



SINOPHARM GROUP CO. LTD.*
國藥控股股份有限公司

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

Stock Code : 01099



Caring for Life Attending to Health

Interim Report 2014

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

Company Profile



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

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

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

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

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



Corporate philosophy

Caring for life Attending to health

Corporate vision

Becoming a pharmaceutical and healthcare service provider with international competitiveness

Corporate mission

Contributing to human health and good life

Core value

Benevolence, love, and responsibility

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Corporate Information

Directors

Mr. Wei Yulin (*Executive Director and Chairman*)
Mr. Li Zhiming (*Executive Director and President*)
Mr. Chen Qiyu (*Non-executive Director and Vice Chairman*)
Mr. She Lulin (*Non-executive Director*)
Mr. Wang Qunbin (*Non-executive Director*)
Mr. 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

Corporate Information

Auditor

PricewaterhouseCoopers

Principal Place of Business in Hong Kong

Unit B2-A, 20/F., Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

Principal Place of Business and Headquarter in the PRC

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

Registered Office in the PRC

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

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

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

Stock Code

01099

Principal Banks

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

Office of Board of Directors

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Management Discussion and Analysis

Industry Overview

As China goes through a round of macroeconomic re-alignment and upgrading, a more gradualist growth trajectory is generally accepted. The new macro-economic program centers on “better utilization of market and optimization of industry structure”. During the first half of 2014, despite challenges such as the continued sluggish overseas demand, domestic overcapacity and weak real estate market, the overall economy gradually rectified itself. Overall economy showed signs of recovery thanks to a series of micro-stimulation government policies, recording a year-on-year GDP growth rate of 7.5% in Q2, a slight improvement over Q1.

In the long run, the long-term growth of demand for medicine and medical resources in China will remain stable, driven by various factors including changes in population structure and lifestyle and increase in per capita income. Meanwhile, with rising health consciousness and improved medical conditions and technologies, the traditional medical industry focusing on “illness treatment” is transforming into a healthcare industry that focuses on “illness prevention and healthcare”. The healthcare industry will develop into one of the pillar industries in Chinese economy.

During the first half of 2014, adhering to the basic principle of “maintaining basic coverage of medical insurance and healthcare services, enhancing primary healthcare services and establishing strong healthcare institutions”, several policies were introduced to deepen the reform in China’s healthcare system across multiple areas from different aspects, with significant impacts on market recalibration and institutional optimization.

- In May 2014, the General Office of the State Council issued a Notice on the Arrangement of Key Work for Deepening the Reform of Medical and Healthcare System in 2014. Together with two other sets of ordinances promulgated by the National Health and Family Planning Commission, the National Development and Reform Commission and other authorities in March and April, namely Opinions on Promoting Comprehensive Reform of Public Hospitals at County Level and Notice on Issues Concerning the Adopting of Market-Regulated Pricing to Medical Services of Non-public Hospitals, these documents specify that the reform of public hospitals at county level shall be accelerated with the focus on public hospital reform, and the comprehensive reform of public hospitals at county level shall be carried out by adding another 700 counties to the first batch of 311 pilot counties. On the other hand, these documents set priorities on facilitating non-state participation in healthcare provision, relaxing market access conditions and optimizing investment environment, in order to increase supply and efficiency of medical services and promote orderly and healthy development in medical and healthcare sector.
- The Notice of the Medical Reform Office of the State Council on Accelerating Critical Illness Insurance Work for Urban and Rural Residents promulgated in February 2014 pushes forward a full launch of the pilot work on critical illness insurance work for urban and rural residents. The Notice on the Arrangement of Key Work for Deepening the Reform of Medical and Health Care System in 2014 promulgated in May further requires promoting the establishment of a general medical insurance system; and raises the medical insurance subsidy standard for rural credit cooperatives and urban residents by RMB40 to a new standard of RMB320 per person per year.

Management Discussion and Analysis

Industry Overview

- In May 2014, National Development and Reform Commission issued the Notice on Issues concerning Improving the Price Control of Low-Price Drugs, which lifts the retail price ceiling for 530 drugs. In June 2014, and the National Health and Family Planning Commission issued the Notice on Effectively Conducting the Work on Procurement Management of Common Low-price Drugs, which instructs local governments to handle procurement of low-price drugs in a proactive and cautious manner. Both ordinances are effective measures aimed at avoiding shortage of low-price drugs by way of motivating manufacturers and ensuring adequate supply of low-profit drugs.

During the first half of 2014, pharmaceutical distribution industry sustained a steady, although slower growth pace in sales and profit levels. Both industry concentration ratio and distribution efficiency improved as a result of industry structure adjustment. However, the whole industry was still facing different pressures in terms of longer receivable turnover days, increasing capital requirement and thinning profit margins.

The industry faces a complex policy environment and fierce competition structure. Deep-level tensions and future uncertainties manifest themselves in not only tough challenges but also transformative opportunities for upstream and downstream businesses, ranging from drug tendering, medical insurance fee control, medical investment and medical e-commerce activities. Meanwhile, a homogeneous market competition structure will force the pharmaceutical distribution industry into an era for comprehensive upgrading of soft power. New breakthroughs made by innovative businesses based on modern pharmaceutical logistics and internet technology will further optimize the development mode of pharmaceutical distribution industry, and even lead to fundamental industry transformation. These external dynamics are constantly pushing the Group to strengthen research and analysis of industry trends, policy movements and our own capacities, and to continuously explore new frontiers in strategic planning and execution. We believe that, only by constantly improving our talent pool, management practice and technological prowess while integrating our existing edges with market trends can we adapt to the dynamic of future development.

Business Review

During the first half of 2014, faced with the complex market environment, the Group strived to enhance both “scale” and “efficiency” in its operation and management based on its main strategy of “System Innovation, Efficiency Enhancement and Steady Development”. It changed its growth model, improved development quality, deepened resources integration and gradually unleashed the effects of economic scale. The Group also proactively pursued development opportunities, enhanced business innovations, and led the development of the industry as to increase Company’s value.

In respect of pharmaceuticals distribution, the Group has now in place an integrated pharmaceutical supply chain as well as an advanced supply chain management model. The Group purchases domestic and imported prescription drugs and over-the-counter medicines from manufacturers and suppliers, which are then distributed to hospitals, other distributors, retail drug stores and other customers. As at 30 June 2014, the distribution network under the Group covered 31 provinces, municipalities and autonomous regions across China. The Group’s direct customers included 12,142 hospitals (only referring to nationally-ranked hospitals, including 1,668 largest class-three hospitals with the highest rankings), 92,789 small end-customers (including primary health services institutions and others), 59,665 retail outlets and 7,370 other customers (such as pharmaceutical distributors).

Management Discussion and Analysis

Business Review

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail distribution model, the Group has set up a network of retail chain pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 30 June 2014, the number of retail pharmacies was 1,944 (only referring to those owned by Sinopharm Holding Guoda Drug Store Co., Ltd.), among which 1,651 were directly operated by the Group and 293 were operated by franchisees.

Along the line of “focusing on core business while diversifying subsidiary business”, the Group maintained stable profit growth in pharmaceutical production. In respect of medical devices, its network distribution has further expanded. Moreover, in June 2014, the Group and Shanghai Wu Mengchao Medical Science Foundation reached preliminary cooperation intention in respect of the Group’s investment, for controlling interest in Kunshan Eastern Greenland Hospital in the future, which, if put into effect, will mark our first investment in the healthcare service sector.

The Group continued its endeavors to establish a centralized procurement system at both state and provincial levels, as well as further promoted integrated operation. Meanwhile, the Group continued to strengthen the establishment of the integrated logistics platform in China. It has established 4 logistic hubs, 40 provincial logistic centers, 141 municipal level logistics networks with a sum of 185 logistic networks. The Group accelerated the establishment of cloud-based servicing platform of smart supply chain, aiming to provide safe, accessible, visible, and efficient logistic services. It also promoted the network operation on multiple-warehouses and temperature controlled transportation. It strived to establish a profession distribution logistics network and delivery logistics network comprised of logistic centers, delivery centers and delivery station networks, enabling in-depth coverage of the pharmaceutical logistics network across China. The Group has established the Sinopharm Logistic Standard and Technology Management Committee, which has published more than 50 logistics standards in total.

The Group is dedicated to becoming an internationally competitive pharmaceutical and healthcare service provider. Since the beginning of this year, leveraging on its market position and platform value, the Group proactively has reached the intent to cooperate with upper stream suppliers in respect of the marketing and promotion of mature products. Hence, the Group will be able to provide a more diversified range of services for its customers, create more benefits, and achieve a win-win outcome. This also marked a milestone of the transformation of our marketing operation.

In July 2014, the State-owned Assets Supervision and Administration Commission of the State Council announced that CNPGC became one of the pilot enterprises for mixed ownership reform. In turn, CNPGC selected the Company as the pilot entity for the implementation of this pilot project. This arrangement marks the further concrete implementation of important measures on deepening the reform of state-owned and state-controlled enterprises in China. It also provides additional impetus to a new stage of comprehensive supportive reforms of the Group. Grasping this great opportunity and fully leveraging on its existing advantages in terms of management, talents and businesses in accordance with relevant laws and regulations, the Group will further improve corporate governance, stimulate enthusiasm, enhance efficiency and increase corporate value.

