of the Company.

## BOARD MEETINGS AND GENERAL MEETINGS

The Board convened six meetings during the Reporting Period. Notices for regular board meetings shall be given to each Director at least 14 days prior to the meeting.

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

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
<b>Executive Director</b>	
Mr. Wei Yulin	6/6
<b>Non-executive Directors</b>	
Mr. Chen Qiyu	6/6
Mr. She Lulin	6/6
Mr. Wang Qunbin <sup>(1)</sup>	5/6
Mr. Wang Fucheng <sup>(2)</sup>	1/1
Mr. Zhou Bin <sup>(3)</sup>	4/6
Mr. Deng Jindong <sup>(4)</sup>	2/6
Mr. Li Dongjiu <sup>(5)</sup>	1/1
Mr. Fan Banghan <sup>(6)</sup>	5/5
Mr. Liu Hailiang	6/6
<b>Independent non-executive Directors</b>	
Mr. Wang Fanghua	6/6
Mr. Tao Wuping	6/6
Mr. Xie Rong <sup>(7)</sup>	5/6
Mr. Zhou Bajun	6/6
Ms. Li Ling	6/6

Notes:

- (1) Mr. Wang Qunbin attended one meeting not in person but by his proxy, which was not included in the attendance;
- (2) Mr. Wang Fucheng was appointed as a non-executive Director on 18 October 2013 and only one Board meeting was held during his term of office in 2013;
- (3) Mr. Zhou Bin attended two meetings not in person but by his proxy, which was not included in the attendance;
- (4) Mr. Deng Jindong attended four meetings not in person but by his proxy, which was not included in the attendance;
- (5) Mr. Li Dongjiu was appointed as a non-executive Director on 18 October 2013 and only one Board meeting was held during his term of office in 2013;
- (6) Mr. Fan Banghan resigned from his position as a Director on 18 October 2013 and five Board meetings were held during his term of office in 2013;
- (7) Mr. Xie Rong attended one meeting not in person but by his proxy, which was not included in the attendance.



## Corporate Governance Report

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

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

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
<b>Executive Director</b>	
Mr. Wei Yulin	1/2
<b>Non-executive Directors</b>	
Mr. Chen Qiyu	1/2
Mr. She Lulin	0/2
Mr. Wang Qunbin	0/2
Mr. Wang Fucheng <sup>(1)</sup>	0/0
Mr. Zhou Bin	0/2
Mr. Deng Jindong	0/2
Mr. Li Dongjiu <sup>(2)</sup>	0/0
Mr. Fan Banghan	1/2
Mr. Liu Hailiang	2/2
<b>Independent non-executive Directors</b>	
Mr. Wang Fanghua	2/2
Mr. Tao Wuping	1/2
Mr. Xie Rong	2/2
Mr. Zhou Bajun	2/2
Ms. Li Ling	1/2

Notes:

- (1) Mr. Wang Fucheng was appointed as a non-executive Director on 18 October 2013, and no general meeting of the Company was convened during his term of office in 2013.
- (2) Mr. Li Dongjiu was appointed as a non-executive Director on 18 October 2013, and no general meeting of the Company was convened during his term of office in 2013.

### TRAINING FOR DIRECTORS

On 20 February 2013, all the Directors attended the training on updates on the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and issues on legal risks provided by the Company’s Hong Kong legal advisers. On 6 December 2013, Mr. Ma Wanjun, the company secretary, and certain middle-level or senior management of the Company attended the training on notifiable transactions and connected transactions under the Listing Rules provided by the Company’s Hong Kong legal advisers. From December 2013 to January 2014, Mr. Wang Fucheng, Mr. Li Dongjiu and Mr. Li Zhiming, the newly appointed Directors, obtained the training on director’s duty provided by the Company’s Hong Kong legal advisers. Mr. Wei Yulin, the newly appointed Chairman, also obtained the training on Chairman’s duty provided by the Company’s Hong Kong legal advisers.

### AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company comprises five Directors: including three independent non-executive Directors being Mr. Xie Rong, Mr. Tao Wuping, Mr. Zhou Bajun and two non-executive Directors being Mr. Li Dongjiu, Mr. Deng Jindong. Mr. Xie Rong currently serves as the chairman of the audit committee. The primary responsibilities of the Company’s audit committee are to inspect, review and supervise the Company’s financial information and reporting process for financial information. These responsibilities include, among others:

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

During the Reporting Period, five meetings were held by the audit committee to mainly consider the annual results for the year ended 31 December 2012, the audit fee for 2012, the appointment of auditors for 2013, the semi-annual audit plans for 2013, the interim results for the six months ended 30 June 2013, the third quarterly results for the period ended at 30 September 2013 and the annual audit plans for 2013.

## Corporate Governance Report

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

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. Xie Rong	5/5
Mr. Wang Fanghua <sup>(1)</sup>	4/4
Mr. Tao Wuping <sup>(2)</sup>	1/1
Mr. Fan Banghan <sup>(3)</sup>	3/3
Mr. Li Dongjiu <sup>(4)</sup>	1/1
Mr. Deng Jindong <sup>(5)</sup>	3/5
Mr. Zhou Bajun	5/5

Notes:

- (1) Mr. Wang Fanghua ceased to be a member of the audit committee under the Second Session of the Board since 8 November 2013. Only four meetings were convened during his term of office as the member of the committee;
- (2) Mr. Tao Wuping has been appointed as a member of the audit committee under the Second Session of the Board since 8 November 2013. Only one meeting was convened during his term of office as the member of the committee;
- (3) Mr. Fan Banghan resigned from his position as a Director and all other relevant positions on 18 October 2013. Only three meetings were convened during his term of office as the member of the committee;
- (4) Mr. Li Dongjiu has been appointed as a member of the audit committee under the Second Session of the Board of Directors since 8 November 2013. Only one meeting was convened during his term of office as the member of the committee;
- (5) Mr. Deng Jindong attended two meetings not in person but by his proxy.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013. The audit committee believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The audit committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management in 2013. The audit committee was satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations. In addition, the audit committee has also reviewed the adequacy of resources, qualification and experiences of employees in relation to the accounting and financial reporting function of the Company and the adequacy of training courses taken by the employees and the relevant budgets.

The audit committee has reviewed the remuneration of the auditors for 2013 and recommended the Board to re-appoint PricewaterhouseCoopers as the auditors of the Company for 2014, subject to the approval of shareholders at the forthcoming annual general meeting.



### NOMINATION COMMITTEE

As at the date of this report, the nomination committee of the Company comprises seven Directors: including four independent non-executive Directors being Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong, Ms. Li Ling; two non-executive Directors being Mr. She Lulin and Mr. Wang Qunbin; and one executive Director Mr. Wei Yulin. Mr. Wei Yulin currently serves as the chairman of the nomination committee. The primary responsibilities of the Company's nomination committee are to formulate the nomination procedures and standards for candidates for Directors. These responsibilities include, among others:

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

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

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

During the Reporting Period, four meetings were held by the nomination committee to consider resolutions mainly regarding the nomination of Ms. Li Ling to serve as a member of the strategy and investment committee under the Second Session of the Board, proposed re-election of Mr. Chen Qiyu as a non-executive Director of the Second Session of the Board, proposed nomination of Mr. Wang Fucheng and Mr. Li Dongjiu to serve as non-executive Directors of the Second Session of the Board, proposed nomination of Mr. Li Zhiming as an executive Director of the Second Session of the Board and the adjustments to the composition of each special committees.

## Corporate Governance Report

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

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

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. Wei Yulin <sup>(1)</sup>	0/0
Mr. She Lulin	4/4
Mr. Wang Qunbin <sup>(2)</sup>	0/0
Mr. Wang Fanghua	4/4
Mr. Tao Wuping	4/4
Mr. Xie Rong <sup>(3)</sup>	3/4
Mr. Fan Banghan <sup>(4)</sup>	3/3
Ms. Li Ling <sup>(5)</sup>	0/0

Notes:

- (1) Mr. Wei Yulin has been appointed as a member of the nomination committee under the Second Session of the Board since 8 November 2013. No meeting was convened during his term of office as a committee member;
- (2) Mr. Wang Qunbin has been appointed as a member of the nomination committee under the Second Session of the Board since 8 November 2013. No meeting was convened during his term of office as a committee member;
- (3) Mr. Xie Rong attended one meeting not in person but by his proxy.
- (4) Mr. Fan Banghan resigned from his position as a Director and other relevant duties on 18 October 2013. Only three meetings were convened during his term of office as a committee member;
- (5) Ms. Li Ling has been appointed as a member of the nomination committee under the Second Session of the Board since 8 November 2013. No meeting was convened during her term of office as a committee member.

## REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee of the Company comprises three Directors: including two independent non-executive Directors being Mr. Tao Wuping, Mr. Xie Rong, and one non-executive Director being Mr. Liu Hailiang. Mr. Tao Wuping currently serves as the chairman of the remuneration committee. The primary responsibilities of the Company's remuneration committee are to formulate and review the remuneration policies and schemes for the Directors and senior management of the Company. These responsibilities include, among others:

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

During the Reporting Period, two meetings were held by the remuneration committee, during which the resolutions regarding the performance appraisal responsibility letter and the annual remuneration standards for the year 2013 of Mr. Wei Yulin, the executive Director, the remuneration of Ms. Li Ling, the independent non-executive Director, for her serving as a Director and the assessment and settlement and payment of annual remuneration of the operating team in 2012 were considered and approved.

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

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. Tao Wuping	2/2
Mr. Wang Fanghua <sup>(1)</sup>	2/2
Mr. Xie Rong	2/2
Mr. Fan Banghan <sup>(2)</sup>	2/2
Mr. Liu Hailiang	2/2

Notes:

(1) Mr. Wang Fanghua ceased to be a member of the remuneration committee under the Second Session of the Board on 8 November 2013.

(2) Mr. Fan Banghan resigned from his position as a Director and other relevant positions on 18 October 2013.



## STRATEGY AND INVESTMENT COMMITTEE

As at the date of this report, the strategy and investment committee of the Company comprises eleven Directors, including two executive Directors, namely Mr. Wei Yulin and Mr. Li Zhiming (served as an executive Director and a member of the strategy and investment committee since 6 January 2014), six non-executive Directors, namely Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Wang Fucheng, Mr. Zhou Bin and Mr. Li Dongjiu, and three independent non-executive Directors, namely Mr. Wang Fanghua, Mr. Zhou Bajun and Ms. Li Ling. Mr. Wei Yulin currently serves as the chairman of the strategy and investment committee.

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

During the Reporting Period, six meetings were held by the strategy and investment committee, which were mainly about discussing the development strategies of the Company in future; making decision on and giving guidance to the projects, such as Company's financing activities, merger and acquisitions, constructions, assets and innovative cooperation with hospital.

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

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. Wei Yulin	6/6
Mr. Chen Qiyu	6/6
Mr. She Lulin	6/6
Mr. Wang Qunbin <sup>(1)</sup>	4/6
Mr. Wang Fucheng <sup>(2)</sup>	0/0
Mr. Zhou Bin <sup>(3)</sup>	4/6
Mr. Li Dongjiu <sup>(4)</sup>	0/0
Mr. Fan Banghan <sup>(5)</sup>	5/5
Mr. Wang Fanghua	6/6
Mr. Zhou Bajun	6/6
Ms. Li Ling	6/6

Notes:

- (1) Mr. Wang Qunbin attended two meetings not in person but by his proxy;
- (2) Mr. Wang Fucheng was appointed as a member of the strategy and investment committee on 8 November 2013. No meetings were convened during his term of office as a committee member;
- (3) Mr. Zhou Bin attended two meetings not in person but by his proxy;
- (4) Mr. Li Dongjiu was appointed as a member of the strategy and investment committee on 8 November 2013. No meetings were convened during his term of office as a committee member;
- (5) Mr. Fan Banghan resigned from his position as a Director and other relevant positions on 18 October 2013. Five meetings were convened during his term of office as a committee member.

## TERM OF OFFICE OF THE NON-EXECUTIVE DIRECTORS

Name	Position	Commencement Date	Expiry Date
Chen Qiyu	non-executive Director	5 June 2013	20 September 2014
She Lulin	non-executive Director	21 September 2011	20 September 2014
Wang Qunbin	non-executive Director	21 September 2011	20 September 2014
Wang Fucheng	non-executive Director	18 October 2013	20 September 2014
Zhou Bin <sup>(1)</sup>	non-executive Director	7 January 2011	6 January 2014
Deng Jindong	non-executive Director	21 September 2011	20 September 2014
Li Dongjiu	non-executive Director	18 October 2013	20 September 2014
Liu Hailiang	non-executive Director	21 September 2011	20 September 2014
Wang Fanghua	independent non-executive Director	21 September 2011	20 September 2014
Tao Wuping	independent non-executive Director	21 September 2011	20 September 2014
Xie Rong	independent non-executive Director	21 September 2011	20 September 2014
Zhou Bajun	independent non-executive Director	19 August 2012	20 September 2014
Li Ling	independent non-executive Director	29 December 2012	20 September 2014

Note:

- (1) In accordance with the Company Law of the PRC, Mr. Zhou Bin will continue to perform his functions and duties as a non-executive Director until the new director being elected at the general meeting of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) as the code of corporate governance of the Company. Save as disclosed below, during the Reporting Period, the Company had complied with the code provisions as set out in the Corporate Governance Code.

Mr. She Lulin, the then Chairman of the Board, was not able to attend the 2012 annual general meeting of the Company in person due to business engagements. In accordance with the Articles of Association, the Board had resolved to appoint Mr. Fan Banghan, the then non-executive Director, to attend and preside the meeting. Mr. She was subsequently informed by the Company about the matters conducted in the meeting as well as the questions and recommendations raised by the shareholders.

## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

### REMUNERATION OF AUDITORS

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

<b>Services provided</b>	<b>Fee paid and payable</b>
Statutory audit service provided for 2013	RMB19,980,000
Non-statutory audit service provided for 2013	RMB2,275,000
Non-audit service – tax consultancy services	RMB820,000

### CONFIRMATION BY THE DIRECTORS AND AUDITORS

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

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

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

### SHAREHOLDERS' RIGHTS

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

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

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

### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

On 15 April 2013, the Board resolved to propose the amendments to the Article 21 of the Articles of Association to reflect the change in the registered capital of the Company upon completion of the relevant placing of H shares of the Company held on 10 April 2013, and such proposed amendments had been approved by the shareholders at the general meeting of the Company held on 5 June 2013. For details, please refer to the announcements dated 15 April 2013 and 5 June 2013 and the circular dated 19 April 2013 of the Company.

In accordance with the requirements of relevant laws, regulations and regulatory rules, as well as the practice of the Company, on 8 November 2013, the Board resolved to propose certain amendments to the Articles of Association in relation to the shareholder's right to put forward proposals to the general meeting, the method of voting at the general meeting, the composition of the Board, the election of Directors and the way of communication with shareholders, and such proposed amendments had been approved by the shareholders at the general meeting of the Company held on 6 January 2014. For details, please refer to the announcements dated 8 November 2013 and 6 January 2014 and the circular dated 21 November 2013 of the Company.

### **EFFECTIVE COMMUNICATIONS WITH INVESTORS**

The Group had made remarkable improvements in investor relations in 2013 under the leadership and support of the Board and management. The Group has participated in a number of investment forums and successfully communicated with many fund management companies through various means. The Group organized on-site visits to its logistics centers, distribution centers and retail drug stores for a number of fund management companies to facilitate investors' direct understanding of and contact with the Company. The Company and its subsidiaries also received various fund investors for on-site visits. In the future, the Company will maintain effective communications with investors through road shows after the issuance of annual reports and interim reports as well as through general meetings.



### EXCLUDED COMPANIES

The independent non-executive Directors have reviewed the compliance by China National Pharmaceutical Group Corporation (the “**CNPGC**”) of the “Non-Competition Agreement” and confirmed that CNPGC has complied with the terms of such agreement from the date of signing of such agreement to 31 December 2013. At the same time, CNPGC also confirms to the Company that it has complied with the terms of the Non-Competition Agreement.

The independent non-executive Directors are not aware of any breach of the terms of the Non-Competition Agreement by CNPGC and therefore, no remedy action was taken by the Company from the date of signing of such agreement to 31 December 2013.

In accordance with the arrangements disclosed in the prospectus of the Company dated 10 September 2009 (the “**Prospectus**”), the independent non-executive Directors have held one meeting during the Reporting Period to consider and decide on whether to exercise the options or rights of first refusal in relation to the excluded companies granted by CNPGC to the Company under the Non-Competition Agreement (the “**Relevant Rights**”) and had reviewed all decisions made during the Reporting Period as mentioned above in early 2014 with details as follows:

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

The Company did not exercise the above mentioned Relevant Rights in the year of 2013.

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

- (1) Tianjin Company: the independent non-executive Directors decided not to exercise the Relevant Rights for the time being. The reason for such decision is that shareholders of Tianjin Company have resolved to liquidate the company and the same will then be wound up.
- (2) South Trade: the independent non-executive Directors decided not to exercise the Relevant Rights for the time being. The reason for such decision is that South Trade has entrusted its business operation to China National Accord Medicines Corporation Ltd., a subsidiary of the Company.

During the Reporting Period, CNPGC and its subsidiaries (other than the Company) did not refer any business opportunity to the Company to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the Company. Therefore, the independent non-executive Directors did not make any decisions in relation to whether to take up any such business opportunity.

# Biographies of Directors, Supervisors and Senior Management

## DIRECTORS

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**Mr. Wei Yulin**, aged 56, Chairman and executive Director, joined the Group on 16 January 2003. He was the deputy general manager, chief operating officer, managing deputy general manager and president of the Company until November 2013. Mr. Wei has been an executive Director since December 2008, and has been the Chairman of the Company since November 2013. Mr. Wei was also the secretary of Party Committee to the Company since December 2009. Mr. Wei has around 37 years of working experience, over 21 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 senior operator, 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 the board 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. Mr. Wei was a director of each of Shenzhen Accord Pharmaceutical Co., Ltd. and China National Pharmaceutical Group Xinjiang Medicines Co. Ltd., as well as the chairman of the board of each of China National Accord Medicines Co. Ltd. and China National Pharmaceutical Group Chemical Reagent Co., Ltd. from September 2007 to May 2011, March 2009 to August 2009, October 2011 to January 2014 and December 2011 to November 2013, respectively. Mr. Wei was the chairman of the board of Sinopharm Holding Hong Kong Co. Ltd., director of Sinopharm Holding Guoda Drug Store Co. Ltd., vice chairman of the board of Sinopharm Lerentang Pharmaceutical Co., Ltd. and director of China National Accord Medicines Corporation Ltd. since January 2011, August 2012, June 2013 and January 2014, respectively. Mr. Wei is also currently a member of the Party Committee of China National Pharmaceutical Group Corporation, director of International Federation Of Pharmaceutical Wholesalers, vice president of each of China Licensed Pharmacist Association and China Association of Pharmaceutical Commerce and a deputy to the Shanghai Municipal Fourteenth People's Congress.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Li Zhiming**, aged 51, executive Director and President, joined the Company in May 2010, and served as the vice president of the Company. He has been the president and executive director of the Company since November 2013 and January 2014, respectively. Mr. Li was the chief legal advisor of the Company from October 2012 to January 2014. He was the secretary to disciplinary committee and chairman of labor union of the Company from November 2012 to October 2013. He was the deputy secretary to the Party Committee of the Company since November 2012. 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 Urumqi Branch of Xi'an Military Academy (西安陸軍學院烏魯木齊分院) with associate degree in July 1997. Mr. Li was qualified as a senior economist. Mr. Li was the deputy 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 of the board, secretary to the Party Committee of Xinjiang New & Special Ethnic Drug Corporation, and the director, general manager, vice chairman, chairman of the board and secretary to the Party Committee of Xinjiang Pharmaceutical Group Company from July 1996 to February 2009. He was the chairman of the board, 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 the board of each of China National Medicines Co. Ltd., Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Tianjin Co. Ltd., Sinopharm Holding Inner Mongolia Co. Ltd. and Sinopharm Holding Shanxi Co. Ltd. from August 2010 to October 2011, from November 2010 to April 2013, from August 2010 to January 2014, from March 2011 to January 2014 and from October 2011 to January 2014, respectively, and was the director of Sinopharm Group Shanxi Co., Ltd. from March 2012 to January 2014. He was the chairman of the board of each 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 the board of each of Sinopharm Holding Ningxia Co. Ltd., Sinopharm Holding Shaanxi Co. Ltd., Sinopharm Holding Gansu Co. Ltd., Sinopharm Holding Qinghai Co. Ltd., China National Accord Medicines Co. Ltd. and China National Medicines Co. Ltd., the director of Sinopharm Holding Hong Kong Co. Ltd. and the executive director of Sinopharm Holding Distribution Co. Ltd. He is also the chairman of the board and secretary to the Party Committee of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd.

## | Biographies of Directors, Supervisors and Senior Management

**Mr. Chen Qiyu**, aged 41, non-executive Director, joined the Company on 16 January 2003, and had served as the chief Supervisor of the Company until 31 May 2010. He has served as a non-executive Director since 31 May 2010 and has been the vice chairman of the Company since November 2013. He has over 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 the board of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. He has served as the vice president of each of Fosun International Limited and Shanghai Fosun High Technology (Group) Co., Ltd. since August 2010. Mr. Chen has been a director 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 currently 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, etc.

**Mr. She Lulin**, aged 57, non-executive Director, joined the Group as a non-executive Director of the Company on 16 January 2003. He was the vice chairman of the board of the Company and has served as the chairman of the board of the Company from 30 August 2007 to 8 November 2013. He has around 30 years of working experience, over 27 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. She obtained a bachelor's degree in science, majoring in Pharmacy, from Nanjing Pharmaceutical Institution (currently known as China Pharmaceutical University) in July 1982 and a master's degree in business administration for executives from Tsinghua University in July 2005. Mr. She was previously the deputy head of the office, assistant to the general manager, deputy general manager and general manager of China National Pharmaceutical Group Guangzhou Corporation from August 1982 to August 1996. Mr. She was also the vice chairman of the board and general manager of CNPGC from December 1998 to October 2004. Mr. She was a director, general manager and the secretary of Party Committee of CNPGC from October 2004 to October 2009. He was the vice chairman of the board, general manager and deputy secretary of Party Committee of CNPGC since October 2009. Mr. She has been the chairman of the board and legal representative of Sinopharm Industrial Investment Co. Ltd. from July 2008 to November 2013. Mr. She was the chairman of the board of China National Medicines Corporation Ltd. from December 1998 to January 2001, and has been a non-executive director of China Traditional Chinese Medicine Co. Limited (formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange) since February 2013.



## | Biographies of Directors, Supervisors and Senior Management

**Mr. Wang Qunbin**, aged 44, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. He has around 22 years of working experience, over 19 years of which is management experience in biological medicine. Mr. Wang obtained a bachelor's degree in science, majoring in genetics, from Fudan University in July 1991. Mr. Wang was previously a lecturer at the Genetic Research Institute of Fudan University from September 1991 to September 1993, and then a director and the general manager of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from 1995 to October 2007 and a director of Tianjin Pharmaceutical Holdings Ltd. from March 2001 to February 2009. Mr. Wang has served as a director of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since October 2007, and was its chairman of the board 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 and 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. Wang Fucheng**, aged 63, non-executive Director, joined the Group on 18 October 2013, and has been a non-executive Director since then. Mr. Wang has over 40 years of working experience. He graduated from Shandong Normal University in 1975, and obtained a master's degree in Oil and Gas Engineering from China University of Geosciences (Beijing) in 2004. Mr. Wang served as senior executive of Shengli Oilfield and Liaohe Oilfield, director of Liaohe Oil Exploration Bureau and general manager of PetroChina Liaohe Oilfield Company, successively from August 1986 to June 2000; a director, vice president and chairman of the supervisory committee of PetroChina Company Limited, successively from June 2000 to May 2008; deputy general manager of China National Petroleum Corporation from September 2007 to April 2011; and a director of PetroChina Company Limited from May 2008 to May 2011. Mr. Wang has been serving as director of the Advisory Center of China National Petroleum Corporation since June 2011, and a director of China National Pharmaceutical Group Corporation since January 2013. Currently, Mr. Wang concurrently also serves as a consultant of China National Association of Engineering Consultants, senior vice chairman of China Petroleum and Chemical Industry Federation, and vice chief commissioner of Western China Human Resources Development Foundation.

## | Biographies of Directors, Supervisors and Senior Management

**Mr. Zhou Bin**, aged 45, non-executive Director, has served as a non-executive Director since 7 January 2011 and has around 22 years of working experience. He obtained a bachelor's degree in pharmacology from China Pharmaceutical University in July 1990, a master's degree in business administration from China Europe International Business School in September 2005 and a doctorate degree in industrial economy from Shanghai Academy of Social Sciences in July 2008. He was a research trainee, a research assistant and an assistant to the director of the department of information of Shanghai Institute of Pharmaceutical Industry from July 1990 to July 1998. He was a deputy director, research assistant and secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry from July 1998 to December 1999. He was a deputy director, associate researcher and secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry from December 1999 to May 2002. Mr. Zhou was subsequently a director and a secretary to the branch of the Party at the department of information and the director of the department of market investment of Shanghai Institute of Pharmaceutical Industry from May 2002 to January 2003. He was an assistant dean, the director of the department of market investment and a secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry and the chairman of the board 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 the board 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 the board 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 the board 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 served as a secretary to the Party Committee of China Institute of Pharmaceutical Industry from October 2010 to October 2012. Mr. Zhou has been the chairman of the board and legal representative of Sinopharm Industrial Investment Co. Ltd. since November 2013 and currently, he is also the president of the National Medical Technology Market Profession Association.

**Mr. Deng Jindong**, aged 49, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. He has over 26 years of working experience, over 21 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Li Dongjiu**, aged 48, non-executive Director, joined the Group on 18 October 2013, and has been a non-executive Director since then. Mr. Li is a professor-level senior engineer and Doctor of Engineering, has around 26 years of working experience, over 21 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in July 1987, a master's degree in Management from Wuhan University of Technology in June 1999, a master's degree of Arts in International Economic Relations from the Flinders University of South Australia in October 2005, and an EMBA degree from China Europe International Business School. Mr. Li worked for North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) as a deputy general manager of North China Pharmaceutical Huasheng Co., Ltd., general manager of Sweeteners Vitamins Department of North China Pharmaceutical Group Corporation, general manager of Sales Company of North China Pharmaceutical Group Corporation and deputy general manager of North China Pharmaceutical Co., Ltd. and head of its financial department, successively from July 1987 to December 2009, and served as executive president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., vice president and director of the Pharmaceutical Management Committee and senior vice president and director of the Pharmaceutical Management Committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (a company listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange) and president of Shanghai Fosun Pharmaceutical Development Co., Ltd., successively from December 2009 to December 2012. Since January 2013, Mr. Li has been serving as a senior vice president, chairman of the Medicine Commercialization and Consumer Products Management Committee and vice chairman of the Pharmaceutical Manufacturing Management Committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Mr. Li has been a director of Sinopharm Industrial Investment Co., Ltd. since October 2013 and currently, he is also a vice president of China Nonprescription Medicines Association (CNMA) and a commissioner for the UN Commission on Life-Saving Commodities for Women and Children.

**Mr. Liu Hailiang**, aged 64, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. Mr. Liu has around 44 years of working experience, over 24 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.

