



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

Annual Report 2014

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



Company Profile

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

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

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

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

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

Corporate
philosophy

Caring for life Attending to health

Corporate
vision

**Becoming a pharmaceutical and
healthcare service provider with
international competitiveness**

Corporate
mission

**Contributing to human
health and good life**

Core value

Benevolence and responsibility

Contents

2	Corporate Information	74	Corporate Social Responsibility
4	Financial Highlights	77	Independent Auditor's Report
8	Chairman's Statement	79	Consolidated Income Statement
12	Shareholding Structure of the Group	80	Consolidated Statement of Comprehensive Income
13	Management Discussion and Analysis	81	Consolidated Balance Sheet
23	Corporate Governance Report	83	Company Balance Sheet
39	Biographies of Directors, Supervisors and Senior Management	85	Consolidated Statement of Changes in Equity
53	Report of the Board of Directors	86	Consolidated Cash Flow Statement
72	Report of the Supervisory Committee	88	Notes to the Consolidated Financial Statements

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. Li Yuhua (*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*)
Ms. Li Ling (*Independent Non-executive Director*)
Mr. Yu Tze Shan Hailson
(*Independent Non-executive Director*)
Mr. Lyu Changjiang
(*Independent Non-executive Director*)
Mr. Tan Wee Seng
(*Independent Non-executive Director*)
Mr. Liu Zhengdong
(*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. Li Yuhua
Mr. Zhou Bin
Mr. Li Dongjiu
Ms. Li Ling
Mr. Tan Wee Seng

AUDIT COMMITTEE

Mr. Lyu Changjiang (*Chairman*)
Mr. Deng Jindong
Mr. Li Dongjiu
Mr. Tan Wee Seng
Mr. Liu Zhengdong

REMUNERATION COMMITTEE

Mr. Tan Wee Seng (*Chairman*)
Mr. Zhou Bin
Mr. Liu Hailiang
Mr. Lyu Changjiang
Mr. Liu Zhengdong

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Wei Yulin
Mr. Ma Wanjun

LEGAL ADVISERS

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

As to PRC law:
Beijing Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 Road (West)
Changning District
Shanghai 200051, the PRC

REGISTERED OFFICE IN THE PRC

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

COMPANY'S WEBSITE

www.sinopharmgroup.com.cn

H SHARE REGISTRAR

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

STOCK CODE

01099

PRINCIPAL BANKS

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

OFFICE OF BOARD OF DIRECTORS

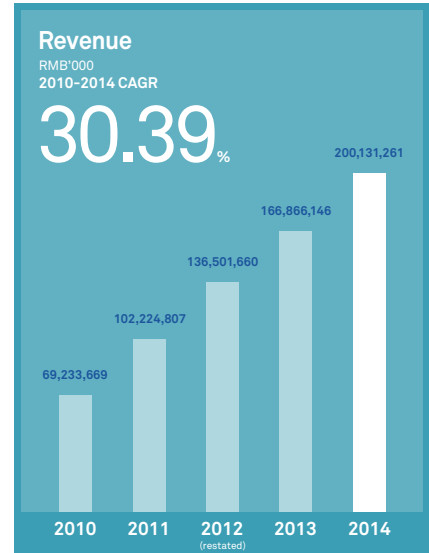
Tel: (+86 21) 2305 2666
Email: ir@sinopharm.com

Financial Highlights

RMB'000

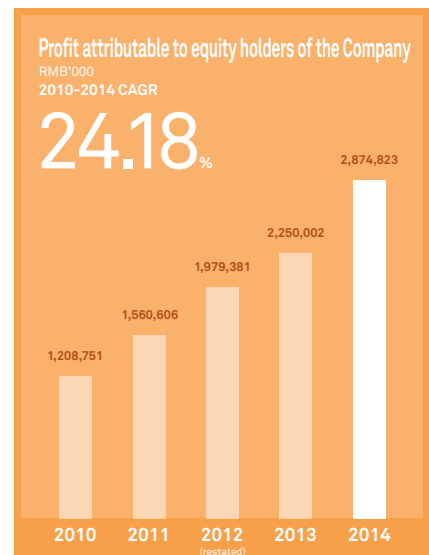
	2010-2014					
	2010	2011	2012	2012 (restated)	2013	2014
Operating results						
Revenue	69,233,669	102,224,807	135,786,836	136,501,660	166,866,146	200,131,261
Gross profit	5,835,870	8,354,697	10,942,598	10,987,624	13,378,516	16,328,218
Operating profit	2,408,815	3,636,216	4,863,347	4,868,904	6,101,920	7,861,922
Earnings before interest and tax	2,670,204	3,945,605	5,285,867	5,291,329	6,280,874	8,063,294
Profit attributable to equity holders of the Company	1,208,751	1,560,606	1,973,823	1,979,381	2,250,002	2,874,823
Profitability						
Gross margin	8.43%	8.17%	8.06%	8.05%	8.02%	8.16%
Operating margin	3.48%	3.56%	3.58%	3.57%	3.66%	3.93%
Net profit margin	1.75%	2.35%	2.27%	2.26%	2.15%	2.27%
Asset status						
Total assets	42,014,480	67,627,852	79,847,109	81,127,223	105,453,110	128,655,739
Equity attributable to equity holders of the Company	11,711,138	15,673,849	17,078,291	17,283,745	21,815,546	27,381,867
Total liabilities	27,295,400	47,239,766	57,103,908	58,178,568	76,841,760	92,366,110
Cash and cash equivalents	7,474,698	13,091,012	9,721,992	9,801,502	14,001,962	15,232,356
Gearing ratio	64.97%	69.85%	71.52%	71.71%	72.87%	71.79%
Liquidity ratio						
Current ratio (times)	1.68	1.40	1.32	1.31	1.27	1.28
Inventory turnover ratio (days)	37	38	38	38	36	36
Trade receivables turnover ratio (days)	78	78	86	86	98	107
Trade payables turnover ratio (days)	97	90	88	88	91	95
Data per share (RMB)						
Earnings per share – Basic	0.53	0.66	0.82	0.82	0.89	1.11
Earnings per share – Fully diluted	0.53	0.66	0.82	0.82	0.89	1.11

Revenue over
RMB200.0 billion
 Year-on-year growth of **19.9%**



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

28.4%



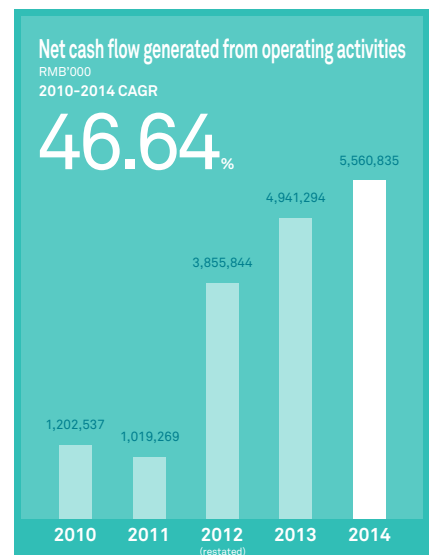
Year-on-year increase in
 profit attributable to equity holders of
 the Company of

27.8%

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

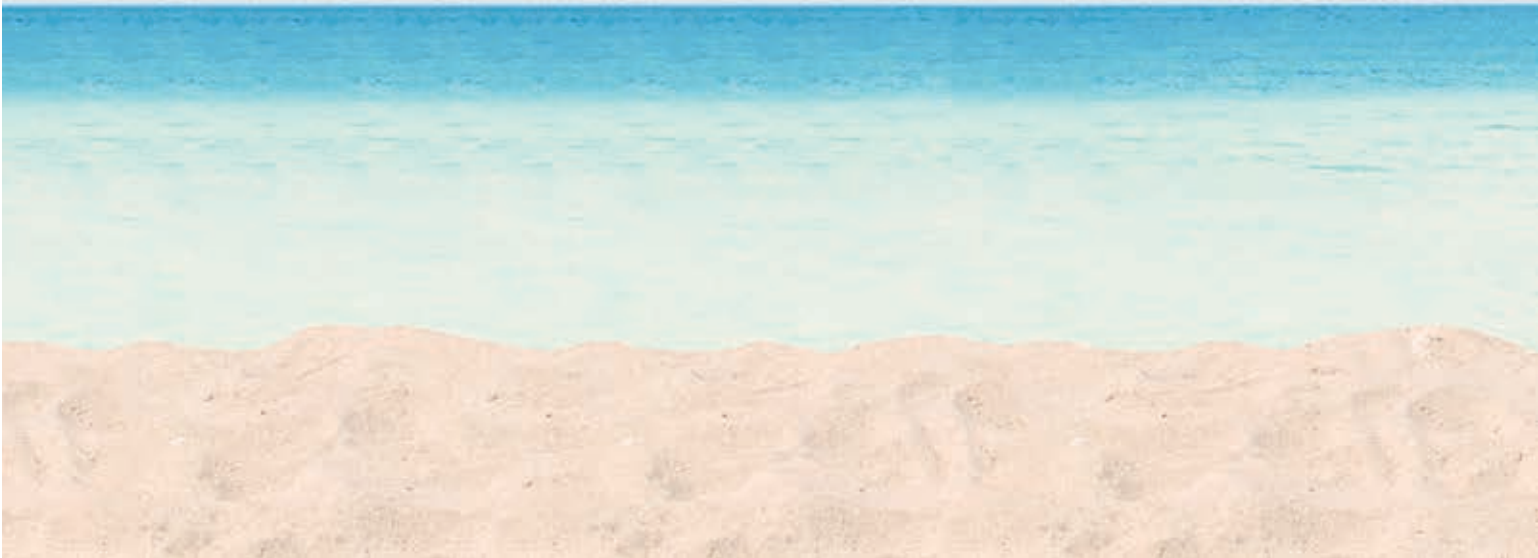
Year-on-year growth in
 earnings per
 share of

24.7%



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

12.5%



Caring for

Life Attending to Health

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



Chairman's Statement



Wei Yulin
Chairman
Executive Director

DEAR SHAREHOLDERS,

I would like to express my heartfelt gratitude to the shareholders and the community for your great support and encouragement to Sinopharm Group over time. The year of 2014 was an important year of bold development and positive transformation for Sinopharm Group. The Board, the management and all the staff reattribute to the shareholders with sustained and stable growth in results again for their support and caring for the growth of the Company.

SUSTAINED AND STABLE GROWTH IN RESULTS

During the Reporting Period, the Group recorded a revenue of RMB200,131.26 million, representing an increase of RMB33,265.11 million or 19.94% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,551.57 million, representing an increase of RMB971.86 million or 27.15% as compared with the corresponding period of last year. Profit attributable to shareholders of the Company amounted to RMB2,874.82 million, representing an increase of RMB624.82 million or 27.77% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company amounted to RMB1.11, representing an increase of 24.72% as compared with the corresponding period of last year.

Compared to 2013, total assets of the Group increased from RMB105,453.11 million to RMB128,655.74 million, net assets increased from RMB28,611.35 million to RMB36,289.63 million, and gearing ratio decreased from 72.87% to 71.79%.

For the year of 2014, total capital expenditure of the Group amounted to RMB2,904.17 million, which was primarily used for the expansion and development of distribution channels, upgrading the logistics delivery system and improving the level of informatization, so as to increase the Group's market share and improve delivery efficiency.

ENTERING INTO NEW NORMAL ECONOMY AND CONTINUOUS DEEPENING OF HEALTHCARE REFORM

In 2014, with the slowdown of the growth rate of Chinese economy, fading of industry policy dividend and deepening of new healthcare reform, the development of China's pharmaceutical industry has obviously "shifted gear" into a period of medium-high growth. The adjustment of economic structure and the change of development model also promoted the traditional pharmaceutical industry to

transform and upgrade itself to the more extensive “healthcare service industry”. Meanwhile, China’s pharmaceutical and healthcare system reform was continuously deepened by adhering to the basic principle of “maintaining basic coverage of medical insurance and healthcare services, enhancing primary healthcare services and establishing strong healthcare institutions”, towards the direction of “better insurance, innovative services and regulated drugs”.

In 2014, the pharmaceutical distribution industry saw a sustained rigid demand and recorded a stable yet slower growth rate in sales and profit. The industry competition structure showed little change while the industry concentration ratio continued to increase. However, the whole industry is still facing challenges from policies, payment collection and working capital, etc.

PROSPECTS

2015 will be a crucial year for China to comprehensively deepen reforms and make major adjustments, and will also see that China’s new normal economy enters into a crucial stage in all respects.

In 2015, the pharmaceutical and healthcare industry will maintain a slower yet stable growth rate. The whole industry will not only benefit from the country’s aging population and urbanization as well as the continuous deepening of healthcare reform, but will also enjoy business opportunities brought by innovative business models, which will drive the future growth in pharmaceutical and healthcare industry.

As the largest and most powerful pharmaceutical distributor, Sinopharm Group will move forward in keeping with “the new normal” development of the pharmaceutical and healthcare industry. In addition to focusing on hospital end market and retail end market, it will make bold investment into and conduct exploration of innovative business models arising from the pharmaceutical and healthcare industry while leveraging existing advantages in its pharmaceutical network, so as to develop business models which will be fit for China’s pharmaceutical and healthcare industry and characteristics of the Company.