Management Discussion and Analysis

Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB94,835.67 million, representing an increase of RMB14,769.31 million or 18.45% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB2,308.13 million, representing an increase of RMB511.96 million or 28.50% as compared with the corresponding period of last year; profit attributable to shareholders of the Company was RMB1,465.46 million, representing an increase of RMB313.73 million or 27.24% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.57, representing an increase of 23.91% as compared with the corresponding period of last year.

Unit: RMB million

	Six months ended 30 June 2014	Six months ended 30 June 2013	Change
Operating results:			
Revenue	94,835.67	80,066.36	14,769.31
Earnings before interest and tax	4,010.32	3,084.80	925.52
Profit attributable to shareholders of the Company	1,465.46	1,151.73	313.73
Profitability			
Gross margin	8.28%	7.90%	increased by 0.38 percentage point
Operating margin	4.14%	3.74%	increased by 0.40 percentage point
Net profit margin	2.43%	2.24%	increased by 0.19 percentage point
Earnings per share – Basic (RMB)	0.57	0.46	0.11
Key operational indicators			
Trade receivables turnover days	107	98	9
Inventory turnover days	35	34	1
Trade payables turnover days	96	93	3
Current ratio (multiples)	1.26	1.35	(0.09)

Management Discussion and Analysis

Financial Summary

	30 June 2014	31 December 2013	Unit: RMB million Change
Asset position			
Total assets	113,171.56	105,453.11	7,718.45
Equity attributable to shareholders of the Company	21,903.33	21,815.55	87.78
Gearing ratio	73.47%	72.87%	increased by 0.60 percentage point
Cash and cash equivalents	12,426.90	14,001.96	(1,575.06)

Revenue

During the Reporting Period, the Group recorded revenue of RMB94,835.67 million, representing an increase of 18.45% as compared with RMB80,066.36 million for the six months ended 30 June 2013. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business. The Group's revenue and market share grew much faster than the overall development of the pharmaceutical market in China, and outperformed industry average.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB90,580.63 million, representing an increase of 18.72% as compared with RMB76,294.78 million for the six months ended 30 June 2013, and accounting for 94.79% of the total revenue of the Group. Such increase was primarily due to the good performance of the pharmaceutical distribution business and further expansion of the distribution network of the Group.
- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB2,798.09 million, representing an increase of 23.01% as compared with RMB2,274.69 million for the six months ended 30 June 2013. This increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.
- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB2,185.34 million, representing an increase of 6.06% as compared with RMB2,060.50 million for the six months ended 30 June 2013. Such increase was primarily due to the increase in sales revenue from industrial manufacturing products of the Group.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB86,978.87 million, representing an increase of 17.95% as compared with RMB73,742.22 million for the six months ended 30 June 2013, which was comparable with the growth of the sales revenue.

Management Discussion and Analysis

Financial Summary

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group for the Reporting Period increased by 24.23% from RMB6,324.15 million for the six months ended 30 June 2013 to RMB7,856.80 million.

The gross profit margin of the Group for the six months ended 30 June 2014 was 8.28%, whilst the gross profit margin for the same period in 2013 was 7.90%. This increase was primarily due to the adjustment of certain product portfolio and the optimization of business models made by the Group in 2014, and the lower gross profit margin for the same period in 2013 as a result of the drug price adjustment following the changes of governmental policies and market conditions in 2013.

Other Income

During the Reporting Period, other income of the Group was RMB91.61 million, representing an increase of 8.54% as compared with RMB84.40 million for the six months ended 30 June 2013. This increase was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB2,385.39 million, representing an increase of 15.53% as compared with RMB2,064.66 million for the six months ended 30 June 2013. The increase was primarily attributable to the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB1,641.15 million, representing an increase of 21.87% as compared with RMB1,346.59 million for the six months ended 30 June 2013. The increase in general and administrative expenses was primarily attributable to an increase of 26.76% in impairment provision for accounts receivables due to the increase in the balance of accounts receivables and an increase of 37.39% in depreciation of newly purchased property, plant and equipment.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group for the Reporting Period was RMB3,921.87 million, representing an increase of 30.85% from RMB2,997.30 million for the six months ended 30 June 2013.

Management Discussion and Analysis

Financial Summary

Other Gains – Net

The other gains of the Group less other losses dropped by RMB11.66 million from RMB23.48 million for the six months ended 30 June 2013 to RMB11.82 million for the Reporting Period. Such decrease was primarily due to the decrease in gains from profit distribution, disposal of land use rights, property, plant and equipment as well as the increase in foreign exchange loss.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB1,006.16 million, representing an increase of RMB229.64 million as compared with RMB776.52 million for the six months ended 30 June 2013. The increase was primarily due to the business growth of the Group and changes in financing structure.

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB76.64 million, representing an increase of 19.71% as compared with RMB64.02 million for the six months ended 30 June 2013.

Income Tax Expenses

The Group's income tax expenses increased by 35.92% from RMB512.11 million for the six months ended 30 June 2013 to RMB696.04 million for the Reporting Period. The increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group as well as the expiry of the preferential taxation policies enjoyed by certain subsidiaries. The Group's effective income tax rate increased from 22.19% for the six months ended 30 June 2013 to 23.17% for the six months ended 30 June 2014.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB2,308.13 million, representing an increase of 28.50% from RMB1,796.17 million for the six months ended 30 June 2013.

Profit Attributable to Shareholders of the Company

During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB1,465.46 million, representing an increase of 27.24%, or RMB313.73 million, from RMB1,151.73 million for the six months ended 30 June 2013. The Group's net profit margin for the Reporting Period and for the corresponding period of 2013 was 1.55% and 1.44%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB842.66 million, representing an increase of 30.76% from RMB644.44 million for the six months ended 30 June 2013.

Management Discussion and Analysis

Financial Summary

Cash Flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, the facilities of the Company and the business growth and expansion.

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of 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 RMB1,865.40 million, representing an increase of RMB991.25 million from RMB874.15 million for the six months ended 30 June 2013. The increase was primarily due to the Group's enhancement of the management and control of collections and payments of accounts receivables in its business operation, as well as the utilization of banking products such as factoring programs so as to reduce finance costs.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,305.42 million, representing a decrease of RMB1,173.27 million as compared with RMB2,478.69 million for the six months ended 30 June 2013. Such decrease was primarily due to the decrease in earnest money paid.

Net cash used in/generated from financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB2,149.32 million, whilst the net cash generated from financing activities of the Group for the six months ended 30 June 2013 was RMB5,338.95 million. This was primarily due to the repayment of due debts by the Company during the Reporting Period, while proceeds from equity financing raised in the same period of 2013.

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. After obtaining approval to issue the super commercial papers in the aggregate principal amount of not more than RMB15 billion, the Group had successfully issued the first tranche of RMB3 billion in August 2014 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as replenish working capital.

The Group's borrowings are mainly denominated in Renminbi. There are certain loans denominated in US dollars used for the payment of imported drugs. The Group's interest-bearing borrowings are all at fixed rates.

As at 30 June 2014, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong dollars and small amount denominated in US dollars and Euro.

Management Discussion and Analysis

Financial Summary

Capital Structure

Indebtedness

As at 30 June 2014, among the Group's total borrowings, RMB22,103.09 million will be due within one year and RMB4,322.90 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As at 30 June 2014, the Group's gearing ratio was 73.47% (31 December 2013: 72.87%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 30 June 2014.

Foreign Exchange Risks

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

Pledge of Assets

As at 30 June 2014, the Group's certain bank borrowings were secured by land use rights with book value of RMB34.55 million (unaudited), bank deposits with book value of RMB245.66 million (unaudited), properties, plant and equipment with book value of RMB187.89 million (unaudited) and trade receivables with book value of RMB2,366.56 million (unaudited).

Capital Expenditure

The Group's capital expenditures primarily include purchase of property, plant and equipment, leasing of land, cost of acquiring land use rights, and the acquisition of intangible assets through merger or acquisition activities. The Group's capital expenditures for the Reporting Period amounted to RMB849.61 million, whilst the amount for the corresponding period of last year was RMB1,026.17 million.

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

Management Discussion and Analysis

Financial Summary

Use of Proceeds Raised from the Placing

The Company completed the placing of 165,668,190 H shares at the placing price of HK\$24.60 per H share on 10 April 2013. The net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) amounted to approximately HK\$4 billion. As disclosed in the Company's placing announcement and the supplemental announcement dated 28 March 2013 and 1 April 2013, respectively, the proceeds from the placing were intended to be used for the expansion of pharmaceutical distribution and retail network and replenishment of liquidity after the expansion.

As of 30 June 2014, the actual use of proceeds raised from the above-mentioned placing was as follows: approximately HK\$1.1 billion was used for the repayment of bank loans while the remaining balance of approximately HK\$2.9 billion was used for the payment of procurement.