## | Biographies of Directors, Supervisors and Senior Management

**Mr. Wang Fanghua**, aged 66, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director since 22 September 2008. Mr. Wang has 46 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. Xie Rong**, aged 61, independent non-executive Director, joined the Group on 25 April 2005, and has been an independent non-executive Director since 22 September 2008. Mr. Xie has around 45 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 Traditional Chinese Medicine Co. Limited (formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange) and Shenyin & Wanguo Securities, which is unlisted, 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 and a standing commissioner of the China Auditing Institute.



## Biographies of Directors, Supervisors and Senior Management

**Mr. Tao Wuping**, aged 58, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director since 22 September 2008. Mr. Tao is a lawyer and has over 30 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 awarded the title of "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

**Mr. 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 13 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 China Traditional Chinese Medicine Co. Limited (formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange) since February 2013.

**Ms. Li Ling**, aged 52, independent non-executive Director, joined the Group on 29 December 2012, and has been an independent non-executive Director since then. Ms. Li has around 31 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 National Health and Family Planning Commission on public policy, an evaluation expert in the Pilot Project of Urban Resident Basic Medical Insurance implemented by the State Council, an advisor to the Beijing Municipal Government, an advisor to the pharmaceutical and healthcare reform of Guangdong Province and the deputy chairman of Gerontological Society of China.

### SUPERVISORS

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**Mr. Yao Fang**, aged 44, the chief Supervisor, has around 22 years of working experience. Mr. Yao obtained a bachelor's degree in economics from Fudan University in July 1989 and a master's degree of business administration 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, a company was delisted on 12 February 2010) listed on the Shanghai Stock Exchange. From December 2008 to December 2009, he worked as the chairman of the board of Shanghai Overseas Co. Ltd.. From May 2003 to 31 December 2009, he served as an executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on the Hong Kong Stock Exchange. Mr. Yao served as the executive deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. (stock code:600196) since April 2010 and became the vice chairman of the board 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.

**Mr. Lian Wanyong**, aged 43, 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 17 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.

## Biographies of Directors, Supervisors and Senior Management

**Ms. Zhang Jian**, aged 40, 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 16 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., Beijing Kangchen Biopharmaceutical Co. Ltd., China National Pharmaceutical Group Shanxi Co. Ltd., Sinopharm Logistics Co. Ltd., Shanghai Donghong Medicine Co., Ltd. and Sinopharm Lerentang Pharmaceutical Co. Ltd.

### COMPANY SECRETARIES

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

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

### SENIOR MANAGEMENT

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**Mr. Li Zhiming**, is currently the president of the Company. Please refer to the section headed “Directors” above for Mr. Li’s biography.

**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 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 the board of each of Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Mudanjiang Co. Ltd., Sinopharm Holding Jilin Co. Ltd., Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Hainan Co. Ltd. and Sinopharm Holding Hubei Co. Ltd.

**Mr. Lu Jun**, aged 55, 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 38 years of working experience, over 15 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 the board 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 the board of Sinopharm Holding Chongqing Co. Ltd., the director of Sinopharm Holding Changzhou Co. Ltd., the chairman of the board of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., the director of Shenzhen Accord Pharmaceutical Co., Ltd., and the vice chairman of the board of Sinopharm Group Shanxi 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



## Biographies of Directors, Supervisors and Senior Management

December 2010 to January 2013, from December 2010 to June 2013, from March 2011 to October 2011 and from March 2011 to December 2013, respectively. Mr. Lu is now a director of each of Sinopharm Holding Guoda Drug Store Co. Ltd., Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd. and Sinopharm Group Shanxi Co., Ltd.. He is also the executive director of Sinopharm Holding Jiangsu Co. Ltd. (formerly known as Sinopharm Nanjing). He is also the chairman of the board of each 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.

**Mr. Liu Yong**, aged 45, joined the Group on 8 January 2003, and is currently the vice president and chief legal advisor of the Company. He has over 21 years of working experience, over 18 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 the board of Sinopharm Holding Shenyang Co. Ltd. and the chairman of the board 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 the board of Sinopharm Holding Henan Co. Ltd. and the chairman of the board 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 the board of Sinopharm Holding Anhui Co. Ltd., the chairman of the board of Sinopharm Holding Shandong Co. Ltd., the chairman of the board of Sinopharm Holding Jilin Co. Ltd., the executive director of Sinopharm Logistics Co. Ltd., the director of Sinopharm Holding Henan Co. Ltd., the director of China National Pharmaceutical Group Shanxi Co. Ltd. and the director of China National Medicines 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, from September 2011 to March 2012, and from October 2011 to January 2014, respectively. Mr. Liu is also the chairman of the board of each of Sinopharm Holding Tianxingpuxin BioMed Co. Ltd., Sinopharm Holding Beijing Co. Ltd., Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd., Sinopharm Holding Guoda Drug Store Co. Ltd., Sinopharm Holding Chongqing Co. Ltd., Sinopharm Holding Hunan Co. Ltd., Sinopharm Holding Guizhou Co. Ltd., Sinopharm Holding Yunnan Co. Ltd., Sinopharm Holding Chongqing Taimin Pharmaceutical Co. Ltd. (國藥控股重慶泰民醫藥有限公司), Sinopharm Holding Southwest Co. Ltd. (國藥控股西南有限公司) and Sinopharm Medicine Holding Beijing Huahong 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 24 years of working experience, over 22 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 of new and special drug department, assistant to manager of new and special drug department, deputy manager and assistant to general manager of new and special drug department and marketing department, manager of pharmaceuticals department and new and special drug department, deputy general manager, managing deputy general manager and general manager at China National Pharmaceutical Group Shanghai Co. Ltd. from August 1995 to January 2005. He also served as general manager of the sales and marketing department (hospital) at Sinopharm Group Co., Ltd. from February 2005 to December 2005, and the chairman of the board of Shanghai Yijia Medical Device Co., Ltd., and the chairman of the board and general manager of Shanghai Shengtai Medical Technologies Co., Ltd. from January 2006 to November 2011. Mr. Cai was the director of Sinopharm Holding Sinoexcelsior Investment Incorporation, the chairman of the board 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 Shanghai Merro Pharmaceutical Co., Ltd.. He is also the chairman of the board of each of China National Pharmaceutical Group Shanghai Likang Co. Ltd., Sinopharm Holding Medical Instruments 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 50, 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 27 years of working experience, over 16 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 (Group) 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 the board of each of Sinopharm Holding Jiangxi Co. Ltd., Sinopharm Holding Shanxi Co. Ltd., Sinopharm Holding Inner Mongolila Co. Ltd. and Sinopharm Holding Tianjin Co. Ltd., the vice chairman of the board of Sinopharm Group Shanxi 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 each of Sinopharm Holding Guoda Drug Store Co. Ltd., 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, manager, deputy general manager and standing deputy general manager of China National Pharmaceutical (Group) Tianjin Corporation from July 1991 to May 2003. He was the deputy general manager of pharmaceutical business department of 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 the board 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 the board 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 director of each of China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd. and China National Medicines Corporation Ltd., the executive director of each of Sinopharm Holding Henan Co. Ltd. and Shanghai Tongyu Information Technology Co., Ltd. He is also the chairman of the board of each 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 45, has been the non-executive vice president of the Company since March 2011. He has over 29 years of working experience, over 21 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 of the board 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 of the board 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 of the board 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.

# Report of the Board

## of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

### PRINCIPAL BUSINESS

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

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

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

### RESULTS

The operating results of the Group during the Reporting Period are set out in the consolidated income statement on page 78 of this annual report.

### DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 21 March 2014 to propose to distribute a final dividend of RMB0.26 per share (tax inclusive) for the year ended 31 December 2013 (the “**Final Dividend**”), totalling approximately RMB667,756 thousands. If the profit distribution plan is approved by the shareholders by way of an ordinary resolution at the 2013 annual general meeting to be held on Thursday, 19 June 2014, the Final Dividend will be distributed on Friday, 25 July 2014 to holders of the H shares whose names appear on the register of members of H shares of the Company on Thursday, 26 June 2014.

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

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

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document (the “**Notice**”) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld from the Final Dividend payable to any individual shareholders whose names appear on the register of members of H shares of the Company on 26 June 2014, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

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

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



## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

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

## **PRINCIPAL SUBSIDIARIES**

The names, principal places of business, places of incorporation and issued share capital of the Company's principal subsidiaries are set out in Note 43 to the Consolidated Financial Statements.

## **RESERVES**

Movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 84 of this annual report and Note 31 to the Consolidated Financial Statements.

## **DISTRIBUTABLE RESERVES**

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

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

In 2013, the distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB840 million, which is prepared in accordance with the HKFRS.

## **PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES**

Details of changes in investment properties and property, plant and equipment of the Group during the Reporting Period are set out in Notes 17 and 18 to the Consolidated Financial Statements.

## **BORROWINGS**

The details of borrowings of the Group are set out in Note 32 to the Consolidated Financial Statements.

### MAJOR CUSTOMERS AND SUPPLIERS

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

For the year ended 31 December 2013, none of the Directors, Supervisors, their respective associates and any shareholder of the Company (who to the knowledge of the Board owns more than 5% of the share capital of the Company) had any interest in the 5 largest customers or the 5 largest suppliers of the Group.

### CONNECTED TRANSACTIONS

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

#### Non-Exempt Continuing Connected Transactions

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

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

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

### **Master Procurement Agreement**

Date: 11 November 2011

Parties: (i) the Company  
(ii) CNPGC

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

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

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

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

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

### Master Sales Agreement

Date: 11 November 2011

Parties: (1) the Company  
(2) CNPGC

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

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

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

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

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

## | Report of the Board of Directors

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

### **Revision of The Annual Caps for The Continuing Connected Transactions Under The Master Sales Agreement**

According to the announcement of the Company dated 23 August 2013, the Board resolved on 23 August 2013 to revise the 2013 and 2014 annual caps for the continuing connected transactions contemplated under the Master Sales Agreement from RMB659 million and RMB857 million to RMB1,100 million and RMB1,650 million, respectively. Pursuant to the Listing Rules, the aforesaid revision of the relevant annual caps is not subject to the approval of the independent shareholders of the Company.

For the year ended 31 December 2013, the approved annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions between the Group and the CNPGC Group under the above Master Procurement Agreement and the Master Sales Agreement are set out below:

<b>Transactions</b>	<b>Annual cap for the year 2013/ the revised annual cap (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2013 (RMB million)</b>
Transactions between the Group and the CNPGC Group under the Master Procurement Agreement	6,760	2,082
Transactions between the Group and the CNPGC Group under the Master Sales Agreement	1,100	734

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

In order to regulate the continuing connected transactions in respect of the utilization of financial services between the Group and Sinopharm Group Finance Co., Ltd, (“**Sinopharm Group Finance Co.**”), the Company and Sinopharm Group Finance Co. (a subsidiary of the ultimate controlling shareholder of the Company and the connected person of the Company) entered into the Financial Services Framework Agreement on 8 June 2012, and set up the annual caps for the continuing connected transactions thereunder for the six months ended 31 December 2012 and the two years ending 31 December 2014.



## Report of the Board of Directors

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

### Financial Services Framework Agreement

Date: 8 June 2012

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

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

Financial Services Provided by Sinopharm Group Finance Co. to the Company and/or its Subsidiaries: Pursuant to the Financial Services Framework Agreement, the Company and/or its subsidiaries will, from time to time, utilize the following financial services available from Sinopharm Group Finance Co. as is deemed necessary. Such services include:

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

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

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

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

## | Report of the Board of Directors

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

- Deposit services: interest rates shall not be lower than each of (i) the interest rates floor promulgated by the People's Bank of China from time to time for the same category of deposits; (ii) the interest rates offered to other members of the CNPGC Group by Sinopharm Group Finance Co. for the same category of deposits; and (iii) the interest rates offered to the Company and/or its subsidiaries by commercial banks for the same category of deposits
- Loan services: interest rates shall not be higher than each of (i) the interest rates cap promulgated by the People's Bank of China from time to time for the same category of loans; (ii) the interest rates offered to other members of the CNPGC Group by Sinopharm Group Finance Co. for the same category of loans; and (iii) the interest rates offered to the Company and/or its subsidiaries by commercial banks for the same category of loans.
- Other financial services: the interests or service fees charged for other financial services shall (i) comply with the standard rates as promulgated by the People's Bank of China or China Banking Regulatory Commission from time to time (if applicable); (ii) be not higher than the interests or service fees charged by commercial banks for comparable services; and (iii) be not higher than the interests or service fees charged by Sinopharm Group Finance Co. for comparable services to other members of the CNPGC Group.

Sinopharm Group Finance Co. may provide other services to the Company and/or its subsidiaries as may be approved by China Banking Regulatory Commission in the future. The fees and charges for such services to be provided shall: (i) comply with the standard rates as promulgated by the People's Bank of China or China Banking Regulatory Commission from time to time (if applicable) for such kind of services; (ii) be not higher than the fees charged by commercial banks for comparable services; and (iii) be not higher than the fees charged by Sinopharm Group Finance Co. for comparable services to other members of the CNPGC Group.

## Report of the Board of Directors

For the year ended 31 December 2013, the approved annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions between the Group and Sinopharm Group Finance Co. under the above Financial Services Framework Agreement are set out below:

<b>Transactions</b>	<b>Annual caps for 2013 (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2013 (RMB million)</b>
Maximum daily balance of the deposits placed with Sinopharm Group Finance Co. by the Group	1,600	672
Interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Co.	200	53

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

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

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

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

### Non-Exempt Connected Transaction

#### Acquisition of 80% Equity Interest in CNPGC Shanxi Co. from Sinopharm Investment

On 28 June 2013, the Company entered into the Equity Transfer Agreement with Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司) (“**Sinopharm Investment**”), the intermediate controlling shareholder and a connected person of the Company, in respect of the acquisition of 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. (國藥集團山西有限公司) (“**CNPGC Shanxi Co.**”) at a consideration of RMB819.6 million (the “**Equity Transfer Agreement**”). Upon completion of the transaction under the Equity Transfer Agreement, CNPGC Shanxi Co. has become a subsidiary of the Company. The business scope of CNPGC Shanxi Co. includes the sale of pharmaceutical and healthcare products, the sale and maintenance of medical equipment, and the planting and development of Chinese traditional medicinal materials, etc..

According to the Listing Rules, the connected transaction under the Equity Transfer Agreement is subject to the reporting and announcement requirements, but exempt from the approval of the independent shareholders. The principal terms of the agreement are as follows:

#### Equity Transfer Agreement

Date:	28 June 2013
Parties:	(1) the Company, as the transferee (2) Sinopharm Investment, as the transferor
Effective Conditions and Effective Date:	The Equity Transfer Agreement shall be formed after signed by the authorized representatives of both parties or chopped with the official chops of both parties, and shall take effect from the date of being approved by the CNPGC.
Target Asset:	the 80% equity interest in the target company (CNPGC Shanxi Co.) owned by Sinopharm Investment

## Report of the Board of Directors

- Consideration:
- The parties agreed that the value of the target asset would be determined based on the ownership of Sinopharm Investment to the registered capital of CNPGC Shanxi Co. according to its shareholding, which was RMB800 million, and among which, RMB200 million had been fully paid up by Sinopharm Investment, while RMB600 million had not yet been paid up.
  - As such, the consideration to be paid by the Company under the Equity Transfer Agreement shall be as follows:
    - (1) RMB219.6 million shall be paid by the Company in consideration of the RMB200 million registered capital that had been fully paid up by Sinopharm Investment, which was calculated by the original capital contribution plus RMB19.6 million of interest cost; and
    - (2) RMB600 million unpaid registered capital owed by Sinopharm Investment to CNPGC Shanxi Co. shall be paid by the Company to CNPGC Shanxi Co., other than which the Company need not pay any additional consideration to Sinopharm Investment under the Equity Transfer Agreement.
- Other Major Terms:
- Sinopharm Investment shall transfer the target asset to the Company within 10 business days from the effective date of the Equity Transfer Agreement.
  - Completion of the transaction under the Equity Transfer Agreement shall take place on the date of completion of the business registration in respect of the transfer of the target asset by the parties.
  - The profit and loss of CNPGC Shanxi Co. during the period from the valuation date of CNPGC Shanxi Co., i.e., 31 December 2012, to the completion of the transaction under the Equity Transfer Agreement (the “**transition period**”) shall be borne by the Company and Shanxi Pharmaceutical Group Co., Ltd. (another shareholder of CNPGC Shanxi Co.).
- Payment Arrangements:
- RMB219.6 million shall be paid by the Company to Sinopharm Investment by cash within 10 business days from the date of completion of the business registration in respect of the transfer of the target asset by the parties; and
  - RMB600 million shall be paid by the Company to CNPGC Shanxi Co. by cash within the time limit as required by the relevant laws.

The Company is of the view that signing of the Equity Transfer Agreement is consistent with the development strategy of the Group, and is benefit for the integration of the pharmaceutical market in Shanxi Province and reduction of connected transactions of the Company, as well as the optimization of the sales network of the Group, so as to improve the operation efficiency of the Group.



## | Report of the Board of Directors

Save as disclosed above, for the year ended 31 December 2013, there is no other related party transaction or continuing related party transaction set out in Note 42 to the Consolidated Financial Statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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

### **BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Biographies of the Directors, Supervisors and senior management are set out from page 36 to 49 of this annual report.

### **REMUNERATIONS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS**

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

Details of the remuneration of the Directors and Supervisors in 2013 are set out in Note 11 to the Consolidated Financial Statements.

Details of the five highest paid individuals of the Group in 2013 are set out in Note 11 to the Consolidated Financial Statements on page 129 of this annual report.

Details of the remuneration of the current senior management of the Company by band for the year ended 31 December 2013 are set out as follows:

<b>Range</b>	<b>Number of individuals</b>
RMB nil to RMB1,000,000	0
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	7

### INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

For the year ended 31 December 2013, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) subsisting during or at the end of the Reporting Period in which a Director or Supervisor is or was materially interested, whether directly or indirectly.

For the year ended 31 December 2013, there was no contract of significance in relation to the Company's business subsisting during or at the end of the Reporting Period to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director or Supervisor has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

For the year ended 31 December 2013, none of the Directors or Supervisors was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

### INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at 31 December 2013, three non-executive Directors, namely Mr. Chen Qiyu, Mr. Wang Qunbin and Mr. Li Dongjiu had interest in businesses which compete or likely to compete, either directly or indirectly with the business of the Group. Mr. Wang Qunbin is a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**"). Mr. Chen Qiyu is an executive director and the chairman of the board of Fosun Pharma and a director of some of the Fosun Production Companies. Mr. Li Dongjiu is a senior vice president of Fosun Pharma and a director of certain distribution, manufacture and retail companies of Fosun.

For the year ended 31 December 2013, the Group's total revenue from sales of pharmaceutical products to Fosun Pharma and its subsidiaries was approximately RMB136 million and total costs from purchase of pharmaceutical products from Fosun Pharma and its subsidiaries was approximately RMB570 million, accounting for 0.08% and 0.37%, respectively, of the Group's audited total revenue and total costs for the same period.

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

#### (i) **Fosun Distribution Company**

##### **Description of business**

The Fosun Distribution Company principally engages in the distribution of medicines in the PRC.

Given the insignificant proportion of the Fosun Distribution Company's total revenue generated from the distribution and retailing of pharmaceutical products to the Group's total audited revenue for the same period and the fact that such total revenue covered not only western medicines but also Chinese medicines, the Directors believe that there is no material competition between the Fosun Distribution Company and the Group.

### **Independence**

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

As mentioned above, Mr. Li Dongjiu, who is a non-executive Director, is a director of the Fosun Distribution Company. Apart from the above non-executive Director, who is not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Distribution Company. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Distribution Company.

### **(ii) Fosun Production Companies**

#### **Description of business**

The Fosun Production Companies principally engage in the production of pharmaceutical products in the PRC. The core business of the Group is the distribution of pharmaceutical products in the PRC, not production of medicines. In addition, for the year ended 31 December 2013, revenue from the production of pharmaceutical products only accounted for approximately 1.89% of the Group's total audited revenue. Furthermore, because there is a clear delineation between the medicines produced by the Group and those produced by the Fosun Production Companies, the Directors believe that there is no competition between the Fosun Production Companies and the Group.

#### **Independence**

The Company is financially independent from the Fosun Production Company. For the year ended 31 December 2013, given the insignificant proportion of sales of pharmaceutical products to/purchase of pharmaceutical products from certain Fosun Production Companies to the Group's total audited revenue/costs for the same period, therefore, the Group is also operationally independent from the Fosun Production Company.

As mentioned above, Mr. Chen Qiyu and Mr. Li Dongjiu, who are non-executive Directors, are directors of certain Fosun Production Company. Apart from the above two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Production Company. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Production Company.

## | Report of the Board of Directors

### (iii) Fosun Retail Companies

#### **Description of business**

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

The core business of the Group is the distribution of pharmaceutical products in the PRC, but not the operation of retail drug stores. In addition, for the year ended 31 December 2013, the operation of retail drug stores by the Fosun Retail Companies only accounted for insignificant proportion of the Group's total audited revenue. Since operation of retail drug stores is not the core business of the Group, the Directors believe that there is no material competition between the Fosun Retail Companies and the Group.

#### **Independence**

The Company is financially independent from the Fosun Retail Companies. For the year ended 31 December 2013, the sales of pharmaceutical products to the Fosun Retail Companies only represent insignificant proportion of the Group's total audited revenue. Therefore, the Group is also operationally independent from the Fosun Retail Companies.

Mr. Li Dongjiu, the non-executive Director, is a director of certain Fosun Retail Companies. Other than the above non-executive Director, who is not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Retail Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Retail Companies.

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

As at 31 December 2013, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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.

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

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2013, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate Percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 (Note 2)	0.11	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	-



## Report of the Board of Directors

Name	Class of shares	Nature of interest	Number of shares held	Approximate Percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
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	–
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)	79,179,743	3.08	7.97	Long position
			430,000	0.02	0.04	Short position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.58	4.09	Long position
JPMorgan Chase & Co.	H shares	Beneficial owner, Investment manager – Custodian corporation/ approved lending agent (Note 11)	79,968,158	3.11	8.05	Long position
			2,826,000	0.11	0.28	Short position
			62,159,881	2.42	6.25	Shares available for lending

## | Report of the Board of Directors

Name	Class of shares	Nature of interest	Number of shares held	Approximate Percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
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
Oppenheimer Funds, Inc.	H shares	Investment manager	100,503,000	3.91	10.11	Long position
Bank of America Corporation	H shares	Interest of controlled corporation (Note 12)	51,436,695	2.00	5.17	Long position
			49,618,091	1.93	4.99	Short 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 interested in 2,728,396 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.
- (3) Qishen Company is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Qishen Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun Pharma is the beneficial owner of 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.

## Report of the Board of Directors

- (5) Fosun High Technology is the beneficial owner of 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 78.24% equity interest in Fosun Company and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (9) Mr. Guo Guangchang is the beneficial owner of 58% equity interest in Fosun International Holdings and 0.006% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (10) Black Rock, Inc is interested in long positions of 79,179,743 H shares and short positions of 430,000 H shares of the Company indirectly through a series of controlled corporations.
- (11) JPMorgan Chase & Co. is interested, directly and indirectly through a series of controlled corporations, in an aggregate of long positions of 79,968,158 H shares (of which 62,159,881 are shares available for lending) and short positions of 2,826,000 H shares of the Company.
- (12) Bank of America Corporation is interested in long positions of 51,436,695 H shares of the Company and short positions of 49,618,091 H shares of the Company indirectly through a series of controlled corporations.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2013, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### PRE-EMPTIVE RIGHTS

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

### PLACING OF H SHARES

For the purpose of raising capital while broadening the shareholder base and capital base of the Company, on 28 March 2013 and 1 April 2013, the Company entered into a placing agreement and a supplemental agreement to the placing agreement, respectively, with the placing agents in relation to the placing, on a best efforts basis, of an aggregate of 165,668,190 H shares at the placing price of HK\$24.60 per H share (the “**Placing**”). The placing price per H share represents a discount of approximately 8.89% to the closing price of HK\$27.00 per H share as quoted on the Stock Exchange on 27 March 2013, being the last trading day prior to the entering into of the placing agreement.

The aggregate nominal value of the above-mentioned H shares under the Placing was RMB165,668,190 (equivalent to approximately HK\$204,931,551). The amount of net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) of approximately HK\$4,005.33 million from the Placing was intended to be used for the expansion of pharmaceutical distribution and retail network and replenishment of liquidity after the expansion. The net price (after deducting all applicable costs and expenses, including commission, legal fees and levies) raised per H share upon completion of the Placing was approximately HK\$24.18.

The placees of the Placing were ten institutional investors. To the knowledge of the Directors, none of the placees became a substantial shareholder (as defined under the Listing Rules) of the Company immediately following completion of the Placing.

The aforesaid Placing completed on 10 April 2013. Immediately following completion of the Placing, the number of total issued shares of the Company had increased from 2,402,625,299 shares to 2,568,293,489 shares, of which the total number of H shares held by the public had increased from 828,340,950 H shares to 994,009,140 H shares, and the number of domestic shares remained unchanged as 1,574,284,349 domestic shares.

The Directors consider that the placing of H shares is in the interests of the Company and its shareholders as a whole.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of all Directors, there was sufficient public float of more than 25% of the Company’s issued shares as required under the Listing Rules in the financial year of 2013 and prior to the issue of this annual report.

### MANAGEMENT CONTRACT

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

### **PENSION SCHEME**

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

### **ENTRUSTED DEPOSIT AND MATURED TIME DEPOSIT**

As at 31 December 2013, the Company had not held any deposits under trust or any time deposit in any financial institution in the PRC which could not be withdrawn upon maturity.

### **TAX RELIEF AND EXEMPTION**

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

### **CONFIRMATION OF INDEPENDENCY BY INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

### **AUDITOR**

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

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

Shanghai, China  
21 March 2014

# Report

## of the Supervisory Committee

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

### I. WORKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

For year 2013, the Supervisory Committee held two meetings and the details are as follows:

On 22 March 2013, the third meeting of the second session of the Supervisory Committee was convened to approve the “Report of the Supervisory Committee of 2012” and the “Report of the 2012 Annual Results”.

On 20 August 2013, the fourth meeting of the second session of the Supervisory Committee was convened to discuss and approve the “Report of the 2013 Interim Results”.

### II. COMMENTS OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2013

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

1. Regulatory compliance of the operation of the Company. During the Reporting Period, the Board earnestly exercised the rights and performed the obligations conferred by the PRC Company Law and the Articles of Association to make decisions in time on material matters including production and operation plans and development objectives, and implemented all resolutions adopted by the shareholders’ general meetings and board meetings. Senior management managed and operated the Company in compliance with laws and regulations. The Directors and senior management have fulfilled obligation of integrity without violating any laws or Articles of Association or committing any action which may be against the interests of shareholders.
2. Evaluation of financial condition of the Company. During the Reporting Period, the Supervisory Committee has supervised and reviewed the financial structure and position of the Company. The Supervisory Committee is of the opinion that the financial structure of the Company was healthy and standardized and the Company was in a good financial position. The 2013 Audit Report of the Company has truly, accurately and completely reflected the financial condition, results of operation and cash flows of the Company.