In 2015, Sinopharm Group will continue to explore the integration of the internet thinking with traditional business, so as to establish a new resource-flow, connective and communicated service model for its internal traditional businesses. By taking various approaches including further consolidating its industry chain and industry resources, enhancing supply chain service value, establishing a unified marketing and service platform, accelerating marketing innovations toward internet, as well as setting up a professional big data center, the Company will be able to gradually transform itself from a traditional distributor into an innovative service provider.

In July 2014, the State-owned Assets Supervision and Administration Commission officially launched its mixed ownership pilot reform and appointed the Company and eight of its subsidiaries as the first batch of pilot enterprises of the reform, which attracted much attention. In 2015, the Company will continue to capitalize on the opportunity of this reform to fully leverage its existing advantages in terms of management, talents and business strength, further improve corporate governance, continuously stimulate corporate vitality and enhance core competitiveness, with a view to achieving a long-term healthy development as well as enhancing corporate value.

Finally, I would like to express heartfelt gratitude to all the shareholders, directors, strategic partners, members of management of the Company and all my fellow colleagues. Let us make great efforts hand in hand to help Sinopharm Group leap from outstanding to excellent and transform from a traditional pharmaceutical distribution company to an innovative service provider.

Wei Yulin
Chairman

Shanghai, the People’s Republic of China
20 March 2015

Most

Powerful


Best

Partner

Most

Reliable

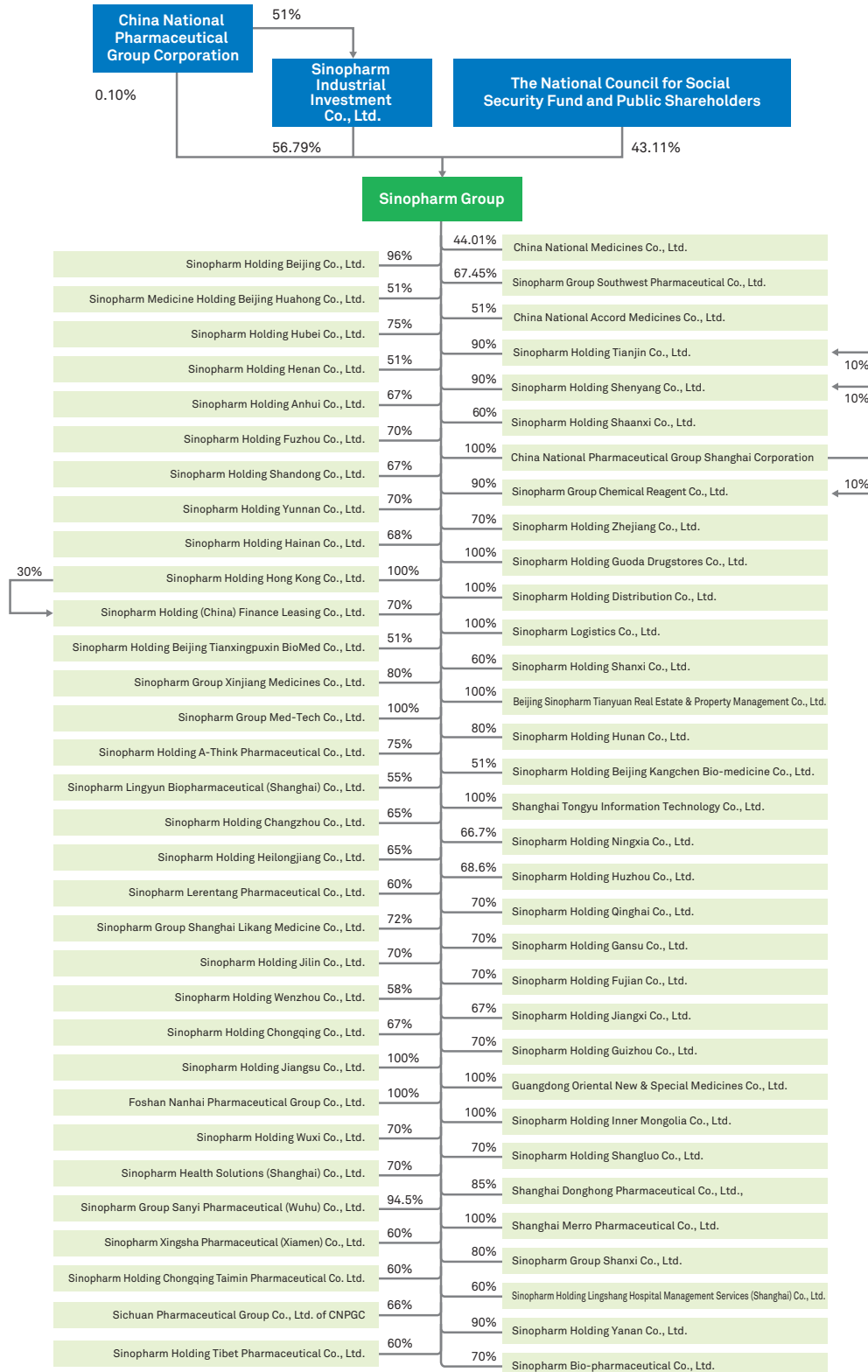




Deliver health, Benefit common people
Sinopharm Group believes that: “a company’s development is closely related with people’s livelihood. The pioneering quality and professional concept will enable it to develop the health industry together with the community and create and realize superior corporate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

Shareholding Structure of the Group

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



Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2014, the China's economic development has entered into the new normal. Through comprehensive deepening of reforms and continuous adjustment of industry structure, China's economic growth changed from a high rate into a medium-high rate, and "enhancing quality and benefit of economic development" became the new developing idea. Facing the complex and rigorous economic environment both in China and abroad, the macro economy growth slowed down with the annual GDP growth rate dropping to 7.4% compared with the corresponding period of last year. The economy was still under a great downward pressure due to various interweaving contradictions arising from economic operation.

With the slowdown of the growth rate of China's economy, fading of industry policy dividend and deepening of new healthcare reforms, China's pharmaceutical industry has obviously "shifted gear" into a period of medium-high growth. However, for the long run, the adjustment of economic structure and the change of development model have promoted the traditional pharmaceutical industry to transform and upgrade itself to the more extensive "healthcare service industry", which is experiencing continuous expansion into a new economic growth point of the state in line with urbanization and aging process.

In 2014, China's healthcare system reform was continuously deepened by adhering to the basic principle of "maintaining basic coverage of medical insurance and healthcare services, enhancing primary healthcare services and establishing strong healthcare institutions", towards the direction of "better insurance, innovative services and regulated drugs" in respect of "medical insurance, medical services and medicine systems". New reform policies and consultation papers on more in-depth conflicts and mechanisms in the industry were introduced, guiding the "market" to play a more important role in rationalizing operation mechanisms, standardizing industry practices and strengthening the safeguarding of people's livelihood.

- In respect of medical insurance, the primary medical insurance system construction has proved highly effective with its scope and depth greatly improved and its primary target of "low cost, wide coverage" has been basically met. Nevertheless, a wider coverage means a wide payment pressure on insurance funds across the country, and therefore reforms of insurance payment systems were gradually placed on the agenda. Furthermore, the commercial health insurance will speed up its development in order to connect and complement primary medical insurance.



Li Zhiming
President
Executive Director



Management Discussion and Analysis

- In respect of medical services, the reform of public hospital was deepening. Focusing on supply and demand contradiction in the medical service industry, the government on one hand encouraged multi-site practice for doctors and transform them from “the institutional people” to “the social people”, with a view to unlock core resources of medical services; and on the other hand facilitated participation of social capital to increase supply and improve efficiency of medical services. It also accelerated the reform of public hospitals at county level to improve primary healthcare services and classified treatment system.
- In respect of medicine systems, “marketization” has become the main direction of the drug price reform. While suppressing unreasonable high prices, the government ensured the supply of lower price drugs, deregulated prices, and made in-depth adjustment of insurance payment methods and tender policies, so as to facilitate the development of a normal market competition mechanism that is able to guide the market to rationalize drug prices.

In 2014, the pharmaceutical distribution industry saw a sustained rigid demand and recorded a stable yet slower growth rate in sales and profit. The benefits of industry structure adjustment have gradually surfaced with improved industry concentration ratio and distribution efficiency. However, the whole industry was still facing pressures and challenges from policies, payment collection and working capital, etc.

China’s pharmaceutical industry faces a complex policy environment and fierce competition structure at the moment. Deep level tensions and future uncertainties, ranging from drug tendering, medical insurance fee control, medical investment, medical e-commerce activities and anti-commercial bribery, manifest themselves in not only tough challenges but also transformative opportunities for upstream and downstream businesses. Meanwhile, a homogeneous market competition structure will force the pharmaceutical distribution industry into an era for comprehensive upgrading of comprehensive competitiveness. Innovation in business models 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, our competitors and our own capacities, and to continuously explore new frontiers in strategic planning and execution. We believe that, only by further excavating corporate intrinsic value according to market development trends and constantly improving our talent strength, management level and technical capacity with innovative thinking, can we adapt to the future development trend.

BUSINESS REVIEW

In 2014, faced with the complex market environment, the Group remained steadfast with the development theme of “Mixed ownership fuels growth, Efficiency creates value, Innovation wins the future” and recorded a milestone sales of over RMB200 billion. At the same time, the Group’s development model initially shifted from a “scale-oriented” model to an “efficiency-oriented” model, which improved development quality, deepened platform and resources integration and unleashed the effects of economic scale, resulting in a substantially faster growth rate in profit than in sales. The Group also proactively pursued new development opportunities and pushed forward business innovations, and led the industry development, so as to enhance its corporate value.

Management Discussion and Analysis

In respect of pharmaceuticals distribution, the Group has established an integrated pharmaceutical supply chain with an advanced supply chain management model, adjusted its product structure steadily, continuously optimized its customer structure as well as expanded and consolidated its nation-wide distribution networks, further focused on penetration at lower tier cities, with a view to deeply excavating value of network at lower tier levels. As at 31 December 2014, the distribution network under the Group has covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers includes 12,264 hospitals (only referring to nationally ranked hospitals, including 1,718 largest class-three hospitals with the highest rankings), 94,616 primary healthcare institutions, 61,761 retail pharmacies and 7,796 other customers (such as pharmaceutical distributors).

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 a nation-wide pharmaceutical distribution network containing 4 logistics hubs, 42 provincial logistics centers, 149 municipal level logistics stations, 21 pharmaceutical retail logistics stations with a sum of 216 logistics stations. The Group accelerated the establishment of cloud-based servicing platform of smart supply chain, aiming to provide safe, accessible, visible, and efficient logistics services. It also promoted the network operation on multiple-warehouses and temperature-controlled transportation. It strived to establish a professional distribution logistics network and delivery logistics network based on a two-and-a-half tiers network comprised of logistics centers, delivery centers and delivery stations, enabling in-depth coverage of the pharmaceutical logistics network across China. In order to promote the national establishment of standardized systems in four dimensions namely logistics technology, management, service and operation, the Group has established the Sinopharm Logistics Standard and Technology Management Committee, which has published more than 50 logistics standards in total to build a regulated, centralized and standardized logistics service brand of Sinopharm Group.

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail pharmaceutical distribution format, the Group has positively promoted retail development and reinforced its leading position. The Group has set up a network of retail chain pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 31 December 2014, Sinopharm Holding Guoda Drugstores Co., Ltd. ("**Guoda Drugstores**") owned 2,096 retail pharmacies, among which 1,747 were directly operated by the Group and 349 were operated by franchisees, and ranked No. 1 in the industry by sales. Other subsidiaries of the Group in the distribution business owned 264 retail pharmacies. Under the strategy to focus on the development of retail business, Guoda Drugstores further expanded the Company's retail network by entering into an agreement in respect of acquiring Shanghai For Me Yixing Pharmacy Chain-Store Company Limited and Beijing Golden Elephant Pharmacy Medicine Chain Company Limited in December 2014, which owned 634 pharmacies as at 31 December 2014.



Management Discussion and Analysis

In 2014, upholding the development strategy of “focusing on core business and innovation while diversifying related business”, the Group vigorously promoted marketing transformation by leveraging the advantages of its distribution platforms, and further explored innovative marketing service models through Betaloc pilot projects. The Group promoted the integration of its traditional business with internet thinking to keep up with the internet trend through consolidating For Me Pharmacy’s daoyao.com and setting up a connection and communication platform. The Group developed supply chain finance service and financing lease business to incorporate the new thinking of “industry-finance integration” into the Company’s new transformation ideal, so as to strengthen its supply chain competitiveness. Furthermore, the Company sought to steadily develop O2O pharmaceutical business, apply the Internet of Things in its supply chain outsourcing service solutions for hospitals and gradually develop innovative business such as PBM. Besides, the Group further enhanced the profitability of its pharmaceutical manufacturing segment and expanded the network of its medical equipment business through platforms of the Company, as well as made the first step in investing in the healthcare service sector.

FUTURE PLAN

Throughout changes in the policy environment and competition pattern of the pharmaceutical market in China, and given that mergers and acquisitions are accelerating and the industry concentration ratio is rising, the theme for competitive development of the pharmaceutical distributors in the future will be concentrated on, among others, scale, platforms, efficiency, services, innovation and brand.