Going Concern

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

Human Resources

As at 30 June 2014, the Group had a total of 47,132 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Wei Yulin, aged 57, executive Director and Chairman, 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 chief pharmacist and 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 directors 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 directors 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 directors of Sinopharm Holding Hong Kong Co. Ltd., director of Sinopharm Holding Guoda Drug Store Co. Ltd., vice chairman of the board of directors 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 has served as the director of Sinopharm Industrial Investment Co. Ltd. since July 2011 till now, and as the general manager of the same since March 2014 till now. Mr. Wei is also currently a member of the Party Committee of CNPGC, 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

Directors

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 of directors, secretary to the Party Committee of Xinjiang New & Special Ethnic Drug Corporation, and the director, general manager, vice chairman, chairman of the board of directors and secretary to the Party Committee of Xinjiang Pharmaceutical Group Company from July 1996 to February 2009. He was the chairman of the board of directors, 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 directors of each of China National Medicines Co. Ltd., Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Tianjin Co. Ltd., Sinopharm Holding Inner Mongolia Co. Ltd., Sinopharm Holding Ningxia Co. Ltd. and Sinopharm Holding Shanxi Co. Ltd., the director of China National Pharmaceutical Group Shanxi Co., Ltd. and the chairman of the board of directors of Sinopharm Holding Hainan 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, June 2011 to March 2014, from October 2011 to January 2014, from March 2012 to January 2014 and from April 2014 to July 2014 respectively. He was the chairman of the board of directors 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. He was the chairman of board of directors of Sinopharm Holding Shaanxi Co. Ltd., Sinopharm Holding Qinghai and Sinopharm Holding Gansu Co. Ltd from October 2011 to March 2014. Mr. Li is currently the chairman of the board of directors of each of China National Accord Medicines Co. Ltd. and China National Medicines Co. Ltd., the director of Sinopharm Holding Hong Kong Co. Ltd. and Sinopharm Holding GuoDa Drug Store Co., Ltd., and the executive director of Sinopharm Holding Distribution Co. Ltd. He is also the chairman of the board of directors and secretary to the Party Committee of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Chen Qiyu, aged 41, non-executive Director and vice Chairman, 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 directors of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. He has served as the vice president of each of Fosun International Limited and Shanghai Fosun High Technology (Group) Co., Ltd. since August 2010. 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 served as the supervisor, director as well as the director and general manager of Sinopharm Industrial Investment Co. Ltd from July 2008 to March 2014 successively, and has served as the vice chairman of the same since March 2014 till now. Mr. Chen is currently also the chairman of 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 Company and has served as the Chairman 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 of directors and general manager of CNPGC from December 1998 to October 2004. Mr. She was a director, general manager and the secretary of Party Committee of CNPGC from October 2004 to October 2009. He was the vice chairman of the board of directors, general manager and deputy secretary of Party Committee of CNPGC since October 2009. Mr. She has been the chairman of the board of directors and legal representative of Sinopharm Industrial Investment Co. Ltd. from July 2008 to November 2013. Mr. She was the chairman of the board of directors of China National Medicines 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

Directors

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 of directors 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 served as the director of Sinopharm Industrial Investment Co. Ltd from July 2008 to March 2014. 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 of the Company 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 CNPGC 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

Directors

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 directors 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 directors 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 directors of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from September 2005 to September 2006. He was a vice dean of and the secretary to the Party Committee of Shanghai Institute of Pharmaceutical Industry from October 2006 to April 2008. He was the dean of and secretary to the Party Committee of Shanghai Institute of Pharmaceutical Industry from April 2008 to October 2010. He was the dean of China State Institute of Pharmaceutical Industry from October 2010 to April 2014, during which, he was the secretary of the party committee of China State Institute of Pharmaceutical Industry from October 2010 to October 2012. He has been chairman of the board of directors of China State Institute of Pharmaceutical Industry since April 2014 till now. Currently, Mr. Zhou is the deputy general manager of China National Pharmaceutical Group Corporation, chairman of the board of directors of each of Shanghai Modern Pharmaceutical Co. Ltd. (a company listed on the Shanghai Stock Exchange) and China National Biotec Co. Ltd., the chairman of the board of directors and legal representative of Sinopharm Industrial Investment Co. Ltd. Currently, he is also the president of the National Medical Technology Market Profession Association and the president of China National Narcotic Drugs Association.

Biographies of Directors, Supervisors and Senior Management

Directors

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.

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 the 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.

Biographies of Directors, Supervisors and Senior Management

Directors

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, and has served as the supervisor of Sinopharm Industrial Investment Co. Ltd. since July 2014 till now.

Mr. Wang Fanghua, aged 66, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director of the Company 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.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Xie Rong, aged 61, independent non-executive Director, joined the Group on 25 April 2005, and has been an independent non-executive Director of the Company since 22 September 2008. Mr. Xie has work experience of approximately 45 years. Mr. Xie obtained a doctorate degree in economics, majoring in accounting from Shanghai University of Finance & Economics, in January 1993. He was previously the deputy head of the Accounting Department of Shanghai University of Finance & Economics, a partner of KPMG China and vice-dean of Shanghai National Accounting Institute from September 1994 to November 1997, from December 1997 to October 2002 and from October 2002 to August 2012, respectively. Mr. Xie has been a director of SAIC Motor Co. Ltd. (a company listed on the Shanghai Stock Exchange) since April 2003 and was its independent director from April 2003 to June 2008. Mr. Xie was an independent non-executive director of each of China Shipping Development Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), China Eastern Airlines Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and China CITIC Bank Co. Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from May 2003 to May 2009, from June 2003 to May 2010 and from February 2007 to October 2012, respectively. Mr. Xie has been an independent non-executive director of each of Tianjin Capital Environmental Protection Group Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), Shanghai Baosight Software Co. Ltd. (a company listed on the Shanghai Stock Exchange), China Everbright Bank Co. Ltd. (a company listed on the Shanghai Stock Exchange) and 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, a standing commissioner of the China Auditing Institute.

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 recognized as the "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

Biographies of Directors, Supervisors and Senior Management

Directors

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 not-executive Director, joined the Group on 29 December 2012, and has been an independent not-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 vice chairman of China Health Economics Association, a member of the State Council Health Reform Advisory Commission, a member of National Health and Family Planning Commission on public policy, an evaluation expert in the Pilot Project of Urban Resident Basic Medical Insurance implemented by the State Council, an advisor to the Beijing Municipal Government, an advisor to the pharmaceutical and healthcare reform of Guangdong Province and the vice chairman of Gerontological Society of China.

Biographies of Directors, Supervisors and Senior Management

Supervisors

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 of business administration degree from The Chinese University of Hong Kong in December 1993. Mr. Yao served as a Credit Administrator in No.1 Credit Department of Shanghai Branch of Bank of Communications from 1989 to 1991, and worked in Shanghai Wanguo Securities Co. Ltd. (currently known as Shenyin & Wanguo Securities Co. Ltd.) from 1993 to 1996, where his final position was assistant general manager of the International Business Department. Mr. Yao worked in Shanghai Shang Shi Assets Operation and Management Co. Ltd., from June 1996 to December 2002 where his final position was general manager. From January 2003 to October 2005, he served as the general manager of Shang Shi Management (Shanghai) Co. Ltd.. From November 2005 to December 2008, he served as managing director of Shanghai Industrial Pharmaceutical Investment Co. Ltd. (stock code: 600607, delisted on 12 February 2010) listed on the Shanghai Stock Exchange. From December 2008 to December 2009, he worked as the chairman of Shanghai Overseas Co. Ltd.. From May 2003 to 31 December 2009, he served as an executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on the Hong Kong Stock Exchange. Mr. Yao served as the executive deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. (stock code:600196) since April 2010 and became the vice chairman and president 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 was a director of Sinopharm Industrial Investment Co., Ltd. from December 2008 to March 2014 and has been the head of the investment management department of CNPGC since February 2008.

Biographies of Directors, Supervisors and Senior Management

Supervisors

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., Sinopharm Medicine Holding Beijing HuaHong Co. Ltd., Sinopharm Medicine Holding Beijing Kangchen Biopharmaceutical Co. Ltd., China National Pharmaceutical Group Shanxi Co., Ltd., Sinopharm Logistics Co. Ltd., Shanghai Donghong Medical Co., Ltd. and Sinopharm Lerentang Pharmaceutical Co., Ltd.

Company Secretaries

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

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

Biographies of Directors, Supervisors and Senior Management

Senior Management

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

Mr. Li Guangfu, aged 57, 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 39 years of working experience, over 29 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 served as the chairman of Sinopharm Holding Mudanjiang Co. Ltd. from April 2013 to March 2014 and that of Sinopharm Holding Hainan Co. Ltd. from January 2014 to April 2014. Mr. Li is currently the executive director of Sinopharm Logistics Co. Ltd. and the chairman of Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Jilin Co. Ltd., Sinopharm Holding Shenyang Co. Ltd. and Sinopharm Holding Hubei Co. Ltd.