## | Report of the Supervisory Committee

3. The use of funds raised by the Company. The Supervisory Committee is of the opinion that the use of proceeds complied with the provisions of relevant laws and regulations and the Articles of Association without violating the interests of the Company and its shareholders. The Supervisory Committee will continue to supervise and monitor the use of proceeds.
4. Acquisition and disposal of assets of the Company. The acquisitions and disposals of the assets of the Company during the Reporting Period were based on fair and reasonable prices. No insider dealing or any action that may injure shareholders' interests or cause any loss of assets of the Company has been found.
5. Connected transactions of the Company. During the Reporting Period, the connected transactions between the Company and all connected persons conformed to applicable regulations of the Stock Exchange. The connected transactions were based on fair and reasonable prices and were carried out in accordance with the principles of reasonableness, fairness and justice. No harm to the interests of the Company and other unrelated shareholders has been found.
6. Preparation and review of annual report of the Company. The preparation and review of the 2013 annual report of the Company conformed to all the relevant regulations of the China Securities Regulatory Commission and the Stock Exchange. No breach of confidentiality provisions by any person involved in the preparation or review of annual report has been found.

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

**Yao Fang**  
*Chief Supervisor*

21 March 2014

# Corporate

## Social Responsibilities

In 2013, in accordance with the strategic goal of CNPGC of “building a central enterprise pharmaceutical and healthcare platform”, under the requirements of the Group to build a unity of “three systems, eleven business segments and five platforms”, Sinopharm Group strategically positioned to developing itself into “an internationally competitive pharmaceutical and health service provider”. Sinopharm Group strived to develop an outstanding pharmaceutical trading system, and focused its principal business on pharmaceutical distribution logistics and pharmaceutical retailing, increased synergies among various segments, and advanced various strategies under the implementation strategy of “outstanding core businesses, diversified activities, integrated services and value-enhancing”. Adhering to the philosophy of “Care for life, attending to health”, Sinopharm Group continued to improve our social responsibility management system and seriously fulfilled various social responsibilities and commitments. Cherishing the “Benevolence, love, and responsibility” as our core value, we strive to bring long-lasting and sustainable value to our shareholders, clients, environment, and the public community, and stand out to take the leadership as a pharmaceutical enterprise with strong sense of social responsibility.

### **1. COMPREHENSIVE PROMOTION OF CORPORATE SOCIAL RESPONSIBILITIES**

The Company continued to commit to report its social responsibility by publishing its fifth annual Corporate Social Responsibility Report to the public, and actively guided its subsidiaries to publish their respective Corporate Social Responsibility Reports to the public.

The Company continued to promote Corporate Social Responsibility System and improve interest and safety of its staff. In 2013, the Company completed certificate renewal of SA8000; and 3 new subsidiaries passed the international certificate of SA8000. Meanwhile, the Company prepared and revised the Grading and Evaluation Standards of SA8000 of Sinopharm Group, and held trainings for subsidiaries and internal auditors in respect of the above standards, thus laying a foundation for fully implementing the grading and evaluation of Social Responsibility System.

### **2. PROMOTING CORPORATE CULTURE, ENHANCING CULTURAL INTEGRATION AND BUILDING A HARMONIOUS SINOPHARM GROUP**

In January 2013, the Company officially released its Corporate Culture Handbook, and widely publicized the Handbook through Sinopharm Group Newspaper, websites and mobile TVs; and its subsidiaries also widely publicized the Handbook through their respective journals, websites and mobile TVs, thus creating a strong corporate culture atmosphere, promoting the Sinopharm Group’s culture, facilitating cultural studies and enhancing cultural integration.

The Company always adheres to safeguarding the legal interest of its staff, and further enhances and improves the democratic management of the Company. The Company has re-established the Women Labor Committee and vigorously promoted the establishment and standardized operation of Labor Unions of its subsidiaries at all levels, guided its subsidiaries to establish Labor Union and select candidates subject to its approval and provided relevant assistance, and ensured Labor Unions cover its subsidiaries at all levels. In 2013, the Company established three new Labor Unions; and 80% of its secondary subsidiaries established their respective Labor Unions.

## Corporate Social Responsibilities

The Company sticks to hold a dialogue meeting between the senior management and its staff and a staff representative meeting on an annual basis, thus accelerating and deepening the democratic management progress by taking the opportunities of the practical education activities of the mass line promoted by the Party. The Company set up, considered and approved the Interim Measures for Support Fund Management of Sinopharm Group to make the Company's support management more standardized and humanized.

The Company has actively organized various cultural activities through communities of Yi tai chi, yoga, badminton, table tennis, football and chorus to enrich the cultural life for its staff. All levels of organizations – the Party, Political Groups, Labor Union, and the Youth League, have stayed close to reality of the enterprise and life of staff and held various activities such as book reading and sharing, health forums, speech contests, visits and studies, aiming to build a harmonious Sinopharm Group.

### **3. CONTRIBUTION TO THE SOCIETY AND ACTIVE PARTICIPATION IN PUBLIC WELFARE**

The Company carried out social responsibility projects. The Company released directions on supplying earthquake relief medicines the first time after Ya'an earthquake occurred, and its subsidiaries took active actions at their best to ensure the supply of earthquake relief goods and called on their staffs to make donations to the disaster area. The Company carried out poverty support program through entering into a Letter of Intent for Student Caring Fund with Shanghai Charity Fund, Zhabei Branch, pursuant to which, the Company provided caring assistance to 40 higher school students from poverty families and made one-off donation of RMB100,000 for three consecutive years to help them graduate successfully. The Company carried out pair support activities in Fujun County, Chongming, organized the Party in Shanghai to support poverty families and care old people before festivals in Fujun County, Chongming, completed the "Sinopharm Group Caring Square", held voluntary tree planting activities, and reached an agreement for the third five-year support program. In accordance with Sinopharm Group Blood Donation Management Regulations, the Company called on its staffs to participate in volunteer blood donation activities, accomplished blood donation indicators of 83 people in Shanghai throughout the year, and thus received recognition and compliment from blood donation association. The Company and its subsidiaries actively participated in social responsibility practices, and further established a good corporate image.



羅兵咸永道

**To the shareholders of Sinopharm Group Co. Ltd.**

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

We have audited the consolidated financial statements of Sinopharm Group Co. Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 78 to 248, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

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

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

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

## | Independent Auditor's Report

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

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

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 21 March 2014

## Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2013	2012 (Restated)
Revenue	5, 6	<b>166,866,146</b>	136,501,660
Cost of sales and other operating costs	9	<b>(153,487,630)</b>	(125,514,036)
<b>Gross profit</b>		<b>13,378,516</b>	10,987,624
Other income	7	<b>288,941</b>	218,899
Distribution and selling expenses	9	<b>(4,473,773)</b>	(3,750,408)
General and administrative expenses	9	<b>(3,091,764)</b>	(2,587,211)
<b>Operating profit</b>		<b>6,101,920</b>	4,868,904
Other gains – net	8	<b>40,196</b>	286,707
Finance income		<b>174,387</b>	151,591
Finance costs		<b>(1,834,756)</b>	(1,420,729)
Finance costs – net	12	<b>(1,660,369)</b>	(1,269,138)
Share of profit of investments accounted for using the equity method	21	<b>138,758</b>	135,718
<b>Profit before income tax</b>		<b>4,620,505</b>	4,022,191
Income tax expense	13	<b>(1,040,793)</b>	(936,497)
<b>Profit for the year</b>		<b>3,579,712</b>	3,085,694
<b>Attributable to:</b>			
Shareholders of the Company		<b>2,250,002</b>	1,979,381
Non-controlling interests		<b>1,329,710</b>	1,106,313
		<b>3,579,712</b>	3,085,694
<b>Earnings per share for profit attributable to the shareholders of the Company during the year</b> (expressed in RMB per share)			
– <b>Basic and diluted</b>	15	<b>0.89</b>	0.82
<b>Dividends</b>	37	<b>667,756</b>	642,073

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



# Consolidated Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2013	2012 (Restated)
<b>Profit for the year</b>		<b>3,579,712</b>	3,085,694
<b>Other comprehensive income/(losses):</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations	33,13	<b>15,843</b>	(16,214)
<i>Items that may be reclassified to profit or loss</i>			
Fair value gains/(losses) on available-for-sale financial assets, net of tax	23,13	<b>5,094</b>	(314)
Currency translation differences	13	<b>(2,273)</b>	41
Share of other comprehensive income of investments accounted for using the equity method	21,13	<b>232</b>	1,543
Total items that may be reclassified subsequently to profit or loss		<b>3,053</b>	1,270
<b>Other comprehensive income/(losses) for the year, net of tax</b>		<b>18,896</b>	(14,944)
<b>Total comprehensive income for the year</b>		<b>3,598,608</b>	3,070,750
<b>Attributable to:</b>			
– Shareholders of the Company		<b>2,262,489</b>	1,969,844
– Non-controlling interests		<b>1,336,119</b>	1,100,906
		<b>3,598,608</b>	3,070,750

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

## Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
		2013	2012 (Restated)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	16	1,277,436	1,017,029
Investment properties	17	159,509	175,588
Property, plant and equipment	18	6,310,547	5,412,037
Intangible assets	19	5,603,289	5,550,612
Investments accounted for using the equity method	21	730,739	689,324
Available-for-sale financial assets	23	274,701	205,408
Deferred income tax assets	24	455,519	339,713
Other non-current assets	25	927,994	471,772
		<b>15,739,734</b>	13,861,483
<b>Current assets</b>			
Inventories	26	16,702,338	13,864,730
Trade receivables	27	51,824,730	38,187,200
Prepayments and other receivables	28	4,141,332	3,803,354
Available-for-sale financial assets	23	1,122	1,559
Bank deposits and restricted cash	29	3,041,892	1,607,395
Cash and cash equivalents	29	14,001,962	9,801,502
		<b>89,713,376</b>	67,265,740
<b>Total assets</b>		<b>105,453,110</b>	81,127,223
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Share capital	30	2,568,293	2,402,625
Reserves	31	19,247,253	14,881,120
		<b>21,815,546</b>	17,283,745
<b>Non-controlling interests</b>		<b>6,795,804</b>	5,664,910
<b>Total equity</b>		<b>28,611,350</b>	22,948,655

## Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		<b>As at 31 December</b>	
	Note	<b>2013</b>	2012 (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	32	<b>4,134,067</b>	5,191,580
Deferred income tax liabilities	24	<b>596,282</b>	591,899
Post-employment benefit obligations benefits and	33	<b>498,749</b>	449,933
Other non-current liabilities	34	<b>771,483</b>	790,026
		<b>6,000,581</b>	7,023,438
<b>Current liabilities</b>			
Trade payables	35	<b>44,188,111</b>	35,255,162
Accruals and other payables	36	<b>5,183,535</b>	4,598,411
Dividends payable		<b>36,613</b>	15,655
Current income tax liabilities		<b>425,644</b>	337,699
Borrowings	32	<b>21,007,276</b>	10,948,203
		<b>70,841,179</b>	51,155,130
<b>Total liabilities</b>		<b>76,841,760</b>	58,178,568
<b>Total equity and liabilities</b>		<b>105,453,110</b>	81,127,223
<b>Net current assets</b>		<b>18,872,197</b>	16,110,610
<b>Total assets less current liabilities</b>		<b>34,611,931</b>	29,972,093

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

The financial statements were approved by the Board of Directors on 21 March 2014 and were signed on its behalf by

**Wei Yulin**  
Director

**Xie Rong**  
Director

## Company Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	4,843	5,093
Property, plant and equipment	18	53,387	39,859
Intangible assets	19	110,583	80,746
Investments in subsidiaries	20	14,625,391	12,505,612
Investments accounted for using the equity method	21	132,600	158,582
Available-for-sale financial assets	23	236,120	173,620
Deferred income tax assets	24	33,193	40,537
Other non-current assets	25	6,871	49,410
		<b>15,202,988</b>	13,053,459
<b>Current assets</b>			
Inventories	26	704,585	505,897
Trade receivables	27	4,222,657	3,678,140
Prepayments and other receivables	28	12,661,792	9,884,506
Cash and cash equivalents	29	5,738,956	2,597,932
		<b>23,327,990</b>	16,666,475
<b>Total assets</b>		<b>38,530,978</b>	29,719,934
<b>EQUITY</b>			
Share capital	30	2,568,293	2,402,625
Reserves	31	14,986,152	11,638,233
<b>Total equity</b>		<b>17,554,445</b>	14,040,858

## Company Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		<b>As at 31 December</b>	
	Note	<b>2013</b>	2012
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	32	<b>3,969,306</b>	4,975,161
Other non-current liabilities	34	<b>208,853</b>	246,278
Post-employment benefit obligations		<b>30,393</b>	37,580
		<b>4,208,552</b>	5,259,019
<b>Current liabilities</b>			
Trade payables	35	<b>2,961,925</b>	2,855,101
Accruals and other payables	36	<b>7,963,157</b>	7,109,956
Current income tax liabilities		<b>3,409</b>	–
Borrowings	32	<b>5,839,490</b>	455,000
		<b>16,767,981</b>	10,420,057
<b>Total liabilities</b>		<b>20,976,533</b>	15,679,076
<b>Total equity and liabilities</b>		<b>38,530,978</b>	29,719,934
<b>Net current assets</b>		<b>6,560,009</b>	6,246,418
<b>Total assets less current liabilities</b>		<b>21,762,997</b>	19,299,877

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

The financial statements were approved by the Board of Directors on 21 March 2014 and were signed on its behalf by

**Wei Yulin**  
Director

**Xie Rong**  
Director

## Consolidated Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to shareholders of the Company			Non- controlling interests	Total Equity
		Paid-in capital	Reserves	Total		
As at 1 January 2012 (restated)		2,402,625	13,471,120	15,873,745	4,714,237	20,587,982
Total of comprehensive income		–	1,969,844	1,969,844	1,100,906	3,070,750
Effect of transactions with non-controlling interests		–	(106,911)	(106,911)	(37,322)	(144,233)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	133,486	133,486
Acquisition of subsidiaries		–	–	–	211,442	211,442
Other changes in shareholding of non-controlling interests of subsidiaries		–	–	–	(222,096)	(222,096)
Dividends		–	(456,499)	(456,499)	(238,436)	(694,935)
Others		–	3,566	3,566	2,693	6,259
As at 31 December 2012 (restated)		2,402,625	14,881,120	17,283,745	5,664,910	22,948,655
Total of comprehensive income		–	<b>2,262,489</b>	<b>2,262,489</b>	<b>1,336,119</b>	<b>3,598,608</b>
Issue shares, net of expenses		<b>165,668</b>	<b>3,058,892</b>	<b>3,224,560</b>	–	<b>3,224,560</b>
Effects of transactions with non-controlling interests	40	–	<b>(97,518)</b>	<b>(97,518)</b>	<b>16</b>	<b>(97,502)</b>
Revaluation gain of subsidiaries in conversion of corporate institution		–	<b>368</b>	<b>368</b>	<b>92</b>	<b>460</b>
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	<b>364,385</b>	<b>364,385</b>
Acquisition of subsidiaries		–	–	–	<b>126,089</b>	<b>126,089</b>
Other changes in shareholding of non-controlling interests of subsidiaries		–	–	–	<b>(149,026)</b>	<b>(149,026)</b>
Effect of business combination under common control	41	–	<b>(219,600)</b>	<b>(219,600)</b>	–	<b>(219,600)</b>
Dividends		–	<b>(642,073)</b>	<b>(642,073)</b>	<b>(548,139)</b>	<b>(1,190,212)</b>
Others		–	<b>3,575</b>	<b>3,575</b>	<b>1,358</b>	<b>4,933</b>
As at 31 December 2013		<b>2,568,293</b>	<b>19,247,253</b>	<b>21,815,546</b>	<b>6,795,804</b>	<b>28,611,350</b>



## Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2013	2012 (Restated)
<b>Cash flows from operating activities:</b>			
Cash generated from operations	38	6,022,937	4,822,557
Income tax paid		(1,081,643)	(966,713)
Net cash generated from operating activities		4,941,294	3,855,844
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of intangible assets		–	674
Proceeds from disposal of land use rights		9,184	171,948
Proceeds from disposal of property, plant and equipment		60,346	254,212
Proceeds from disposal of available-for-sale financial assets		380	4,065
Proceeds from disposal of investment properties		6,600	64
Interest received from long-term deposits		42,530	–
Disposal of subsidiaries, net of cash disposed		(151,411)	4,781
Dividends received from associates		69,609	114,903
Dividends received from available-for-sale financial assets		1,479	1,469
Dividend received from a subsidiary prior to acquisition		15,878	–
Prepayment for acquisition		(8,442)	(58,006)
Purchase of land use rights		(91,676)	(166,955)
Purchase of property, plant and equipment		(1,128,276)	(1,252,257)
Purchase of intangible assets		(82,494)	(100,099)
Purchase of investment properties		(3,843)	(3,078)
Payment of long-term deposits		(498,700)	–
Acquisition of available-for-sale financial assets		(62,500)	(73,120)
Acquisition of subsidiaries, net of cash acquired		(219,600)	–
– under common control			
Acquisition of subsidiaries, net of cash acquired			
– not under common control		28,288	(328,188)
Consideration paid for prior year acquisitions		(522,249)	(264,392)
Acquisition of associates		(3,000)	–
Acquisition of non-controlling interests of subsidiaries	40	(93,981)	(366,329)
Increase in restricted cash	29	(1,434,497)	(408,877)
Net cash used in investing activities		(4,066,375)	(2,469,185)

## Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2013	2012 (Restated)
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings from banks		<b>29,472,658</b>	21,510,118
Proceeds from borrowings from other financial institution		<b>750,000</b>	422,000
Repayment of borrowings from banks		<b>(30,794,597)</b>	(24,910,408)
Repayments of borrowings from other financial institution		<b>(642,000)</b>	(60,000)
Issue of bond, net of expense	32	<b>3,958,828</b>	398,400
Issue of shares, net of expense		<b>3,224,560</b>	–
Capital injections from non-controlling shareholders of subsidiaries		<b>209,471</b>	133,486
Dividends paid to shareholders of the Company		<b>(642,073)</b>	(456,499)
Dividends paid to non-controlling shareholders of subsidiaries		<b>(529,310)</b>	(265,561)
Interest paid		<b>(1,595,532)</b>	(1,297,821)
Repayment of H1N1 medical reserve from government	34	<b>(3,276)</b>	(201,589)
Net cash generated/(used in) from financing activities		<b>3,408,729</b>	(4,727,874)
<b>Increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year	29	<b>9,801,502</b>	13,140,820
Exchange (losses)/gains on cash, cash equivalents		<b>(83,188)</b>	1,897
<b>Cash and cash equivalents at end of year</b>	29	<b>14,001,962</b>	9,801,502

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 1 GENERAL INFORMATION

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

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

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

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

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

These financial statements are presented in Renminbi (“RMB”) thousands, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

During the year, the Group obtained control in China National Pharmaceutical Group Shanxi Co., Ltd. from Sinopharm Industrial Investment Co., Ltd., the parent company. 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 consolidated financial statements 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.

### (i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for the Group to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of HKFRS 10 does not result in any change in the consolidation status of subsidiaries of the Group.
- HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new disclosure requirements on disclosures of interests in other entities have been adopted by the Group, which are set out in Note 20 and Note 21.
- HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group assessed that adoption of HKFRS 9 will not result in significant change in measurement and recognition of financial assets and financial liabilities of the Group. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.
- HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (ii) Merger accounting for common control combinations

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (iv) Disposal of subsidiaries

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

#### (v) Separate financial statements

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

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

### (c) Associates

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Associates (continued)

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

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

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

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

### (d) Segment reporting

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Foreign currency translation (continued)

#### (iii) Group companies

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

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

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

#### (iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Property, plant and equipment

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Investment property

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

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

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

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

### (h) Land use rights

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

### (i) Intangible assets

#### (i) Goodwill

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

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



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Intangible assets (continued)

#### (i) Goodwill (continued)

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

#### (ii) Sales network

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

#### (iii) Trademarks and patent rights

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

#### (iv) Computer software

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

#### (v) Internally generated product development cost

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Intangible assets (continued)

#### (vi) Internally generated product development cost (continued)

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

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as an expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as intangible assets in the balance sheet.

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

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

### (j) Impairment of non-financial assets

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Financial assets

#### Classification

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

#### (i) Loans and receivables

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

#### (ii) Available-for-sale financial assets

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

#### Recognition and measurement

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

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Financial assets (continued)

#### Recognition and measurement (continued)

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

### (l) Impairment of financial assets

#### (i) Assets carried at amortised cost

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

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

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Impairment of financial assets (continued)

#### (ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also the evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

### (m) Inventories

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

### (n) Trade and other receivables

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Cash and cash equivalents

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

### (p) Share capital

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

### (q) Trade payables

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

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

### (r) Borrowings

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

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

### (s) Borrowing costs

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Current and deferred income tax

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

#### (i) Current income tax

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

#### (ii) Deferred income tax

##### *Inside basis differences*

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

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

##### *Outside basis differences*

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



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Current and deferred income tax (continued)

#### (ii) Deferred income tax (continued)

##### *Outside basis differences (continued)*

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

#### (iii) Offsetting

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

### (u) Employee benefits

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

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

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

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) Employee benefits (continued)

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

Past-service costs are recognised immediately in income.

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

#### (v) Provisions

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

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Revenue recognition

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

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

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

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

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

#### (ii) Sales of goods – retail pharmacy

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Revenue recognition (continued)

##### (iii) Sales of services

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

##### (iv) Rental income

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

##### (v) Franchise income

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

##### (vi) Interest income

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

##### (vii) Dividend income

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

#### (x) Operating leases

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Government grants

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

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

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

### (z) Dividend distribution

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

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

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

### (i) Foreign currency risk

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (a) Financial risk factors (continued)

#### (i) Foreign currency risk (continued)

As at 31 December 2013, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, post-tax profit for the year ended 31 December 2013 would have been approximately RMB104,371 thousands higher/lower (2012: RMB121,573 thousands higher/lower), mainly as a result of foreign exchange gains/losses on translation of USD, HKD and EUR-denominated cash and cash equivalents, borrowings from banks and other financial institution and trade payables.

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

Except for deposits in bank or other financial institution which earn interest at floating rates (Note 29), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2013, if interest rates on deposits in bank or other financial institution had been 15 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2013 would have been RMB12,101 thousands (2012(restated): RMB14,455 thousands) higher/lower, mainly as a result of higher/lower interest income on bank or other financial institution.

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

As at 31 December 2013, if interest rates on borrowings had been 50 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2013 would have been RMB62,960 thousands (2012(restated): RMB40,920 thousands) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

#### (iii) Credit risk

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (a) Financial risk factors (continued)

#### (iii) Credit risk (continued)

The Group has policies to place its cash and cash equivalents only with major financial institutions and other financial institution controlled by CNPGC. As at 31 December 2013, most of the restricted bank deposits and cash and cash equivalents were deposited with major financial institutions in Mainland China and Hong Kong except the deposit in related party as disclosed in Note 42.

#### (iv) Liquidity risk

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

At the reporting date, the Group held cash and cash equivalents of RMB14,001,962 thousands (2012(restated): RMB9,801,502 thousands) (Note 29) and trade receivables of RMB51,824,730 thousands (2012(restated): RMB38,187,200 thousands) (Note 27) that are expected to readily generate cash inflows for managing liquidity risk. The Group also has agreed to receive bank acceptance notes from certain customers with long-term business trading history and most of these notes are guaranteed by major banks in Mainland China. The maturity of these bank acceptance notes ranges from 3 to 6 months. To maintain flexibility in the Group's funding requirements, a major portion of these bank acceptance notes are discounted to banks or other financial institution with effective interest rates ranging from 3.04% to 9.10% per annum.



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (iv) Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining year at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>As at 31 December 2013</b>					
Borrowings	21,017,786	-	4,164,761	-	25,182,547
Interests payments on borrowings (note)	638,734	193,216	416,609	-	1,248,559
Trade and other payables	49,061,874	-	-	-	49,061,874
	<b>70,718,394</b>	<b>193,216</b>	<b>4,581,370</b>	<b>-</b>	<b>75,492,980</b>
<b>As at 31 December 2012 (Restated)</b>					
Borrowings	10,949,188	5,103,988	112,431	-	16,165,607
Interests payments on borrowings (note)	496,801	153,118	22,882	-	672,801
Trade and other payables	39,509,355	-	-	-	39,509,355
	<b>50,955,344</b>	<b>5,257,106</b>	<b>135,313</b>	<b>-</b>	<b>56,347,763</b>

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Capital risk management

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

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

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

The gearing ratios are as follows:

	As at 31 December	
	2013	2012 (Restated)
Total liabilities	76,841,760	58,178,568
Total assets	105,453,110	81,127,223
<b>Gearing ratio</b>	<b>72.87%</b>	71.71%

### (c) Fair value estimation

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

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Fair value estimation (continued)

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

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2013</b>				
Available-for-sale financial assets	35,633	4,570	–	40,203
<b>At 31 December 2012</b>				
Available-for-sale financial assets	29,277	4,570	–	33,847

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The Company’s directors and the Group’s management are of the view that the Group has rights to variable returns from its involvement with Sinopharm Accord and has the ability to affect those returns through its power over Sinopharm Accord although the Group held less than 50% of its equity interests since December 2004, after considering that (1) the Company has been the single largest shareholder of Sinopharm Accord; (2) the shareholding in Sinopharm Accord has been dispersed and the other top ten shareholders held less than 4% equity interests individually or less than 21% in aggregate; (3) the participation of the other shareholders at the shareholders’ meetings has been relatively low and passive; and (4) the majority of the executive directors of Sinopharm Accord were representatives of the Company.

The Company’s directors and the Group’s management are of the view that the Group has rights to variable returns from its involvement with National Medicines and has the ability to affect those returns through its power over National Medicines although the Group held less than 50% of its equity interests since August 2006, after considering that (1) the Company has been the single largest shareholder of National Medicines; (2) the shareholding in National Medicines was dispersed and the other top ten shareholders held less than 2% equity interests individually or less than 16% in aggregate; (3) the participation of the other shareholders at the shareholders’ meetings has been relatively low and passive; and (4) the majority of the executive directors of National Medicines were representatives of the Company.

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

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

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

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

#### (e) Impairment of receivables

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### (f) Net realisable value of inventories

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

### (g) Income taxes and deferred income tax

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

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

### (h) Post-employment benefit obligations

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 33.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

#### (i) Impairment of goodwill

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

#### (j) Fair value of contingent consideration

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

### 5 SEGMENT INFORMATION

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

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

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 year ended 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 2013. Certain comparative figures have been reclassified to conform with the current year's presentation.