Against this environment, the Group will continuously adhere to its guiding principle of “System Innovation, Efficiency Enhancement and Steady Development”, strengthen its major business of distribution, and vigorously develop its retail business and a diverse business format. The Group will improve management efficiency, network value excavation and operational quality, develop innovative business models and internationalized strategies, strengthen market value management, promote comprehensive innovation with a focus on internet development, as well as enhance compliance operation, so as to achieve a healthy and sustainable development. The Group will accelerate the transformation from traditional distribution to modern service through intensive operation and integrated service. It will provide a more comprehensive product variety, wider business coverage and more professional services so as to provide a solid foundation for the establishment of the largest pharmaceutical healthcare service platform.

Looking forward, the management has confidence in grasping the opportunity of in-depth promotion of the mixed ownership reform and leading the Group to evolve into a pharmaceutical and healthcare service provider with international competitiveness by enhancing efficiency and effectiveness, promoting “innovative transformation and value creation” as to keep abreast of the new normal, create new value and leap from outstanding to excellent.

FINANCIAL SUMMARY

The financial summary set out below is extracted from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the HKFRS:

During the Reporting Period, the Group recorded a revenue of RMB200,131.26 million, representing an increase of RMB33,265.11 million or 19.94% as compared with the corresponding period of last year, of which revenue from the distribution business was RMB191,467.90 million, representing an increase of RMB32,495.38 million or 20.44% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,551.57 million, representing an increase of RMB971.86 million or 27.15% as compared with the corresponding period of last year. Profit attributable to equity holders of the Company was RMB2,874.82 million, representing an increase of RMB624.82 million or 27.77% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company was RMB1.11, representing an increase of 24.72% as compared with the corresponding period of last year.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB200,131.26 million, representing an increase of 19.94% as compared with RMB166,866.15 million for the twelve months ended 31 December 2013, which was primarily due to the increase in revenue from the Group's pharmaceutical distribution and retail pharmacy business. The Group's revenue grows faster than the average level of development of pharmaceutical market in China.

- **Pharmaceutical Distribution:** During the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB191,467.90 million, representing an increase of 20.44% as compared with RMB158,972.52 million for the twelve months ended 31 December 2013, which accounted for 94.87% of the total revenue of the Group. Such increase was primarily due to a remarkable growth in the pharmaceutical distribution business and the further expansion of the pharmaceutical distribution network of the Group.
- **Retail Pharmacy:** During the Reporting Period, the revenue from retail pharmacy of the Group was RMB5,904.16 million, representing an increase of 22.16% as compared with RMB4,833.15 million for the twelve months ended 31 December 2013. The increase was primarily due to the business growth of the Group's existing pharmacies and the expansion of retail pharmacy network.
- **Other Business:** During the Reporting Period, revenue from other business of the Group was RMB4,451.62 million, representing a decrease of 0.98% as compared with RMB4,495.51 million for the twelve months ended 31 December 2013.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB183,803.04 million, representing an increase of 19.75% as compared with RMB153,487.63 million for the twelve months ended 31 December 2013. The increase was primarily due to the increase in the sales revenue of the Group.



Management Discussion and Analysis

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB16,328.22 million, representing an increase of 22.05% as compared with RMB13,378.52 million for the twelve months ended 31 December 2013. The gross profit margin of the Group for the twelve months ended 31 December 2013 and 2014 were 8.02% and 8.16%, respectively.

Other Income

During the Reporting Period, other income of the Group was RMB204.02 million, representing a decrease of 29.39% as compared with RMB288.94 million for the twelve months ended 31 December 2013. The decrease was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB5,122.85 million, representing an increase of 14.51% as compared with RMB4,473.77 million for the twelve months ended 31 December 2013. The increase in distribution and selling expenses was primarily attributable to the enlarged operation scale of the Group, business development and the expansion of distribution network through new set-ups and acquisitions of companies and businesses, etc.

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB3,547.47 million, representing an increase of 14.74% as compared with RMB3,091.76 million for the twelve months ended 31 December 2013. The increase in general and administrative expenses was primarily attributable to the increase in administrative costs incurred by the expansion of network scale and business growth of the Group.

In 2014, the proportion of the Group's general and administrative expenses to the total revenue of the Group decreased to 1.77% from 1.85% for the twelve months ended 31 December 2013, which reflected the implementation of cost control measures and the economies of scale of the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB7,861.92 million, representing an increase of 28.84% from RMB6,101.92 million for the twelve months ended 31 December 2013.

Other Gains – Net

The other net gains of the Group less other losses decreased from RMB40.20 million for the twelve months ended 31 December 2013 to RMB38.73 million for the corresponding period in 2014. The decrease was primarily due to the decrease of the income from disposal of land use rights and property by the Group.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB2,128.69 million, representing an increase of 28.21% as compared with RMB1,660.37 million for the twelve months ended 31 December 2013. The increase was primarily due to the increase in financing scale brought about by the business growth of the Group.

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB162.64 million, representing an increase of 17.21% as compared with RMB138.76 million for the twelve months ended 31 December 2013.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB1,383.03 million, representing an increase of RMB342.24 million as compared with RMB1,040.79 million for the twelve months ended 31 December 2013. The increase was primarily due to the increase in profits of the Group, which led to a corresponding increase in income tax expenses. The Group's effective income tax rate increased to 23.30% during the Reporting Period from 22.53% for the twelve months ended 31 December 2013.

Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2014 was RMB4,551.57 million, representing an increase of 27.15% as compared with RMB3,579.71 million for the twelve months ended 31 December 2013. The profit margin of the Group for the twelve months ended 31 December 2013 and 2014 were 2.15% and 2.27%, respectively.

Profit Attributable to Shareholders of the Company

During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB2,874.82 million, representing an increase of 27.77% or RMB624.82 million from RMB2,250.00 million for the twelve months ended 31 December 2013. The Group's net profit margin for the Reporting Period and the corresponding period of 2013 were 1.44% and 1.35%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,676.75 million, representing an increase of RMB347.04 million from RMB1,329.71 million for the twelve months ended 31 December 2013.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB78,878 million, of which approximately RMB45,814 million were not yet utilized. Cash and cash equivalents of RMB15,232.36 million primarily comprise cash, bank savings and income from current operating activities.

Management Discussion and Analysis

Cash flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2013 and 2014, respectively:

	2014 RMB million	2013 RMB million
Net cash generated from operating activities	5,560.84	4,941.29
Net cash used in investing activities	(4,357.57)	(4,066.37)
Net cash generated from financing activities	22.03	3,408.73
Net increase in cash and cash equivalents	1,225.30	4,283.65
Cash and cash equivalents at the beginning of the year	14,001.96	9,801.50
Exchange gains and losses	5.10	(83.19)
Cash and cash equivalents at the end of the year	15,232.36	14,001.96

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB5,560.84 million, representing an increase of RMB619.55 million from RMB4,941.29 million for the twelve months ended 31 December 2013. The increase was primarily attributed to the enhancement of the management and control of collections and payments of trade receivables in the Group's business operation.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB4,357.57 million, representing an increase of RMB291.20 million as compared with RMB4,066.37 million for the twelve months ended 31 December 2013.

Net cash generated from financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB22.03 million, which was primarily attributable to the receipt of equity financing funds and the repayment of due debts. The net cash generated from financing activities of the Group for the twelve months ended 31 December 2013 was RMB3,408.73 million.

Capital Expenditure

The Group's capital expenditures are primarily utilized for the development and expansion of distribution channels, the upgrading of its logistics delivery systems and the improving of the level of informatization. The Group's capital expenditures amounted to RMB2,013.17 million and RMB2,904.17 million for the year ended 31 December 2013 and the Reporting Period, respectively.

Management Discussion and Analysis

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

Capital Structure

Fiscal resources

During the reporting period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The proceeds received by the Group from the placing of H shares of the Company amounted to approximately RMB4,400 million in the form of cash denominated in Hong Kong dollars ("HKD"). Through issuance of the super short-term commercial paper, the Group obtained approximately RMB6,000 million for the purpose of replenishing working capital, facilitating the adjustment of the debt structure of the Group and reducing financing costs.

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

As at 31 December 2014, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in HKD and small amount denominated in USD and Euro ("EUR").

Indebtedness

As at 31 December 2014, the Group had aggregate banking facilities of RMB78,878 million, of which RMB45,814 million were not utilized and are available to be drawn down. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2014, RMB25,232.85 million will be due within one year and RMB4,222.60 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As at 31 December 2014, the Group's gearing ratio was 71.79% (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 31 December 2014.

Foreign Exchange Risks

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



Management Discussion and Analysis

Pledge of Assets

As at 31 December 2014, part of the Group's bank borrowings was secured by land use rights with book value of RMB46.28 million, investment properties with book value of RMB21.26 million, properties, plant and equipment with book value of RMB79.76 million and trade receivables with book value of RMB2,524.56 million.

Major Acquisitions and Disposals

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

Major Investment

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

Going Concern

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

Contingent Liabilities and Material Litigations

As at 31 December 2014, the Group neither had any material contingent liability, nor had any material litigation.

Human Resources

As at 31 December 2014, the Group had a total of 50,099 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.

Corporate Governance Report

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

COMPOSITION OF THE BOARD

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

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

MAJOR RESPONSIBILITIES OF THE BOARD

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

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



Corporate Governance Report

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

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

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (1) On 6 January 2014, the resolution in respect of the appointment of Mr. Li Zhiming as an executive Director of the Second Session of the Board for a term from 6 January 2014 to 20 September 2014 was considered and approved at the 2014 first extraordinary general meeting;
- (2) On 16 September 2014, the resolution in respect of the re-election upon expiry of the Second Session of the Board, i.e. i) re-election of Mr. Wei Yulin and Mr. Li Zhiming as executive Directors of the Third Session of the Board; ii) re-election of Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Zhou Bin, Mr. Deng Jindong, Mr. Li Dongjiu and Mr. Liu Hailiang as non-executive Directors of the Third Session of the Board, appointment of Mr. Li Yuhua as new non-executive Director of the Third Session of the Board and retirement of Mr. Wang Fucheng, non-executive Director of the Second Session of the Board, upon expiration of his term of office on 20 September 2014; iii) re-election of Ms. Li Ling as independent non-executive Director of the Third Session of the Board, appointment of Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong as new independent non-executive Directors of the Third Session of the Board and retirement of Mr. Wang Fanghua, Mr. Xie Rong, Mr. Tao Wuping and Mr. Zhou Bajun, independent non-executive Directors of the Second Session of the Board, upon expiration of their terms of office on 20 September 2014, was considered and approved at the 2014 third extraordinary general meeting. The terms of office of the members of the Third Session of the Board commenced from 21 September 2014 until 20 September 2017.

On 16 September 2014, the resolution in respect of the re-election upon expiry of the Second Session of the Supervisory Committee, i.e. re-election of Mr. Yao Fang and Mr. Lian Wanyong as shareholder representative Supervisors of the Third Session of the Supervisory Committee, was considered and approved at the 2014 third extraordinary general meeting. The term of office of the shareholder representative Supervisors of the Third Session of the Supervisory Committee commenced from 21 September 2014 until 20 September 2017.

Ms. Zhang Jian was re-elected as the employee representative Supervisor of the Third Session of the Supervisory Committee at an employee representatives meeting of the Company and her term of office commenced from 21 September 2014 until 20 September 2017.

- (3) On 22 September 2014, the following resolutions were considered and approved at the first meeting of the Third session of the Board: i) the election of Mr. Wei Yulin as the Chairman of the Third session of the Board and the election of Mr. Chen Qiyu, non-executive Director, as the Vice Chairman of the Third session of the Board; ii) the appointment of Mr. Li Zhiming, executive Director of the Company, as the President of the Company and the appointment of Mr. Li Guangfu, Mr. Lu Jun, Mr. Liu Yong, Mr. Cai Zhongxi, Mr. Jiang Xiuchang, Mr. Ma Wanjun, Mr. Guo Junyu and Mr. Xu Shuangjun as Vice Presidents of the Company as nominated by Mr. Li Zhiming, the President of the Company, as well as Mr. Jiang Xiuchang serving as the Chief Financial Officer and Mr. Ma Wanjun serving as the secretary to the Board, and their term of office commenced from 21 September 2014 until 20 September 2017, and (iv) the election of the members and chairman of each of the special committees under the Third Session of the Board. Their composition is as follows:

Board Committee	Chairman	Member
Audit Committee	Mr. Lyu Changjiang	Mr. Deng Jindong, Mr. Li Dongjiu, Mr. Tan Wee Seng and Mr. Liu Zhengdong
Remuneration Committee	Mr. Tan Wee Seng	Mr. Zhou Bin, Mr. Liu Hailiang, Mr. Lyu Changjiang and Mr. Liu Zhengdong
Nomination Committee	Mr. Wei Yulin	Mr. She Lulin, Mr. Wang Qunbin, Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang and Mr. Liu Zhengdong
Strategy and Investment Committee	Mr. Wei Yulin	Mr. Li Zhiming, Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Li Yuhua, Mr. Zhou Bin, Mr. Li Dongjiu, Ms. Li Ling and Mr. Tan Wee Seng

Corporate Governance Report

BOARD MEETINGS AND GENERAL MEETINGS

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

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

Directors	Attendance/ No. of meetings held
Executive Director	
Mr. Wei Yulin	12/12
Mr. Li Zhiming	12/12
Non-executive Directors	
Mr. Chen Qiyu	12/12
Mr. She Lulin ⁽¹⁾	11/12
Mr. Wang Qunbin	12/12
Mr. Wang Fucheng ⁽²⁾	9/10
Mr. Li Yuhua ⁽³⁾	4/4
Mr. Zhou Bin	12/12
Mr. Deng Jindong ⁽⁴⁾	11/12
Mr. Li Dongjiu	12/12
Mr. Liu Hailiang	12/12
Independent non-executive Directors	
Mr. Wang Fanghua ⁽⁵⁾	10/10
Mr. Tao Wuping ⁽⁶⁾	10/10
Mr. Xie Rong ⁽⁷⁾	10/10
Mr. Zhou Bajun ⁽⁸⁾	10/10
Ms. Li Ling	12/12
Mr. Yu Tze Shan Hailson ⁽⁹⁾	4/4
Mr. Lyu Changjiang ⁽¹⁰⁾	4/4
Mr. Tan Wee Seng ⁽¹¹⁾	4/4
Mr. Liu Zhengdong ⁽¹²⁾	4/4

Notes:

- (1) Mr. She Lulin attended one meeting not in person but by his proxy, which was not included in the attendance;
- (2) Mr. Wang Fucheng retired upon expiration of his term of office on 20 September 2014. Ten Board meetings (six of which were by voting through communications) were held during his term of office in 2014, and he attended one meeting not in person but by his proxy, which was not included in the attendance;

Corporate Governance Report

- (3) Mr. Li Yuhua was appointed as a non-executive Director on 21 September 2014 and four meetings (two of which were by voting through communications) were held during his term of office in 2014;
- (4) Mr. Deng Jindong attended one meeting not in person but by his proxy, which was not included in the attendance;
- (5)-(8) Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong and Mr. Zhou Bajun retired upon expiration of their term of office on 20 September 2014 and ten Board meetings (six of which were by voting through communications) were held during their term of office in 2014;
- (9)-(12) Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong were appointed as independent non-executive Directors on 21 September 2014 and four meetings (two of which were by voting through communications) were held during their term of office in 2014.