Biographies of Directors, Supervisors and Senior Management

Senior Management

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 an executive master's degree in business administration in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. Mr. Lu was qualified as a senior economist. Mr. Lu taught at the Second Military Medical University from March 1980 to August 1998, and was previously the general manager of China National Pharmaceutical Group Shanghai Likang Co. Ltd. and Sinopharm Holding Guoda Drug Store Co. Ltd. from August 1998 to June 2008. Mr. Lu was the director of Shenzhen Accord Pharmaceutical Co., Ltd., the chairman of Sinopharm Holding Guoda Drug Store Co. Ltd., the director of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd., the director of Sinopharm Holding Fujian Co. Ltd., the director of Sinopharm Holding Jiangxi Co. Ltd., the chairman of Sinopharm Holding Chongqing Co. Ltd., the director of Sinopharm Holding Changzhou Co. Ltd., chairman of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., the director of Shenzhen Accord Pharmaceutical Co., Ltd., a vice-chairman of China National Pharmaceutical Group Shanxi Co., Ltd. and a director of Sinopharm Holding Guoda Drug Store Co., Ltd. from September 2007 to December 2008, from July 2008 to November 2011, from March 2009 to August 2009, from January 2010 to November 2011, from March 2010 to November 2011, from August 2010 to November 2011, from December 2010 to January 2013, from December 2010 to June 2013, from March 2011 to October 2011, from March 2011 to December 2013 and from November 2011 to July 2014, respectively. Mr. Lu is now a director of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd. and China National Pharmaceutical Group Shanxi Co., Ltd.. He is also the executive director of Sinopharm Holding Jiangsu Co. Ltd. (formerly known as Sinopharm Nanjing), the chairman of Sinopharm Holding Wuxi Co. Ltd., Sinopharm Holding Suzhou Co. Ltd., Sinopharm Holding Shandong Co. Ltd., Sinopharm Holding Anhui Co. Ltd., Sinopharm Holding Nantong Co. Ltd., Sinopharm Holding Changzhou Co. Ltd., Sinopharm Holding Zhejiang Co. Ltd., and Sinopharm Holding Wenzhou Co. Ltd.

Biographies of Directors, Supervisors and Senior Management

Senior Management

Mr. Liu Yong, aged 45, joined the Group on 8 January 2003, and is currently a vice president of the Company the chief legal advisor. He has over 22 years of working experience, over 19 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises, from China Pharmaceutical University in July 1992 and a master's degree in business administration from Fudan University in January 2000. Mr. Liu is a chief pharmacist and a practicing pharmacist. Mr. Liu was employed at Shanghai Pharmaceutical station from July 1992 to July 1999. He was the deputy general manager at the marketing department of China National Pharmaceutical Group Shanghai Corporation and the deputy general manager of Shanghai Guoda Drug Chain Store Co. Ltd. from July 1999 to April 2003. Mr. Liu served as the general manager of Sinopharm Holding Shenyang Co. Ltd., the chairman of Sinopharm Holding Shenyang Co. Ltd. and the chairman of China National Pharmaceutical Group Chemical Reagent Co. Ltd. from April 2003 to December 2008, from January 2009 to November 2011 and from February 2009 to March 2010 respectively. He was also the executive director of Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd., the chairman of Sinopharm Holding Henan Co. Ltd. and the chairman of China National Pharmaceutical Group Shanghai Likang Co. Ltd. from February 2009 to October 2010. Mr. Liu also served as the director of China National Medicines Co. Ltd., the chairman of Sinopharm Holding Anhui Co. Ltd., the chairman of Sinopharm Holding Shandong Co. Ltd., the chairman of Sinopharm Holding Jilin Co. Ltd., the executive director of Sinopharm Logistics Co. Ltd., the director of Sinopharm Holding Henan Co. Ltd., the director of China National Pharmaceutical Group Shanxi Co. Ltd. and the chairman of China National Medicines Corporation 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 each of Sinopharm Holding Beijing Tianxingpuxin BioMed Co. Ltd., Sinopharm Holding Beijing Co. Ltd., Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd., Sinopharm Holding Guoda Drug 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., and a director of China National Medicines Co. Ltd. and Sinopharm Sichuan Pharmaceutical Group Co., Ltd. (國藥四川醫藥集團有限公司).

Biographies of Directors, Supervisors and Senior Management

Senior Management

Mr. Cai Zhongxi, aged 49, has been a vice president of the Company since May 2010. He has over 25 years of working experience, over 23 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 the new and special drug department, assistant to manager of the new and special drug department, deputy manager and assistant to the general manager of the new and special drug department and the marketing department and manager of the new and special drug department and manager of pharmaceuticals department and the new and special drug department, assistant to general manager, deputy general manager, managing deputy general manager and general manager at China National Pharmaceutical Group Shanghai Co. Ltd. from August 1995 to January 2005. He also served as general manager of the sales and marketing department (hospital) at the Company from February 2005 to December 2005, the chairman of Shanghai Yijia Medical Device Co., Ltd., and the chairman and general manager of Shanghai Shengtai Medical Technologies Co., Ltd. from January 2006 to November 2011. Mr. Cai was the director of Sinopharm Holding Sinoexcelsior Investment Incorporation, the chairman of Shanghai Bionuo Industrial Co., Ltd., an executive director of Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd., the director of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., the chairman of Sinopharm Medicine Holding Beijing Huahong Co. Ltd. and an director of Sinopharm Holding Beijing Tianxingpuxin BioMed Co. Ltd. from September 2010 to November 2011, from October 2010 to November 2011, from October 2010 to September 2013, December 2012 to June 2013, from November 2011 to September 2013 and April 2013 and March 2014 respectively. Mr. Cai currently is also the general manager of the sales management head office of Sinopharm Holding Shanghai Hospital, an executive director of each of Shanghai Merro Pharmaceutical Co., Ltd., and the chairman 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., Sinopharm Lingshang Hospital Management Services (Shanghai) Co., Ltd. and Sinopharm Hutchison Whampoa Healthcare Medicine Co., Ltd. (國藥控股和記黃埔健康醫藥有限公司).

Biographies of Directors, Supervisors and Senior Management

Senior Management

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 28 years of working experience, over 17 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986 and graduated from class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at China National Pharmaceutical Corporation from July 1986 to March 2002, and was the deputy head of the department of information, reform office, finance department and deputy management of the department of pharmacy. He was deputy head, head and chief financial officer of the finance department of China National Medicines Co. Ltd. from March 2002 to May 2010, and was the director and the vice chairman of China National Pharmaceutical Group Shanxi Co. Ltd. from April 2011 to September 2011 and from December 2013 to July 2014 respectively. Mr. Jiang is currently also the chairman of Sinopharm Holding Jiangxi Co. Ltd., Sinopharm Holding Shanxi Co. Ltd., Sinopharm Holding Inner Mongolia Co., Ltd., Sinopharm Holding Tianjin Co., Ltd. and China National Pharmaceutical 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 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

Senior Management

Mr. Ma Wanjun, aged 45, joined the Company in May 2003, and has been the vice president of the Company since September 2010. He has also been the secretary to the Board and one of the joint company secretaries since 22 March 2012. He was the chief legal advisor of the Company from May 2011 to October 2012. Mr. Ma has over 23 years of working experience, over 16 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 the Company, the general manager of Sinopharm Holding Tianjin Co. Ltd., the general manager of Shanghai Sinopharm Waigaoqiao Pharmaceutical Co., Ltd. and the deputy general manager of the operation centre of the Company from May 2003 to September 2010. Mr. Ma was the director of Sinopharm Holding Shenyang Co. Ltd., the director of Wenzhou Bio-medical Device Supplies Co. Ltd., the chairman of Sinopharm Holding Henan Co. Ltd. and the director of China National Pharmaceutical Group Shanxi 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 respectively. He was also the director of Sinopharm Holding Suzhou Co. Ltd. and the chairman of Sinopharm Holding Jiangsu Co. Ltd. from May 2010 to November 2011. Mr. Ma was the director of each of Sinopharm Holding Changzhou Co. Ltd. and Shanghai Bionuo Industrial Co., Ltd. from December 2010 to November 2011. Mr. Ma is currently also the executive director of China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd., China National Medicines Corporation Ltd., Sinopharm Holding Sinoexcelsior Investment Incorporation, Sinopharm Holding Henan Co. Ltd. and Shanghai Tongyu Information Technology Co., Ltd. He is also the chairman of Guangdong Oriental New & Special Medicines Co. Ltd., Sinopharm Nutraceuticals (Shanghai) Co. Ltd., Sinopharm Holding Health Development (Shanghai) Co., Ltd., Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd. and Shanghai Hongqiao Bio-Pharmaceutical Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Senior Management

Mr. Guo Junyu, aged 40, has been the vice president of the Company since May 2014. Mr. Guo has more than 18 years of working experience, over 13 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Guo obtained a bachelor's degree in Medicinal Chemistry from the School of Pharmacy of Fudan University (formerly known as Shanghai Medical University) and a master's degree in Business Administration from Asia (Macau) International Open University in July 1996 as well as a master's degree in Executive Master of Business Administration from China Europe International Business School in July 2010. Mr. Guo is a deputy chief pharmacist and a practicing pharmacist. Mr. Guo joined Shanghai Pharmaceutical Joint Stock Company (changed its name to Shanghai Pharmaceutical Co., Ltd. in April 2010) in July 1996, and served as the assistant to General Manager and Deputy General Manager successively. Mr. Guo also served as the chairman of the board of directors of each of Shanghai Huashi Pharmacy Co., Ltd. and Shanghai Pharmaceutical Logistics Center Co., Ltd.. Mr. Guo was the Vice President of Shanghai Pharmaceuticals Holding Co., Ltd. from October 2012 to April 2014. Mr. Guo obtained the title of the "New Long March Pioneer" of Shanghai municipality in 2009. Mr. Guo currently also serves as the general manager of Sinopharm Holding Buying Division (Sinopharm Holding Distribution Co. Ltd.) and chairman of each of Sinopharm Holding Hainan Co. Ltd. and Sinopharm Holding Tibet Pharmaceutical Co. Ltd..