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (continued)

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

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

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

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

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 5 SEGMENT INFORMATION (continued)

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

#### (i) For the Year ended 31 December 2013 and 2012

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
<b>Year ended 31 December 2013</b>					
<b>Segment results</b>					
External segment revenue	157,864,297	4,833,148	4,168,701	-	166,866,146
Inter-segment revenue	1,108,220	-	326,805	(1,435,025)	-
Revenue	158,972,517	4,833,148	4,495,506	(1,435,025)	166,866,146
Operating profit	5,548,406	174,546	420,023	(41,055)	6,101,920
Other gains/(losses)	58,554	2,204	(20,562)	-	40,196
Share of profit of investments accounted for using the equity method	581	1,817	136,360	-	138,758
	5,607,541	178,567	535,821	(41,055)	6,280,874
Finance costs – net					(1,660,369)
Profit before income tax					4,620,505
Income tax expense					(1,040,793)
Profit for the year					3,579,712
<b>Other segment items included in the income statement</b>					
Provision for impairment of trade and other receivables, net	135,118	398	916		136,432
Provision for impairment of inventories	49,665	287	3,436		53,388
Provision for impairment of property, plant and equipment	-	-	5,340		5,340
Provision for impairment of goodwill	-	-	63,200		63,200
Amortisation of land use rights	32,255	51	6,751		39,057
Depreciation of property, plant and equipment	339,253	44,150	93,326		476,729
Depreciation of investment properties	-	-	11,338		11,338
Amortisation of intangible assets	144,825	1,932	3,045		149,802
<b>Capital expenditures</b>	1,477,167	97,666	438,334		2,013,167

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (continued)

### (i) For the Year ended 31 December 2013 and 2012 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
<b>Year ended 31 December 2012 (Restated)</b>					
<b>Segment results</b>					
External segment revenue	128,142,982	4,113,602	4,245,076	-	136,501,660
Inter-segment revenue	832,367	-	184,323	(1,016,690)	-
Revenue	128,975,349	4,113,602	4,429,399	(1,016,690)	136,501,660
Operating profit	4,358,510	141,836	389,919	(21,361)	4,868,904
Other gains	220,505	9,395	56,807	-	286,707
Share of profit of investments accounted for using the equity method	2,795	1,583	131,340	-	135,718
	4,581,810	152,814	578,066	(21,361)	5,291,329
Finance costs – net					(1,269,138)
Profit before income tax					4,022,191
Income tax expense					(936,497)
Profit for the year					3,085,694
<b>Other segment items included in the income statement</b>					
Provision for impairment of trade and other receivables, net	89,248	965	966		91,179
Provision for impairment of inventories	28,491	242	419		29,152
Amortisation of land use rights	20,343	48	3,973		24,364
Depreciation of property, plant and equipment	273,516	38,795	76,632		388,943
Depreciation of investment properties	-	-	12,713		12,713
Amortisation of intangible assets	138,105	1,378	1,622		141,105
<b>Capital expenditures</b>	2,436,498	127,459	150,270		2,714,227

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (continued)

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

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
<b>As at 31 December 2013</b>					
<b>Segment assets and liabilities</b>					
Segment assets	98,208,962	2,498,393	6,437,415	(2,147,179)	104,997,591
Segment assets include:					
Investments accounted for using the equity method	4,206	13,865	712,668	-	730,739
Unallocated assets – Deferred income tax assets					455,519
Total assets					105,453,110
Segment liabilities	49,747,602	1,417,916	2,072,464	(2,133,847)	51,104,135
Unallocated liabilities – Deferred income tax liabilities and borrowings					25,737,625
Total liabilities					76,841,760
<b>As at 31 December 2012 (Restated)</b>					
<b>Segment assets and liabilities</b>					
Segment assets	75,416,627	1,928,599	5,454,114	(2,011,830)	80,787,510
Segment assets include:					
Investments accounted for using the equity method	3,624	10,533	675,167	-	689,324
Unallocated assets – Deferred income tax assets					339,713
Total assets					81,127,223
Segment liabilities	39,706,354	1,136,319	1,745,159	(1,140,946)	41,446,886
Unallocated liabilities – Deferred income tax liabilities and borrowings					16,731,682
Total liabilities					58,178,568

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 6 REVENUE

	Year ended 31 December	
	2013	2012 (Restated)
Sales of goods	<b>166,454,416</b>	136,158,656
Rental income (Note 17)	<b>107,769</b>	117,944
Franchise fees and other service fee from medicine chain stores	<b>112,016</b>	47,525
Consulting income	<b>145,927</b>	125,656
Import agency income	<b>24,528</b>	35,317
Others	<b>21,490</b>	16,562
	<b>166,866,146</b>	136,501,660

## 7 OTHER INCOME

	Year ended 31 December	
	2013	2012
Government grants (i)	<b>288,941</b>	218,899

note:

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 8 OTHER GAINS – NET

	Year ended 31 December	
	2013	2012 (Restated)
Gain on disposal of subsidiaries	2,702	4,446
Gain on disposal of land use right and property, plant and equipment	15,828	223,428
Foreign exchange (loss)/gain – net	(4,461)	10,156
Write-back of certain liabilities (i)	27,204	6,131
Loss on disposal of available-for-sale financial assets	(56)	(2,285)
Gain on fair value re-measurement of existing stake in connection with acquisitions	–	35,259
Dividend from a subsidiary prior to acquisition	15,878	–
Compensation (ii)	(22,040)	(17,600)
Others – net	5,141	27,172
	<b>40,196</b>	<b>286,707</b>

notes:

- (i) In 2013, the Group reviewed all the trade and other payables with aging over 5 years and wrote-back these unpayable long aging liabilities of RMB27,204 thousands.
- (ii) 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 plan, and made compensation provision amounting to RMB17,600 thousands accordingly. The subsidiary paid compensation of RMB4,980 thousands in 2012 but didn’t pay the remaining part. In April 2013, the counterparty sued the subsidiary for the remaining compensation of RMB11,020 thousands, additional compensation of RMB11,020 thousands and overdue penalty of RMB11,020 thousands. In May 2013, the court went in the counterparty’s favour at the first instance and the subsidiary made additional provision amounting to RMB22,040 thousands. In February 2014, the higher court dismissed the counterparty’s claim of overdue penalty and only supported the remaining compensation and additional compensation at the second instance. Both the subsidiary and the counterparty can apply for retrial within six months and the result cannot be reliably estimated, the result of second instance have not been reflected in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 9 EXPENSES BY NATURE

	Year ended 31 December	
	2013	2012 (Restated)
Raw materials and trading merchandise consumed	<b>153,045,878</b>	125,181,355
Changes in inventories of finished goods and work in progress	<b>(3,681)</b>	(4,841)
Employee benefit expenses (Note 10)	<b>3,618,164</b>	2,829,068
Provision for impairment of trade receivables (Note 27)	<b>134,134</b>	81,892
Provision for impairment of other receivables (Note 28)	<b>2,298</b>	9,287
Provision for impairment of inventories (Note 26)	<b>53,388</b>	29,152
Provision for impairment of property, plant and equipment (Note 18)	<b>5,340</b>	–
Provision for impairment of goodwill (Note 19)	<b>63,200</b>	–
Operating lease rental in respect of land and buildings	<b>425,411</b>	362,512
Depreciation of property, plant and equipment (Note 18)	<b>476,729</b>	388,943
Depreciation of investment properties (Note 17)	<b>11,338</b>	12,713
Amortisation of intangible assets (Note 19)	<b>149,802</b>	141,105
Amortisation of land use rights (Note 16)	<b>39,057</b>	24,364
Auditors' remuneration		
– statutory audit service	<b>19,980</b>	17,830
– non-statutory audit service	<b>2,275</b>	1,744
– non-audit service	<b>820</b>	504
Advisory and consulting fees	<b>60,422</b>	64,440
Transportation expenses	<b>686,714</b>	575,657
Travel expenses	<b>216,386</b>	197,905
Market development and business promotion expenses	<b>987,116</b>	973,781
Utilities	<b>128,969</b>	103,610
Others	<b>929,427</b>	860,634
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	<b>161,053,167</b>	131,851,655



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2013	2012 (Restated)
Salaries, wages, allowances and bonuses	<b>2,753,881</b>	2,073,453
Contributions to pension plans (i)	<b>293,185</b>	251,228
Post-employment benefits (Note 33)	<b>41,999</b>	42,010
Housing benefits (ii)	<b>112,666</b>	104,538
Other benefits (iii)	<b>416,433</b>	357,839
	<b>3,618,164</b>	2,829,068

notes:

- (i) As stipulated by the related regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in Mainland China. The Group also contributes to another retirement scheme managed by an individual assurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 7% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 20% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.
- (ii) Housing benefits represent contribution to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' basic salary.
- (iii) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The emoluments of the Directors for the year ended 31 December 2013 are set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
<b>Executive director</b>					
Mr. Wei Yulin	1,398	1,413	-	91	2,902
Mr. Li Zhiming (i)	990	825	-	91	1,906
<b>Non-executive directors</b>					
Mr. She Lulin	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Mr. Zhou Bin	-	-	-	-	-
Mr. Chen Qiyu	-	-	-	-	-
Mr. Wang Fucheng (ii)	-	-	-	-	-
Mr. Li Dongjiu (ii)	-	-	-	-	-
<b>Independent non-executive directors</b>					
Mr. Wang Fanghua	250	-	-	-	250
Mr. Tao Wuping	250	-	-	-	250
Mr. Xie Rong	250	-	-	-	250
Mr. Zhou Bajun	250	-	-	-	250
Ms. Li Ling	250	-	-	-	250
<b>Supervisor</b>					
Ms. Zhang Jian	560	327	-	91	978
Mr. Lian Wanyong	-	-	-	-	-
Mr. Yao Fang	-	-	-	-	-
	<b>4,198</b>	<b>2,565</b>	<b>-</b>	<b>273</b>	<b>7,036</b>

notes:

(i) Appointed on 6 January 2014.

(ii) Appointed on 18 October, 2013.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

#### (a) Directors' emoluments (continued)

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

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

#### (b) Five highest paid individuals

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

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

	Year ended 31 December	
	2013	2012
Salaries	3,960	3,840
Discretionary bonuses	4,015	3,466
Employer's contribution to pension scheme	373	273
	<b>8,348</b>	7,579

	Year ended 31 December	
	2013 Number	2012 Number
Emolument bands		
HK\$1,000,001 – HK\$2,000,000 (RMB786,201 – RMB1,572,400)	–	–
HK\$2,000,001 – HK\$2,500,000 (RMB1,572,400 – RMB1,965,500)	–	4
HK\$2,500,001 – HK\$3,000,000 (RMB1,965,500 – RMB2,358,600)	4	–

- (c) For the years ended 31 December 2013 and 2012, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 12 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2013	2012 (Restated)
Interest expense:		
– Borrowings	1,121,322	910,588
– Discount of notes receivable	321,006	235,830
– Discount of accounts receivable	310,937	205,230
Gross interest expense	1,753,265	1,351,648
Bank charges	104,129	103,139
Less: capitalised interest expense	(22,638)	(34,058)
Finance costs	1,834,756	1,420,729
Finance income:		
– Interest income on deposits in bank or other financial institution	(131,857)	(151,591)
– Interest income on long-term deposits	(42,530)	–
Net finance costs	1,660,369	1,269,138

### 13 TAXATION

#### Income tax expense

	Year ended 31 December	
	2013	2012 (Restated)
Current PRC income tax	1,169,588	1,015,380
Deferred taxation (Note 24)	(128,795)	(78,883)
	1,040,793	936,497

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 13 TAXATION (continued)

#### Income tax expense (continued)

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

	<b>Year ended 31 December</b>	
	<b>2013</b>	2012 (Restated)
Profit before income tax	<b>4,620,505</b>	4,022,191
Less: Share of profit of investments accounted for using the equity method	<b>(138,758)</b>	(135,718)
	<b>4,481,747</b>	3,886,473
Tax calculated at weighted average tax rate applicable	<b>1,008,081</b>	907,263
Expenses not deductible for tax purposes	<b>64,014</b>	36,521
Income not subject to tax	<b>(9,516)</b>	(22,646)
Unrealised intra-group profit	<b>–</b>	15,962
Tax losses for which no deferred income tax asset was recognised, net	<b>4,129</b>	10,290
Tax losses utilised for which no deferred income tax asset recognised in prior years	<b>(10,057)</b>	(5,607)
Impact of change in applicable income tax rate on deferred tax	<b>751</b>	(5,286)
Income tax refund	<b>(16,609)</b>	–
Income tax expense	<b>1,040,793</b>	936,497
Weighted average applicable tax rate (i)	<b>22.53%</b>	23.28%

note:

- (i) During 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.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 13 TAXATION (continued)

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

	2013			2012		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Fair value gains/(losses) on available-for-sale financial assets	6,792	(1,698)	5,094	(611)	297	(314)
Remeasurement gains/(losses) of post-employment benefit obligations	20,834	(4,991)	15,843	(21,601)	5,387	(16,214)
Share of other comprehensive income of investments accounted for using the equity method	232	-	232	1,543	-	1,543
Currency translation differences	(2,273)	-	(2,273)	41	-	41
<b>Other comprehensive gains/(losses)</b>	<b>25,585</b>	<b>(6,689)</b>	<b>18,896</b>	<b>(20,628)</b>	<b>5,684</b>	<b>(14,944)</b>

### 14 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company for the year ended 31 December 2013 as recorded in the financial statements of the Company is RMB840,010 thousands (2012: RMB621,853 thousands).

### 15 EARNINGS PER SHARE

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

	Year ended 31 December	
	2013	2012 (Restated)
Profit attributable to shareholders of the Company (RMB'000)	2,250,002	1,979,381
Weighted average number of ordinary shares in issue ('000)	2,523,359	2,402,625
Basic earnings per share (RMB per share)	0.89	0.82

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 16 LAND USE RIGHTS – GROUP

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

	Year ended 31 December	
	2013	2012
Cost	<b>1,448,438</b>	1,144,142
Accumulated amortisation	<b>(171,002)</b>	(127,113)
Net book amount	<b>1,277,436</b>	1,017,029
Opening net book amount	<b>1,017,029</b>	932,511
Additions	<b>241,829</b>	166,956
Acquisition of subsidiaries (Note 41)	<b>67,196</b>	16,052
Disposal of subsidiaries	<b>(129)</b>	–
Disposal	<b>(9,432)</b>	(74,126)
Amortisation (Note 9)	<b>(39,057)</b>	(24,364)
Closing net book amount	<b>1,277,436</b>	1,017,029

The approved use periods of land use rights that are located in Mainland China range from 10 to 50 years (2012: 10 to 50 years).

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

As at 31 December 2013, the land use rights with a net book amount of approximately RMB72,135 thousands (2012: RMB74,577 thousands) were pledged as collaterals for the Group's bank borrowings (Note 32).



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 17 INVESTMENT PROPERTIES

#### The Group

	Year ended 31 December	
	2013	2012
Cost	<b>320,837</b>	331,741
Accumulated depreciation	<b>(161,328)</b>	(156,153)
Net book amount	<b>159,509</b>	175,588
Opening net book amount	<b>175,588</b>	154,069
Acquisition of subsidiaries (Note 41)	–	18,641
Additions	<b>3,843</b>	3,078
Transfer from property, plant and equipment (Note 18)	<b>6,542</b>	16,828
Transfer to property, plant and equipment (Note 18)	<b>(12,164)</b>	(4,251)
Disposal	<b>(2,962)</b>	(64)
Depreciation (Note 9)	<b>(11,338)</b>	(12,713)
Closing net book amount	<b>159,509</b>	175,588

Investment properties are located in Mainland China on land with the land use periods of 25 to 50 years (2012: 25 to 50 years).

As at 31 December 2013, the fair value of the investment properties was estimated to be approximately RMB2,170,449 thousands (2012: RMB2,056,247 thousands). These estimates were based on market transacted prices for similar properties in the vicinity of the related properties.

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

	Year ended 31 December	
	2013	2012
Revenue (Note 6)	<b>107,769</b>	117,944

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 17 INVESTMENT PROPERTIES (continued)

### The Company

	Year ended 31 December	
	2013	2012
Cost	<b>7,343</b>	7,343
Accumulated depreciation	<b>(2,500)</b>	(2,250)
Net book amount	<b>4,843</b>	5,093
Opening net book amount	<b>5,093</b>	5,343
Depreciation	<b>(250)</b>	(250)
Closing net book amount	<b>4,843</b>	5,093

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 18 PROPERTY, PLANT AND EQUIPMENT

#### The Group

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor Vehicles	Construction In-progress	Total
<b>At 1 January 2012 (Restated)</b>						
Cost	3,291,680	702,334	570,641	402,787	712,137	5,679,579
Accumulated depreciation and impairment	(511,387)	(289,517)	(271,750)	(176,264)	–	(1,248,918)
Net book amount	2,780,293	412,817	298,891	226,523	712,137	4,430,661
<b>Year ended 31 December 2012</b>						
Opening net book amount (restated)	2,780,293	412,817	298,891	226,523	712,137	4,430,661
Acquisition of subsidiaries	9,430	2,794	7,345	13,687	17,671	50,927
Additions	308,581	133,684	106,315	76,076	783,962	1,408,618
Transfers	466,717	172,766	39,749	1,099	(680,331)	–
Transfer from investment properties (Note 17)	4,251	–	–	–	–	4,251
Transfer to investment properties (Note 17)	(16,828)	–	–	–	–	(16,828)
Disposals	(19,034)	(5,766)	(2,931)	(9,583)	(37,605)	(74,919)
Disposals of subsidiaries	(1,715)	(7)	–	(8)	–	(1,730)
Depreciation (Note 9)	(148,101)	(87,919)	(96,015)	(56,908)	–	(388,943)
Closing net book amount (restated)	3,383,594	628,369	353,354	250,886	795,834	5,412,037
<b>At 31 December 2012 (Restated)</b>						
Cost	4,021,750	999,634	708,967	471,380	795,834	6,997,565
Accumulated depreciation and impairment	(638,156)	(371,265)	(355,613)	(220,494)	–	(1,585,528)
Net book amount	3,383,594	628,369	353,354	250,886	795,834	5,412,037

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 18 PROPERTY, PLANT AND EQUIPMENT (continued)

### The Group (continued)

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction In-progress	Total
<b>At 1 January 2013</b>						
Cost	4,021,750	999,634	708,967	471,380	795,834	6,997,565
Accumulated depreciation and impairment	(638,156)	(371,265)	(355,613)	(220,494)	-	(1,585,528)
Net book amount	3,383,594	628,369	353,354	250,886	795,834	5,412,037
<b>Year ended 31 December 2013</b>						
Opening net book amount (restated)	3,383,594	628,369	353,354	250,886	795,834	5,412,037
Acquisition of subsidiaries (Note 41)	176,035	30,719	12,708	9,065	117	228,644
Additions	134,412	195,127	134,666	72,519	668,295	1,205,019
Transfers	355,832	166,748	48,393	455	(571,428)	-
Transfer from investment properties (Note 17)	12,164	-	-	-	-	12,164
Transfer to investment properties (Note 17)	(6,542)	-	-	-	-	(6,542)
Impairment Charge (Note 9)	(2,405)	(2,931)	(4)	-	-	(5,340)
Disposals	(24,615)	(4,050)	(10,756)	(6,332)	-	(45,753)
Disposal of subsidiaries	(4,919)	(4,331)	(690)	(275)	(2,738)	(12,953)
Depreciation (Note 9)	(174,377)	(118,415)	(124,510)	(59,427)	-	(476,729)
Closing net book amount	3,849,179	891,236	413,161	266,891	890,080	6,310,547
<b>At 31 December 2013</b>						
Cost	4,683,373	1,428,715	896,407	530,240	890,080	8,428,815
Accumulated depreciation and impairment	(834,194)	(537,479)	(483,246)	(263,349)	-	(2,118,268)
Net book amount	3,849,179	891,236	413,161	266,891	890,080	6,310,547

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 18 PROPERTY, PLANT AND EQUIPMENT (continued)

#### The Group (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
Cost of sales and other operating costs	84,602	77,477
Distribution and selling expenses	111,344	102,150
General and administrative expenses	280,783	209,316
	476,729	388,943

As at 31 December 2013, property, plant and equipment with a net book amount of approximately RMB217,413 thousands (2012: RMB214,180 thousands) were pledged as collaterals of the Group's bank borrowings (Note 32).

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

	Year ended 31 December	
	2013	2012
Borrowing cost capitalized	22,638	34,058
Weighted average borrowing cost rate	4.97%	5.22%

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 18 PROPERTY, PLANT AND EQUIPMENT (continued)

### The Company

	Buildings	Furniture, fittings and equipment	Motor vehicles	Construction in Progress	Total
<b>At 1 January 2012</b>					
Cost	768	33,858	19,505	41,273	95,404
Accumulated depreciation	(258)	(13,899)	(9,615)	–	(23,772)
Net book amount	510	19,959	9,890	41,273	71,632
<b>Year ended 31 December 2012</b>					
Opening net book amount	510	19,959	9,890	41,273	71,632
Additions	–	3,976	320	4,752	9,048
Transfers	–	6,504	–	(6,504)	–
Disposals	–	(111)	(73)	(31,346)	(31,530)
Depreciation	–	(6,610)	(2,681)	–	(9,291)
Closing net book amount	510	23,718	7,456	8,175	39,859
<b>At 1 January 2013</b>					
Cost	768	43,239	19,425	8,175	71,607
Accumulated amortisation	(258)	(19,521)	(11,969)	–	(31,748)
Net book amount	510	23,718	7,456	8,175	39,859
<b>Year ended 31 December 2013</b>					
Opening net book amount	510	23,718	7,456	8,175	39,859
Additions	–	25,175	376	–	25,551
Transfers	–	3,018	–	(3,018)	–
Disposals	–	(627)	(44)	–	(671)
Depreciation	–	(8,885)	(2,467)	–	(11,352)
Closing net book amount	510	42,399	5,321	5,157	53,387
<b>At 31 December 2013</b>					
Cost	768	69,151	18,915	5,157	93,991
Accumulated depreciation	(258)	(26,753)	(13,593)	–	(40,604)
Net book amount	510	42,398	5,322	5,157	53,387

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 19 INTANGIBLE ASSETS

### The Group

	Goodwill	Sales network	Trademarks and patent	Software	Internally generated product development costs	Total
<b>At 1 January 2012</b>						
Cost	2,878,618	1,847,619	171,441	87,308	14,974	4,999,960
Accumulated amortization	-	(216,385)	(104,537)	(36,602)	-	(357,524)
Net book amount	2,878,618	1,631,234	66,904	50,706	14,974	4,642,436
<b>Year ended of 31 December 2012</b>						
Opening net book amount	2,878,618	1,631,234	66,904	50,706	14,974	4,642,436
Additions	-	-	525	90,403	10,399	101,327
Acquisition of subsidiaries	518,337	430,124	-	167	-	948,628
Disposal	-	-	(129)	(545)	-	(674)
Amortization (Note 9)	-	(108,629)	(17,307)	(15,169)	-	(141,105)
Closing net book amount	3,396,955	1,952,729	49,993	125,562	25,373	5,550,612
<b>At 31 December 2012 (Restated)</b>						
Cost	3,396,955	2,277,743	171,666	177,353	25,373	6,049,090
Accumulated amortization	-	(325,014)	(121,673)	(51,791)	-	(498,478)
Net book amount	3,396,955	1,952,729	49,993	125,562	25,373	5,550,612
<b>Year ended of 31 December 2013</b>						
Opening net book amount	3,396,955	1,952,729	49,993	125,562	25,373	5,550,612
Additions	-	30	2,837	63,490	16,137	82,494
Acquisition of subsidiaries (Note 41)	132,285	28,840	21,779	1,238	-	184,142
Transfer	-	-	200	-	(200)	-
Disposal of subsidiaries	-	-	-	(230)	-	(230)
Disposal	-	-	(28)	(699)	-	(727)
Amortization (Note 9)	-	(114,314)	(17,686)	(17,802)	-	(149,802)
Impairment Charge (Note 9)	(63,200)	-	-	-	-	(63,200)
Closing net book amount	3,466,040	1,867,285	57,095	171,559	41,310	5,603,289
<b>At 31 December 2013</b>						
Cost	3,529,240	2,306,613	193,463	240,735	41,310	6,311,361
Accumulated amortization and impairment	(63,200)	(439,328)	(136,368)	(69,176)	-	(708,072)
Net book amount	3,466,040	1,867,285	57,095	171,559	41,310	5,603,289

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 19 INTANGIBLE ASSETS (continued)

### The Group (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
Distribution and selling expenses	114,851	110,954
General and administrative expenses	34,951	30,151
	149,802	141,105

### Impairment tests for goodwill:

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

2013	Opening	Addition	Impairment	Closing
Pharmaceutical distribution	2,623,673	70,755	–	2,694,428
Retail	538,539	9,080	–	547,619
Other	234,743	52,450	(63,200)	223,993
	3,396,955	132,285	(63,200)	3,466,040
2012	Opening	Addition	Impairment	Closing
Pharmaceutical distribution	2,199,317	424,356	–	2,623,673
Retail	456,826	81,713	–	538,539
Other	222,475	12,268	–	234,743
	2,878,618	518,337	–	3,396,955

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



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 19 INTANGIBLE ASSETS (continued)

#### Impairment tests for goodwill: (continued)

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Pharmaceutical distribution	Retail pharmacy	Other business
Gross margin	3.0%-10.9%	26.0%-37.5%	22.0%-35.0%
Growth rate to extrapolate cash flows beyond the budget period	3.0%	3.0%	3.0%
Discount rate	15.5%	15.9%	16.0%-20.0%

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

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

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

In 2013, as the present value of estimates future cash flow lower than the carrying amount, the Group provided goodwill impairment amounting to RMB63,200 thousands for its two subsidiaries, which are included in other business segment.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 19 INTANGIBLE ASSETS (continued)

### The Company

	Software
<b>At 1 January 2012</b>	
Cost	23,715
Accumulated amortisation	(2,605)
Net book amount	21,110
<b>Year ended 31 December 2012</b>	
Opening net book amount	21,110
Additions	64,580
Amortization	(4,944)
Closing net book amount	80,746
<b>At 31 December 2012</b>	
Cost	88,295
Accumulated amortization	(7,549)
Net book amount	80,746
<b>Year ended 31 December 2013</b>	
Opening net book amount	<b>80,746</b>
Additions	<b>35,859</b>
Amortization	<b>(6,022)</b>
Closing net book amount	<b>110,583</b>
<b>At 31 December 2013</b>	
Cost	<b>124,154</b>
Accumulated amortization	<b>(13,571)</b>
Net book amount	<b>110,583</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 20 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December	
	2013	2012
Investments, at cost		
– Listed shares (i)	500,260	500,260
– Unlisted shares	14,125,131	12,005,352
	<b>14,625,391</b>	12,505,612
Quoted market value of listed shares	<b>9,090,223</b>	6,969,150

note:

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

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

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

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### The Group

	As at 31 December	
	2013	2012
Share of net assets	710,420	604,362
Goodwill	20,319	84,962
	<b>730,739</b>	689,324
	Year ended 31 December	
	2013	2012
At 1 January	689,324	670,829
Acquisitions	3,000	–
Reclassification from investments in subsidiaries upon cessation of control	119,095	–
Share of results	138,758	135,718
Unrealised profit of associates	12,491	2,410
Share of other comprehensive income	232	1,543
Dividends declared by associates attributable to the Group	(70,491)	(87,943)
Reclassification to investment in subsidiaries upon transfer of control to the Group	(161,670)	(33,233)
At 31 December	<b>730,739</b>	689,324

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

#### The Group (continued)

Set out below are the associates of the group as at 31 December 2013, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group; the country of incorporation or registration is also their principal place of business.