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

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

Directors	Attendance/ No. of meetings held
Executive Director	
Mr. Wei Yulin	5/5
Mr. Li Zhiming	1/5
Non-executive Directors	
Mr. Chen Qiyu	3/5
Mr. She Lulin	1/5
Mr. Wang Qunbin	1/5
Mr. Wang Fucheng ⁽¹⁾	3/4
Mr. Li Yuhua ⁽²⁾	0/1
Mr. Zhou Bin	2/5
Mr. Deng Jindong	0/5
Mr. Li Dongjiu	4/5
Mr. Liu Hailiang	5/5

Corporate Governance Report

Directors	Attendance/ No. of meetings held
Independent non-executive Directors	
Mr. Wang Fanghua ⁽³⁾	4/4
Mr. Tao Wuping ⁽⁴⁾	4/4
Mr. Xie Rong ⁽⁵⁾	2/4
Mr. Zhou Bajun ⁽⁶⁾	2/4
Ms. Li Ling	3/5
Mr. Yu Tze Shan Hailson ⁽⁷⁾	1/1
Mr. Lyu Changjiang ⁽⁸⁾	1/1
Mr. Tan Wee Seng ⁽⁹⁾	1/1
Mr. Liu Zhengdong ⁽¹⁰⁾	1/1

Notes:

- (1) Mr. Wang Fucheng retired upon expiration of his term of office on 20 September 2014 and four general meetings were held during his term of office in 2014.
- (2) Mr. Li Yuhua was appointed as a non-executive Director on 21 September 2014 and one general meeting was held during his term of office in 2014.
- (3)-(6) Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong and Mr. Zhou Bajun retired upon expiration of their term of office on 20 September 2014 and four general meetings were held during their term of office in 2014.
- (7)-(10) Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong were appointed as independent non-executive Directors on 21 September 2014 and one general meeting was held during their term of office in 2014.

TRAINING FOR DIRECTORS

On 21 August 2014, all the Directors attended the training on the pilot works of developing a mixed-ownership economy and case study provided by Aon Hewitt. On 16 September 2014, Mr. Li Yuhua, Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong, the newly appointed Directors, obtained the training on director's duty provided by the Company's Hong Kong legal adviser. On 29 December 2014 and 30 December 2014, Mr. Ma Wanjun, the company secretary, attended the training on updates on the Rules Governing the Listing of Securities (the "Listing Rules") of the Hong Kong Stock Exchange and inside information provided by the Company's Hong Kong legal adviser.

AUDIT COMMITTEE

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

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

During the Reporting Period, seven meetings were held by the audit committee to mainly consider the crisis management process of the Company and the assessment report on the effectiveness of internal control of Sinopharm Holding Distribution, the financial report for the year ended 31 December 2013, the audit fee for 2013, the appointment of auditors for 2014, the report on reply of Hong Kong Financial Reporting Council on the issue of factoring receivables of the Company, the 2014 first quarterly financial report, the semi-annual audit plans for 2014, the interim financial report for the six months ended 30 June 2014, the third quarterly financial report for the period ended at 30 September 2014 and the annual audit plans for 2014, etc.

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

Directors	Attendance/ No. of meetings held
Mr. Xie Rong ⁽¹⁾	6/6
Mr. Tao Wuping ⁽²⁾	4/6
Mr. Lyu Changjiang ⁽³⁾	1/1
Mr. Deng Jindong	7/7
Mr. Li Dongjiu	7/7
Mr. Zhou Bajun ⁽⁴⁾	5/6
Mr. Tan Wee Seng ⁽⁵⁾	1/1
Mr. Liu Zhengdong ⁽⁶⁾	1/1

Corporate Governance Report

Notes:

- (1) Six meetings were held during Mr. Xie Rong's term of office as a member of the committee in 2014;
- (2) During Mr. Tao Wuping's term of office as a member of the committee in 2014, six meetings were held, two of which Mr. Tao Wuping attended not in person but by his proxy;
- (3)(5)(6) Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong were appointed as members of the audit committee under the Third Session of the Board on 22 September 2014. Only one meeting was held during their term of office as members of the committee in 2014;
- (4) During Mr. Zhou Bajun's term of office as a member of the committee in 2014, six meetings were held, one of which Mr. Zhou Bajun attended not in person but by his proxy.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014. The audit committee believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The audit committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management in 2014. The audit committee was satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations. In addition, the audit committee has also reviewed the adequacy of resources, qualification and experiences of employees in relation to the accounting and financial reporting function of the Company and the adequacy of training courses taken by the employees and the relevant budgets.

The audit committee has reviewed the remuneration of the auditors for 2014 and recommended the Board to re-appoint PricewaterhouseCoopers as the auditors of the Company for 2015, subject to the approval of shareholders at the forthcoming annual general meeting.

NOMINATION COMMITTEE

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

- reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- assessing the independence of independent non-executive Directors;

- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, and the succession plans for Directors (in particular the Chairman and the President);
- formulating, implementing and reviewing from time to time the policy concerning diversity of Board members.

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

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

During the Reporting Period, three meetings were held by the nomination committee to consider resolutions mainly regarding the Board diversity policy of the Company, report on the re-election plan of the Board as well as the re-election of the Board and the election of the members of the Third Session of the Board.

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

Corporate Governance Report

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

Directors	Attendance/ No. of meetings held
Mr. Wei Yulin	3/3
Mr. She Lulin	3/3
Mr. Wang Qunbin ⁽¹⁾	2/3
Mr. Wang Fanghua	3/3
Mr. Tao Wuping	3/3
Mr. Xie Rong	3/3
Ms. Li Ling	3/3
Mr. Yu Tze Shan Hailson ⁽²⁾	0/0
Mr. Lyu Changjiang ⁽³⁾	0/0
Mr. Liu Zhengdong ⁽⁴⁾	0/0

Notes:

(1) Mr. Wang Qunbin attended one meeting not in person but by his proxy;

(2)-(4) Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang and Mr. Liu Zhengdong were appointed as members of the nomination committee under the Third Session of the Board on 22 September 2014. No meeting was held during their term of office as members of the committee in 2014.

REMUNERATION COMMITTEE

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

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

During the Reporting Period, three meetings were held by the remuneration committee, during which the resolutions regarding the performance appraisal responsibility letter and the annual remuneration standards for 2014 of executive Directors, the performance appraisal responsibility letter and the annual remuneration standards for 2014 of the President, the design of the remuneration and incentive measures of the operating team for 2014, the report on assessment and annual remuneration settlement of the President for 2013 and the determination of the remuneration of the Third Session of the Board were considered.

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

Directors	Attendance/ No. of meetings held
Mr. Tao Wuping ⁽¹⁾	2/2
Mr. Tan Wee Seng ⁽²⁾	1/1
Mr. Zhou Bin ⁽³⁾	1/1
Mr. Xie Rong ⁽⁴⁾	2/2
Mr. Liu Hailiang	3/3
Mr. Lyu Changjiang ⁽⁵⁾	1/1
Mr. Liu Zhengdong ⁽⁶⁾	1/1

Notes:

(1) Two meetings were held during Mr. Tao Wuping's term of office as a member of the committee in 2014;

(4) Two meetings were held during Mr. Xie Rong's term of office as a member of the committee in 2014;

(2)/(3)/(5)/(6) Mr. Tan Wee Seng, Mr. Zhou Bin, Mr. Lyu Changjiang and Mr. Liu Zhengdong were appointed as members of the remuneration committee under the Third Session of the Board on 22 September 2014. One meeting was held during their term of office as members of the committee in 2014.

STRATEGY AND INVESTMENT COMMITTEE

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

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

Corporate Governance Report

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

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

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

Notes:

- (1) Mr. Wang Qunbin attended two meetings not in person but by his proxy;
- (2) Four meetings were held during Mr. Wang Fucheng's term of office as a member of the committee in 2014. Mr. Wang Fucheng attended one meeting not in person but by his proxy;
- (3)(6) Mr. Li Yuhua and Mr. Tan Wee Seng were appointed as members of the strategy and investment committee under the Third Session of the Board on 22 September 2014. Four meetings were held during their term of office as members of the committee in 2014;
- (4)(5) Four meetings were held during Mr. Wang Fanghua and Mr. Zhou Bajun's term of office as members of the committee in 2014.

TERM OF OFFICE OF THE NON-EXECUTIVE DIRECTORS

Name	Position	Commencement Date	Expiry Date
Chen Qiyu	non-executive Director	21 September 2014	20 September 2017
She Lulin	non-executive Director	21 September 2014	20 September 2017
Wang Qunbin	non-executive Director	21 September 2014	20 September 2017
Li Yuhua	non-executive Director	21 September 2014	20 September 2017
Zhou Bin	non-executive Director	21 September 2014	20 September 2017
Deng Jindong	non-executive Director	21 September 2014	20 September 2017
Li Dongjiu	non-executive Director	21 September 2014	20 September 2017
Liu Hailiang	non-executive Director	21 September 2014	20 September 2017
Ms. Li Ling	independent non-executive Director	21 September 2014	20 September 2017
Yu Tze Shan Hailson	independent non-executive Director	21 September 2014	20 September 2017
Lyu Changjiang	independent non-executive Director	21 September 2014	20 September 2017
Tan Wee Seng	independent non-executive Director	21 September 2014	20 September 2017
Liu Zhengdong	independent non-executive Director	21 September 2014	20 September 2017

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

REMUNERATION OF AUDITORS

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

Services provided	Fee paid and payable
Statutory audit service provided for 2014	RMB20,700,000
Non-statutory audit service provided for 2014	RMB330,000
Non-audit service – tax consultancy services	RMB938,000

CONFIRMATION BY THE DIRECTORS AND AUDITORS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

EFFECTIVE COMMUNICATIONS WITH INVESTORS

The Group had made remarkable improvements in investor relations in 2014 under the leadership and support of the Board and management. The Group has participated in a number of investment forums and successfully communicated with many fund management companies through various means. The Group organized on-site visits to its logistics centers, distribution centers and retail drug stores for a number of fund management companies to facilitate investors' direct understanding of and contact with the Company. The Company and its subsidiaries also received various fund investors for on-site visits. In the future, the Company will maintain effective communications with investors through road shows after the issuance of annual reports and interim reports as well as through general meetings.

IMPLEMENTATION OF NON-COMPETITION AGREEMENT

The independent non-executive Directors have reviewed the compliance by China National Pharmaceutical Group Corporation (the "CNPGC") of the "Non-Competition Agreement" and confirmed that CNPGC has complied with the terms of such agreement during the year ended 31 December 2014. At the same time, CNPGC also confirms to the Company that it has complied with the terms of the Non-Competition Agreement.

The independent non-executive Directors are not aware of any breach of the terms of the "Non-Competition Agreement" by CNPGC and therefore, no remedy action was taken by the Company during the year ended 31 December 2014.