Biographies of Directors, Supervisors and Senior Management

Senior Management

Mr. Xu Shuangjun, aged 45, has been the non-executive vice president of the Company since March 2011. He has over 30 years of working experience, over 22 years of which is management experience in the pharmaceutical and healthcare products industry. He graduated from the School of Pharmacy of the Second Military Medical University in Shanghai and obtained a bachelor's degree in medicine in 2001. He further obtained a master's degree in business administration from the Macau University of Science and Technology in 2006 and has the qualifications of practicing pharmacist and chief pharmacist. Mr. Xu was employed at Shijiazhuang Lerentang from October 1987 to March 1999. He was a manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co. Ltd. (石家莊市醫藥藥材股份有限公司) from March 1999 to August 2004, and was the chairman and general manager of Hebei Zhongrui Medicines Co. Ltd. (河北中瑞醫藥有限公司), the general manager and secretary to the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co. Ltd. (石家莊樂仁堂醫藥股份有限公司), and the chairman and general manager of and secretary to the Party Committee of Lerentang Pharmaceutical Group Co. Ltd. from August 2004 to May 2011. Mr. Xu was the vice chairman and general manager of and secretary to the Party Committee of Sinopharm Lerentang Pharmaceutical Co., Ltd. from May 2011 to June 2013, and has been its chairman since June 2013.

Other Information

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

As at 30 June 2014, none of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the “**SFO**”) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

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

As at 30 June 2014, as known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors and the chief executive) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	Long position/short position/shares available for lending
CNPGC	Domestic shares	Beneficial owner,	2,728,396 (Note 2)	0.11	0.17	–
		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	–
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 3)	61.19	99.83	–
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 4)	61.19	99.83	–
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 5)	61.19	99.83	–

Other Information

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

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	Long position/short position/shares available for lending
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 6)	61.19	99.83	–
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 7)	61.19	99.83	–
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	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 9)	91,534,780	3.56	9.21	Long position
			47,200	0.0018	0.0047	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,	113,600,146	4.42	11.43	Long position
		Investment manager,	106,800	0.0042	0.01	Short position
		Custodian corporation/ approved lending agent (Note 10)	94,090,232	3.66	9.47	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	60,560,800	2.36	6.09	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

Other Information

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

Notes:

- (1) Such 1,571,555,953 domestic shares are the same batch of shares.
- (2) CNPGC is directly interested in 2,728,396 domestic shares and indirectly interested in 1,571,555,953 domestic shares through Sinopharm Investment (as CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purpose of the SFO).
- (3) Fosun Pharma is the beneficial owner of the 49% equity interest in Sinopharm Investment, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.
- (4) Fosun High Technology is the beneficial owner of the 39.83% equity interest in Fosun Pharma, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.
- (5) Fosun Company is the beneficial owner of 100% equity interest in Fosun High Technology, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.
- (6) Fosun Holdings is the beneficial owner of the 79.60% equity interest in Fosun Company, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.
- (7) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.
- (8) Mr. Guo Guangchang is the beneficial owner of the 58% equity interest in Fosun International Holdings and the 0.005% equity interest in Fosun Pharma, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.
- (9) BlackRock, Inc. is indirectly interested in the long positions of 91,534,780 H shares and the short positions of 47,200 H shares of the Company through a series of controlled corporations.
- (10) JPMorgan Chase & Co. is indirectly interested in the long positions of 113,600,146 H shares of the Company (including shares available for lending of 94,090,232 H shares) and the short positions of 106,800 H shares of the Company through a series of controlled corporations.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2014, no other person (other than the Directors, Supervisors and the chief executive) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Other Information

Dividends

Pursuant to the relevant resolution passed at the 2013 annual general meeting of the Company convened on 19 June 2014, the Company paid the final dividend for the year ended 31 December 2013 to the shareholders on 25 July 2014, totalling approximately RMB667,756,307.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2014.

Subsequent Events

Details of the relevant events that occurred since the end of the Reporting Period are set out in Note 29 to the Condensed Consolidated Interim Financial Information contained in this report.

Audit Committee

As at the date of this report, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Xie Rong (Chairman), Mr. Tao Wuping and Mr. Zhou Bajun, and two non-executive Directors, namely Mr. Deng Jindong and Mr. Li Dongjiu. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 as well as this interim report, and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

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

Disclosure of Information

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

Report on Review of Interim Financial Information



羅兵咸永道

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

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

Introduction

We have reviewed the interim financial information set out on pages 40 to 80, which comprises the interim condensed consolidated balance sheet of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

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Report on Review of Interim Financial Information

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 August 2014

Interim Condensed Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Revenue	7	94,835,673	80,066,362
Cost of sales and other operating costs	10	(86,978,874)	(73,742,215)
Gross profit		7,856,799	6,324,147
Other income	8	91,609	84,401
Distribution and selling expenses	10	(2,385,387)	(2,064,657)
General and administrative expenses	10	(1,641,152)	(1,346,594)
Operating profit		3,921,869	2,997,297
Other gains – net	9	11,818	23,483
Finance income		126,062	71,003
Finance costs		(1,132,220)	(847,527)
Finance costs – net	12	(1,006,158)	(776,524)
Share of profit of investments accounted for using the equity method		76,637	64,022
Profit before income tax		3,004,166	2,308,278
Income tax expense	13	(696,041)	(512,113)
Profit for the period		2,308,125	1,796,165
Attributable to:			
– Shareholders of the Company		1,465,462	1,151,729
– Non-controlling interests		842,663	644,436
		2,308,125	1,796,165
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)			
– Basic and fully diluted	14	0.57	0.46
Dividends	15	–	–

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

Interim Condensed Consolidated Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Profit for the period	2,308,125	1,796,165
Other comprehensive losses:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post-employment benefit obligations	(17,196)	(5,932)
<i>Items that may be reclassified to profit or loss</i>		
Fair value gains on available-for-sale financial assets, net of tax	2,560	748
Currency translation differences	753	(1,251)
Total items that may be reclassified subsequently to profit or loss	3,313	(503)
Other comprehensive losses for the period, net of tax	(13,883)	(6,435)
Total comprehensive income for the period	2,294,242	1,789,730
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	1,454,094	1,147,061
– Non-controlling interests	840,148	642,669
	2,294,242	1,789,730

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

Interim Condensed Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
ASSETS			
Non-current assets			
Land use rights	16	1,292,272	1,277,436
Investment properties	16	162,916	159,509
Property, plant and equipment	16	6,491,978	6,310,547
Intangible assets	16	5,824,547	5,603,289
Investments accounted for using the equity method	17	816,501	730,739
Available-for-sale financial assets		293,114	274,701
Deferred income tax assets	21	498,907	455,519
Other non-current assets		1,164,950	927,994
Total non-current assets		16,545,185	15,739,734
Current assets			
Inventories		17,044,649	16,702,338
Trade receivables	18	59,304,786	51,824,730
Prepayments and other receivables		4,517,925	4,141,332
Available-for-sale financial assets		1,122	1,122
Pledged bank deposits		3,330,995	3,041,892
Cash and cash equivalents		12,426,898	14,001,962
Total current assets		96,626,375	89,713,376
Total assets		113,171,560	105,453,110
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	19	2,568,293	2,568,293
Reserves		19,335,038	19,247,253
		21,903,331	21,815,546
Non-controlling interests		8,124,134	6,795,804
Total equity		30,027,465	28,611,350

Interim Condensed Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	20	4,322,900	4,134,067
Deferred income tax liabilities	21	573,756	596,282
Post-employment benefit obligations	22	513,687	498,749
Other non-current liabilities	23	864,113	771,483
Total non-current liabilities		6,274,456	6,000,581
Current liabilities			
Trade payables	24	48,601,002	44,188,111
Accruals and other payables		5,033,891	5,183,535
Dividends payable		699,255	36,613
Current income tax liabilities		432,401	425,644
Borrowings	20	22,103,090	21,007,276
Total current liabilities		76,869,639	70,841,179
Total liabilities		83,144,095	76,841,760
Total equity and liabilities		113,171,560	105,453,110
Net current assets		19,756,736	18,872,197
Total assets less current liabilities		36,301,921	34,611,931

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

Wei Yulin
Director

Xie Rong
Director

Interim Condensed Consolidated Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

Unaudited						
Attributable to shareholders of the Company						
Note	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2014	2,568,293	13,935,162	5,312,091	21,815,546	6,795,804	28,611,350
Total comprehensive income	-	(11,368)	1,465,462	1,454,094	840,148	2,294,242
Effects of transaction with non-controlling interests	25	(698,553)	-	(698,553)	-	(698,553)
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	49,250	49,250
Acquisition of subsidiaries	-	-	-	-	6,571	6,571
Other changes in shareholding of non-controlling interests of subsidiaries	-	-	-	-	628,785	628,785
Dividends	-	-	(667,756)	(667,756)	(196,192)	(863,948)
Others	-	-	-	-	(232)	(232)
As at 30 June 2014	2,568,293	13,225,241	6,109,797	21,903,331	8,124,134	30,027,465