#### Nature of investment in associates as at 31 December 2013

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shenzhen Main Luck Pharmaceuticals Inc.	Guangdong,China	35.19	Note 1	Equity
Yichang Humanwell Pharmaceutical Co., Ltd.	Hubei,China	20.00	Note 1	Equity
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd	Urumqi,China	45.00	Note 1	Equity
Dong's Pharmaceutical Information Inc.	Shanghai,China	46.00	Note 2	Equity
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd.	Shanghai,China	26.00	Note 2	Equity
Qinghai Pharmaceutical (Group) Co., Ltd.	Qinghai,China	47.10	Note 1	Equity
Hubei Yuan Kang Pharmaceutical Co., Ltd.	Hubei,China	30.00	Note 2	Equity
Wuxi Huihua Qiangsheng Pharmaceutical Chain Co., Ltd	Jiangsu,China	21.12	Note 2	Equity
Shanghai Guoda Lingyun Pharmacy Co. Ltd.	Shanghai,China	51.00	Note 2	Equity
Sinoexcelsior Investment Incorporation	Shanghai,China	51.00	Note 2	Equity

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

Note 2: The business and related transactions of other associates are not material to the Group.

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

#### The Group (continued)

#### Summarised financial information for associates

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

#### Summarised balance sheet

	As at 31 December	
	2013	2012
<b>Current</b>		
Cash and cash equivalents	483,086	612,113
Other current assets (excluding cash)	1,649,202	1,418,741
<b>Total current assets</b>	<b>2,132,288</b>	2,030,854
Financial liabilities (excluding trade payables)	(43,000)	(39,000)
Other current liabilities (including trade payables)	(1,318,832)	(1,241,290)
<b>Total current liabilities</b>	<b>(1,361,832)</b>	(1,280,290)
<b>Non-current</b>		
Assets	1,634,655	1,275,620
Liabilities	(63,329)	(42,496)
<b>Net assets</b>	<b>2,341,782</b>	1,983,688

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

The Group (continued)

Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2013	2012
Revenue	3,419,300	2,896,783
Depreciation and amortisation	(56,017)	(51,827)
Interest income	12,973	9,839
Interest expense	(993)	(1,220)
<b>Profit before income tax</b>	<b>751,095</b>	717,567
Income tax expense	(109,225)	(87,049)
<b>Post-tax profit from continuing operations</b>	<b>641,870</b>	630,518
<b>Other comprehensive income</b>	<b>493</b>	–
<b>Total comprehensive income</b>	<b>642,363</b>	630,518
Dividends received from associate	70,491	87,943

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

#### The Company

	As at 31 December	
	2013	2012
Investments, at cost		
– Unlisted shares	132,600	158,582

### 22 FINANCIAL INSTRUMENTS BY CATEGORY

#### The Group

At 31 December 2013	Loans and receivables	Available-for-sale	Total
<b>Assets as per balance sheet</b>			
Other non-current assets – long term deposits	799,200	–	799,200
Available-for-sale financial assets	–	275,823	275,823
Trade receivables	51,824,730	–	51,824,730
Other receivables	1,794,694	–	1,794,694
Restricted bank deposits	3,041,892	–	3,041,892
Cash and cash equivalents	14,001,962	–	14,001,962
<b>Total</b>	<b>71,462,478</b>	<b>275,823</b>	<b>71,738,301</b>

	Other financial liabilities at amortized cost	Total
<b>Liabilities as per balance sheet</b>		
Borrowings	25,141,343	25,141,343
Trade payables	44,188,111	44,188,111
Accruals and other payables	4,873,763	4,873,763
<b>Total</b>	<b>74,203,217</b>	<b>74,203,217</b>



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

#### The Group (continued)

<b>At 31 December 2012 (Restated)</b>	Loans and receivables	Available- for-sale	Total
<b>Assets as per balance sheet</b>			
Other non-current assets – long term deposits	300,500	–	300,500
Available-for-sale financial assets	–	206,967	206,967
Trade receivables	38,187,200	–	38,187,200
Other receivables	1,287,645	–	1,287,645
Restricted bank deposits	1,607,395	–	1,607,395
Cash and cash equivalents	9,801,502	–	9,801,502
<b>Total</b>	<b>51,184,242</b>	<b>206,967</b>	<b>51,391,209</b>
		Other financial liabilities at amortized cost	Total
<b>Liabilities as per balance sheet</b>			
Borrowings		16,139,783	16,139,783
Trade payables		35,255,162	35,255,162
Accruals and other payables		4,254,193	4,254,193
<b>Total</b>		<b>55,649,138</b>	<b>55,649,138</b>

#### The Company

<b>At 31 December 2013</b>	<b>Loans and receivables</b>	<b>Available- for-sale</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	–	<b>236,120</b>	<b>236,120</b>
Amounts due from subsidiaries	<b>11,957,345</b>	–	<b>11,957,345</b>
Trade receivables	<b>4,222,657</b>	–	<b>4,222,657</b>
Other receivables	<b>603,762</b>	–	<b>603,762</b>
Cash and cash equivalents	<b>5,738,956</b>	–	<b>5,738,956</b>
<b>Total</b>	<b>22,522,720</b>	<b>236,120</b>	<b>22,758,840</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

#### The Company (continued)

	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>		
Borrowings	9,808,796	9,808,796
Trade payables	2,961,925	2,961,925
Accruals and other payables	7,956,852	7,956,852
<b>Total</b>	<b>20,727,573</b>	<b>20,727,573</b>

<b>At 31 December 2012</b>	Loans and receivables	Available- for-sale	Total
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	–	173,620	173,620
Amounts due from subsidiaries	8,986,809	–	8,986,809
Trade receivables	3,678,140	–	3,678,140
Other receivables	479,401	–	479,401
Cash and cash equivalents	2,597,932	–	2,597,932
<b>Total</b>	<b>15,742,282</b>	<b>173,620</b>	<b>15,915,902</b>

	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>		
Borrowings	5,430,161	5,430,161
Trade payables	2,855,101	2,855,101
Accruals and other payables	7,101,016	7,101,016
<b>Total</b>	<b>15,386,278</b>	<b>15,386,278</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

#### The Group

	As at 31 December	
	2013	2012
Listed equity investments, at fair value	35,633	29,277
Unlisted equity investments, at fair value	4,570	4,570
Unlisted equity investments, at cost	235,620	173,120
	<b>275,823</b>	206,967
Less: Current portion	(1,122)	(1,559)
	<b>274,701</b>	205,408
	Year ended 31 December	
	2013	2012
At 1 January	206,967	59,199
Additions	62,500	173,120
Acquisition of subsidiaries	–	394
Net gains/(losses)	6,792	(611)
Disposals	(436)	(6,000)
Derecognized upon transfer of control to the Group	–	(19,135)
At 31 December	<b>275,823</b>	206,967

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

#### The Company

	As at 31 December	
	2013	2012
Unlisted equity investment, at fair value	620	620
Unlisted equity investment, at cost	235,500	173,000
	<b>236,120</b>	173,620
	Year ended 31 December	
	2013	2012
At 1 January	173,620	6,620
Additions	62,500	173,000
Disposal	–	(6,000)
At 31 December	<b>236,120</b>	173,620

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX

#### The Group

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

	As at 31 December	
	2013	2012
Deferred income tax assets		
– to be recovered after more than 12 months	370,615	275,192
– to be recovered within 12 months	84,904	64,521
	<b>455,519</b>	339,713
Deferred income tax liabilities		
– to be settled after more than 12 months	(558,391)	(553,477)
– to be settled within 12 months	(37,891)	(38,422)
	<b>(596,282)</b>	(591,899)
Deferred income tax liability – net	<b>(140,763)</b>	(252,186)

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

	Year ended 31 December	
	2013	2012
At 1 January	(252,186)	(233,574)
Acquisition of subsidiaries (Note 41)	(31,098)	(103,179)
Injection from non-controlling interests of one subsidiary	20,415	–
Credited to consolidated income statements (Note 13)	128,795	78,883
Tax (charged)/credited relating to components of other comprehensive income (Note 13)	(6,689)	5,684
At 31 December	<b>(140,763)</b>	(252,186)

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX (continued)

#### The Group (continued)

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

#### Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Unrealised profit	Tax losses	Others	Total
<b>At 1 January 2012</b>	118,601	100,644	8,963	21,494	34,275	283,977
Acquisition of subsidiaries	-	3,625	-	-	764	4,389
(Charged)/credited to consolidated income statements	15,022	25,114	1,321	(1,658)	6,161	45,960
Credited to other comprehensive income	5,387	-	-	-	-	5,387
<b>At 31 December 2012</b>	<b>139,010</b>	<b>129,383</b>	<b>10,284</b>	<b>19,836</b>	<b>41,200</b>	<b>339,713</b>
Acquisition of subsidiaries (Note 41)	-	5,871	-	-	3,593	9,464
Injection from non-controlling interests of one subsidiary	20,415	-	-	-	-	20,415
Credited to consolidated income statements	1,404	45,180	11,581	14,154	18,599	90,918
Charged to other comprehensive income	(4,991)	-	-	-	-	(4,991)
<b>At 31 December 2013</b>	<b>155,838</b>	<b>180,434</b>	<b>21,865</b>	<b>33,990</b>	<b>63,392</b>	<b>455,519</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX (continued)

#### The Group (continued)

#### Deferred income tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains from available-for-sale financial assets	Others	Total
<b>At 1 January 2012</b>	(504,257)	(6,601)	(6,693)	(517,551)
Acquisition of subsidiaries	(107,568)	-	-	(107,568)
Credited/(charged) to consolidated income statements	35,853	-	(2,930)	32,923
Credited to other comprehensive income	-	297	-	297
<b>At 31 December 2012</b>	<b>(575,972)</b>	<b>(6,304)</b>	<b>(9,623)</b>	<b>(591,899)</b>
Acquisition of subsidiaries (Note 41)	<b>(40,562)</b>	-	-	<b>(40,562)</b>
Credited to consolidated income statements	<b>37,177</b>	-	<b>700</b>	<b>37,877</b>
Charged to other comprehensive income	-	<b>(1,698)</b>	-	<b>(1,698)</b>
<b>At 31 December 2013</b>	<b>(579,357)</b>	<b>(8,002)</b>	<b>(8,923)</b>	<b>(596,282)</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX (continued)

#### The Group (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Based on above principles, the Group did not recognise deferred income tax assets of approximately RMB16,454 thousands (2012: RMB25,465 thousands) in respect of tax losses amounting to approximately RMB65,814 thousands (2012: RMB104,043 thousands). As at 31 December 2013, these unrecognised tax losses amounting to RMB3,430 thousands, RMB5,340 thousands, RMB9,490 thousands, RMB26,429 thousands and RMB21,125 thousands will expire in 2014, 2015, 2016, 2017 and 2018 respectively.

#### The Company

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

	Year ended 31 December	
	2013	2012
At 1 January	40,537	30,466
Credited to income statement	(7,738)	10,357
Credited to the other comprehensive income	394	(286)
At 31 December	33,193	40,537

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

#### Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Others	Total
At 1 January 2012	18,462	7,502	4,502	30,466
Credited to income statements	2,526	2,276	5,555	10,357
Credited to other comprehensive income	(286)	–	–	(286)
At 31 December 2012	20,702	9,778	10,057	40,537
Charged to income statements	(3,859)	(1,558)	(2,321)	(7,738)
Credited to other comprehensive income	394	–	–	394
At 31 December 2013	17,237	8,220	7,736	33,193



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 25 OTHER NON-CURRENT ASSETS

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Partial payment for consideration for acquisition of subsidiaries (i)	8,442	58,006
Long-term deposit	799,200	300,500
Property compensation for office relocation arrangement (ii)	70,250	70,250
Others	50,102	43,016
	<b>927,994</b>	471,772

notes:

- (i) The Group paid RMB8,442 thousands (2012: RMB58,006 thousands) for acquisition of several subsidiaries as partial payment of the total consideration. However, the related transactions have not been completed by 31 December 2013.
- (ii) According to agreement with local government in May 2012, one of the Group's subsidiaries is entitled to receive a subsidy of RMB120,250 thousands, including cash of RMB50,000 thousands and part of one property with fair value of RMB70,250 thousands, for logistic centre relocation and rebuilding upon request from local government. As at 31 December 2013, the compensated property was under construction by a third party and recorded as non-current assets. The subsidy relating to the construction of relevant logistic centre of RMB93,320 thousands was recorded as non-current liability – deferred revenue (Note 34) and was credited to the income statement on a straight-line basis over the expected lives of the logistic centre. The remaining part of the subsidy was recognised in income statement of the year ended 31 December 2012 directly.

#### The Company

	As at 31 December	
	2013	2012
Partial payment for consideration for acquisition of subsidiaries	6,195	45,000
Others	676	4,410
	<b>6,871</b>	49,410

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 26 INVENTORIES

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Raw materials	210,151	156,238
Work in progress	80,223	40,249
Finished goods and trading merchandise	16,481,629	13,715,576
	16,772,003	13,912,063
Less: Provision for impairment	(69,665)	(47,333)
	16,702,338	13,864,730

The cost of inventories recognised as expense and included in cost of sales amounted to RMB153,042,197 thousands (2012(Restated): RMB125,176,514 thousands) (Note 9).

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2013	2012 (Restated)
Provision for impairment		
At 1 January	47,333	46,951
Provision for the year (Note 9)	53,388	29,152
Credited to cost of sales when inventories were sold	(31,056)	(28,770)
At 31 December	69,665	47,333

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 26 INVENTORIES (continued)

#### The Company

	As at 31 December	
	2013	2012
Trading merchandise	708,401	515,980
Less: Provision for impairment	(3,816)	(10,083)
	704,585	505,897

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2013	2012
Provision for impairment		
At 1 January	10,083	6,290
Provision for the year	(6,267)	3,793
At 31 December	3,816	10,083

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Accounts receivable	47,481,041	35,391,531
Notes receivable	4,868,152	3,194,492
	<b>52,349,193</b>	38,586,023
Less: Provision for impairment	(524,463)	(398,823)
Trade receivables – net	<b>51,824,730</b>	38,187,200

The fair value of trade receivables approximates their carrying amounts.

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

	As at 31 December	
	2013	2012 (Restated)
Below 3 months	36,426,895	29,575,633
3 to 6 months	11,536,284	5,751,788
6 months to 1 year	4,025,438	3,093,816
1 to 2 years	262,888	118,412
Over 2 years	97,688	46,374
	<b>52,349,193</b>	38,586,023

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES (continued)

#### The Group (continued)

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

	As at 31 December	
	2013	2012 (Restated)
3 to 6 months	11,164,074	5,443,019
6 months to 1 year	3,977,514	3,064,437
1 to 2 years	222,186	97,464
Over 2 years	34,061	6,647
	<b>15,397,835</b>	8,611,567

As of 31 December 2013, trade receivables of approximately RMB524,463 thousands (2012(Restated): RMB398,823 thousands), were impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult financial situations. The ageing of these receivables is as follows:

	As at 31 December	
	2013	2012 (Restated)
3 to 6 months	372,210	308,769
6 months to 1 year	47,924	29,379
1 to 2 years	40,702	20,948
Over 2 years	63,627	39,727
	<b>524,463</b>	398,823

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES (continued)

#### The Group (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
At 1 January	398,823	318,624
Provision for impairment (Note 9)	134,134	81,892
Receivables written off as uncollectible	(8,334)	(1,693)
Disposal of subsidiaries	(160)	–
At 31 December	524,463	398,823

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

The trade receivables are denominated in RMB.

As at 31 December 2013, notes receivable of RMB377,627 thousands (2012: RMB452,683 thousands) and accounts receivable of RMB2,295,985 thousands (2012: RMB1,706,037 thousands) were pledged as collaterals for the Group's bank borrowings (Note 32).

As at 31 December 2013, outstanding accounts receivable of RMB3,989,172 thousands (2012: RMB2,620,273 thousands) were derecognized under the accounts receivable factoring programs without recourse. The ageing of these derecognised accounts receivable was within one year. As at 31 December 2013, the collection of such accounts receivable on behalf of banks as financing activities, amounted to RMB830,733 thousands (2012: RMB452,092 thousands) was recorded in other payables and as cash generated from financing activities (Note 36).

The maximum exposure to credit risk as at 31 December 2013 is the carrying value of each category of receivable mentioned above and in Note 28.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES (continued)

#### The Company

	As at 31 December	
	2013	2012
Accounts receivable	<b>3,648,280</b>	3,435,529
Notes receivable	<b>588,777</b>	256,943
	<b>4,237,057</b>	3,692,472
Less: Provision for impairment	<b>(14,400)</b>	(14,332)
Trade receivables – net	<b>4,222,657</b>	3,678,140

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

	As at 31 December	
	2013	2012
Below 3 months	<b>2,989,843</b>	3,401,418
3 to 6 months	<b>860,392</b>	280,736
6 months to 1 year	<b>386,822</b>	7,289
1 to 2 years	–	746
Over 2 years	–	2,283
	<b>4,237,057</b>	3,692,472

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 28 PREPAYMENTS AND OTHER RECEIVABLES

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Prepayments		
– purchase of inventories	<b>2,005,156</b>	2,270,295
– construction	<b>117,065</b>	87,471
– operating expenses	<b>89,017</b>	53,358
Value-added tax recoverable	<b>258,793</b>	260,953
Deposits	<b>872,945</b>	536,516
Staff advances	<b>77,338</b>	95,797
Government grant receivables	–	11,238
Amounts due from related parties (Note 42)		
– other receivables	<b>3,777</b>	3,722
– prepayments	<b>135,400</b>	104,585
Other receivables	<b>637,983</b>	438,916
	<b>4,197,474</b>	3,862,851
Less: Provision for impairment	<b>(56,142)</b>	(59,497)
	<b>4,141,332</b>	3,803,354

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

The other receivables are denominated in RMB.



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 28 PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
At 1 January	59,497	51,301
Provision for the year (Note 9)	2,298	9,287
Receivables written off as uncollectible	(5,101)	(1,091)
Disposal of subsidiaries	(552)	–
At 31 December	56,142	59,497

#### The Company

	As at 31 December	
	2013	2012
Amounts due from subsidiaries	11,957,345	8,986,809
Prepayments		
– purchase of inventories	100,685	418,296
Dividend receivable	550,926	440,268
Other receivables	67,543	53,829
	12,676,499	9,899,202
Less: Provision for impairment	(14,707)	(14,696)
	12,661,792	9,884,506

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS

#### The Group

	As at 31 December	
	2013	2012 (Restated)
<b>Bank deposits and restricted cash</b>		
Pledged bank deposits	3,041,892	1,595,881
Term deposits over 3 months	–	11,514
	<b>3,041,892</b>	1,607,395
	As at 31 December	
	2013	2012 (Restated)
Cash and cash equivalents		
– Cash on hand	13,374	12,422
– Cash at banks	13,316,105	9,279,874
– Cash in other financial institution (Note 42)	672,483	509,206
	<b>14,001,962</b>	9,801,502
<b>Bank deposits and restricted cash, cash and cash equivalents</b>		
Denominated in		
– RMB	15,537,570	11,168,558
– USD	60,607	123,963
– HKD	1,445,505	116,373
– Others	172	3
	<b>17,043,854</b>	11,408,897

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

#### The Group (continued)

Pledged bank deposits are collaterals for the following:

	As at 31 December	
	2013	2012 (Restated)
Collateral for bank acceptance notes	2,828,296	1,383,130
Collateral for bank borrowings (Note 32)	79,487	–
Collateral for letter of credit	130,820	212,751
Collateral for letter of guarantee	3,289	–
	<b>3,041,892</b>	1,595,881

The maximum exposure to credit risk as at 31 December 2013 and 2012 approximates the carrying value of bank deposits and restricted cash and cash and cash equivalents.

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

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

	As at 31 December	
	2013	2012 (Restated)
Weighted average effective interest rate (per annum)	0.93%	1.16%

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

#### The Company

	As at 31 December	
	2013	2012
<b>Cash and cash equivalents</b>		
– Cash on hand	38	141
– Cash at banks	5,088,731	2,097,771
– Cash in other financial institution	650,187	500,020
	<b>5,738,956</b>	2,597,932
<b>Bank deposits and cash and cash equivalents</b>		
Denominated in		
– RMB	4,294,016	2,481,933
– HKD	1,444,939	115,998
– USD	1	1
	<b>5,738,956</b>	2,597,932

### 30 SHARE CAPITAL

	Number of shares	Domestic shares with par value of RMB1 per share	H Shares with par value of RMB1 per share	Total
At 1 January 2012	2,402,625	1,574,284	828,341	2,402,625
At 31 December 2012	2,402,625	1,574,284	828,341	2,402,625
Issue of shares	165,668	–	165,668	165,668
At 31 December 2013	2,568,293	1,574,284	994,009	2,568,293

The total authorised number of domestic shares and H shares is 2,568,293 thousands shares (2012: 2,402,625 thousands shares) with a par value of HK\$1 per share (2012: HK\$1 per share). All issued shares are fully paid.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 30 SHARE CAPITAL (continued)

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\$ 73,252 thousands (equivalent to RMB59,020 thousands) in relation to the placement, the total net proceeds was HK\$ 4,002,185 thousands (equivalent to RMB3,224,560 thousands), of which RMB165,668 thousands is recorded as share capital and RMB3,058,892 thousands is recorded as share premium (Note 31).

### 31 RESERVES

#### The Group

	Note	Share premium	Statutory reserves	Revaluation of available- for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
<b>At 1 January 2012</b>							
<b>(Restated)</b>		10,827,785	175,547	9,854	(30,269)	2,488,203	13,471,120
Profit for the year		-	-	-	-	1,979,381	1,979,381
Revaluation of available-for-sale financial assets							
– gross		-	-	(269)	-	-	(269)
– tax		-	-	131	-	-	131
Remeasurement on post-employment benefit obligation							
– gross		-	-	-	(14,637)	-	(14,637)
– tax		-	-	-	3,654	-	3,654
Currency translation differences		-	-	-	41	-	41
Appropriation to statutory reserves		-	76,493	-	-	(76,493)	-
Share of other comprehensive income of investments accounted for using the equity method in associates		-	-	-	1,543	-	1,543
Dividends		-	-	-	-	(456,499)	(456,499)
Transactions with non-controlling interests		-	-	-	20,868	(127,779)	(106,911)
Others		(1,417)	-	-	4,983	-	3,566
<b>At 31 December 2012</b>							
<b>(Restated)</b>		10,826,368	252,040	9,716	(13,817)	3,806,813	14,881,120

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 31 RESERVES (continued)

### The Group (continued)

	Note	Share premium	Statutory reserves	Revaluation of available- for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
Profit for the year		-	-	-	-	2,250,002	2,250,002
Issue shares, net of expenses		3,058,892	-	-	-	-	3,058,892
Revaluation of available-for-sale financial assets							
– gross		-	-	2,989	-	-	2,989
– tax		-	-	(747)	-	-	(747)
Remeasurement on post-employment benefit obligation							
– gross		-	-	-	16,444	-	16,444
– tax		-	-	-	(4,028)	-	(4,028)
Currency translation differences		-	-	-	(2,273)	-	(2,273)
Appropriation to statutory reserves	(a)	-	92,272	-	-	(92,272)	-
Share of other comprehensive income of investments accounted for using the equity method in associates		-	-	-	102	-	102
Effect of business combination under common control		-	-	-	(219,600)	-	(219,600)
Dividends	37	-	-	-	-	(642,073)	(642,073)
Transactions with non-controlling interests		-	-	-	(87,006)	(10,512)	(97,518)
Revaluation gain of subsidiaries in conversion of corporate institution		-	-	-	368	-	368
Others		-	-	-	3,442	133	3,575
<b>At 31 December 2013</b>		<b>13,885,260</b>	<b>344,312</b>	<b>11,958</b>	<b>(306,368)</b>	<b>5,312,091</b>	<b>19,247,253</b>

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 31 RESERVES (continued)

### The Company

	Note	Share premium	Statutory reserves	Other reserves (Note (c))	Retained Earnings (Note (b))	Total
<b>As at 1 January 2012</b>		10,816,610	175,547	(58,399)	463,187	11,396,945
Profit for the year		-	-	-	698,346	698,346
Appropriation to statutory reserves		-	76,493	-	(76,493)	-
Remeasurement on post-employment benefit obligation						
– gross		-	-	1,144	-	1,144
– tax		-	-	(286)	-	(286)
Dividends		-	-	-	(456,499)	(456,499)
Others		(1,417)	-	-	-	(1,417)
<b>As at 31 December 2012</b>		<b>10,815,193</b>	<b>252,040</b>	<b>(57,541)</b>	<b>628,541</b>	<b>11,638,233</b>
Profit for the year		-	-	-	932,282	932,282
Issue shares, net of expenses		3,058,892	-	-	-	3,058,892
Appropriation to statutory reserves	(a)	-	92,272	-	(92,272)	-
Remeasurement on post-employment benefit obligation						
– gross		-	-	(1,576)	-	(1,576)
– tax	24	-	-	394	-	394
Dividends	37	-	-	-	(642,073)	(642,073)
<b>As at 31 December 2013</b>		<b>13,874,085</b>	<b>344,312</b>	<b>(58,723)</b>	<b>826,478</b>	<b>14,986,152</b>

notes:

- (a) PRC laws and regulations require companies registered in the PRC to maintain certain statutory reserves, which are to be appropriated from the retained profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distributing retained profit to their shareholders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of net profits to statutory surplus reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to a discretionary surplus reserve based on a resolution of the board of directors.
- (b) Retained earnings as at 31 December 2013 include the proposed final dividend of RMB667,756 thousands (2012: RMB642,073 thousands).
- (c) Other reserves mainly represents reserves for business combination under common control, transactions with non-controlling interests and remeasurement on post-employment benefit obligation.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS

#### The Group

	<b>As at 31 December</b>	
	<b>2013</b>	2012 (Restated)
<b>Non-current</b>		
Secured bank borrowings	<b>164,761</b>	134,214
Unsecured bank borrowings	–	82,205
Bond (i)	<b>3,969,306</b>	4,975,161
	<b>4,134,067</b>	5,191,580
<b>Current</b>		
Secured bank borrowings	<b>2,661,537</b>	2,050,695
Unsecured bank borrowings	<b>12,886,249</b>	8,136,493
Unsecured borrowings from other financial institution (Note 42)	<b>470,000</b>	362,000
Bond (ii)	<b>4,989,490</b>	399,015
	<b>21,007,276</b>	10,948,203
<b>Total borrowings</b>	<b>25,141,343</b>	16,139,783

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

– RMB	<b>24,051,361</b>	15,310,271
– USD	<b>1,089,982</b>	829,512
	<b>25,141,343</b>	16,139,783

notes:

- (i) On 15 March 2013, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000 thousands (the "Corporate Bonds"), 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.
- (ii) 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%. As at 31 December 2013, the bonds would mature within one year and was classified as current liability.



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Group (continued)

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%. As at 31 December 2013, the bonds would mature within one year and was classified as current liability.