Corporate Governance Report

In accordance with the “Non-Competition Agreement” entered into between the Company and CNPGC, if CNPGC or any of its subsidiaries (other than the Company) is aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the Company (the “**Business Opportunity**”), it will inform the Company of the Business Opportunity in writing immediately in the first place. Whether to take up the Business Opportunity is up to the independent non-executive Directors. Accordingly, CNPGC informed of the Company its acquisition of 66% equity interest in Sinopharm Sichuan Medicine Group Co., Ltd. (“**Sichuan Medicine Group**”) in writing in May 2014. Independent non-executive Directors had convened a meeting to consider and approve the acquisition. Meanwhile, CNPGC also authorized the Company to manage its 66% equity interest in Sichuan Medicine Group. The Company was also commissioned to exercise all the rights as a shareholder other than the right to transfer, dispose of and participate in profit distribution. On 18 August 2014, the Company entered into an equity transfer agreement with CNPGC to acquire the 66% equity interest in Sichuan Medicine Group held by CNPGC (the “**Transaction**”). Sichuan Medicine Group and Sichuan Medicine Co., Ltd. (“**Sichuan Medicine**”) became subsidiaries of the Company as a result of the Transaction. Details of the Transaction are disclosed under “Non-Exempt Connected Transaction” of this report.

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

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Wei Yulin, aged 58, executive Director, Chairman (Legal Representative) and Secretary of Party Committee, joined the Group in January 2003. He served subsequently as the deputy general manager, chief operating officer, managing deputy general manager and president of the Company until November 2013. Mr. Wei has been an executive Director since December 2008, the secretary of Party Committee since December 2009, and the Chairman since November 2013. Mr. Wei has around 38 years of working experience, over 22 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Wei obtained a master's degree in business administration for executives from the Cheung Kong Graduate School of Business in January 2007. Mr. Wei is a chief pharmacist, practicing pharmacist and senior operator, and was qualified as a senior economist in December 2009. Mr. Wei has been served in China National Pharmaceutical Group Tianjin Corporation (currently known as Sinopharm Holding Tianjin Co., Ltd.) between October 1999 and April 2006, subsequently as general manager, secretary of party committee and chairman. Mr. Wei currently also serves as chairman of Sinopharm Holding Hong Kong Co., Ltd., the director of Sinopharm Holding Guoda Drug stores Co., Ltd., the vice chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd., the director of China National Accord Medicines Co., Ltd., and the director and general manager of Sinopharm Industrial Investment Co., Ltd. Mr. Wei is also currently a member of the Party Committee of CNPGC, the director of International Federation of Pharmaceutical Wholesalers, the vice president of each of China Licensed Pharmacist Association and China Association of Pharmaceutical Commerce, and a deputy to the Shanghai Municipal Fourteenth People's Congress.

Mr. Li Zhiming, aged 52, executive Director, President and Deputy Secretary of Party Committee. Mr. Li joined the Company in May 2010 as the vice President, and has served as the President and executive Director since November 2013 and January 2014, respectively. Mr. Li was the chief legal advisor of the Company from October 2012 to January 2014, and the secretary of disciplinary committee and chairman of labor union of the Company from November 2012 to October 2013. He has been the deputy secretary of the Party Committee of the Company since November 2012. He has more than 33 years of working experience, over 29 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li graduated from the Xinjiang Commerce College (新疆商業學校) with associate degree and a major in finance and accounting in July 1981, and graduated from the economic management discipline of the Urumqi Branch of Xi'an Military Academy (西安陸軍學院烏魯木齊分院) with associate degree in July 1997. Mr. Li was qualified as a senior economist. Mr. Li was the deputy director of finance department of Xinjiang New & Special Ethnic Drug Store, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trade Company, deputy general manager and chief accountant of Xinjiang New & Special Ethnic Drug Corporation, and deputy director of the office of the preparatory and leading group of Xinjiang Pharmaceutical Administration Bureau steering the construction of the group entity from July 1985 to July 1996. Mr. Li was general manager, chairman of the board of directors, secretary of the Party Committee of Xinjiang New & Special Ethnic Drug Corporation, and the director, general manager, vice chairman, chairman, and secretary of the Party Committee of Xinjiang Pharmaceutical Group Company (currently known as Sinopharm Group Xinjiang Medicines Co., Ltd.) from July 1996 to May 2013. Mr. Li is currently chairman and secretary of the Party Committee of Sinopharm Group Xinjiang Medicines Co., Ltd., chairman of each of China National Accord Medicines Co., Ltd., China National Medicines Co., Ltd. and Sinopharm Holding (China) Finance Leasing Co., Ltd., and the director of each of Sinopharm Holding Hong Kong Co., Ltd., Sinopharm Holding Guoda Drug stores Co., Ltd. and Sinopharm Holding Medical Investment Management Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Qiyu, aged 42, non-executive Director and vice Chairman, joined the Company on 16 January 2003, and had served as the chief Supervisor until 31 May 2010. He has served as a non-executive Director since 31 May 2010 and has been the vice Chairman since November 2013. He has over 21 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and a master's degree of business administration from China Europe International Business School in September 2005. Mr. Chen was previously the chief financial officer, the board secretary, general manager, president and vice chairman of the board of directors of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. He has served as the vice president of each of Fosun International Limited and Shanghai Fosun High Technology (Group) Co., Ltd. since August 2010. 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 China Medical Pharmaceutical Material Association and Shanghai Biopharmaceutics Industry Association, the vice chairman of China Pharmaceutical industry Research and Development Association, the vice chairman of China Pharmaceutical Industry Association and the vice-chief commissioner of China Medicinal Biotech Association, etc.

Mr. She Lulin, aged 58, non-executive Director, joined the Group as a non-executive Director on 16 January 2003. He was the vice Chairman and has served as the Chairman of from August 2007 to November 2013. He has around 31 years of working experience, over 28 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. She obtained a bachelor's degree in science, majoring in Pharmacy, from Nanjing Pharmaceutical Institution (currently known as China Pharmaceutical University) in July 1982 and a master's degree in business administration for executives from Tsinghua University in July 2005. Mr. She was previously the deputy head of the office, assistant to the general manager, deputy general manager and general manager of China National Pharmaceutical Group Guangzhou Corporation from August 1982 to August 1996. Mr. She was also the vice chairman of the board of directors and general manager of CNPGC from December 1998 to October 2004. Mr. She was a director, general manager and the secretary of Party Committee of CNPGC from October 2004 to October 2009. He was the vice chairman of the board of directors, general manager and deputy secretary of Party Committee of CNPGC since October 2009. Mr. She has been the chairman of the board of directors and legal representative of Sinopharm Industrial Investment Co., Ltd. from July 2008 to November 2013. Mr. She was the chairman of the board of directors of China National Medicines Co., Ltd. from December 1998 to January 2001.

Biographies of Directors, Supervisors and Senior Management

Mr. Wang Qunbin, aged 45, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. He has around 23 years of working experience, over 20 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. Li Yuhua, aged 65, non-executive Director, has been a non-executive Director since 21 September 2014. He has more than 39 years of working experience in management. Mr. Li graduated from Beijing International Business College with a bachelor of Arts degree in Japanese in August 1976. Mr. Li served as official, deputy section chief and section chief of the International Bureau of the head office of Bank of China from September 1976 to January 1989. Mr. Li served as vice president and president of Bank of China's Tokyo Branch from January 1989 to March 1993 and from January 1998 to December 2006, respectively. Mr. Li served as deputy general manager of International Business Department of Bank of China from March 1993 to January 1998. Mr. Li served as chairman of board of directors of each of Bank of China (Russia) Limited and Bank of China (Malaysia) Limited from January 2007 to May 2010. Mr. Li has been serving as external director, head of Audit and Risk Committee and a member of Budget Committee of CNPGC since February 2013 till now.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhou Bin, aged 46, non-executive Director, has served as a non-executive Director since 7 January 2011 and has around 23 years of working experience. Mr. Zhou obtained a bachelor's degree in pharmacology from China Pharmaceutical University in July 1990, a master's degree in business administration from China Europe International Business School in September 2005 and a doctorate degree in industrial economy from Shanghai Academy of Social Sciences in July 2008. Mr. Zhou served in Shanghai Institute of Pharmaceutical Industry from July 1990 to October 2010, subsequently as director and the Party branch secretary of the department of information, director of the department of market investment, an assistant to the dean, vice dean, a member of the Party Committee, dean, and secretary to the Party Committee, and during this period, he served as the chairman of the board of directors of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co., Ltd. from September 2003 to September 2006. Mr. Zhou was subsequently secretary of the Party Committee and dean of China State Institute of Pharmaceutical Industry from May 2010 to April 2014, and has been its chairman since April 2014. Mr. Zhou has been deputy general manager of CNPGC since May 2010, and he is currently also the chairman of the board of directors of each of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) and China National Biotec Group Company Ltd., the chairman of the board of directors and legal representative of Sinopharm Industrial Investment Co., Ltd., as well as the president of China Association for Pharmaceuticals and Medical Devices Technology Exchange and the president of China National Narcotic Drugs Association.

Mr. Deng Jindong, aged 50, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. He has over 27 years of working experience, over 22 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics from Hangzhou Electronics Industry Institution (currently known as Hangzhou Dianzi University) in July 1986 and a master's degree in economics from Central Institute of Finance and Economics (currently known as Central University of Finance & Economics) in January 1991. He is a non-practicing PRC certified public accountant. Mr. Deng was previously the chief financial officer of Economic Information Network Data Co., Ltd., senior audit manager of Taikang Life Insurance Co., Ltd. and the head of the accounting department of CNPGC from April 2000 to October 2001, from October 2001 to October 2002 and from October 2002 to October 2004, respectively. Mr. Deng has been the chief accountant of CNPGC since October 2004 and a director and the chief financial officer of Sinopharm Industrial Investment Co., Ltd. since July 2008.

Biographies of Directors, Supervisors and Senior Management

Mr. Li Dongjiu, aged 50, 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 27 years of working experience, over 22 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 director of Nature's Sunshine Products Inc., a company listed on NASDAQ, USA (NASDAQ: NATR), a vice president of China Nonprescription Medicines Association (CNMA) and China Association of Pharmaceutical Commerce and a commissioner for the UN Commission on Life-Saving Commodities for Women and Children.

Mr. Liu Hailiang, aged 65, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. Mr. Liu has around 45 years of working experience, over 25 years of which is management experience. Mr. Liu obtained an associate education in business administration from Shanghai Construction Institute in September 1986. Mr. Liu was previously the human resources manager of Shanghai RAAS Blood Products Limited (now known as Shanghai RAAS Blood Products Co., Ltd., a company listed on the SME Board of the Shenzhen Stock Exchange) from November 1989 to March 1995. He was the human resources manager of Johnson & Johnson China Ltd. from March 1995 to March 2000. Mr. Liu was an assistant to the general manager and chief human resources supervisor of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from March 2000 to May 2004. He was a supervisor of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from May 2004 to June 2013, of which he was the chairman of the supervisory committee from May 2008 to June 2013. Mr. Liu is a senior advisor with the president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. since June 2013.

Biographies of Directors, Supervisors and Senior Management

Ms. Li Ling, aged 53, 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 32 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.

Mr. Yu Tze Shan Hailson, aged 58, independent non-executive Director, has served as a non-executive Director since 21 September 2014 and has more than 35 years of working experience. Mr. Yu graduated from the University of Calgary with a bachelor degree in Electrical Engineering in 1979, graduated from the University of Hong Kong with a master degree in Electrical Engineering in 1987, graduated from City University of Hong Kong with a master degree of law in Arbitration and Dispute Resolution in 1995 and completed the postgraduate diploma in Investment Management and post-graduate certificates in Hong Kong Laws and Traditional Chinese Medicine courses. Mr. Yu served as equipment maintenance and testing engineer, equipment maintenance and testing laboratory manager, computer engineering and system engineering manager of Ampex Ferrotec Limited (Hong Kong) successively from June 1979 to September 1987. Mr. Yu joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited and served as general manager of engineering research and development department and consultant of Petroleum Development and LPG Tank Terminal Port successively from October 1987 to January 1998. Mr. Yu has been serving as deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong since February 1998 till now. Mr Yu has been serving as an independent director of China Traditional Chinese Medical Co., Ltd.(formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange) since November 2013 till now. Mr. Yu currently is a Chartered Engineer, fellow of each of the Institute of Electrical Engineers, Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators.

Biographies of Directors, Supervisors and Senior Management

Mr. Lyu Changjiang, aged 49, independent non-executive Director, has been an independent non-executive Director of the Company since 21 September 2014. He has more than 25 years of working experience. Mr. Lyu graduated from the Jilin University with a doctor's degree in Quantitative Economics in December 1999. Mr. Lyu successively served as deputy head of the Department of Accounting, head of the Department of Accounting, deputy dean and professor of Business School from June 1989 to February 2006, of Jilin University. Mr. Lyu took Advanced Management Program of Nyenrode University in Netherlands from January 1999 to September 1999, and as a Fullbright senior research scholar in the University of California, United States, from September 2004 to September 2005. Mr. Lyu has been serving as head of the Department of Accounting, associate dean, professor and doctoral tutor of the School of Management of Fudan University since February 2006 till now. Mr. Lyu once served as independent director of each of Changchun High & New Technology Industries (Group) Inc., East Money Information Co., Ltd., and Zhejiang China Commodities City Group Co., Ltd. Currently, Mr. Lyu is an independent director of Shanghai Jinfeng Investment Co., Ltd., a member of the Expert Group of China Accounting Standards Committee of the Ministry of Finance, and associate editor of "China Accounting Review".