Unaudited						
Attributable to shareholders of the Company						
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2013	2,402,625	11,074,307	3,806,813	17,283,745	5,664,910	22,948,655
Total comprehensive income	-	(4,668)	1,151,729	1,147,061	642,669	1,789,730
Issue shares, net of expenses	165,668	3,060,505	-	3,226,173	-	3,226,173
Effects of transaction with non-controlling interests	-	(3,593)	(10,512)	(14,105)	5	(14,100)
Revaluation gain of subsidiaries in conversion of corporate institution	-	368	-	368	92	460
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	223,770	223,770
Acquisition of subsidiaries	-	-	-	-	98,792	98,792
Other changes in shareholding of non-controlling interests of subsidiaries	-	-	-	-	(10,327)	(10,327)
Effect of business combination under common control	-	(219,600)	-	(219,600)	-	(219,600)
Dividends	-	-	(642,073)	(642,073)	(320,282)	(962,355)
Others	-	1,044	-	1,044	227	1,271
As at 30 June 2013	2,568,293	13,908,363	4,305,957	20,782,613	6,299,856	27,082,469

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

Interim Condensed Consolidated Statement of Cash Flows

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Cash flows from operating activities:			
Cash generated from operations		2,612,168	1,440,415
Income tax paid		(746,764)	(566,267)
Net cash generated from operating activities		1,865,404	874,148
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		637	–
Proceeds from disposal of property, plant and equipment		18,315	35,782
Payment for disposal of investment properties		(1,668)	–
Proceeds from long-term deposits		37,000	–
Interest received from long-term deposits		25,382	–
Disposal of subsidiaries, net of cash disposed		(4,096)	–
Dividends received from associates		8,819	5,032
Dividends received from available-for-sale financial assets		1,002	1,042
Dividend received from a subsidiary prior to acquisition		–	15,878
Prepayment for acquisition		(253,113)	–
Purchase of land use rights		(44,775)	(16,260)
Purchase of property, plant and equipment		(472,169)	(490,646)
Purchase of intangible assets		(134,575)	(37,670)
Purchase of investment properties		–	(2,729)
Payment of long-term deposits		–	(419,198)
Acquisition of available-for-sale financial assets		(15,000)	(62,500)
Acquisition of subsidiaries, net of cash acquired			
– under common control		–	(219,600)
Acquisition of subsidiaries, net of cash acquired			
– not under common control	26	(3,608)	(3,749)
Consideration paid for prior year acquisitions		(99,135)	(438,289)
Acquisition of associates		(22,260)	–
Acquisition of non-controlling interests of subsidiaries	25	(57,074)	(24,427)
Increase in restricted cash		(289,103)	(821,353)
Net cash used in investing activities		(1,305,421)	(2,478,687)

Interim Condensed Consolidated Statement of Cash Flows

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Cash flows from financing activities:			
Proceeds from borrowings from banks		16,792,405	13,040,014
Proceeds from borrowings from other financial institution		351,600	318,000
Repayment of borrowings from banks		(15,507,568)	(14,076,056)
Repayments of borrowings from other financial institution		(490,000)	(332,000)
Repayment of bonds	20	(2,000,000)	–
Issue of bond, net of expense	20	–	3,974,028
Issue of shares, net of expense		–	3,224,560
Capital injections from non-controlling shareholders of subsidiaries		49,250	64,416
Dividends paid to non-controlling shareholders of subsidiaries		(204,467)	(152,695)
Interest paid		(1,140,540)	(721,316)
Net cash (used in)/generated from financing activities		(2,149,320)	5,338,951
(Decrease)/increase in cash and cash equivalents		(1,589,337)	3,734,412
Cash and cash equivalents at beginning of period		14,001,962	9,801,502
Exchange gains/(losses) on cash, cash equivalents		14,273	(39,832)
Cash and cash equivalents at end of period		12,426,898	13,496,082

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

1 General information

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

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

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

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

The parent company of the Company is Sinopharm Industrial Investment Co., Ltd.. The ultimate holding company of the Company is China National Pharmaceutical Group Corporation (“**CNPGC**”).

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) thousands, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 22 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

Key events

China National Accord Medicines Corporation Ltd. (“**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%.

On 12 May 2014, bonds at a total par value of RMB2,000,000 thousands matured and were repaid by the Company.

During the six month period ended 30 June 2014, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB27,850 thousands. Further details are given in Note 26.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- The Group has adopted HK(IFRIC)-Int 21 'Levies'. HK(IFRIC)-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. 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 subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect HK(IFRIC)-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.
- Other amendments to IFRSs/HKFRSs effective for the financial year ending 31 December 2014 do not have a material impact on the Group.

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

4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

5 Financial risk management

(i) Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

(ii) Liquidity risk

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 30 June 2014 (Unaudited)					
Borrowings (Note 20)	22,103,090	100,000	4,238,840	8,095	26,450,025
Interests payments on borrowings (Note)	612,629	199,960	325,471	1,560	1,139,620
Trade and other payables	53,376,729	-	-	-	53,376,729
	76,092,448	299,960	4,564,311	9,655	80,966,374
As at 31 December 2013 (Audited)					
Borrowings (Note 20)	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
	70,718,394	193,216	4,581,370	-	75,492,980

Note: Interests are based on borrowings as at 30 June 2014 and 31 December 2013 and the interest rates as at 30 June 2014 and 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

5 Financial risk management (continued)

(iii) Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

	Level 1	Level 2	Level 3	Total
At 30 June 2014 (Unaudited)				
Assets				
Available-for-sale financial assets	39,045	4,570	–	43,615
Liabilities				
Contingent consideration	–	–	86,319	86,319
At 31 December 2013 (Audited)				
Assets				
Available-for-sale financial assets	35,633	4,570	–	40,203
Liabilities				
Contingent consideration	–	–	184,181	184,181

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

There were no changes in valuation techniques during the period.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

5 Financial risk management (continued)

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

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

	Carrying Amount		Fair Value	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Borrowings from banks and other financial institution (Note 20)	346,935	164,761	342,429	166,180
Bond (Note 20)	3,975,965	3,969,306	3,977,776	3,969,571

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information

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

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

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

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, investments accounted for using the equity method, inventories, receivables and operating cash.

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information (continued)

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

(i) For the six months ended 30 June 2014 and 2013

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
Six months ended 30 June 2014 (Unaudited)					
Segment results					
External segment revenue	89,985,270	2,798,089	2,052,314	-	94,835,673
Inter-segment revenue	595,362	-	133,027	(728,389)	-
Revenue	90,580,632	2,798,089	2,185,341	(728,389)	94,835,673
Operating profit	3,552,751	115,239	261,989	(8,110)	3,921,869
Other gains/(losses)	(2,685)	(294)	14,797	-	11,818
Share of profit of investments accounted for using the equity method	105	296	76,236	-	76,637
Finance costs – net	3,550,171	115,241	353,022	(8,110)	4,010,324 (1,006,158)
Profit before income tax					3,004,166
Income tax expense					(696,041)
Profit for the period					2,308,125
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	122,417	105	937		123,459
Write-back of impairment of inventories	(2,674)	(17)	(682)		(3,373)
Amortisation of land use rights	13,152	26	3,599		16,777
Depreciation of property, plant and equipment	192,485	24,104	56,371		272,960
Depreciation of investment properties	-	-	5,287		5,287
Amortisation of intangible assets	85,893	483	4,994		91,370
Capital expenditures	770,617	36,102	42,890		849,609

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information (continued)

(i) For the six months ended 30 June 2014 and 2013 (continued)

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information (continued)

(ii) As at 30 June 2014 and 31 December 2013

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
As at 30 June 2014 (Unaudited)					
Segment assets and liabilities					
Segment assets	105,231,404	2,905,446	6,522,462	(1,986,659)	112,672,653
Segment assets include:					
Investments accounted for using the equity method	65,196	13,506	737,799	-	816,501
Unallocated assets – Deferred income tax assets					498,907
Total assets					113,171,560
Segment liabilities	54,423,425	1,717,662	1,989,921	(1,986,659)	56,144,349
Unallocated liabilities – Borrowings and deferred income tax liabilities					26,999,746
Total liabilities					83,144,095
As at 31 December 2013 (Audited)					
Segment assets and liabilities					
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 – Borrowings and deferred income tax liabilities					25,737,625
Total liabilities					76,841,760

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

7 Revenue

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Sales of goods	94,605,904	79,933,011
Rental income	44,699	35,955
Franchise fees and other service fee from medicine chain stores	58,722	16,516
Consulting income	83,076	56,428
Import and export agency income	6,195	12,868
Others	37,077	11,584
	94,835,673	80,066,362

8 Other income

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Government grants (Note)	91,609	84,401

Note:

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

9 Other gains – net

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Gain on disposal of land use rights, intangibles assets and property, plant and equipment	975	15,715
Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	7,602	–
Foreign exchange loss – net	(19,038)	(2,540)
Write-back of certain liabilities	11,139	11,171
Compensation write-back/(charge) (Note)	11,020	(22,040)
Dividend from a subsidiary prior to acquisition	–	15,878
Others – net	120	5,299
	11,818	23,483

Note:

In March 2010, one subsidiary of the Group signed a “Real estate transfer and corporation agreement” with a Real Estate Development Company (the “**counterparty**”). In June 2012, the subsidiary determined to terminate the agreement due to its long-term development 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 the first half of year 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. The subsidiary wrote back the overdue penalty of RMB11,020 thousands during the six months ended 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