The Group's borrowings were repayable as follows:

	Borrowings from banks or other financial institution		Bond	
	As at 31 December		As at 31 December	
	2013	2012 (Restated)	2013	2012
Within 1 year	16,017,786	10,549,188	4,989,490	399,015
Between 1 to 2 years	–	103,988	–	4,975,161
Between 2 to 5 years	164,761	112,431	3,969,306	–
Over 5 years	–	–	–	–
	16,182,547	10,765,607	8,958,796	5,374,176

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

	Year ended 31 December	
	2013	2012
Weighted average effective interest rate (per annum)	5.51%	5.94%

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Group (continued)

As at 31 December 2013, secured bank borrowings amounting to RMB307,824 thousands are guaranteed by third parties (31 December 2012(restated): RMB140,324 thousands). The collaterals for the rest of the Group's secured bank borrowings are as follows:

	As at 31 December	
	2013	2012
Property, plant and equipment (Note 18)	<b>217,413</b>	214,180
Land use rights (Note 16)	<b>72,135</b>	74,577
Pledged bank deposits (Note 29)	<b>79,487</b>	–
Notes receivable (Note 27)	<b>377,627</b>	452,683
Accounts receivables (Note 27)	<b>2,295,985</b>	1,706,037
	<b>3,042,647</b>	2,447,477

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

	Carrying amount		Fair value	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
Borrowings from banks	<b>164,761</b>	216,419	<b>166,180</b>	216,536
Bond	<b>3,969,306</b>	4,975,161	<b>3,969,571</b>	4,903,643

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Company

	As at 31 December	
	2013	2012
<b>Non-current</b>		
Bond	3,969,306	4,975,161
	3,969,306	4,975,161
<b>Current</b>		
Secured bank borrowings	300,000	355,000
Unsecured bank borrowings	400,000	–
Unsecured borrowings from other financial institution	150,000	100,000
Bond	4,989,490	–
	5,839,490	455,000
<b>Total borrowings</b>	<b>9,808,796</b>	<b>5,430,161</b>

The borrowings were denominated in RMB.

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

	Borrowings from banks or other financial institution		Bond	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
Within 1 year	850,000	455,000	4,989,490	–
Between 1 to 2 years	–	–	–	4,975,161
Between 2 to 5 years	–	–	3,969,306	–
Over 5 years	–	–	–	–
	850,000	455,000	8,958,796	4,975,161

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Company (continued)

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

	Year ended 31 December	
	2013	2012
Weighted average effective interest rate (per annum)	5.00%	5.04%

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

	As at 31 December	
	2013	2012
Accounts receivable	345,560	477,353

### 33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP

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

	As at 31 December	
	2013	2012
Balance sheet obligations for post-employment benefit	498,749	449,933

	Year ended 31 December	
	2013	2012
Income statement charge for post-employment benefit (Note 10)	41,999	42,010
Remeasurement (gains)/losses recognised in the statement of other comprehensive income in the period	(20,834)	21,601
Cumulative remeasurement losses recognised in the statement of other comprehensive income	32,977	53,811

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

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

	As at 31 December	
	2013	2012
Present value of funded obligations	9,728	12,541
Fair value of plan assets	(17,227)	(10,774)
(Surplus)/deficit of funded plans	(7,499)	1,767
Present value of unfunded post-employment benefit obligations	506,248	448,166
<b>Liability in the balance sheet</b>	<b>498,749</b>	<b>449,933</b>

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

	Present value of obligation	Fair value of plan assets	Total
<b>At 1 January 2012</b>	435,451	–	435,451
Current service cost	3,817	–	3,817
Past service cost	22,532	–	22,532
Interest expense/(income)	15,846	(185)	15,661
	42,195	(185)	42,010
<b>Remeasurements:</b>			
– Return on plan assets, excluding amounts included in interest income	–	185	185
– Gain from change in financial assumptions	(4,739)	–	(4,739)
– Experience losses	26,155	–	26,155
	21,416	185	21,601
<b>Contributions:</b>			
– Employers	–	(10,774)	(10,774)
<b>Payments:</b>			
– Benefit payments	(38,355)	–	(38,355)
<b>At 31 December 2012</b>	<b>460,707</b>	<b>(10,774)</b>	<b>449,933</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

	Present value of obligation	Fair value of plan assets	Total
<b>At 1 January 2013</b>	<b>460,707</b>	<b>(10,774)</b>	<b>449,933</b>
Current service cost	5,004	–	5,004
Past service cost	16,869	–	16,869
Interest expense/(income)	20,703	(577)	20,126
	<b>42,576</b>	<b>(577)</b>	<b>41,999</b>
<b>Remeasurements:</b>			
– Return on plan assets, excluding amounts included in interest income	–	364	364
– Gain from change in financial assumptions	(37,392)	–	(37,392)
– Experience losses	16,194	–	16,194
	<b>(21,198)</b>	<b>364</b>	<b>(20,834)</b>
<b>Contributions:</b>			
– Employers	–	(6,618)	(6,618)
<b>Payments:</b>			
– Benefit payments	(47,767)	378	(47,389)
Injection from non-controlling interests of one subsidiary	81,658	–	81,658
<b>At 31 December 2013</b>	<b>515,976</b>	<b>(17,227)</b>	<b>498,749</b>

The significant actuarial assumptions were as follows:

	2013	2012
Discount rate	4.75%	4.00%
Salary growth rate	2.50%	2.50%
Pension growth rate	5.00%	5.00%

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.39%	Increase by 2.50%
Salary growth rate	0.50%	Increase by 0.40%	Decrease by 0.35%
Pension growth rate	0.50%	Increase by 0.22%	Decrease by 0.20%

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

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

Expected maturity analysis of undiscounted and post-employments benefits:

At 31 December 2013	Less than a year	Between 1-5 years	Over 5 years	Total
Post-employment benefits	49,935	164,935	720,027	934,897

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 34 OTHER NON-CURRENT LIABILITIES

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Medical reserve funds (i)		
– general	350,732	350,017
– for H1N1 vaccines	68,407	71,683
Office relocation funds (ii)	64,021	64,067
Government grants for construction of logistic centers (iii)	47,075	45,872
Government grants for products development	61,395	48,912
Deferred revenue	155,481	127,322
Others	24,372	82,153
	<b>771,483</b>	790,026

notes:

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

The Group will have to sell pharmaceutical products to specific customers at cost when there is any serious disaster, epidemic and other emergency, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. No fund was used to offset trade receivables during the year ended 31 December 2013 (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 31 December 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 31 December 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 Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 34 OTHER NON-CURRENT LIABILITIES (continued)

#### The Company

	As at 31 December	
	2013	2012
Medical reserve funds – general	205,853	205,853
Others	3,000	40,425
	<b>208,853</b>	246,278

### 35 TRADE PAYABLES

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Accounts payable	33,863,118	26,502,715
Notes payable	10,324,993	8,752,447
	<b>44,188,111</b>	35,255,162

The fair value of trade payables approximates their carrying amounts.

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2013	2012 (Restated)
Below 3 months	37,867,067	30,325,135
3 to 6 months	4,279,395	1,973,194
6 months to 1 year	1,378,044	2,394,025
1 to 2 years	401,810	344,453
Over 2 years	261,795	218,355
	<b>44,188,111</b>	35,255,162

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 35 TRADE PAYABLES (continued)

#### The Group (continued)

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

	As at 31 December	
	2013	2012 (Restated)
RMB	42,380,197	34,113,421
USD	1,776,278	1,119,373
EUR	31,636	22,368
	44,188,111	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 year ended 2013, accounts payable of RMB5,425,982 thousands(2012: RMB4,961,533 thousands) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 31 December 2013 and 31 December 2012, all bank borrowings related to this program were repaid.

#### The Company

	As at 31 December	
	2013	2012
Accounts payable	2,741,830	2,270,392
Notes payable	220,095	584,709
	2,961,925	2,855,101

The fair value of trade payables approximates their carrying amounts.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 35 TRADE PAYABLES (continued)

#### The Company (continued)

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

	As at 31 December	
	2013	2012
Below 3 months	2,901,491	2,752,796
3 to 6 months	55,883	85,894
6 months to 1 year	741	10,591
1 to 2 years	1,297	2,976
Over 2 years	2,513	2,844
	<b>2,961,925</b>	2,855,101

The Company's trade payables are denominated in RMB.

### 36 ACCRUALS AND OTHER PAYABLES

#### The Group

	As at 31 December	
	2013	2012 (Restated)
Accrual of operating expenses	575,825	372,651
Collection of accounts receivables on behalf of banks under factoring programs (Note 27)	830,733	452,092
Salary and welfare payable	697,910	585,521
Advances from customers	308,276	336,276
Other deposits	447,724	284,569
Taxes payable other than income tax	315,930	283,183
Interest payable	307,972	175,388
Other payables due to related parties (Note 42)	112,312	6,127
Advance due to related parties (Note 42)	1,496	7,942
Payables arising from acquisition of subsidiaries and contingent consideration	188,785	635,973
Others	1,396,572	1,458,689
	<b>5,183,535</b>	4,598,411

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

The Group's other payables are denominated in RMB.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 36 ACCRUALS AND OTHER PAYABLES (continued)

#### The Company

	As at 31 December	
	2013	2012
Amounts due to subsidiaries	<b>7,238,133</b>	6,216,431
Amounts due to other related parties	<b>6,580</b>	6,185
Salary and welfare payable	<b>42,815</b>	48,061
Accrual of operating expenses	<b>33,637</b>	11,306
Collection of accounts receivables on behalf of banks under factoring programs	<b>232,813</b>	252,646
Taxes payable other than income tax	<b>13,364</b>	13,698
Interest payable	<b>269,739</b>	121,798
Advances from customers	<b>6,305</b>	8,940
Other deposits	<b>11,660</b>	1,080
Payables arising from acquisition of subsidiaries and contingent consideration	<b>87,206</b>	360,912
Others	<b>20,905</b>	68,899
	<b>7,963,157</b>	7,109,956

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

The Company's other payables are denominated in RMB.

### 37 DIVIDENDS

The dividends paid by the Company in 2013 were RMB642,073 thousands (RMB0.25 (tax inclusive) per ordinary share). A final dividend for the year ended 31 December 2013 of RMB0.26 (tax inclusive) per ordinary share, amounting to a total amount of RMB667,756 thousands is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 21 March 2014. These financial statements have not reflected this proposed dividend.

	Year ended 31 December	
	2013	2012
Proposed final dividend	<b>667,756</b>	642,073

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 38 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2013	2012 (Restated)
Profit before income tax	<b>4,620,505</b>	4,022,191
Adjustments for:		
– Share of profit of investments accounted for using the equity method (Note 21)	<b>(138,758)</b>	(135,718)
– Asset impairment	<b>258,360</b>	120,331
– Depreciation	<b>488,067</b>	401,656
– Amortisation	<b>188,859</b>	165,469
– Gain on disposal of land use right and plant and equipment (Note 8)	<b>(15,828)</b>	(223,428)
– Write-back of certain liabilities (Note 8)	<b>(27,204)</b>	(6,131)
– Gain on adjustment of contingent consideration	<b>(938)</b>	(15,614)
– Loss on disposal of available-for-sale financial assets (Note 8)	<b>56</b>	2,285
– Finance cost	<b>1,730,627</b>	1,317,590
– Gain on re-measuring of existing interest in connection with acquisitions (Note 8)	<b>–</b>	(35,259)
– Gain on disposal of subsidiaries (Note 8)	<b>(2,702)</b>	(4,446)
	<b>7,101,044</b>	5,608,926
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
– Inventories	<b>(2,711,735)</b>	(1,074,759)
– Trade receivables	<b>(13,238,508)</b>	(9,654,572)
– Prepayments and other receivables	<b>(280,636)</b>	(570,054)
– Trade payables	<b>13,918,388</b>	11,932,101
– Accruals and other payables	<b>1,234,384</b>	(1,419,085)
Cash generated from operations	<b>6,022,937</b>	4,822,557

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 39 COMMITMENTS

### (a) Capital commitments

Capital expenditures at balance sheet date are as follows:

#### The Group

	As at 31 December	
	2013	2012
Property, plant and equipment:		
– contracted but not provided for	310,073	398,555
Acquisition of equity interests		
– contracted but not provided for	24,320	79,379
	334,393	477,934

### (b) Operating lease commitments

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

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

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

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

	As at 31 December	
	2013	2012
Within 1 year	408,722	319,314
Later than 1 year and not later than 5 years	697,367	638,366
Later than 5 years	216,641	141,174
	1,322,730	1,098,854

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 39 COMMITMENTS (continued)

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

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

The Group leases out certain investment properties under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	As at 31 December	
	2013	2012
Within 1 year	42,544	28,152
Later than 1 year and not later than 5 years	77,768	98,382
Later than 5 years	8,401	12,336
	<b>128,713</b>	138,870

### 40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

#### (a) Acquisition of additional interest in subsidiaries

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

Subsidiaries	Equity	Cash
	interests Acquired %	consideration
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
Sinopharm Holding Suzhou Co., Ltd.	10	31,660
Sinopharm Holding Yangzhou Co., Ltd.	10.46	36,090
		93,981

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

### (a) Acquisition of additional interest in subsidiaries (continued)

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

	<b>Effect on the total equity</b>
Carrying amount of non-controlling interests acquired	35,679
Consideration paid to non-controlling interests	93,981
Excess of consideration paid over the carrying amount acquired	58,302

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

During the year, the Group reduced 20% equity interests in China National Pharmaceutical Group Shanxi Co., Ltd. without loss of control.

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

	<b>Effect on the total equity</b>
Carrying amount of non-controlling interests disposed	200,000
Consideration received from non-controlling interests	160,800
Loss on disposal within equity	39,200

### (c) Effects of transactions with non-controlling interests on the total equity for the year ended 31 December 2013

	<b>Effect on the total equity</b>
Changes in total equity arising from:	
– acquisition of additional interest in a subsidiary	58,302
– disposal of interest in a subsidiary without loss of control	39,200
Net effect for transactions with non-controlling interests on total equity	97,502



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 41 BUSINESS COMBINATIONS

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

In June 2013, the Group obtained a 100% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. from Sinopharm Industrial Investment Co., Ltd. The equity interest was subsequently diluted to 80% by the capital injection from one non-controlling shareholder.

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.

The consolidated balance sheet as at 31 December 2012:

	<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.	–	–	–	–
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 Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 41 BUSINESS COMBINATIONS (continued)

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

The consolidated balance sheet as at 31 December 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	27,559,014	1,052,336	–	28,611,350
Net assets	28,378,614	1,052,336	(819,600)	28,611,350
Share capital	2,568,293	1,000,000	(1,000,000)	2,568,293
Share premium	13,885,260	–	–	13,885,260
Statutory reserves	344,312	5,005	(5,005)	344,312
Revaluation of available-for-sale financial assets	11,958	–	–	11,958
Other reserves	(288,390)	2,027	(20,005)	(306,368)
Retained earnings	5,266,549	45,304	238	5,312,091
Non-controlling interests	6,590,632	–	205,172	6,795,804
	28,378,614	1,052,336	(819,600)	28,611,350

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 41 BUSINESS COMBINATIONS (continued)

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

Acquisitions during the year comprise:

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

Subsidiaries acquired	Acquisition date	Acquired interests %
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%
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd.	April, 2013	60%
Shanxi Zhengxiang Real Estate Development Co., Ltd.	June, 2013	100%
Sinopharm Holding Taian Co., Ltd.	July, 2013	100%
Sinopharm Holding Lerentang Baoding Pharmaceutical Co., Ltd.	August, 2013	70%
Sinopharm Holding Medical Technology (Tianjin) Co., Ltd.	September, 2013	70%
Sinopharm Holding Quanzhou Co., Ltd.	October, 2013	70%
Sinopharm Holding Weifang Co., Ltd.	November, 2013	70%
Shanxi Yiyuan Guoda Pharmacy Chain Store Co., Ltd.	November, 2013	100%
Sinopharm Holding Chongqing Wanzhou Co., Ltd.	December, 2013	80%

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Consideration payable	30,680
– Contingent consideration(i)	45,318
– Cash paid	154,363
– Equity instruments	9,361
	<hr/>
Total purchase consideration	239,722
Fair value of previous equity interests at the dates of acquisitions	161,670
	<hr/>
	401,392

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 41 BUSINESS COMBINATIONS (continued)

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

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

	Fair value at acquisition date	Acquirees' carrying amounts at acquisition date
Cash and cash equivalents	124,645	124,645
Property, plant and equipment	228,644	167,128
Intangible assets		
– sales network	28,840	–
– software and trademarks	23,017	2,187
Land use rights	67,196	17,746
Deferred income tax assets	9,464	10,156
Inventories	192,152	192,152
Other non-current assets	1,708	1,708
Trade and other receivables	628,793	628,793
Trade and other payables	(762,052)	(762,744)
Deferred income tax liabilities	(40,562)	–
Borrowings	(106,649)	(106,649)
Net assets	395,196	275,122
Non-controlling interests (ii)	(126,089)	
Goodwill (Note 19)	132,285	
	401,392	
Consideration for acquisitions settled in cash	154,363	
Prepayments for the acquisition in 2012 (Note 25)	(58,006)	
Cash consideration paid in 2013	96,357	
Cash and cash equivalents in subsidiaries acquired	(124,645)	
Cash inflow on acquisition	(28,288)	

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 41 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 the profit targets of the acquirees. The maximum undiscounted contingent consideration payable is RMB45,318 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB45,318 thousands. As at 31 December 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 and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2013 are summarised as follows:

	<b>From acquisition date to 31 December 2013</b>
Revenue	931,901
Net profit	26,375

(iv) The related acquisition cost is immaterial.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 42 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

<b>Name of related party</b>	<b>Nature of relationship</b>
CNPGC	The ultimate holding company of the Company
Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
Xinxiang Central Hospital	Controlled by CNPGC
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Xinxiang City Second People's Hospital	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	Controlled by CNPGC
Chengdu Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Xinxiang Maternity and Child Hospital	Controlled by CNPGC
Chengdu Institute of Biological Products	Controlled by CNPGC
Lanzhou Institute of Bio-products Co., Ltd	Controlled by CNPGC
Beijing Tiantan Biological Products Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
China Bio-Technology Co., Ltd.	Controlled by CNPGC
Foshan Winteam Pharmaceutical Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Qinghai Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
China National Scientific Instruments & Materials Corporation	Controlled by CNPGC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC
Shanghai Modern Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Corporation	Controlled by CNPGC
Sinopharm Group Combined Instrument Co., Ltd.	Controlled by CNPGC
Sinopharm Henan Medical Devices Co., Ltd.	Controlled by CNPGC
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Wuhan Vanda Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Chuankang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd	Controlled by CNPGC
Lanzhou Bio-technology development Co., Ltd.	Controlled by CNPGC
China National Corp. of Traditional and Herbal Medicine	Controlled by CNPGC
Sinopharm Medicine Co., Ltd.	Controlled by CNPGC
Sinopharm Sichuan TCM Co., Ltd.	Controlled by CNPGC
Beijing Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Valley Biomedical Co., Ltd.	Controlled by CNPGC
Shanghai Techwell Biopharmaceutical Co., Ltd.	Controlled by CNPGC
Sino-TCM Chengde Co., Ltd.	Controlled by CNPGC
China Sinopharm International Corporation	Controlled by CNPGC
Xinxiang Hospital of Traditional Chinese Medicine	Controlled by CNPGC
Shanghai Modern Pharmaceutical Haimen Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Changchun Institute of Biological Products Co., Ltd.	Controlled by CNPGC
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Changchun Qijian Biological Products Co., Ltd.	Controlled by CNPGC
Guangdong Global Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
China State Institute of Pharmaceutical Industry	Controlled by CNPGC
Sichuan Industrial Institute of Antibiotic Co., Ltd.	Controlled by CNPGC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC, Associate
Shanghai Huaxiang Pharmaceutical Co., Ltd.	Associate of CNPGC
Shanghai Shuguang National Pharmacy Co., Ltd.	Associate of CNPGC
Sino-Swed Pharmaceutical Corporation Ltd.	Associate of CNPGC
Shanghai Salem Biological Technology Co., Ltd.	Associate of CNPGC
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	Associate
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Hubei Yuan Kang Medicine Co., Ltd.	Associate
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	Associate
Sinoexcelsior Investment Incorporation	Associate
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical")	Non-controlling shareholders with significant influence to the Company
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Anhui Jimin Tumor Hospital	Subsidiary of Fosun Pharmaceutical
Shanghai Zhaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jinzhou Aohong Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	Subsidiary of Fosun Pharmaceutical
Chongqing Haisiman Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Mount Handan Luo Dan Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Guilin Hua Guiguo medicine Associates	Subsidiary of Fosun Pharmaceutical
Foshan Central Hospital Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Chemo WangBang Biopharma Co.Ltd	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Transfusion Technology Co.Ltd	Subsidiary of Fosun Pharmaceutical



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, and balances arising from related party transaction, except that have been disclosed in Note 34.

#### (a) Significant related party transactions

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

	Year ended 31 December	
	2013	2012 (Restated)
<b>Sales of goods</b>		
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	176,086	86,319
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	145,293	130,159
Xinxiang Central Hospital	96,299	–
China National Pharmaceutical Foreign Trade Corporation	60,558	214,293
Chongqing Yaoyou Pharmaceutical Co., Ltd.	55,168	83,804
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	55,140	50,952
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	43,930	40,472
China National Corp. of Traditional and Herbal Medicine	41,870	19,483
Wuhan Institute of Biological Products Co., Ltd.	24,499	25,620
Shanghai Huaxiang Pharmaceutical Co., Ltd.	19,880	5,728
Xinxiang City Second People's Hospital	18,013	–
Shanghai Institute of Bio-products Co., Ltd.	17,589	8,926
Lanzhou Institute of Bio-products Co., Ltd.	17,288	22,124
Sinopharm Medicine Co., Ltd.	16,694	8,988
Shanghai Fosun Pharmaceuticals Co., Ltd.	15,130	23,197
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	14,379	4,253
Shanghai Shuguang National Pharmacy Co., Ltd.	14,192	914
Chengdu Rongsheng Pharmaceutical Co., Ltd.	11,264	2,842
Foshan Central Hospital Ltd.	9,159	–
Beijing Tiantan Biological Products Co., Ltd.	5,836	5,289
Sinopharm Sichuan TCM Co., Ltd.	5,564	3,168
Chengdu Institute of Biological Products	5,035	8,770
Sinopharm Weiqida Pharmaceutical Co., Ltd.	4,992	2,538
Beijing Institute of Biological Products Co., Ltd.	4,461	2,720

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
Xinxiang Maternity and Child Hospital	4,298	–
Shanghai Zhaohui Pharmaceutical Co., Ltd.	4,144	3,035
Beijing Valley Biomedical Co., Ltd.	3,982	2,073
Anhui Jimin Tumor Hospital	3,608	1,773
Shanghai Chemo WangBang Biopharma Co.Ltd	3,527	6,578
Shanghai Techwell Biopharmaceutical Co., Ltd.	2,562	939
Sino-TCM Chengde Co., Ltd.	2,416	2,922
China Sinopharm International Corporation	1,510	–
Shanghai Modern Pharmaceutical Haimen Co., Ltd.	1,354	–
China National Pharmaceutical Industry Corporation	1,309	1,050
Shanghai Institute of Pharmaceutical Industry	1,057	789
Xinxiang Hospital of Traditional Chinese Medicine	783	–
Changchun Institute of Biological Products Co., Ltd.	57	1,345
Hubei Yuan Kang Medicine Co., Ltd.	–	45,649
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	–	2,849
Sichuan Hexin Pharmaceutical Co., Ltd.	–	1,818
Chongqing Haisiman Pharmaceuticals Co., Ltd.	–	1,036
Others	8,074	12,735
	<b>917,000</b>	835,150

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
<b>Purchases of goods</b>		
Yichang Humanwell Pharmaceutical Co., Ltd.	964,749	962,172
Sino-Swed Pharmaceutical Corporation Ltd.	555,428	703,085
Chengdu Rongsheng Pharmaceutical Co., Ltd.	316,753	149,893
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	281,861	201,821
Lanzhou Institute of Bio-products Co., Ltd.	247,778	18,008
Shenzhen Main Luck Pharmaceutical Co., Ltd.	146,108	192,876
China National Pharmaceutical Foreign Trade Corporation	137,925	24,445
Chongqing Yaoyou Pharmaceutical Co., Ltd.	135,620	107,650
Shanghai Modern Pharmaceutical Co., Ltd.	82,186	65,101
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	79,684	–
China Otsuka Pharmaceutical Co., Ltd.	74,517	38,241
Shanghai Institute of Bio-products Co., Ltd.	74,171	53,540
Foshan Winteam Pharmaceutical Co., Ltd.	70,765	–
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	65,367	78,027
Wuhan Institute of Biological Products Co., Ltd.	64,649	7,890
Chongqing Haisiman Pharmaceuticals Co., Ltd.	50,899	32,137
Shanghai Salem Biological Technology Co., Ltd.	48,346	31,604
China National Corp. of Traditional and Herbal Medicine	37,800	72,746
Shanghai Fosun Pharmaceuticals Co., Ltd.	30,059	20,653
Mount Handan Luo Dan Pharmaceutical Co., Ltd.	25,679	20,645
Changchun Qijian Biological Products Co., Ltd.	19,987	6,691
Anhui Jingfang Pharmaceutical Co., Ltd.	19,503	–
Jinzhou Aohong Pharmaceutical Co., Ltd.	18,144	5,686
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	16,718	8,327
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	16,630	19,796
Sinopharm Weiqida Pharmaceutical Co., Ltd.	16,379	16,344
Qinghai Pharmaceutical Co., Ltd.	16,054	32,131
Sinopharm Medicine Co., Ltd.	13,523	987

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2013	2012 (Restated)
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation.	13,162	11,479
Hunan Dongting Pharmaceutical Co., Ltd.	10,799	–
Sinopharm Chuankang Pharmaceutical Co., Ltd.	8,999	5,345
Shanghai Huaxiang Pharmaceutical Co., Ltd.	7,536	–
Wuhan Vanda Pharmaceutical Group Co., Ltd.	7,510	4,270
Beijing Tiantan Biological Products Co., Ltd.	7,128	390
China National Pharmaceutical Industry Co., Ltd.	5,712	2,017
China National Pharmaceutical Industry Corporation	5,429	9,860
Guangdong Global Pharmaceutical Co., Ltd.	4,458	–
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	3,769	7,887
Sinopharm Group Combined Instrument Co., Ltd.	3,619	–
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	3,162	2,748
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	2,821	3,442
Lanzhou Bio-technology development Co., Ltd.	284	10,544
Shanghai Transfusion Technology Co., Ltd	281	108
Beijing Institute of Biological Products Co., Ltd.	–	20,916
Others	37,631	85,668
	<b>3,749,582</b>	3,035,170

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2013	2012
<b>Notes receivable discount</b>		
Sinopharm Group Finance Co., Ltd.	1,382,694	366,783

	Year ended 31 December	
	2013	2012
<b>Borrowings</b>		
Sinopharm Group Finance Co., Ltd.	750,000	422,000

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

##### (ii) Key management compensation

	Year ended 31 December	
	2013	2012
Salaries and other short-term employee benefits	23,269	23,392
Termination benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
	23,269	23,392