Mr. Tan Wee Seng, aged 59, independent non-executive Director, has served as a non-executive Director since 21 September 2014 and has more than 38 years of working experience. Mr. Tan is a Chartered Global Management Accountant, Fellow member of the Chartered Institute of Management Accountants in United Kingdom, and the Hong Kong Institute of Directors. Mr. Tan has been with Reuters from April 1984 to June 2002 and served as finance manager of each of Reuters Malaysia and Brunei, Reuters Asia and Reuters East Asia, special and merger & acquisition project manager of Reuters Asia, executive director of Infocast Australia Pty Limited, a subsidiary of Reuters in Australia, managing director of AFE Computer Services Limited, a subsidiary of Reuters in Hong Kong, finance manager (head of finance) of Reuters East Asia, senior vice president and chief representative of Reuters for China, Mongolia and North Korea regions. Mr. Tan served as executive director, chief finance officer and company secretary of Li Ning Company Limited (a company listed on the Hong Kong Stock Exchange), from January 2003 to November 2008. Mr Tan was an independent director and chairman of the audit committee of 7 Days Holdings Limited (whose shares were listed on the New York Stock Exchange between November 2009 to July 2013) until it was privatized. He was the Chairman of the Special Committee for Privatization of 7 Days Holdings Limited from October 2012 to July 2013. Mr. Tan currently also serves as independent non-executive director of each of Biostime International Holdings Limited (a company listed on the Hong Kong Stock Exchange), Sa Sa International Holdings Limited (a company listed on the Hong Kong Stock Exchange), CIFI Holdings (Group) Company Limited (a company listed on the Hong Kong Stock Exchange), non-executive director of Xtep International Holdings Limited (a company listed on the Hong Kong Stock Exchange), independent director of ReneSola Ltd (a company listed on the New York Stock Exchange) and a director and chairman of finance and operation committee of Beijing City International School.

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Zhengdong, aged 45, independent non-executive Director, has been an independent non-executive Director of the Company since 21 September 2014. He is a lawyer who has more than 21 years of working experience as a practicing lawyer. Mr. Liu graduated from East China University of Political Science and Law (formerly known as East China School of Political Science and Law) with a bachelor's degree in Law in 1991, and juris master's degree in 2002. He served as an assistant prosecutor in Railway Transportation branch of Shanghai People's Procuratorate from July 1991 to June 1994. From June 1994 to October 1998, Mr. Liu co-founded Shanghai Hongqiao Law Firm with others as a partner and has been serving as a lawyer. From October 1998, Mr. Liu co-founded Shanghai Junyue Law Firm with others as a senior partner and has been serving as head of the firm and a lawyer. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and was also honored as the First Session of National Excellent Lawyer, the First Session of Shanghai Excellent Non-litigation Lawyer and Shanghai Leading Talent. Currently, Mr. Liu serves as adjunct professor of East China University of Political Science and Law, part-time master tutor of the School of Law of Shanghai Jiao Tong University, visiting professor of each of Shanghai University of Political Science and Law and Lawyer School of Renmin University of China. Mr. Liu also serves as a member of Standing Committee of All-China Youth Federation, standing director of the National Lawyers Association, deputy to the Shanghai People's Congress, vice chairman of Shanghai Youth Federation and vice president of Shanghai Federation of Industry and Commerce.

SUPERVISORS

Mr. Yao Fang, aged 45, the chief Supervisor, has served as the Supervisor of the Company since 7 January 2011. Mr. Yao has around 23 years of working experience. Mr. Yao obtained a bachelor's degree in economics from Fudan University in July 1989 and a master of business administration degree from The Chinese University of Hong Kong in December 1993. Mr. Yao served as a Credit Administrator in No.1 Credit Department of Shanghai Branch of Bank of Communications from 1989 to 1991, and worked in Shanghai Wanguo Securities Co., Ltd. (currently known as Shenyin & Wanguo Securities Co., Ltd.) from 1993 to 1996, where his final position was assistant general manager of the International Business Department. Mr. Yao worked in Shanghai Shang Shi Assets Operation and Management Co., Ltd., from June 1996 to December 2002 where his final position was general manager. From January 2003 to October 2005, he served as the general manager of Shang Shi Management (Shanghai) Co., Ltd.. From November 2005 to December 2008, he served as managing director of Shanghai Industrial Pharmaceutical Investment Co., Ltd. (stock code: 600607, delisted on 12 February 2010) listed on the Shanghai Stock Exchange. From December 2008 to December 2009, he worked as the chairman of Shanghai Overseas Co., Ltd.. From May 2003 to 31 December 2009, he served as an executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on the Hong Kong Stock Exchange. Mr. Yao served as the executive deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (stock code: 600196) since April 2010 and became the vice chairman and president since 9 June 2010. Mr. Yao has served as a non-executive director of Biosino Bio-Technology and Science Incorporation (stock code: 8247) listed on the Hong Kong Stock Exchange from January 2011 to March 2014. Mr. Yao has been the vice chairman of Shanghai Pharmaceutical Profession Association since June 2010.

Biographies of Directors, Supervisors and Senior Management

Mr. Lian Wanyong, aged 44, Supervisor, 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 18 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-Sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian was previously the manager of the operation and audit department of China National Group Corp. of Traditional & Herbal Medicine from January 2004 to June 2005, and a deputy head of the financial assets management department of CNPGC from June 2005 to February 2008, respectively. 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.

Ms. Zhang Jian, aged 41, Supervisor, joined the Group in 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 17 years of working experience. She obtained a bachelor's degree in economics, majoring in accounting, from Shanghai University of Finance & Economics in July 1997, and a master degree of EMPACC from Shanghai National Accounting Institute in July 2009. She is a non-practicing PRC certified public accountant. Ms. Zhang served as an auditor and a project manager of Shanghai Dahua Accounting Firm from July 1997 to November 1999, a project manager of audit department and general manager of Delong International Strategic Investment Co., Ltd. from December 1999 to December 2002, and general manager of audit department of Youlian Strategic Management Research Center from January 2003 to June 2004. Currently, Ms. Zhang is also the supervisor of Sinopharm Holding Shanxi Co., Ltd., Sinopharm Group Xinjiang Medicines Co., Ltd., Sinopharm Holding Beijing Tianxingpuxin BioMed Co., Ltd., Sinopharm Medicine Holding Beijing Huahong Co., Ltd., Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd., Sinopharm Group Shanxi Co., Ltd., Sinopharm Logistics Co., Ltd., Shanghai Donghong Pharmaceutical Co., Ltd. and Sinopharm Lerentang Pharmaceutical Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

COMPANY SECRETARIES

Mr. Ma Wanjun, one of the joint company secretaries, is also the vice president of the Company and the secretary of the board 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 managing partner of China Group of DLA Piper and the partner in charge of the PRC affairs and practice. In 1988, Dr. Liu, as one of the lawyers working in Hong Kong in the early stage, participated in related work of the Hong Kong Basic Law, and then he was retained by the Securities and Futures Commission of Hong Kong as a PRC affairs officer responsible for the policies and supervision of law of red chip shares, H-shares and B-shares, and was responsible for coordination with the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

SENIOR MANAGEMENT

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

Mr. Li Guangfu, aged 58, 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 40 years of working experience, over 30 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li completed his undergraduate education in Chinese medicine at the College of Chinese Traditional Medicine of Guangzhou University of Chinese Medicine in January 1982 and obtained a master’s degree in business administration from Jinan University in Guangzhou in June 2002. Mr. Li is a deputy chief pharmacist and a practicing pharmacist. He served as the staff, deputy manager of the pharmacy department, and the assistant to general manager in Guangzhou purchase and supply station of China National Pharmaceutical Corporation from January 1982 to August 1996, general manager and secretary of the Party Committee of CNPGC Guangzhou Branch from August 1996 to March 2003, general manager and secretary of the Party Committee of China National Group Corp. of Traditional & Herbal Medicine, as well as the managing vice chairman of China Association of Traditional Chinese Medicine, from July 2003 to September 2010. Mr. Li is currently executive director of Sinopharm Logistics Co., Ltd. and chairman of Sinopharm Holding Heilongjiang Co., Ltd., Sinopharm Holding Jilin Co., Ltd., Sinopharm Holding Shenyang Co., Ltd. and Sinopharm Holding Shandong Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Lu Jun, aged 56, joined the Group in January 2003, and has been a vice president of the Company since 29 June 2004. He served as the assistant to the general manager of the Company, the general manager of medicine retail business department and the head of the investment department of the Company concurrently from April 2003 to June 2004. Mr. Lu has over 39 years of working experience, over 16 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Lu obtained an executive master's degree in business administration in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. Mr. Lu was qualified as a senior economist. Mr. Lu taught at the Second Military Medical University from March 1980 to August 1998, and was previously the general manager of Sinopharm Group Shanghai Likang Medicine Co., Ltd. and Sinopharm Holding Guoda Drug stores Co., Ltd. from August 1998 to June 2008. Mr. Lu is currently the director of Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd., Sinopharm Group Shanxi Co., Ltd., Sichuan Pharmaceutical Group Co., Ltd. of CNPGC and Sinopharm Holding Medical Investment Management Co., Ltd., executive director of Sinopharm Holding Jiangsu Co., Ltd. (formerly known as Sinopharm Holding Nanjing), and chairman of Sinopharm Holding Wuxi Co., Ltd., Sinopharm Group Southwest Pharmaceutical Co., Ltd., Sinopharm Holding Anhui Co., Ltd., Sinopharm Holding Changzhou Co., Ltd., Sinopharm Holding Zhejiang Co., Ltd., and Sinopharm Holding Wenzhou Co., Ltd.

Mr. Liu Yong, aged 46, joined the Group in January 2003. He was the general manager and secretary of Party Committee of Sinopharm Holding Shenyang Co., Ltd. from January 2003 to November 2009, and is currently a vice president and the chief legal advisor of the Company. He has over 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, and served as the deputy general manager at the marketing department of China National Pharmaceutical Group Shanghai Corporation and the deputy general manager of Shanghai Guoda Drug Chain Store Co., Ltd. from July 1999 to April 2003. Mr. Liu is currently the chairman of Sinopharm Holding Beijing Tianxingpuxin BioMed Co., Ltd., Sinopharm Holding Beijing Co., Ltd., Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd., Sinopharm Holding Guoda Drug Stores Co., Ltd., Sinopharm Holding Guizhou Co., Ltd., Sinopharm Holding Yunnan Co., Ltd., Sinopharm Medicine Holding Beijing Huahong Co., Ltd., and the director of China National Medicines Co., Ltd. and Sichuan Pharmaceutical Group Co., Ltd. of CNPGC.

Biographies of Directors, Supervisors and Senior Management

Mr. Cai Zhongxi, aged 50, has been a vice President since May 2010. He has over 31 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, a doctorate degree in business administration from the Southwestern Polytechnic University of the United States in September 2002, and a master's degree in business administration from the China Europe International Business School in October 2014. Mr. Cai is a deputy chief pharmacist. Mr. Cai was a doctor of 302 Military Hospital of China, the manager for eastern China at the distribution and trading department of Shenzhen Southern Pharmaceuticals (999), the operating director of Zhejiang Asia-Pacific Pharmaceutical Plant, and the marketing manager of APC Hong Kong from August 1989 to July 1995. He was also the marketing officer of the new and special drug department, assistant to manager of the new and special drug department, deputy manager of the new and special drug department and the marketing department, assistant to the general manager, manager of the new and special drug department and pharmaceuticals department, deputy general manager, managing deputy general manager and general manager at China National Pharmaceutical Group Shanghai Co., Ltd. from August 1995 to January 2005. He also served as general manager of the sales and marketing department (hospital) at the Company from February 2005 to December 2005, the chairman of Shanghai Yijia Medical Device Co., Ltd., and the chairman and general manager of Shanghai Shengtai Medical Technologies Co., Ltd. from January 2006 to November 2011. Mr. Cai is currently the executive director of Shanghai Merro Pharmaceutical Co., Ltd., Shanghai Tongyu Information Technology Co., Ltd. and Sinopharm Group Shanghai Likang Medicine Co., Ltd., and the chairman of Sinopharm Group Med-Tech Co., Ltd., Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd., Shanghai Donghong Pharmaceutical Medicine Co., Ltd., Sinopharm Holding Lingshang Hospital Management Services (Shanghai) Co., Ltd. and Sinopharm Hutchison Whampoa Healthcare Medicine Co., Ltd. Mr. Cai currently also served as the vice president of Shanghai Pharmaceutical Association.

Mr. Jiang Xiuchang, aged 51, 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 the class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at China National Pharmaceutical (Group) Corporation from July 1986 to March 2002, and was the deputy head of the department of information, reform office, finance department and deputy manager of the department of pharmacy. He was deputy head, head and chief financial officer of the finance department of China National Medicines Co., Ltd. from March 2002 to May 2010. Mr. Jiang is currently the chairman of Sinopharm Holding Jiangxi Co., Ltd., Sinopharm Holding Shanxi Co., Ltd., Sinopharm Holding Inner Mongolia Co., Ltd., Sinopharm Holding Tianjin Co., Ltd. and Sinopharm Group Shanxi Co., Ltd., and the director of China National Medicines Co., Ltd., China National Accord Medicines Co., Ltd., Sinopharm Lerentang Pharmaceutical Co., Ltd., Sinopharm Holding Hong Kong Co., Ltd. and Sinopharm Group Finance Co., Ltd. He is also the supervisor of Sinopharm Holding Guoda Drug stores Co., Ltd., Sinopharm Holding Distribution Co., Ltd. and Sinopharm Holding Beijing Co., Ltd.