10 Expenses by nature

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Raw materials and trading merchandise consumed	86,819,026	73,732,687
Changes in inventories of finished goods and work in progress	(6,882)	(132,366)
Employee benefit expenses (Note 11)	1,874,772	1,507,608
Provision for impairment of trade receivables	118,110	93,177
Provision for impairment of other receivables	5,349	1,785
(Write-back)/provision for impairment of inventories	(3,373)	17,458
Operating leases in respect of leasehold land and buildings	253,593	222,142
Depreciation of property, plant and equipment (Note 16)	272,960	232,692
Depreciation of investment properties (Note 16)	5,287	6,641
Amortisation of intangible assets (Note 16)	91,370	73,534
Amortisation of land use rights (Note 16)	16,777	15,806
Auditors' remuneration	11,027	10,464
Consulting and other service fees	36,592	30,525
Transportation expenses	388,196	328,260
Travel expenses	99,508	106,607
Promotion and advertising expenses	454,011	486,712
Utilities	64,004	41,619
Others	505,086	378,115
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	91,005,413	77,153,466

11 Employee benefit expenses

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Salaries, wages and bonuses	1,458,920	1,149,588
Contributions to pension plans (i)	144,743	121,415
Post-employment benefits (Note 22)	19,463	11,609
Housing benefits (ii)	54,301	44,450
Other benefits (iii)	197,345	180,546
	1,874,772	1,507,608

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

11 Employee benefit expenses (continued)

Notes:

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

12 Finance income and costs

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Interest expense:		
– Borrowings	715,566	522,496
– Discounting of notes receivable	214,734	135,962
– Discounting of accounts receivable	151,363	140,215
Gross interest expense	1,081,663	798,673
Bank charges	64,210	61,565
Less: capitalised interest expense	(13,653)	(12,711)
Finance costs	1,132,220	847,527
Finance income:		
– Interest income on deposits in bank or other financial institution	(100,680)	(71,003)
– Interest income on long-term deposits	(25,382)	–
Net finance costs	1,006,158	776,524

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

13 Income tax expense

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Current PRC income tax	753,522	551,101
Deferred taxation	(57,481)	(38,988)
	696,041	512,113

During the six months ended June 2014, enterprises incorporated in the PRC are normally subject to enterprise income tax ("EIT") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

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

14 Earnings per share

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

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	1,465,462	1,151,729
Weighted average number of ordinary shares in issue ('000)	2,568,293	2,477,679
Basic earnings per share (RMB per share)	0.57	0.46

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

15 Dividends

The final dividend for year 2013 of RMB0.26 per share (tax inclusive), amounting to RMB667,756 thousands in total, was approved by the shareholders at the annual general meeting of the Company held on 19 June 2014 and was paid on 25 July 2014 to the shareholders whose names appeared on the register of members of the Company on 26 June 2014.

No interim dividend was proposed for the six-month period ended 30 June 2014.

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

	Land use rights	Investment properties	Property, plant and equipment	Intangible assets
Six months ended 30 June 2014				
(Unaudited)				
Opening net carrying amount as at 1 January 2014	1,277,436	159,509	6,310,547	5,603,289
Additions	31,613	–	481,696	318,541
Acquisition of subsidiaries (Note 26)	–	–	4,476	13,283
Transfer	–	14,277	(14,277)	–
Disposals	–	(5,583)	(17,062)	(222)
Disposals of subsidiaries	–	–	(442)	(18,974)
Depreciation or amortization (Note 10)	(16,777)	(5,287)	(272,960)	(91,370)
Closing net carrying amount as at 30 June 2014	1,292,272	162,916	6,491,978	5,824,547
Six months ended 30 June 2013				
(Unaudited)				
Opening net carrying amount as at 1 January 2013	1,017,029	175,588	5,412,037	5,550,612
Additions	166,413	2,729	463,233	37,670
Acquisition of subsidiaries	67,196	–	211,659	77,273
Transfer	–	(4,107)	4,107	–
Disposals	(248)	(1,760)	(17,857)	(77)
Depreciation or amortization (Note 10)	(15,806)	(6,641)	(232,692)	(73,534)
Closing net carrying amount as at 30 June 2013	1,234,584	165,809	5,840,487	5,591,944

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

17 Investments accounted for using the equity method

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Share of net assets	790,168	710,420
Goodwill	26,333	20,319
	816,501	730,739
	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Beginning of the period	730,739	689,324
Acquisitions	28,455	–
Reclassification from investments in subsidiaries upon cessation of control	60,886	–
Share of results	76,637	64,022
Unrealized profit in transaction with associates	6,947	6,614
Dividends declared by associates attributable to the Group	(87,163)	(69,610)
Reclassified to subsidiaries upon gaining control over invested companies	–	(161,670)
End of the period	816,501	528,680

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

18 Trade receivables

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts receivable	56,138,415	47,481,041
Notes receivable	3,801,508	4,868,152
	59,939,923	52,349,193
Less: Provision for impairment	(635,137)	(524,463)
	59,304,786	51,824,730

The fair values of trade receivables approximate their carrying amounts.

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Below 3 months	39,047,550	36,426,895
3 to 6 months	14,504,097	11,536,284
6 months to 1 year	5,735,482	4,025,438
1 to 2 years	572,446	262,888
Over 2 years	80,348	97,688
Total	59,939,923	52,349,193

The trade receivables are denominated in RMB.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

19 Share capital

	Number of shares	Domestic shares with par value of RMB 1 per share	H Shares with par value of RMB 1 per share	Total
As at 1 January 2014 and 30 June 2014	2,568,293	1,574,284	994,009	2,568,293
	Number of shares	Domestic shares with par value of RMB 1 per share	H Shares with par value of RMB 1 per share	Total
At 1 January 2013	2,402,625	1,574,284	828,341	2,402,625
Issue of shares (i)	165,668	–	165,668	165,668
At 30 June 2013	2,568,293	1,574,284	994,009	2,568,293

Note:

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

20 Borrowings

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Non-current		
Bank borrowings	215,335	164,761
Borrowings from other financial institution (Note 28(ii))	131,600	–
Bond (i)	3,975,965	3,969,306
	4,322,900	4,134,067
Current		
Bank borrowings	18,907,214	15,547,786
Borrowings from other financial institution (Note 28(ii))	200,000	470,000
Bond (i)	2,995,876	4,989,490
	22,103,090	21,007,276
Total borrowings	26,425,990	25,141,343

Note:

- (i) On 11 May 2011, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000 thousands. After deduction of the expenses of approximately RMB18,840 thousands in relation to the bond offering, the total net proceeds was approximately RMB1,981,160 thousands. The bonds matured and were repaid on 12 May 2014.

On 19 August 2011, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB27,390 thousands in relation to the bond offering, the total net proceeds was approximately RMB2,972,610 thousands. The bonds mature three years from the issue date with no early redemption options, and the annual interest rate is 5.53%.

On 15 March 2013, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000 thousands (the “**Corporate Bonds**”), and Sinopharm Industrial Investment Co., Ltd. provided an unconditional and irrevocable guarantee with joint and several liability to the aggregate amount of the Corporate Bonds. The Corporate Bonds will expire on 13 March 2018, for a period of five years commencing from the issue date of 13 March 2013. The creditors enjoyed the right of early redemption at the end of the third year subsequent to the issue date, i.e. 13 March 2016. The annual interest rate of the Corporate Bonds for the first three years was fixed at 4.54%. The Company has the option to raise the interest rate at the end of the third year.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

20 Borrowings (continued)

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

	Borrowings from banks or other financial institution		Bond	
	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 1 year	19,107,214	16,017,786	2,995,876	4,989,490
Between 1 to 2 years	100,000	–	–	–
Between 2 to 5 years	246,935	164,761	3,975,965	3,969,306
Over 5 years	–	–	–	–
	19,454,149	16,182,547	6,971,841	8,958,796

Movements in borrowings are as follows:

Six months ended as at 30 June 2014 (Unaudited)

Opening balance as at 1 January 2014	25,141,343
Additions from acquisition of subsidiaries (Note 26)	3,700
Other increase in borrowings	19,161,387
Amortised bond issuance expense	13,045
Deductions from disposal of subsidiaries	(30,000)
Repayment of borrowings	(15,863,485)
Repayment of bond	(2,000,000)
Closing balance as at 30 June 2014	26,425,990

Six months ended 30 June 2013 (Unaudited)

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

Interest expense on borrowings and loans for the six months ended 30 June 2014 is approximately RMB715,566 thousands (For the six months ended 30 June 2013 (unaudited): RMB522,496 thousands) (Note 12).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

21 Deferred income tax

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Deferred income tax assets	498,907	455,519
Deferred income tax liabilities	(573,756)	(596,282)
Deferred income tax liability – net	(74,849)	(140,763)

The gross movements in the deferred income tax account are as follows:

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
At 1 January	(140,763)	(252,186)
Acquisition of subsidiaries (Note 26)	668	(25,799)
Disposal of a subsidiary	3,097	–
Credited to consolidated income statement (Note 13)	57,481	38,988
Tax credited relating to components of other comprehensive income	4,668	1,607
At 30 June	(74,849)	(237,390)

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

22 Post-employment benefit obligations

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

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

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Current service cost	2,240	2,234
Past service cost	5,698	577
Interest cost	11,525	8,798
Total expenses, included in staff costs	19,463	11,609

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	Present value of funded obligations	10,123
Fair value of plan assets	(23,223)	(17,227)
Surplus of funded plans	(13,100)	(7,499)
Present value of unfunded post-employment benefit obligations	526,787	506,248
Liability in the balance sheet	513,687	498,749

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

23 Other non-current liabilities

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Medical reserve funds (i)		
– general	366,174	350,732
– for 2009 H1N1 vaccines	68,407	68,407
Office relocation funds (ii)	42,388	64,021
Government grants for construction of logistic centers (iii)	52,799	47,075
Government grants for products development	64,708	61,395
Deferred revenue	152,310	155,481
Long-term payables for purchasing intangible assets	88,551	–
Others	28,776	24,372
	864,113	771,483

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

The Group will have to sell pharmaceutical products to specific customers at cost when there is any serious disaster, epidemic and other emergency, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. No fund was used to offset trade receivables during the period ended 30 June 2014 (31 December 2013: Nil). The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for the aforementioned use.