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties

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

	As at 31 December	
	2013	2012
<b>Cash in other financial institution</b>		
Sinopharm Group Finance Co., Ltd.	<b>672,483</b>	509,206
	As at 31 December	
	2013	2012 (Restated)
<b>Trade receivables due from</b>		
Xinxiang Central Hospital	<b>79,668</b>	–
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	<b>21,387</b>	28,383
Wuhan Institute of Biological Products Co., Ltd.	<b>20,894</b>	721
Foshan Central Hospital Ltd.	<b>19,470</b>	–
Xinxiang City Second People's Hospital	<b>16,641</b>	–
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	<b>15,055</b>	11,292
Sino-Swed Pharmaceutical Corporation Ltd.	<b>13,407</b>	2,312
China National Corp. of Traditional and Herbal Medicine	<b>8,781</b>	155
Chongqing Yaoyou Pharmaceutical Co., Ltd.	<b>8,136</b>	9,101
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	<b>6,139</b>	8,574
Shanghai Institute of Bio-products Co., Ltd.	<b>5,828</b>	400
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	<b>5,653</b>	647
Chengdu Rongsheng Pharmaceutical Co., Ltd.	<b>5,196</b>	1,543
Xinxiang Maternity and Child Hospital	<b>4,323</b>	–
Shanghai Fosun Pharmaceuticals Co., Ltd.	<b>3,909</b>	1,028
Chengdu Institute of Biological Products	<b>3,695</b>	2,518
Lanzhou Institute of Bio-products Co., Ltd.	<b>3,115</b>	1,726
Shanghai Huaxiang Pharmaceutical Co., Ltd.	<b>2,793</b>	3,919
Anhui Jimin Tumor Hospital	<b>2,533</b>	1,228
Shanghai Shuguang National Pharmacy Co., Ltd.	<b>1,756</b>	2,718
Shanghai Zhaohui Pharmaceutical Co., Ltd.	<b>1,505</b>	553
Beijing Tiantan Biological Products Co., Ltd.	<b>1,114</b>	1,730
China National Pharmaceutical Foreign Trade Corporation	<b>105</b>	214,306
Hubei Yuan Kang Medicine Co., Ltd.	<b>–</b>	14,341
Others	<b>4,856</b>	9,631
	<b>255,959</b>	316,826

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2013	2012
<b>Other receivables due from</b>		
China Bio-Technology Co., Ltd.	2,000	1,000
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	882	–
Others	895	2,722
	<b>3,777</b>	3,722

	As at 31 December	
	2013	2012 (Restated)
<b>Prepayments due from</b>		
China National Pharmaceutical Foreign Trade Corporation	80,177	32,561
Sino-Swed Pharmaceutical Corporation Ltd.	12,008	5,013
Chengdu Rongsheng Pharmaceutical Co., Ltd.	10,627	38,067
Foshan Winteam Pharmaceutical Co., Ltd.	7,455	–
Lanzhou Institute of Bio-products Co., Ltd.	6,325	–
Wuhan Institute of Bio-products Co., Ltd.	6,130	9,330
Qinghai Pharmaceutical Co., Ltd.	3,841	–
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	1,287	–
China National Scientific Instruments & Materials Corporation	1,039	–
Shanghai Shangsheng Biological Products Co., Ltd.	520	2,692
Jinzhou Aohong Pharmaceutical Co., Ltd.	489	–
Shanghai Institute of Bio-products Co., Ltd.	2	5,352
China Bio-Technology Co., Ltd.	–	1,000
China National Corp. of Traditional and Herbal Medicine	–	1,500
Others	5,500	9,070
	<b>135,400</b>	104,585

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2013	2012 (Restated)
<b>Trade payables due to</b>		
Yichang Humanwell Pharmaceutical Co., Ltd.	<b>374,568</b>	442,852
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	<b>86,702</b>	54,371
Sino-Swed Pharmaceutical Corporation Ltd.	<b>71,753</b>	83,050
China National Pharmaceutical Foreign Trade Corporation	<b>63,309</b>	19,156
Chongqing Yaoyou Pharmaceutical Co., Ltd.	<b>55,809</b>	40,008
Lanzhou Institute of Bio-products Co., Ltd.	<b>43,166</b>	4,905
Shenzhen Main Luck Pharmaceutical Co., Ltd.	<b>37,466</b>	56,559
Shanghai Modern Pharmaceutical Co., Ltd.	<b>25,048</b>	22,699
Mount Handan Luo Dan Pharmaceutical Co., Ltd.	<b>15,384</b>	6,562
Foshan Winteam Pharmaceutical Co., Ltd.	<b>13,591</b>	–
Shanghai Salem Biological Technology Co., Ltd.	<b>12,941</b>	7,911
Guizhou Tongjitang Pharmaceutical Co., Ltd.	<b>11,452</b>	–
Chongqing Haisiman Pharmaceuticals Co., Ltd.	<b>10,555</b>	9,927
China Otsuka Pharmaceutical Co., Ltd.	<b>9,417</b>	10,602
Shanghai Fosun Pharmaceuticals Co., Ltd.	<b>9,136</b>	3,706
Qinghai Pharmaceutical Co., Ltd.	<b>7,343</b>	5,442
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	<b>7,144</b>	13,013
China National Pharmaceutical Industry Corporation	<b>4,548</b>	4,293
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	<b>4,335</b>	5,007
Anhui Jingfang Pharmaceutical Co., Ltd.	<b>4,286</b>	–
Sinopharm Group Combined Instrument Co., Ltd.	<b>4,234</b>	–
Sinopharm Henan Medical Devices Co., Ltd.	<b>4,091</b>	–
Wuhan Vanda Pharmaceutical Group Co., Ltd.	<b>3,440</b>	1,993
Beijing Tiantan Biological Products Co., Ltd.	<b>3,081</b>	27
Shanghai Institute of Bio-products Co., Ltd.	<b>2,820</b>	1,452
China National Pharmaceutical Industry Co., Ltd.	<b>2,136</b>	89
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	<b>1,544</b>	1,166
China National Corp. of Traditional and Herbal Medicine	<b>1,538</b>	4,622
Sinopharm Weiqida Pharmaceutical Co., Ltd.	<b>1,465</b>	7,849



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2013	2012 (Restated)
Sinopharm Chuankang Pharmaceutical Co., Ltd.	1,409	832
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	1,349	1,721
Shanghai Huaxiang Pharmaceutical Co., Ltd.	1,301	1,086
Guilin Hua Guiguo medicine Associates	1,048	2,253
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	683	2,228
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	680	5,037
Chengdu Rongsheng Pharmaceutical Co., Ltd.	214	2,321
Lanzhou Bio-technology development Co., Ltd.	169	5,851
Jinzhou Aohong Pharmaceutical Co., Ltd.	19	584
Others	12,316	8,435
	<b>911,490</b>	<b>837,609</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2013	2012 (Restated)
<b>Other payables due to</b>		
Sinoexcelsior Investment Incorporation	90,000	–
CNPGC	9,438	–
China State Institute of Pharmaceutical Industry	6,485	–
China National Corp. of Traditional and Herbal Medicine	2,311	1,500
Sichuan Industrial Institute of Antibiotic Co., Ltd.	1,300	2,620
Others	2,778	2,007
	<b>112,312</b>	6,127

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

	As at 31 December	
	2013	2012
<b>Advanced from customers</b>		
Lanzhou Institute of Bio-products Co., Ltd	1,407	309
China National Corp. of Traditional and Herbal Medicine	–	3,000
Shanghai Techwell Biopharmaceutical Co., Ltd.	–	1,631
Others	89	3,002
	<b>1,496</b>	7,942

	As at 31 December	
	2013	2012
<b>Borrowings due to</b>		
Sinopharm Group Finance Co., Ltd.	470,000	362,000

Borrowings from Sinopharm Group Finance Co., Ltd, a financial institution, bear interest at 5.15% (2012: 5.18%) and have repayment terms within one year.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

As at 31 December 2013, the Company has direct and indirect interests in the following subsidiaries:

#### Principal subsidiaries:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Distribution Center Co., Ltd. (國藥控股分銷中心有限公司)	PRC, 30 January 2002	2,000,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd. (國藥集團新疆藥業有限公司)	PRC, 31 March 2009	780,637	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司)	PRC, 21 December 1999	478,800	44	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Group Guorui Medicine Co., Ltd (國藥集團國瑞藥業有限公司)	PRC, 31 March 2000	300,000	2	98	Medicine manufacture and trading in the PRC
Sinopharm Group Xinjiang Province New & Special National Pharmaceutical Co., Ltd. (國藥集團新疆新特藥業有限公司)	PRC, 30 June 2003	100,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Logistics Co., Ltd. (國藥物流有限責任公司)	PRC, 8 November 2002	90,620	–	56	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Hebei Pharmaceutical Co., Ltd. (國藥控股河北醫藥有限公司)	PRC, 4 June 2010	51,461	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shenzhen Chinese Herbal Co., Ltd. (國藥控股深圳中藥有限公司)	PRC, 28 May 1987	50,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. (廣東東方新特藥有限公司)	PRC, 25 December 1993	50,000	100	–	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Shanghai Corporation (中國醫藥集團上海公司)	PRC, 24 July 1988	40,237	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Co., Ltd. (國藥控股浙江有限公司)	PRC, 9 October 1995	40,000	70	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd. (北京國藥天元物業管理有限公司)	PRC, 28 December 1981	36,130	100	–	Property rental in the PRC
China National Pharmaceutical Group Tianjin Corporation (中國醫藥(集團)天津公司)	PRC, 1 December 1952	32,540	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guangdong Yuexing Pharmaceutical Co., Ltd. (國藥控股廣東粵興有限公司)	PRC, 1 December 1993	30,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Pharmacy Chain Store Shanghai Co., Ltd. (國藥控股國大藥房上海連鎖有限公司)	PRC, 18 May 2001	30,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Southwest Medicine Co., Ltd. (國藥集團西南醫藥有限公司)	PRC, 19 November 1997	20,000	67	3	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Beijing Chemical Reagent Co., Ltd. (國藥集團化學試劑北京有限公司)	PRC, 30 December 1953	15,000	–	100	Distribution of chemical reagents and healthcare products in the PRC
Xinjiang Hotan Regional Medical & Herbal Medicines Co., Ltd. (國藥控股新疆和田藥業有限公司)	PRC, 29 May 1989	12,517	–	100	Distribution of pharmaceutical and healthcare products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Kashi New&Special Drugs Co., Ltd. (國藥控股新疆新特喀什藥業有限公司)	PRC, 12 July 2007	11,797	–	99	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Korla Pharmaceutical Co., Ltd. (國藥新疆庫爾勒醫藥有限責任公司)	PRC, 13 June 2002	10,156	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wuzhou Co., Ltd. (國藥控股梧州有限公司)	PRC, 13 June 2000	10,000	–	100	Distribution of pharmaceutical products in the PRC
Beijing Guoda Pharmacy Chain Store Co., Ltd. (北京國大藥房連鎖有限公司)	PRC, 1 August 2001	10,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shaanxi Co., Ltd. (國藥控股陝西有限公司)	PRC, 30 May 2001	10,000	60	–	Distribution of pharmaceutical and healthcare products, logistics services in the PRC
Sinopharm Holding Xinjiang Province New & Special West Pharmaceutical Co., Ltd. (國藥控股新疆新特西部藥業有限公司)	PRC, 20 May 1993	10,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Kelamayi New & Special Pharmaceutical Co., Ltd. (國藥集團新疆新特克拉瑪依藥業有限公司)	PRC, 20 August 1972	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Foshan Co., Ltd. (國藥控股佛山有限公司)	PRC, 15 January 1986	10,000	–	100	Medicine chain store; distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Guangxi Logistics Co., Ltd. (國藥控股廣西物流有限公司)	PRC, 22 August 1990	7,101	–	100	Investment in logistics and transportations, property rental and provide medical consulting service in the PRC
Sinopharm Holding Xinjiang Hami Region Medical & Herbal Medicines Co., Ltd. (國藥控股新疆哈密藥業有限公司)	PRC, 11 July 1956	6,234	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Xinjiang New&Special Medicines Chain Store Co., Ltd. (國藥控股國大藥房新疆新特藥業連鎖有限責任公司)	PRC, 4 November 2003	6,122	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Boertala Mongol Autonomous Prefecture Traditional & Herbal Medicines Co., Ltd. (國藥控股新疆博州藥業有限公司)	PRC, 26 April 1989	6,099	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Ili Tongde Medicines Co., Ltd. (國藥控股新疆伊犁同德藥業有限公司)	PRC, 21 September 1998	5,001	–	100	Distribution of pharmaceutical products in the PRC
Xinjiang Tacheng Pharmaceutical Co., Ltd. (國藥控股新疆塔城藥業有限公司)	PRC, 9 March 1955	5,000	–	100	Distribution of pharmaceutical products in the PRC
China National Pharmaceutical Group Shenyang Chemical Reagent Co., Ltd. (國藥集團化學試劑瀋陽有限公司)	PRC, 7 September 1998	5,000	–	51	Distribution of chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Tianjin Guoda Pharmacy Chain Store Co., Ltd. (天津國大藥房連鎖有限公司)	PRC, 18 September 2001	5,000	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Guangdong Huixin Investment Co., Ltd. (廣東惠信投資有限公司)	PRC, 6 May 1985	5,000	–	100	Medicine trading; property rental in the PRC
Sinopharm Holding Guangdong Logistics Co., Ltd. (國藥控股廣東物流有限公司)	PRC, 14 August 1993	5,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Xinjiang Kuitun Pharmaceutical Co., Ltd. (國藥控股新疆奎屯藥業有限公司)	PRC, 14 May 1982	5,000	–	100	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Xinjiang Chemical Reagent & Glassware Medical Instruments Co., Ltd. (國藥控股新疆化玻醫療器械有限公司)	PRC, 2 April 2004	5,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Altay Region Medical & Herbal Medicines Co., Ltd. (國藥控股新疆阿勒泰藥業有限公司)	PRC, 22 December 1981	5,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Chemical Reagent Shaanxi Co., Ltd. (國藥集團化學試劑陝西有限公司)	PRC, 15 August 2000	5,000	–	100	Distribution of chemical reagents, etc. in the PRC
Sinopharm Holding Urumqi Ningdetang Pharmaceutical Co., Ltd. (國藥控股烏木齊凝德堂醫藥有限公司)	PRC, 20 March 1998	3,823	–	100	Property rental in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Guangxi Guoda Pharmacy Chain Store Co., Ltd. (廣西國大藥房連鎖有限公司)	PRC, 14 August 2001	3,000	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Guangzhou Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房廣州連鎖有限公司)	PRC, 1 September 2001	2,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hetian Region Ankang Chain Drugstore Co., Ltd. (和田地區安康醫藥零售連鎖有限責任公司)	PRC, 23 December 2004	2,000	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shaanxi Pharmaceutical Corporation. (陝西省醫藥公司)	PRC, 29 March 1994	628	–	100	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Shaanxi Co., Ltd. (國藥集團陝西醫藥有限公司)	PRC, 15 August 2000	600	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Xinjiang Baitong Property Management Co., Ltd. (新疆百通物業管理有限責任公司)	PRC, 30 May 2006	500	–	100	Property rental in the PRC
Sinopharm Holding Beijing Huahong Co., Ltd. (國藥控股北京華鴻有限公司)	PRC, 18 November 2003	350,000	51	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Pharmaceutical Logistics Co., Ltd (國藥集團醫藥物流有限公司)	PRC, 18 December 2002	300,000	100	–	Provision of pharmaceutical logistics services in the PRC
Sinopharm Group Accord Pharmaceutical Co., Ltd. (國藥集團一致藥業股份有限公司)	PRC, 18 June 2001	288,149	38	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Medical Instruments Co., Ltd. (國藥控股醫療器械有限公司)	PRC, 27 July 2006	200,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shenzhen Zhijun Pharmaceutical Co., Ltd. (深圳致君製藥有限公司)	PRC, 22 December 1984	200,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Jiangsu Co., Ltd. (國藥控股江蘇有限公司)	PRC, 12 October 2001	200,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yangzhou Co., Ltd. (國藥控股揚州有限公司)	PRC, 17 January 1991	41,489	75	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd. (國藥集團致君(蘇州)製藥有限公司)	PRC, 10 March 2003	180,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Lerentang Pharmaceutical Co., Ltd. (國藥樂仁堂醫藥有限公司)	PRC, 9 March 2011	150,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Changzhou Co., Ltd. (國藥控股常州有限公司)	PRC, 17 December 2010	140,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tianxinpuxin Bio-Medicine Co., Ltd. (國藥控股北京天星普信生物醫藥有限公司)	PRC, 1 April 2010	100,000	51	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Co., Ltd. (國藥控股湖北有限公司)	PRC, 1 December 2003	100,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding A-Think Pharmaceutical Co., Ltd. (國藥一心製藥有限公司)	PRC, 10 December 1997	100,000	75	–	Medicine manufacture, research and inspection of pharmaceutical products in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tangshan Xintiandi Co., Ltd. (國藥樂仁堂唐山醫藥有限公司)	PRC, 1 April 2011	100,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Heilongjiang Co., Ltd. (國藥控股黑龍江有限公司)	PRC, 2 December 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd. (國藥控股星鯊製藥(廈門)有限公司)	PRC, 30 December 1998	95,000	60	–	Medicine manufacture, building decoration, communication, clothing, chemical reagents, import and export of goods and technology, business consulting, etc
Sinopharm Holding Pingdingshan Co., Ltd. (國藥控股平頂山有限公司)	PRC, 25 April 2011	80,000	–	60	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Ningxia Co., Ltd. (國藥控股寧夏有限公司)	PRC, 28 December 2008	80,000	67	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Foshan Nanhai Medical Group Co., Ltd. (佛山市南海醫藥集團有限公司)	PRC, 30 December 2010	70,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shandong Co., Ltd. (國藥控股山東有限公司)	PRC, 12 April 2006	70,000	67	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Hunan Co., Ltd. (國藥控股湖南有限公司)	PRC, 21 June 2001	70,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Co., Ltd. (國藥控股山西有限公司)	PRC, 17 January 2004	60,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Henan Co., Ltd. (國藥控股河南股份有限公司)	PRC, 11 December 2006	57,765	51	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd. (國藥控股凌雲生物醫藥(上海)有限公司)	PRC, 14 January 2011	50,000	55	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Wuxi Co., Ltd. (國藥控股無錫有限公司)	PRC, 24 December 2010	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Anhui Co., Ltd. (國藥控股安徽有限公司)	PRC, 5 January 2007	50,000	67	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Wenzhou Co., Ltd. (國藥控股溫州有限公司)	PRC, 31 March 1995	50,000	58	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dalian Co., Ltd. (國藥控股大連有限公司)	PRC, 9 April 2010	50,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jilin Co., Ltd. (國藥控股吉林有限公司)	PRC, 6 March 2008	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Drug Store Guangdong Co., Ltd. (國藥控股國大藥房廣東有限公司)	PRC, 1 July 2004	50,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房揚州大德生連鎖有限公司)	PRC, 23 August 2001	44,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Foshan Nanhai Medical Co., Ltd. (佛山市南海醫藥有限公司)	PRC, 30 December 2010	40,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Foshan Nanhai Xinyaoteyao Co., Ltd. (佛山市南海新藥特藥有限公司)	PRC, 30 December 2010	40,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Fuzhou Co., Ltd. (國藥控股福州有限公司)	PRC, 15 September 1998	40,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Fujian Guoda Pharmacy Chain Store Co., Ltd. (福建國大藥房連鎖有限公司)	PRC, 28 November 2002	37,500	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Nantong Co., Ltd. (國藥控股南通有限公司)	PRC, 3 January 2012	36,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Longyan Co., Ltd. (國藥控股龍岩有限公司)	PRC, 22 April 2011	36,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Hebei Larentang Pharmacy Chain Store Co., Ltd. (國藥河北樂仁堂醫藥連鎖有限公司)	PRC, 3 November 2011	35,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Health Solutions Co., Ltd. (國藥控股健康發展(上海)有限公司)	PRC, 19 January 2004	31,500	70	–	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., LTD. (國藥控股滬甬醫藥(上海)有限公司)	PRC, 23 September 1993	31,150	100	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Yunnan Co., Ltd. (國藥控股雲南有限公司)	PRC, 20 November 2000	31,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Meitai Medical Instruments Co., Ltd. (國藥控股美太醫療設備(上海)有限公司)	PRC, 2 January 2012	30,000	–	70	Distribution of medical equipment, building decoration, communication, clothing, chemical reagents, import and export of goods and technology, business consulting, etc
Sinopharm Holding Huzhou Co., Ltd. (國藥控股湖州有限公司)	PRC, 9 September 2011	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xuzhou Co., Ltd. (國藥控股徐州有限公司)	PRC, 17 December 2010	30,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Ningde Co., Ltd. (國藥控股寧德有限公司)	PRC, 21 June 2011	30,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Taizhou Co., Ltd. (國藥控股台州有限公司)	PRC, 14 March 2011	30,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. (國藥集團上海立康醫藥股份有限公司)	PRC, 27 July 1994	30,000	72	–	Distribution of pharmaceutical products and chemical reagents in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hainan Co., Ltd. (國藥控股海南有限公司)	PRC, 10 July 2000	30,000	68	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding (Tianjin) Orient Bookcom Pharmaceutical Trade Co., Ltd. (國藥控股(天津)東方博康醫藥有限公司)	PRC, 6 January 1994	30,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Suzhou Co., Ltd. (國藥控股蘇州有限公司)	PRC, 3 January 1993	30,000	80	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Shenzhen Yanfeng Co., Ltd. (國藥控股深圳延風有限公司)	PRC, 6 April 2010	30,000	–	51	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jiangxi Co., Ltd. (國藥控股江西有限公司)	PRC, 13 October 2009	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Linyi Co., Ltd. (國藥控股臨沂有限公司)	PRC, 29 April 2007	30,000	–	65	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Shandong Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房山東有限公司)	PRC, 3 January 2001	29,000	–	55	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Changzhou Pharmacy Logistics Center Co., Ltd. (國藥控股常州醫藥物流中心有限公司)	PRC, 17 December 2010	25,078	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instrument (Beijing) Co., Ltd. (國藥控股醫療器械(北京)有限公司)	PRC, 1 January 2012	25,000	–	70	Distribution of medical equipments, Import and export of goods and technology in PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Liyang Guoda People Pharmacy Chain Store Co., Ltd. (溧陽國大人民藥房有限公司)	PRC, 11 May 2011	25,000	–	80	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Jiangmeng Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房江門連鎖有限公司)	PRC, 1 June 2012	24,000	–	65	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinyu Co., Ltd. (國藥控股新餘有限公司)	PRC, 1 January 1999	22,500	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Liuzhou Co., Ltd. (國藥控股柳州有限公司)	PRC, 1 December 2003	20,531	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Jiankun (Beijing) Medical Co., Ltd. (國藥健坤(北京)醫藥有限責任公司)	PRC, 4 January 2012	20,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qinghai Co., Ltd. (國藥控股青海有限公司)	PRC, 1 November 2011	20,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yancheng Co., Ltd. (國藥控股鹽城有限公司)	PRC, 17 December 2010	20,000	–	52	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Nutraceuticals (Shanghai) Co., Ltd. (國藥健康實業(上海)有限公司)	PRC, 4 January 2011	20,000	70	–	Enterprise management consulting, technology services and development in the field of biotechnology professional