Biographies of Directors, Supervisors and 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 17 years of which is management experience in the pharmaceutical and healthcare products industry. He obtained a bachelor degree of science majoring in chemistry from Nankai University in July 1991 and an executive master's degree in business administration from China Europe International Business School in September 2006. He is a chief pharmacist. Mr. Ma was a staff, manager, deputy general manager and standing deputy general manager of China National Pharmaceutical (Group) Tianjin Corporation from July 1991 to May 2003. He was the deputy general manager of pharmaceutical business department of the Company, the general manager of Sinopharm Holding Tianjin Co., Ltd., the general manager of Shanghai Sinopharm Waigaoqiao Pharmaceutical Co., Ltd. and the deputy general manager of the operation centre of the Company from May 2003 to September 2010. Mr. Ma is currently the director of China National Accord Medicines Co., Ltd, Sinopharm Lerentang Pharmaceutical Co., Ltd., China National Medicines Co., Ltd. and Sinopharm Nutraceuticals (Shanghai) Co., Ltd., and the executive director of Sinopharm Holding Henan Co., Ltd. as well. He is also the chairman of Guangdong Oriental New & Special Medicines Co., Ltd., Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd. and Sinopharm Bio-pharmaceutical Co., Ltd.

Mr. Guo Junyu, aged 41, has been the vice president of the Company since May 2014. Mr. Guo has more than 18 years of working experience, over 14 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Guo obtained a bachelor's degree in Medicinal Chemistry from the School of Pharmacy of Fudan University (formerly known as Shanghai Medical University) and a master's degree in Business Administration from Asia (Macau) International Open University in July 1996 as well as an executive master's degree in business administration from China Europe International Business School in July 2010. Mr. Guo is a deputy chief pharmacist and a practicing pharmacist. Mr. Guo joined Shanghai Pharmaceutical Joint Stock Company (changed its name to Shanghai Pharmaceutical Co., Ltd. in April 2010) in July 1996, and served as the assistant to General Manager and Deputy General Manager successively, as well as the chairman of each of Shanghai Huashi Pharmacy Co., Ltd. and Shanghai Pharmaceutical Logistics Center Co., Ltd.. Mr. Guo was the Vice President of Shanghai Pharmaceuticals Holding Co., Ltd. from October 2012 to April 2014. Mr. Guo obtained the title of the "New Long March Pioneer" of Shanghai municipality in 2009. Mr. Guo currently also serves as the executive director of Sinopharm Holding Buying Division (Sinopharm Holding Distribution Co., Ltd.) and chairman of Sinopharm Holding Hainan Co., Ltd., Sinopharm Holding Hunan Co., Ltd., Sinopharm Holding Chongqing Co., Ltd., Sinopharm Holding Chongqing Taimin Pharmaceutical Co. Ltd. and Sinopharm Holding Tibet Pharmaceutical Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Xu Shuangjun, aged 46, 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 manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co., Ltd. (石家莊市醫藥藥材股份有限公司) from March 1999 to August 2004, and was the chairman and general manager of Hebei Zhongrui Medicines Co., Ltd. (河北中瑞醫藥有限公司), the general manager and secretary of the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co., Ltd. (石家莊樂仁堂醫藥股份有限公司), and the chairman and general manager of and secretary of the Party Committee of Lerentang Pharmaceutical Group Co., Ltd. from August 2004 to May 2011. Mr. Xu was the vice chairman and general manager of and secretary of the Party Committee of Sinopharm Lerentang Pharmaceutical Co., Ltd. from May 2011 to June 2013, and has been its chairman since June 2013.

Report of the Board of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL BUSINESS

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

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

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

RESULTS

The operating results of the Group during the Reporting Period are set out in the consolidated income statement on page 79 of this annual report.

DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 20 March 2015 to propose to distribute a final dividend of RMB0.31 per share (tax inclusive) for the year ended 31 December 2014 (the "Final Dividend"), totalling approximately RMB857,799 thousands. The proposal in relation to the profit distribution will be submitted to the 2014 annual general meeting for shareholders' consideration and approval. The Company will separately publish the relevant arrangements in respect of the distribution of the Final Dividend including the record date and the book closure period when the date of the 2014 annual general meeting of the Company is fixed.



Report of the Board of Directors

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

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

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

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

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

PRINCIPAL SUBSIDIARIES

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

RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 85 of this annual report and Note 31 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

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

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

In 2014, the distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB714 million, which is prepared in accordance with the HKFRS.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

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

BORROWINGS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

For the year ended 31 December 2014, none of the Directors, Supervisors, their respective associates and any shareholder of the Company (who to the knowledge of the Board owns more than 5% of the share capital of the Company) had any interest in the 5 largest customers or the 5 largest suppliers of the Group.

CONNECTED TRANSACTIONS

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

Report of the Board of Directors

Non-Exempt Continuing Connected Transactions

For the year of 2014, the annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions by the Group are set out below:

Transactions	Annual cap for the year 2014/the revised annual cap (RMB million)	Actual transaction amounts for the year ended 31 December 2014 (RMB million)
Transactions between the Group and the CNPGC Group under the Master Procurement Agreement	8,788	2,859
Transactions between the Group and the CNPGC Group under the Master Sales Agreement	1,650	798

Transactions between the Group and Sinopharm Group Finance Co. under the Financial Services Framework Agreement	Annual caps for 2014 (RMB million)	Actual transaction amounts for the year ended 31 December 2014 (RMB million)
Maximum daily balance of the deposits placed with Sinopharm Group Finance Co. by the Group	1,600	1,570
Interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Co.	200	49

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

In order to regulate the continuing connected transactions in respect of the procurement of pharmaceutical products between the Group and CNPGC and its subsidiaries and associates (the “**CNPGC Group**”), the Company and the CNPGC renewed the Master Procurement Agreement of Pharmaceutical Products, Personal-care Supplies and Medical Equipment (“**Master Procurement Agreement**”) on 11 November 2011, and set up the annual caps for the three years ending 31 December 2014 of the continuing connected transactions under the Master Procurement Agreement. Pursuant to the Listing Rules, the Master Procurement Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2014 have been approved by the independent shareholders of the Company.

Report of the Board of Directors

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

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

The Master Procurement Agreement is for a term of three years with effect from 1 January 2012 and ending on 31 December 2014. Upon expiry, the Master Procurement Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details for the transactions were set out in an announcement dated 11 November 2011 published on the websites of Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, the proposed annual caps for and the actual transaction amounts under the Master Procurement Agreement payable to CNPGC Group by the Group were RMB8,788 million and RMB2,859 million, respectively.

As the term of the above-mentioned Master Procurement Agreement as well as the annual caps for the continuing connected transactions thereunder was to expire on 31 December 2014, on 7 November 2014, the Company and CNPGC renewed the Master Procurement Agreement for a further term of three years from 1 January 2015 to 31 December 2017. The annual caps for the continuing connected transactions contemplated under the renewed Master Procurement Agreement for the three years ending 31 December 2017 will amount to RMB6,000 million, RMB8,000 million and RMB10,000 million, respectively. The renewed Master Procurement Agreement and the annual caps for the continuing connected transactions contemplated thereunder have been approved by the independent shareholders of the Company under the Listing Rules. Details for the transactions were set out in an announcement dated 7 November 2014 published on the websites of Hong Kong Stock Exchange and the Company.

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

In order to regulate the continuing connected transactions in respect of the sales of pharmaceutical products between the Group and the CNPGC Group, the Company and the CNPGC renewed the Master Sales Agreement of Pharmaceutical Products, Personal-care Supplies, Medical Equipment, Chemical Reagents and Laboratory Supplies (“**Master Sales Agreement**”) on 11 November 2011, and set up the annual caps for the three years ending 31 December 2014 of the continuing connected transactions under the Master Sales Agreement.

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

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

The Master Sales Agreement is for a term of three years with effect from 1 January 2012 and ending on 31 December 2014. Upon expiry, the Master Sales Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details for the transactions were set out in an announcement dated 11 November 2011 published on the websites of Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, the proposed annual caps for and the actual transaction amounts under the Master Sales Procurement Agreement payable to the Group by the CNPGC Group were RMB1,650 million and RMB798 million, respectively.

As the term of the above-mentioned Master Sales Agreement as well as the annual caps for the continuing connected transactions thereunder was to expire on 31 December 2014, on 7 November 2014, the Company and CNPGC renewed the Master Sales Agreement for a further term of three years from 1 January 2015 to 31 December 2017. The annual caps for the continuing connected transactions contemplated under the renewed Master Sales Agreement for the three years ending 31 December 2017 will amount to RMB1,650 million, RMB2,200 million and RMB2,800 million, respectively. Details for the transactions were set out in an announcement dated 7 November 2014 published on the websites of Hong Kong Stock Exchange and the Company.

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

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

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

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



Report of the Board of Directors

The Financial Services Framework Agreement is effective from 1 June 2012 to 31 December 2014. Details for the transactions were set out in an announcement dated 8 June 2012 published on the websites of Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, under the Financial Services Framework Agreement, the maximum daily balance of the deposits placed with Sinopharm Group Finance Co. by the Group was RMB1,600 million, while the actual amounts was RMB1,570 million; the annual cap for the interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Co. was RMB200 million, while the actual amount was RMB49 million.

As the term of the above-mentioned Financial Services Framework Agreement as well as the annual caps for the continuing connected transactions thereunder was to expire on 31 December 2014, on 7 November 2014, the Company and Sinopharm Group Finance Co. renewed the Financial Services Framework Agreement for a further term of three years from 1 January 2015 to 31 December 2017. The maximum daily balance of the deposits under the renewed Financial Services Framework Agreement for each of the three years ending 31 December 2017 will amount to RMB2,000 million, and the annual caps for the interests/service fees paid for the provision of other financial services under the renewed Financial Services Framework Agreement for each of the three years ending 31 December 2017 will amount to RMB200 million. Details for the transactions were set out in an announcement dated 7 November 2014 published on the websites of Hong Kong Stock Exchange and the Company.

The Company has conformed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2014 has followed the pricing principles of such continuing connected transactions.

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

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

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

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

Non-Exempt Connected Transaction

Disposal of 40% Equity Interest in Sinopharm Holding Medical Investment Management Co. to Sinopharm Investment

On 23 May 2014, the Company entered into an equity transfer agreement (“**Equity Transfer Agreement**”) with Sinopharm Industrial Investment Co., Ltd. (“**Sinopharm Investment**”), a direct controlling shareholder of the Company, in respect of the disposal of 40% equity interest in Sinopharm Holding Medical Investment Management Co. (“**Sinopharm Holding Medical Investment Management Co.**”) at a consideration of RMB200 million. Upon completion of the transaction under the Equity Transfer Agreement, Sinopharm Holding Medical Investment Management Co. will be a non-wholly-owned subsidiary of the Company.

According to the Listing Rules, Sinopharm Investment constitutes a direct controlling shareholder of the Company, and therefore is a connected person of the Company. Accordingly, the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

The Directors consider that since Sinopharm Holding Medical Investment Management Co. is principally engaged in hospital investment and management business, which requires relatively much input and occupation of capital and there are a lot of uncertainties in the policy environment and business mode, being jointly involved in the development of such new business with other investors will be benefit for the Group to be engaged in other areas of pharmaceutical industry by way of risk diversification while focusing on the development of its core business, and is consistent with the development strategy of the Group and the interests of the Company and its shareholders as a whole.

Details of the transaction are set out in the announcements of the Company dated 23 May 2014 and 27 May 2014 published on the websites of the Hong Kong Stock Exchange and the Company.

Acquisition of 17.5% Equity Interest in Sichuan Medicine from Sichuan Sanxin Co.

On 25 June 2014, the Company entered into an equity transfer agreement (the “**Sichuan Sanxin Co. Equity Transfer Agreement**”) with Sichuan Sanxin Venture Investment Co., Ltd. (“**Sichuan Sanxin Co.**”) in respect of the acquisition of 17.5% equity interest in Sichuan Medicine Co., Ltd. (“**Sichuan Medicine**”) through the open tender process at the Southwest United Equity Exchange at a consideration of RMB253.113 million.



Report of the Board of Directors

CNPGC, the ultimate controlling shareholder and a controller of the Company, is also a substantial shareholder of Sichuan Medicine. Accordingly, the acquisition of 17.5% equity interest in Sichuan Medicine by the Company under the Sichuan Sanxin Co. Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

In accordance with the development strategy of the Group, the Company intends to integrate and enhance the Group's pharmaceutical distribution network in Sichuan Province through the acquisition of relevant equity interest in Sichuan Medicine, and to build up a new highlight of the development of the Group. In addition, the Group will further expand its pharmaceutical distribution business by focusing on Sichuan Province while covering the whole southwest area, so as to reverse the weakness in its pharmaceutical distribution business in the southwest area. In order to assist the Company to gradually complete the acquisition of Sichuan Medicine and achieve the development strategy in Sichuan Province and the southwest area, CNPGC, the ultimate controlling shareholder of the Company, has completed the acquisition of 66% equity interest in Sichuan Medicine Group, which is the controlling shareholder of Sichuan Medicine, in May 2014 and therefore became the ultimate controlling shareholder of Sichuan Medicine. Pursuant to the relevant provisions of the Non-competition Agreement entered into between CNPGC and the Company, CNPGC will (i) enter into an entrustment contract with the Company for the purpose of entrusting the Company to operate and manage the business of Sichuan Medicine (which is controlled by it) so as to minimize any competition between the two parties; and (ii) transfer the aforesaid equity interest in Sichuan Medicine Group held by it to the Company within a practicable period.