- (ii) Certain of the Group's subsidiaries received funds from local governments as compensation for losses arising from office relocation upon requests from local governments. Upon completion of the office relocation, such funds, after offsetting against actual losses arising from office relocation, will be recognised as other income. As at 30 June 2014, the directors expect that such office relocation will not be completed within one year and therefore, the balance is classified as other non-current liabilities.
- (iii) Certain of the Group's subsidiaries received funds from local governments as a subsidy for construction of logistic centers. As at 30 June 2014, the directors expect that such constructions will not be completed within one year and therefore, the balance is classified as other non-current liabilities.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

24 Trade payables

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts payable	38,516,371	33,863,118
Notes payable	10,084,631	10,324,993
	48,601,002	44,188,111

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Below 3 months	40,809,634	37,867,067
3 to 6 months	5,313,047	4,279,395
6 months to 1 year	1,694,578	1,378,044
1 to 2 years	401,476	401,810
Over 2 years	382,267	261,795
	48,601,002	44,188,111

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 classified as financing cash outflows.

During the six months ended 30 June 2014, accounts payable of RMB2,017,382 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2014, bank borrowings of RMB197,873 thousands arising from this program were not repaid.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

25 Transactions with non-controlling interests

(a) Acquisition of additional interest in subsidiaries

On 21 March 2014, the Company fulfilled the subscription for 74,482,543 new A shares 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). The shareholding of the Company in Sinopharm Accord increased from 38.33% to 51%.

During the period, the Company acquired 5% additional interests in Sinopharm Holding Hubei Co., Ltd. from non-controlling interests as follows:

Subsidiaries	Acquired interests Acquired %	Cash consideration
China National Accord Medicines Corporation Ltd.	12.67	914,966
Sinopharm Holding Hubei Co., Ltd.	5	57,074
		<hr/>
		972,040

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

	Effect on the total equity
Carrying amount of non-controlling interests acquired	273,705
Consideration paid	972,040
	<hr/>
Excess of consideration paid over the carrying amount acquired	698,335

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

25 Transactions with non-controlling interests (continued)

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

During the period, the Group transfers the equity interests in Sinopharm Holding Mudanjiang Co., Ltd. without loss of control.

The effect of changes in the equity interest of the above entity on the equity of the Group during the year is summarized as follows:

	Effect on the total equity
Carrying amount of non-controlling interests disposed	3,893
Consideration received	3,675
Loss on disposal within equity	218

(c) Effects of transactions with non-controlling interests on the total equity for the period ended 30 June 2014

	Effect on the total equity
Changes in total equity arising from:	
– acquisition of additional interest in a subsidiary	698,335
– disposal of interest in a subsidiary without loss of control	218
Net effect for transactions with non-controlling interests on total equity	698,553

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

26 Business combinations

Business combinations not under common control

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

Subsidiaries acquired	Acquisition date	Acquired interests
Sinopharm Holding Qiandongnan Medical Co.,Ltd.	January, 2014	70%
Sinopharm Holding Chongqing Taimin Medical Co.,Ltd.	January, 2014	60%
Sinopharm Holding Shantou Co.,Ltd.	February, 2014	70%
Sinopharm Holding Rizhao Co.,Ltd.	February, 2014	80%
Tianjin Bookcom Shengjia Drugstore Co.,Ltd.	March, 2014	100%
Sinopharm Holding Biopharmaceutical (Tianjin) Co.,Ltd.	March, 2014	70%

The acquisition dates are also the dates on which the Group effectively obtains the rights to control these entities.

The effects of the acquisitions during the period are summarised as follow:

Purchase consideration	
– Cash paid	21,407
– Consideration payable	5,243
– Contingent consideration (Note (i))	1,200
Total purchase consideration	27,850

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

26 Business combinations (continued)

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 values at acquisition date	Acquirees' carrying amounts at acquisition date
Cash and cash equivalents	15,552	15,552
Property, plant and equipment	4,476	4,476
Deferred income tax assets	668	668
Inventories	13,544	13,544
Trade and other receivables	59,355	59,355
Trade and other payables	(68,757)	(68,757)
Borrowings	(3,700)	(3,700)
Net assets	21,138	21,138
Non-controlling interest (Note (ii))	(6,571)	
Goodwill	13,283	
Net assets acquired	27,850	
Consideration for acquisitions settled in cash	21,407	
Prepayments for the acquisition in 2013	(2,247)	
Cash consideration paid in six-month period ended 30 June 2014	19,160	
Cash and cash equivalents in subsidiaries acquired	(15,552)	
Cash outflow on acquisition	3,608	

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

26 Business combinations (continued)

Business combinations not under common control (continued)

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

Notes:

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB1,200 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB1,200 thousands. As at 30 June 2014, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interest

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

(iii) The revenue, net profit attributable to shareholders of the Company of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2014 are summarized as follows:

	From acquisition date to 30 June 2014 (Unaudited)
Revenue	110,365
Net profit attributable to shareholders of the Company	620

(iv) The related acquisition cost is immaterial.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

27 Commitments

(a) Capital commitments

Capital commitments at balance sheet date are as follows:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Property, plant and equipment: – contracted but not provided for	364,389	310,073
Acquisition of equity interests – contracted but not provided for	134,120	24,320
	498,509	334,393

(b) Operating lease commitments

(i) The Group is the lessee:

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 1 year	451,434	408,722
Later than 1 year and not later than 5 years	768,432	697,367
Later than 5 years	207,107	216,641
	1,426,973	1,322,730

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 the specified periods.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

27 Commitments (continued)

(b) Operating lease commitments (continued)

(ii) The Group is the lessor:

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 1 year	41,516	42,544
Later than 1 year and not later than 5 years	85,090	77,768
Later than 5 years	7,866	8,401
	134,472	128,713

28 Significant related party transactions

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

28 Significant related party transactions (continued)

(i) Significant transactions with related parties

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
<i>Significant transactions with related parties except for other state-owned enterprises</i>		
CNPGC and subsidiaries of CNPGC		
Sale of goods	363,980	286,902
Purchase of goods	842,782	891,452
Rental	547	395
Interest expenses	21,620	18,846
Borrowings	351,600	318,000
Notes receivable discount	816,877	486,165
Associates of the Group		
Sale of goods	159,053	128,097
Purchase of goods	621,140	527,842
Associates of CNPGC		
Sale of goods	964	32
Purchase of goods	575,295	420,880
The subsidiaries of entity which has significant influence over the Company		
Sale of goods	76,709	63,099
Purchase of goods	324,894	254,388

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

28 Significant related party transactions (continued)

(ii) Significant balances with related parties

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
<i>Significant balances with related parties except for other state-owned enterprises</i>		
CNPGC and subsidiaries of CNPGC		
Cash in other financial institution	428,033	672,483
Trade receivables	261,668	180,619
Other receivables	2,993	2,697
Prepayments	87,704	122,328
Trade payables	270,089	215,580
Other payables	22,345	22,125
Advance	30	1,493
Borrowings	331,600	470,000
Associates of the Group		
Trade receivables	34,539	28,462
Other receivables	148	882
Prepayments	1,351	351
Trade payables	450,553	412,034
Other payables	90,000	90,186
Associates of CNPGC		
Trade receivables	555	4,549
Other receivables	6	–
Prepayments	3,471	12,043
Trade payables	152,740	100,924
Advance	453	3
The subsidiaries of entity which has significant influence over the Company		
Trade receivables	47,221	42,330
Other receivables	477	197
Prepayments	1,900	678
Trade payables	177,402	182,952
Other payables	1	1
Advance	1	–

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

29 Material subsequent events

On 12 August 2014, the Company completed the issuance of the first tranche of the super commercial papers with an aggregate nominal value of RMB3,000,000 thousands. The super commercial papers will expire on 9 May 2015, for a period of 270 days commencing from the issue date of 12 August 2014.

On 30 July 2014 and 15 August 2014, the Company signed agreements with Sichuan Industrial Revitalization & Development Investment Fund Co., Ltd. and Sichuan Furun Corporate Restructuring & Investment Co., Ltd. on the acquisitions of 17.5% and 14% interests in Sichuan Medicine Co., Ltd., a non wholly-owned subsidiary of Sinopharm Sichuan Medicine Group Co., Ltd. and considerations for these acquisitions amounted to RMB253,113 thousands and 202,490 thousands, respectively.

On 18 August 2014, the Company signed an agreement with CNPGC on the acquisition of 66% interests in Sinopharm Sichuan Medicine Group Co., Ltd. and the consideration for the acquisition amounted to RMB472,000 thousands.

On 22 August 2014, bonds at a total par value of RMB3,000,000 thousands matured and were repaid by the Company.

30 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation for the six-month period ended 30 June 2014.