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hainan Hongyi Co., Ltd. (國藥控股海南鴻益有限公司)	PRC, 27 July 2011	20,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding GuoDa Neimengu Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房內蒙古有限公司)	PRC, 13 July 2011	20,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hunan Guoda Minshengtang Pharmacy Chain Store Co., Ltd. (湖南國大民生堂藥房連鎖有限公司)	PRC, 13 April 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (山西國大萬民藥房連鎖有限公司)	PRC, 9 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Quanzhou GuoDa Pharmacy Chain Store Co., Ltd. (泉州市國大藥房連鎖有限公司)	PRC, 14 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Lerentang Baoding Pharmaceutical Co., Ltd. (國藥樂仁堂保定醫藥有限公司)	PRC, 22 November 2012	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Cangzhou Pharmaceutical Co., Ltd. (國藥樂仁堂滄州醫藥有限公司)	PRC, 21 December 2011	20,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhangzhou Co., Ltd. (國藥控股漳州有限公司)	PRC, 29 April 2011	20,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanghai Ourchem Chemical Reagent Co., Ltd. (上海沃凱藥業有限公司)	PRC, 11 August 1988	18,854	–	100	Property rental, distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Handan Co., Ltd. (國藥樂仁堂邯鄲醫藥有限公司)	PRC, 17 January 2011	18,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Anqing Co., Ltd. (國藥控股安慶有限公司)	PRC, 25 February 2010	18,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. (國藥集團三益藥業(蕪湖)有限公司)	PRC, 10 November 2005	15,000	84	–	Distribution of solution of pharmaceutical products
Sinopharm Holding Liuan Co., Ltd. (國藥控股六安有限公司)	PRC, 6 May 2012	15,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Henan Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房河南連鎖有限公司)	PRC, 25 April 2011	15,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Tianjin North Pharmaceutical Co., Ltd. (國藥控股天津北方醫藥有限公司)	PRC, 28 December 2010	15,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhanjiang Co., Ltd. (國藥控股湛江有限公司)	PRC, 8 February 1985	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Zhejiang Guoda Drugstore Co., Ltd. (浙江國藥大藥房有限公司)	PRC, 13 March 2000	15,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Changde Co., Ltd. (國藥控股常德有限公司)	PRC, 25 November 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Suzhou Boai Pharmaceutical Co., Ltd. (國藥控股蘇州博愛醫藥有限公司)	PRC, 30 January 2011	13,000	–	100	Distribution of pharmaceutical products and laboratory supplies in the PRC
Shanghai Donghong Medical Co., Ltd. (上海東虹醫藥有限公司)	PRC, 4 June 2012	12,000	85	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Shenzhen Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房(深圳)連鎖有限公司)	PRC, 3 July 1985	10,800	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Nanping Co., Ltd. (國藥控股南平有限公司)	PRC, 6 July 2011	10,500	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd. (國藥控股懷德居醫藥(廈門)有限公司)	PRC, 30 April 1996	10,000	–	92	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanxi Zhengxiang Real Estate Development Co., Ltd. (山西正翔房地產開發有限公司)	PRC, 15 May 2009	10,000	–	100	Real estate development, Distribution of constructing materials and decoration
Sinopharm Holding Medical Technology (Tianjin) Co., Ltd. (國藥控股醫療科技(天津)有限公司)	PRC, 22 February 2012	10,000	–	70	Distribution of medical equipments and goods, information technology services in PRC
Sinopharm Holding Quanzhou Co., Ltd. (國藥控股泉州有限公司)	PRC, 31 May 2013	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Weifang Co., Ltd. (國藥控股濰坊有限公司)	PRC, 16 June 2006	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanghai Meiluo Medical Co., Ltd. (上海美羅醫藥有限公司)	PRC, 17 May 2012	10,000	100	–	Distribution of pharmaceutical products, medical equipments and chemical reagents, import and export of goods and technology in the PRC
Sinopharm Holding Jining Co., Ltd. (國藥控股濟寧有限公司)	PRC, 8 January 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wuhu Co., Ltd. (國藥控股蕪湖有限公司)	PRC, 5 May 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Jiangmeng Renren Medical Co., Ltd. (國藥控股江門仁仁有限公司)	PRC, 3 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huaian Co., Ltd. (國藥控股淮安有限公司)	PRC, 17 December 2010	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinjiang New & Special Gingsen Antler Medical Co., Ltd. (國藥控股新疆新特參茸藥業有限公司)	PRC, 10 March 2011	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Anshun Co., Ltd. (國藥控股安順有限公司)	PRC, 20 March 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Sanming Co., Ltd. (國藥控股三明有限公司)	PRC, 2 April 2011	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Putian Co., Ltd. (國藥控股莆田有限公司)	PRC, 8 December 2010	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qingdao Co., Ltd. (國藥控股青島有限公司)	PRC, 18 January 2011	10,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jinzhou Co., Ltd. (國藥控股錦州有限公司)	PRC, 12 May 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Dongguan Co., Ltd. (國藥控股東莞有限公司)	PRC, 12 September 2001	10,000	–	100	Distribution of pharmaceutical products in the PRC
Taicang Hushi Chemical Reagent Co., Ltd. (太倉滬試試劑有限公司)	PRC, 24 June 2002	10,000	–	60	Chemical reagents manufacture and trading in the PRC
Sinopharm Holding Jinan Co., Ltd. (國藥控股濟南有限公司)	PRC, 7 August 2000	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Guoda Shenyang Tianyitang Pharmacy Chain Store Co., Ltd. (國藥控股國大天益堂藥房連鎖(瀋陽)有限公司)	PRC, 2 August 2002	10,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Zaozhuang Co., Ltd. (國藥控股棗莊有限公司)	PRC, 17 February 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Shenyang Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房瀋陽連鎖有限公司)	PRC, 19 September 2000	8,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Nanjing Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房南京連鎖有限公司)	PRC, 27 September 2002	8,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Huizhou Co., Ltd. (國藥控股惠州有限公司)	PRC, 9 May 2004	7,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Datong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (大同市國大萬民藥業有限公司)	PRC, 9 March 2011	6,150	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Weihai Co., Ltd. (國藥控股威海有限公司)	PRC, 7 January 2012	6,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhoushan Co., Ltd. (國藥控股舟山有限公司)	PRC, 5 January 2006	6,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shenzhen Traditional & Herbal Medicine Co., Ltd. (國藥控股深圳藥材有限公司)	PRC, 1 December 2001	6,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Lishui Co., Ltd. (國藥控股麗水有限公司)	PRC, 14 March 2011	6,000	–	98	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jinhua Co., Ltd. (國藥控股金華有限公司)	PRC, 6 May 2011	5,300	–	90	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chongqing Wanzhou Co., Ltd. (國藥控股重慶萬州有限公司)	PRC, 5 May 2011	5,000	–	80	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wencheng County Medicine Co., Ltd. (國藥控股文成縣醫藥有限公司)	PRC, 1 February 1982	5,000	–	58	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Prospect Dentech (Beijing) Co., Ltd. (國藥前景口腔科技(北京)有限公司)	PRC, 5 August 2010	5,000	–	51	Distribution of medical equipments, Imports and exports of goods and technology, business consultation in the PRC
Sinopharm Holding Puer Co., Ltd. (國藥控股普洱有限公司)	PRC, 13 February 2012	5,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents, Imports and exports of goods and technology in the PRC
Sinopharm Lerentang Hebei Medical Co., Ltd. (國藥樂仁堂河北藥業有限公司)	PRC, 9 March 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Suzhou Boai Medical Instrument Co., Ltd. (蘇州市博愛醫療器械有限公司)	PRC, 30 January 2011	5,000	–	100	Distribution of medical instruments in the PRC
Shanxi Tongfeng Pharmacy Logistics Co., Ltd. (山西同豐醫藥物流有限公司)	PRC, 9 March 2011	5,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shenzhen Jianmin Pharmaceutical Co., Ltd. (國藥控股深圳健民有限公司)	PRC, 8 January 2001	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yulin Co., Ltd. (國藥控股玉林有限公司)	PRC, 17 January 2004	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dezhou Co., Ltd. (國藥控股德州有限公司)	PRC, 14 December 2006	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Liaocheng Co., Ltd. (國藥控股聊城有限公司)	PRC, 15 June 2005	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Huzhou Muhanzhuai Pharmacy Chain Store Co., Ltd. (湖州慕韓齋醫藥連鎖有限公司)	PRC, 22 November 2011	4,000	–	98	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xiamen Guanghua Medical Science & Technology Co., Ltd. (廈門光華醫藥科技有限公司)	PRC, 7 November 2005	4,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shaoguan Co., Ltd. (國藥控股韶關有限公司)	PRC, 29 September 2002	3,600	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (長治市國大萬民藥房有限公司)	PRC, 9 March 2011	3,200	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd. (國藥樂仁堂河北醫療器械貿易有限公司)	PRC, 9 March 2011	3,010	–	70	Distribution of medical instruments in the PRC
Jincheng Guoda Wanmin Pharmacy Chain Store Co., Ltd. (晉城市國大萬民藥房有限公司)	PRC, 9 March 2011	2,560	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Dongtou Pharmaceutical Co. Ltd. (洞頭縣醫藥有限公司)	PRC, 1 December 1981	2,000	–	61	Distribution of pharmaceutical products, laboratory supplies, medical equipments and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Zhaoqing Co., Ltd. (國藥控股肇慶有限公司)	PRC, 2 January 2012	2,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Shijiazhuang Pharmaceutical Co., Ltd. (國藥樂仁堂石家莊醫藥有限公司)	PRC, 9 March 2011	2,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Guangxi Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房廣西連鎖有限公司)	PRC, 1 December 2001	2,000	–	100	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents; property rental in the PRC
Sinopharm Holding Chinese Herbal Slice Co., Ltd. (國藥控股廣西中藥飲片有限公司)	PRC, 12 June 2007	2,000	–	100	Medicine manufacture and trading in the PRC
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. (深圳致君醫藥貿易有限公司)	PRC, 1 March 1985	1,890	–	100	Distribution of pharmaceutical, healthcare products and laboratory supplies in the PRC
Sinopharm Holding Taian Co., Ltd. (國藥控股泰安有限公司)	PRC, 19 March 1993	1,790	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Dalian Guoda-Accord Meiluo Chain Drugstore Co., Ltd. (大連國大一致美羅大藥房連鎖有限公司)	PRC, 12 August 1999	1,740	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Jinzhong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (晉中市國大萬民藥房有限公司)	PRC, 9 March 2011	1,700	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Yangzhou Weikang Pharmaceutical Co., Ltd. (揚州衛康醫藥有限公司)	PRC, 29 December 1992	1,420	–	85	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Meizhou Co., Ltd. (國藥控股梅州有限公司)	PRC, 30 June 2010	1,200	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanxi Zhengxiang Property Management Co., Ltd. (山西正翔物業管理有限公司)	PRC, 10 December 2012	1,100	–	100	Property management
RMC Marketing Consulting (上海諾允市場行銷諮詢有限公司)	PRC, 19 January 2004	1,000	–	100	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services
Shanghai Guoda Shanghong Qibao Drugstore Co., Ltd. (上海國大上虹七寶藥房有限公司)	PRC, 9 April 2004	1,000	–	51	Medicine chain store in the PRC
Shanghai Meiluo Guoda Drugstore Co., Ltd. (上海美羅大藥房有限公司)	PRC, 4 February 2008	500	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Lanxi Conba Pharmacy Chain Store Co., Ltd. (金華國控大藥房連鎖有限公司)	PRC, 6 May 2011	500	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Zhejiang Intlmecine DrugStore Dongshan Co., Ltd. (浙江國藥大藥房東山藥店有限公司)	PRC, 1 December 2000	500	–	51	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Guoda Dongsheng Drugstore Co., Ltd. (上海國大東盛大藥房有限公司)	PRC, 1 July 2003	500	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanghai Guoda Dongxin Pharmacy Chain Store Co., Ltd. (上海國大東信藥房有限公司)	PRC, 27 September 1995	300	–	100	Medicine chain store in the PRC
China National Pharmaceutical Group Shanxi Co., Ltd. (國藥集團山西有限公司)	PRC, 14 April 2011	1,000,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Tianjin Co., Ltd. (國藥控股天津有限公司)	PRC, 1 December 2004	830,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shenyang Co., Ltd. (國藥控股瀋陽有限公司)	PRC, 27 November 2003	800,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents; provision of pharmaceutical logistics services in the PRC
Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)	PRC, 23 March 2004	600,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Beijing Co., Ltd. (國藥控股北京有限公司)	PRC, 28 October 2003	600,000	96	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Investment Management Co., Ltd. (國藥控股醫療投資管理有限公司)	PRC, 22 November 2013	500,000	100	–	Asset management, information technology development and medicine consulting in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Chemical Reagent Co., Ltd. (國藥集團化學試劑有限公司)	PRC, 24 October 2003	450,000	90	10	Distribution of chemical reagents in the PRC
Sinopharm Holding Guangzhou Co., Ltd. (國藥控股廣州有限公司)	PRC, 1 September 2003	400,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Fujian Co., Ltd. (國藥控股福建有限公司)	PRC, 20 January 2010	284,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Logistics Tianjing Co., Ltd. (國藥控股天津物流有限公司)	PRC, 29 September 2005	190,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Inner Mongolia Co., Ltd. (國藥控股內蒙古有限公司)	PRC, 14 May 2010	150,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. (國藥控股北京康辰生物醫藥有限公司)	PRC, 19 January 2005	130,000	51	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Guangxi Co., Ltd. (國藥控股廣西有限公司)	PRC, 15 March 2004	100,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Lingshang Hospital Management Service Co., Ltd. (國藥控股菱商醫院管理服務(上海)有限公司)	PRC, 5 July 2013	80,000	60	–	Distribution of medical equipments and goods, information technology services in PRC
Ningxia Guoda Pharmacy Chain Store Co., Ltd. (寧夏國大藥房連鎖有限公司)	PRC, 17 November 2008	70,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hong Kong Co., Ltd. (國藥控股股份香港有限公司)	PRC, 14 August 2009	USD9.5 million HKD73.8 million	100	–	Investment; distribution of pharmaceutical, healthcare products; medicine chain store; and, provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Gansu Co., Ltd. (國藥控股甘肅有限公司)	PRC, 14 January 2010	60,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanghai Ourchem biotechnology Co., Ltd. (上海沃凱生物技術有限公司)	PRC, 19 September 2005	50,000	–	100	Research of bio-technology and consulting service in the PRC
Sinopharm Holding Guizhou Co., Ltd. (國藥控股貴州有限公司)	PRC, 1 April 2010	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanghai Tongyu Information Technology Co., Ltd. (上海統禦信息科技有限公)	PRC, 27 December 2005	41,000	100	–	Information technology development and medicine consulting in the PRC
Sinopharm Holding Guangdong Hengxing Co., Ltd. (國藥控股廣東恒興有限公司)	PRC, 1 December 2004	40,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Luoyang Co., Ltd. (國藥控股洛陽有限公司)	PRC, 13 January 2012	36,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Co., Ltd. (國藥控股重慶有限公司)	PRC, 8 May 2010	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shangqiu Co., Ltd. (國藥控股商丘有限公司)	PRC, 3 March 2011	30,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Hunan Health Industry Co., Ltd. (國藥控股湖南大健康產業有限公司)	PRC, 28 August 2013	30,000	–	100	Investments, Information technology development and medicine consulting in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Anyang Co., Ltd. (國藥控股安陽有限公司)	PRC, 11 December 2009	20,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Nanyang Co., Ltd. (國藥控股南陽有限公司)	PRC, 11 December 2009	20,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Lerentang Chengde Pharmaceutical Co., Ltd. (國藥樂仁堂承德醫藥有限公司)	PRC, 19 September 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Qinhuangdao Pharmaceutical Co., Ltd. (國藥樂仁堂秦皇島醫藥有限公司)	PRC, 22 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Zhangjiakou Pharmaceutical Co., Ltd. (國藥樂仁堂張家口醫藥有限公司)	PRC, 15 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhumadian Co., Ltd. (國藥控股駐馬店有限公司)	PRC, 24 May 2012	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Langfang Medical Co., Ltd. (國藥樂仁堂廊坊醫藥有限公司)	PRC, 17 May 2012	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Sinopharm Holding Tibet Pharmaceutical Co., Ltd. (國藥控股西藏醫藥有限公司)	PRC, 1 July 2013	20,000	–	60	Distribution of pharmaceutical products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Lerentang Xingtai Pharmaceutical Co., Ltd. (國藥樂仁堂邢臺醫藥有限公司)	PRC, 27 August 2013	20,000	–	78	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Logistics Co., Ltd. (國藥控股山西物流有限公司)	PRC, 13 December 2008	15,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Wuhan Co., Ltd. (國藥控股武漢有限公司)	PRC, 30 September 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Tongliao Co., Ltd. (國藥控股通遼有限公司)	PRC, 27 October 2010	15,000	–	90	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Wuwei Co., Ltd. (國藥控股武威有限公司)	PRC, 15 February 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Mudanjiang Co., Ltd. (國藥控股牡丹江有限公司)	PRC, 27 March 2012	15,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yantai Co., Ltd. (國藥控股煙臺有限公司)	PRC, 23 April 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Baise Co., Ltd. (國藥控股百色有限公司)	PRC, 7 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guilin Co., Ltd. (國藥控股桂林有限公司)	PRC, 11 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guigang Co., Ltd. (國藥控股貴港有限公司)	PRC, 30 May 2013	10,000	–	100	Distribution of pharmaceutical products and commodities in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd. (國藥控股(天津濱海)醫藥有限公司)	PRC, 1 April 2010	10,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Kaifeng Co., Ltd. (國藥控股開封有限公司)	PRC, 21 May 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Puyang Co., Ltd. (國藥控股濮陽有限公司)	PRC, 11 August 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jiaozuo Co., Ltd. (國藥控股焦作有限公司)	PRC, 13 September 2010	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Bengbu Co., Ltd. (國藥控股蚌埠有限公司)	PRC, 29 September 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chenzhou Co., Ltd. (國藥控股郴州有限公司)	PRC, 1 September 2010	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Anhui Guoda Pharmacy Chain Store Co., Ltd. (安徽國大藥房連鎖有限公司)	PRC, 8 September 2010	10,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Ankang Co., Ltd. (國藥控股安康有限公司)	PRC, 6 January 2011	10,000	–	70	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shanxi Yangquan Co., Ltd. (國藥控股山西陽泉有限公司)	PRC, 19 May 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Sanmenxia Co., Ltd. (國藥控股三門峽有限公司)	PRC, 24 January 2011	10,000	–	67	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Huainan Co., Ltd. (國藥控股淮南有限公司)	PRC, 8 April 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Fuyang Co., Ltd. (國藥控股阜陽有限公司)	PRC, 5 September 2011	10,000	–	55	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Baotou Co., Ltd. (國藥控股包頭有限公司)	PRC, 26 January 2011	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Qingyang Co., Ltd. (國藥控股慶陽有限公司)	PRC, 18 May 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qianxinan Co., Ltd. (國藥控股黔西南有限公司)	PRC, 15 January 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Yunyang Co., Ltd. (國藥控股重慶雲陽有限公司)	PRC, 6 March 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Hengshui Medical Co., Ltd. (國藥樂仁堂衡水醫藥有限公司)	PRC, 13 December 2011	10,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shangluo Co., Ltd. (國藥控股商洛有限公司)	PRC, 21 February 2012	10,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chifeng Co., Ltd. (國藥控股赤峰有限公司)	PRC, 22 November 2011	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jingmen Co., Ltd. (國藥控股荊門有限公司)	PRC, 21 June 2012	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Qiannan Co. Ltd. (國藥控股黔南州有限公司)	PRC, 16 February 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhongshan Co., Ltd. (國藥控股中山有限公司)	PRC, 6 September 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dandong Co., Ltd. (國藥控股丹東有限公司)	PRC, 25 November 2013	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Biological Product Co., Ltd. (國藥控股湖北生物製品有限公司)	PRC, 5 January 2013	10,000	–	70	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Hubei Bokang Co., Ltd. (國藥控股湖北柏康有限公司)	PRC, 22 October 2013	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Shanxi Yiyuan Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房山西益源連鎖有限公司)	PRC, 10 October 2013	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Biological Product Co., Ltd. (國藥控股浙江生物製品有限公司)	PRC, 25 September 2013	10,000	–	60	Distribution of biological products and technological consulting in the PRC
Sinopharm Holding Luohe Co., Ltd. (國藥控股漯河有限公司)	PRC, 10 December 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhoukou Co., Ltd. (國藥控股周口有限公司)	PRC, 22 January 2013	10,000	–	77	Distribution of pharmaceutical products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xinxiang Co., Ltd. (國藥控股新鄉有限公司)	PRC, 17 June 2013	10,000	–	70	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Yanan Co., Ltd. (國藥控股延安有限公司)	PRC, 25 October 2013	10,000	90	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beijing Airport International Trading Co., Ltd. (國藥空港(北京)國際貿易有限公司)	PRC, December 2010	10,000	–	100	Provision of pharmaceutical logistics services in the PRC
Tianjin Yishengjiahe Health Consultancy Co., Ltd. (天津市怡生家和健康顧問有限公司)	PRC, 6 June 2013	8,000	–	80	Health consultation, medical consulting, distribution of pharmaceutical products
Sinopharm Holding Tongchuan Co., Ltd. (國藥控股銅川有限公司)	PRC, 20 September 2010	8,000	–	70	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Tongren Co., Ltd. (國藥控股銅仁有限公司)	PRC, 14 December 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zunyi Co., Ltd. (國藥控股遵義有限公司)	PRC, 29 November 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Pingliang Co., Ltd. (國藥控股平涼有限公司)	PRC, 11 February 2011	7,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yulin Co., Ltd. (國藥控股榆林有限公司)	PRC, 14 December 2011	7,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yichang Co., Ltd. (國藥控股宜昌有限公司)	PRC, 24 May 2010	6,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Qujing Co., Ltd. (國藥控股曲靖有限公司)	PRC, 1 September 2010	6,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangyang Co., Ltd. (國藥控股襄陽有限公司)	PRC, 11 October 2010	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Huangshi Co., Ltd. (國藥控股黃石有限公司)	PRC, 26 July 2010	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Enshi Co., Ltd. (國藥控股恩施有限公司)	PRC, 22 November 2011	6,000	–	60	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Dali Co., Ltd. (國藥控股大理有限公司)	PRC, 24 January 2011	6,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Bayan Nur Co., Ltd. (國藥控股巴彥淖爾有限公司)	PRC, 30 May 2011	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Honghe Co., Ltd. (國藥控股紅河有限公司)	PRC, 10 September 2013	6,000	–	100	Distribution of pharmaceutical products and commodities in the PRC
Sinopharm Holding (Tianjin) Medical Instruments Co., Ltd. (國藥控股(天津)醫療器械有限公司)	PRC, 25 May 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shiyao Co., Ltd. (國藥控股十堰有限公司)	PRC, 17 August 2010	5,000	–	75	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Lvliang Co., Ltd. (國藥控股山西呂梁有限公司)	PRC, 26 October 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yueyang Co., Ltd. (國藥控股嶽陽有限公司)	PRC, 25 August 2010	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Jingzhou Co., Ltd. (國藥控股荊州有限公司)	PRC, 24 August 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Changzhi Co., Ltd. (國藥控股山西長治有限公司)	PRC, 24 December 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Suzhou Chemical Reagent Co., Ltd. (國藥集團化學試劑蘇州有限公司)	PRC, 25 August 2004	5,000	–	100	Distribution of chemical reagents in the PRC
China National Pharmaceutical Group Hefei Chemical Reagent Co., Ltd. (國藥集團化學試劑合肥有限公司)	PRC, 1 April 2011	5,000	–	60	Distribution of chemical reagents in the PRC
Ourchem Laboratory Systems Engineering (Suzhou) Co., Ltd. (沃凱實驗室系統工程(蘇州)有限公司)	PRC, 7 November 2011	5,000	–	60	Overall planning, design, research and development of the laboratory, production and supporting construction of the laboratory furniture
China National Pharmaceutical Group Southwest Medicine Zigong Co., Ltd. (國藥集團西南醫藥自貢有限公司)	PRC, 18 November 2011	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Southwest Medicine Luzhou Co., Ltd. (國藥集團西南醫藥瀘州有限公司)	PRC, 29 December 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Linfen Co., Ltd. (國藥控股山西臨汾有限公司)	PRC, 13 May 2011	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangtan Co., Ltd. (國藥控股湘潭有限公司)	PRC, 7 January 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xiangxi Co., Ltd. (國藥控股湘西有限公司)	PRC, 19 January 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yongzhou Co., Ltd. (國藥控股永州有限公司)	PRC, 3 November 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Ulanqab Co., Ltd. (國藥控股烏蘭察布有限公司)	PRC, 13 May 2011	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yanbian Co., Ltd. (國藥控股延邊有限公司)	PRC, 25 February 2011	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Leshan Medical Co., Ltd. (國藥控股樂山醫藥有限公司)	PRC, 5 March 2012	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wenshan Co., Ltd. (國藥控股文山有限公司)	PRC, 13 April 2012	5,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm A-think Changchun Medical Co., Ltd. (國藥一心長春醫藥有限公司)	PRC, 21 February 2012	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Jiangnan Co., Ltd. (國藥控股湖北江漢有限公司)	PRC, 6 July 2012	5,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huanggang Co., Ltd. (國藥控股黃岡有限公司)	PRC, 31 October 2012	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Supply Chain Service (Shanghai) Co., Ltd. (國藥(上海)供應鏈服務有限公司)	PRC, 18 December 2012	5,000	–	100	Cargo agent, warehousing, shipping

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Taizhou Herbal Medicine Co., Ltd. (國藥控股台州中藥有限公司)	PRC, 12 April 2013	5,000	–	100	Chinese herbal medicine manufacturing and trading in the PRC
Sinopharm Holding Jilin Medical Device Co., Ltd. (國控吉林醫療器械有限公司)	PRC, 15 March 2013	5,000	–	51	Distribution of medical equipments
Sinopharm Holding Songyuan Co., Ltd. (國藥控股松原有限公司)	PRC, 25 March 2013	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chongqing Nanchuan Co., Ltd. (國藥控股重慶南川有限公司)	PRC, 1 January 2013	5,000	–	85	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Shanghai Chemical Reagent Co., Ltd. (國藥集團化學試劑上海有限公司)	PRC, 12 June 2006	4,500	–	100	Distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jilin City Medical Co., Ltd. (國藥控股吉林市醫藥有限公司)	PRC, 30 January 2011	4,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Panzhihua Medicine Co., Ltd. (國藥集團攀枝花醫藥有限公司)	PRC, 22 December 2010	3,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Siping Co., Ltd. (國藥控股四平有限公司)	PRC, 25 February 2011	3,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Ningxia Guyuan Co., Ltd. (國藥控股寧夏固原有限公司)	PRC, 4 September 2012	2,100	–	60	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Baicheng Co., Ltd. (國藥控股白城有限公司)	PRC, 10 January 2011	2,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanxi Guoda Wanmin Clinic Management Chain Co., Ltd. (山西國大萬民連鎖診所管理有限公司)	PRC, 8 July 2013	1,200	–	100	Managing subsidiaries
China National Pharmaceutical Group Chengdu Chemical Reagent Co., Ltd. (國藥集團化學試劑成都有限公司)	PRC, 15 November 2004	1,000	–	60	Distribution of laboratory supplies in the PRC
Shanghai Guoda Pharmaceutical Co., Ltd. (寧夏國大藥品有限公司)	PRC, 9 April 2004	1,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shaanxi Guoyi Drugstore Co., Ltd. (陝西國誼大藥房有限公司)	PRC, 19 April 2010	1,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shenzhen Logistics Co., Ltd. (國藥控股深圳物流有限公司)	PRC, 8 September 2005	1,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Tianjin Enterprise Development Co., Ltd. (天津國藥企業發展有限公司)	PRC, 28 July 2004	1,000	–	100	Consulting and technology services in the PRC
Taizhou Fang Tongren Medical Co., Ltd. (台州方同仁醫藥連鎖有限公司)	PRC, 19 October 2011	1,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tongyu Information Technology Co., Ltd. (北京統禦信息科技有限公司)	PRC, 13 September 2013	1,000	–	80	Information technology development and medicine consulting in the PRC
Hangzhou Sinopharm Holding Drugstore Co., Ltd. (杭州國控大藥房有限公司)	PRC, 4 July 2012	600	–	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd. (國藥樂仁堂石家莊藥材有限公司)	PRC, 15 July 2011	500	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Lishui Xiandu Pharmaceutical Retail Co. Ltd. (麗水仙都醫藥零售有限公司)	PRC, 20 October 2012	500	–	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Shanghai Guoda Changxin Drugstore Co., Ltd. (上海國大長信藥房有限公司)	PRC, 24 May 2012	300	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Beijing China Reagent& Fine Chemicals Consulting Co., Ltd. (北京國化精試諮詢有限公司)	PRC, 27 December 2001	100	–	100	Chemical reagents consultation in the PRC
Yueqing Leyi Drugstore Co., Ltd. (樂清樂怡大藥房有限公司)	PRC, 16 October 2012	100	–	100	Distribution of pharmaceutical products in the PRC



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal associates:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Yichang Humanwell Pharmaceutical Co., Ltd. (宜昌人福藥業有限責任公司)	PRC, 1 August 2001	293,527	20	Medicine manufacture and trading in the PRC
Qinghai Pharmaceutical Group Co., Ltd. (青海製藥(集團)有限責任公司)	PRC, 17 January 2000	139,563	47	Medicine manufacture and trading in the PRC
Shenzhen Main Luck Pharmaceutical Co., Ltd. (深圳萬樂藥業有限公司)	PRC, 4 July 1990	USD19.5 million	35	Research and inspection of pharmaceutical products in the PRC
China National Pharmaceutical Group Xinjiang Co., Ltd. (國藥集團新疆製藥有限公司)	PRC, 1958	90,964	45	Medicine manufacture
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd. (上海北翼國大藥材醫藥有限公司)	PRC, 26 July 1994	12,000	26	Distribution of pharmaceutical products and chemical reagents in the PRC
Hubei Yuankang Pharmaceutical Co., Ltd. (湖北緣康醫藥有限公司)	PRC, 25 April 2011	10,000	30	Distribution of pharmaceutical and healthcare products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal associates: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Wuxi Huihua Pharmacy Chain Store Co., Ltd. (無錫匯華強盛醫藥連鎖有限公司)	PRC, 7 July 2003	7,150	21	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Dongshi Pharmaceutical Information Co., Ltd. (東氏醫藥資訊有限公司)	PRC, 22 October 1999	1,000	46	Corporate management services in the PRC
Shanghai Guoda Lingyun Drug Store Co., Ltd. (上海國大凌雲藥房有限公司)	PRC, 17 November 2006	500	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinoexcelsior Investment Incorporation Co., Ltd. (國藥控股煜嘉投資有限公司)	PRC, 13 January 2011	260,000	51	Investment in specific company in PRC under the allowance of the law and provision of relevant medical equipment, medical facilities and technical advisory services to its invested companies

notes:

- (i) Except for Sinopharm Accord, National Medicines, Sinopharm Holding Henan Co., Ltd. and China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. which are joint stock limited liability companies, China National Pharmaceutical Group Shanghai Corporation, China National Pharmaceutical Group Tianjin Corporation and Shaanxi Pharmaceutical Corporation which are enterprises owned by the whole people, the other subsidiaries of the Group are limited liability entities.
- (ii) The English names of certain subsidiaries and associates are translation made by management of the Company as they do not have official English names.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 44 EVENTS AFTER THE BALANCE SHEET DATE

Sinopharm Accord, a non wholly-owned 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). On 12 September 2013, such transaction was approved by the general meeting of Sinopharm Accord. On 7 March 2014, such transaction was approved by China Securities Regulatory Commission. As at 21 March 2014, all the conditions precedent to the aforesaid share subscription agreement have been fulfilled and the new A shares subscribed for by the Company were listed on the Shenzhen Stock Exchange, subject to a lock-up period of 36 months. The shareholding of the Company in Sinopharm Accord increased from 38.33% to 51%.

**SINOPHARM GROUP CO. LTD.**

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

[www.sinopharmgroup.com.cn](http://www.sinopharmgroup.com.cn)