Details of the transaction are set out in the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 25 June 2014.

Further Acquisition of 17.5% Equity Interest in Sichuan Medicine from Sichuan Investment Fund

On 30 July 2014, the Company further entered into an equity transfer agreement (the “**Sichuan Investment Fund Equity Transfer Agreement**”) with Sichuan Industrial Revitalization & Development Investment Fund Co., Ltd. (“**Sichuan Investment Fund**”) in respect of the acquisition of 17.5% equity interest in Sichuan Medicine through the open tender process at the Southwest United Equity Exchange at a consideration of RMB253,113,000. Upon completion of the transaction under the Sichuan Investment Fund Equity Transfer Agreement, the Company's equity interest in Sichuan Medicine will be increased to 35%.

CNPGC, the ultimate controlling shareholder and a controller of the Company, is also a substantial shareholder of Sichuan Medicine. Accordingly, the transaction under the Sichuan Investment Fund Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

The Directors consider that completion of the transaction under the Sichuan Investment Fund Equity Transfer Agreement will further consolidate the Company's shareholding in Sichuan Medicine. In addition, as mentioned in the announcement of the Company dated 25 June 2014 in relation to the Company's acquisition of 17.5% equity interest in Sichuan Medicine from Sichuan Sanxin Co. (the “**Previous Announcement**”), pursuant to the non-competition agreement entered into between the Company and CNPGC, CNPGC has entrusted the Company to operate and manage the business of Sichuan Medicine, which is indirectly controlled by it. The progress of acquisition of interest in Sichuan Medicine is aligned to the Company's scheduled plan, and in line with development strategy of the Group as disclosed in the Previous Announcement.

Details of the transaction are set out in the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 30 July 2014.

Further Acquisition of 14% Equity Interest in Sichuan Medicine from Sichuan Furun

On 15 August 2014, the Company further entered into an equity transfer agreement (the “**Sichuan Furun Equity Transfer Agreement**”) with Sichuan Furun Corporate Restructuring & Investment Co., Ltd. (“**Sichuan Furun**”) in respect of the acquisition of 14% equity interest in Sichuan Medicine through the open tender process at the Southwest United Equity Exchange at a consideration of RMB202,490,400. Upon completion of the transaction under the Sichuan Furun Equity Transfer Agreement, the Company’s equity interest in Sichuan Medicine will be increased to 49%, while the remaining 51% equity interest in Sichuan Medicine will be held by Sichuan Medicine Group Co., Ltd. (“**Sichuan Medicine Group**”), which is controlled by CNPGC, the ultimate controlling shareholder of the Company.

The Directors consider that upon completion of the transaction under the Sichuan Furun Equity Transfer Agreement, the Company will achieve the increase in its shareholding in Sichuan Medicine to 49% as scheduled. After the expected transfer of the 66% equity interest held by CNPGC in Sichuan Medicine Group to the Company, Sichuan Medicine will become a subsidiary of the Company, which is in line with the strategy as disclosed in the Previous Announcements.

Details of the transaction are set out in the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 15 August 2014.

Acquisition of 66% Equity Interest in Sichuan Medicine Group from CNPGC

On 18 August 2014, the Company entered into an equity transfer agreement (the “**CNPGC Equity Transfer Agreement**”) with CNPGC, the ultimate controlling shareholder of the Company, in respect of the acquisition of 66% equity interest in Sichuan Medicine Group at a consideration of RMB472 million. Upon completion of the transaction under the CNPGC Equity Transfer Agreement, Sichuan Medicine Group will become a subsidiary of the Company. In addition, since Sichuan Medicine Group holds 51% equity interest in Sichuan Medicine, the Company’s direct and indirect shareholding in Sichuan Medicine will be increased to 82.66% upon completion of the aforesaid transaction.

In order to assist the Company to gradually complete the acquisition of Sichuan Medicine and achieve the development strategy in Sichuan Province and the southwest area, CNPGC, the ultimate controlling shareholder of the Company, has completed the acquisition of 66% equity interest in Sichuan Medicine Group, which is the controlling shareholder of Sichuan Medicine, in May 2014 and therefore became the ultimate controlling shareholder of Sichuan Medicine. Pursuant to the relevant provisions of the Non-competition Agreement entered into between CNPGC and the Company, CNPGC has entrusted the Company to operate and manage the business of Sichuan Medicine, which is controlled by it, upon completion of the abovementioned acquisition, so as to minimize any competition between the two parties. After CNPGC transfers 66% equity interest in Sichuan Medicine Group held by it to the Company as agreed, together with the 49% equity interest in Sichuan Medicine already acquired by the Company, Sichuan Medicine will become a subsidiary of the Company. Hence, the Company completed its scheduled plan of the acquisition of controlling interest in Sichuan Medicine.



Report of the Board of Directors

Details of the transaction are set out in the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 18 August 2014.

Save as disclosed above, for the year ended 31 December 2014, there is no other related party transaction or continuing related party transaction set out in Note 42 to the Financial Statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management are set out from page 39 to 52 of this annual report.

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

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

Details of the remuneration of the Directors and Supervisors in 2014 are set out in Note 11 to the Consolidated Financial Statements.

Details of the five highest paid individuals of the Group in 2014 are set out in Note 11 to the Consolidated Financial Statements on page 128 of this annual report.

Details of the remuneration of the current senior management of the Company by band for the year ended 31 December 2014 are set out as follows:

Range	Number of individuals
RMB nil to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	7

INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Save as disclosed in the non-exempt continuing connected transactions and the non-exempt connected transactions, for the year ended 31 December 2014, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) subsisting during or at the end of the Reporting Period in which a Director or Supervisor is or was materially interested, whether directly or indirectly.

Save as disclosed in the non-exempt continuing connected transactions and the non-exempt connected transactions, for the year ended 31 December 2014, there was no contract of significance in relation to the Company's business subsisting during or at the end of the Reporting Period to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director or Supervisor has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

Save as disclosed in the non-exempt continuing connected transactions and the non-exempt connected transactions, for the year ended 31 December 2014, none of the Directors or Supervisors was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at 31 December 2014, three non-executive Directors, namely Mr. Chen Qiyu, Mr. Wang Qunbin and Mr. Li Dongjiu had interest in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group. Mr. Wang Qunbin is a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**"). Mr. Chen Qiyu is an executive director and the chairman of the board of Fosun Pharma and a director of some of the Fosun Production Companies. Mr. Li Dongjiu is a senior vice president of Fosun Pharma and a director of certain distribution, manufacture and retail companies of Fosun.

For the year ended 31 December 2014, the Group's total revenue from sales of pharmaceutical products to Fosun Pharma and its subsidiaries was approximately RMB150 million and total costs from purchase of pharmaceutical products from Fosun Pharma and its subsidiaries was approximately RMB713 million, accounting for 0.08% and 0.39%, respectively, of the Group's audited total revenue and total costs for the same period.

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

Description of business

The Fosun Production Companies principally engage in the production of pharmaceutical products in the PRC. The core business of the Group is the distribution of pharmaceutical products in the PRC, not production of medicines. For the year ended 31 December 2014, the Group's revenue from the production of pharmaceutical products only accounted for approximately 1.54% of the Group's total audited revenue. Furthermore, because there is a clear delineation between the medicines produced by the Group and those produced by the Fosun Production Companies, the Directors believe that there is no competition between the Fosun Production Companies and the Group.

Independence

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

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

According to an A share announcement dated 10 December 2014 published by Fosun Pharma, Fosun Pharma and Guoda Drugstores, a wholly-owned subsidiary of the Company, entered into equity transfer agreements, pursuant to which Fosun Pharma transferred its 53.13% equity interest in Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (北京金象大藥房醫藥連鎖有限責任公司) (“**Golden Elephant Pharmacy**”), its 97% equity interest in Shanghai Fosun Pharmaceutical Company Limited (上海復星藥業有限公司) (“**Fosun Pharmaceutical**”), and its 92% equity interest in Shanghai For Me Yixing Pharmacy Chain-Store Company Limited (上海復美益星大藥房連鎖有限公司) (“**For Me Pharmacy**”) respectively to Guoda Drugstores. Accordingly, upon completion of the transfers mentioned above, Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy will be wholly owned or controlled by Guoda Drugstores, a wholly-owned subsidiary of the Company, and Fosun Pharmaceutical ceases to wholly own or control any Fosun Distribution Company or Fosun Retail Company. Three non-executive Directors of the Company, namely Mr. Chen Qiyu, Mr. Wang Qunbin and Mr. Li Dongjiu have interest in some businesses through Fosun Pharmaceutical but those businesses no longer compete or are likely to compete, either directly or indirectly, with the business of the Group.

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

As at 31 December 2014, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

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

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

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

As at 31 December 2014, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Report of the Board of Directors

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	56.79	99.83	-
Capital Research and Management Company	H shares	Investment manager	42,110,000	1.52	3.53	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 9)	84,650,917	3.06	7.10	Long position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.47	3.41	Long position
JPMorgan Chase & Co.	H shares	Beneficial owner, Investment manager, Custodian/approved lending agent (Note 10)	118,197,573 231,402 86,159,212	4.27 0.01 3.11	9.91 0.02 7.22	Long position Short position Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	69,166,800	2.50	5.80	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	86,261,200	3.11	7.23	Long position
OppenheimerFunds, Inc.	H shares	Investment manager	108,720,000	3.93	9.11	Long position
GIC Private Limited	H shares	Investment manager	62,786,400	2.27	5.26	Long position

Notes:

The information in relation to the interests and short positions held by the substantial shareholders of H shares of the Company as set out above was disclosed based on the data available on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk), while the respective percentage of the total issued share capital and total issued H shares of the Company was calculated by the number of the aforesaid interests or short positions divided by the enlarged total issued share capital and total issued H shares upon completion of the H share placing of the Company in December 2014, respectively.

Report of the Board of Directors

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is interested in 2,728,396 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.
- (3) Fosun Pharma is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun High Technology is the beneficial owner of 39.83% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun Company is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore, Fosun Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (6) Fosun Holdings is the beneficial owner of 79.6% equity interest in Fosun Company and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Mr. Guo Guangchang is the beneficial owner of 58% equity interest in Fosun International Holdings and 0.005% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (9) BlackRock, Inc. is interested in long positions of 84,650,917 H shares of the Company indirectly through a series of controlled corporations.
- (10) JPMorgan Chase & Co. is interested, directly and indirectly through a series of controlled corporations, in an aggregate of long positions of 118,197,573 H shares (of which 86,159,212 are H shares available for lending) and short positions of 231,402 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2014, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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



Report of the Board of Directors

PLACING OF H SHARES

For the purpose of raising capital while broadening the shareholder base and capital base of the Company, on 22 November 2014, the Company entered into a placing agreement, with the placing agents in relation to the placing, on a best efforts basis, of an aggregate of 198,801,600 H shares at the placing price of HK\$28.40 per H share (the “**Placing**”). The placing price per H share represented a discount of approximately 7.49% to the closing price of HK\$30.70 per H share as quoted on the Hong Kong Stock Exchange on 21 November 2014, being the last trading day prior to the entering into of the placing agreement.

The aggregate nominal value of the above-mentioned H shares under the Placing was RMB198,801,600 (equivalent to approximately HK\$251,177,870). The amount of net proceeds (after deducting all applicable costs and expenses, including commission and legal fees) of approximately HK\$5,548.04 million from the Placing was intended to be used for the expansion of pharmaceutical distribution and retail network and replenishment of liquidity after the expansion. The net proceeds (after deducting all applicable costs and expenses, including commission and legal fees) raised per H share upon completion of the Placing was approximately HK\$27.92.

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

The aforesaid Placing completed on 1 December 2014. Immediately following completion of the Placing, the number of total issued shares of the Company increased from 2,568,293,489 shares to 2,767,095,089 shares, of which the total number of H shares held by the public increased from 994,009,140 H shares to 1,192,810,740 H shares, and the number of domestic shares remained unchanged as 1,574,284,349 domestic shares.

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

As of the date of this report, the actual use of the proceeds from the Placing as mentioned above were as follows: approximately HK\$3.33 billion was used for repaying bank loans, and the remaining approximately HK\$2.22 billion for purchase payment.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of all Directors, there was sufficient public float of more than 25% of the Company’s issued shares as required under the Listing Rules in the financial year of 2014 and prior to the issue of this annual report.

MANAGEMENT CONTRACT

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

PENSION SCHEME

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

DONATION

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

ENTRUSTED DEPOSIT AND MATURED TIME DEPOSIT

As at 31 December 2014, the Company had not held any deposits under trust or any time deposit in any financial institution in the PRC which could not be withdrawn upon maturity.

TAX RELIEF AND EXEMPTION

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

CONFIRMATION OF INDEPENDENCY BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITOR

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

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

Shanghai, China
20 March 2015

Report of the Supervisory Committee

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

I. WORKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

For year 2014, the Supervisory Committee held four meetings and the details are as follows:

On 21 March 2014, the fifth meeting of the second session of the Supervisory Committee was convened to approve the “Report of the Supervisory Committee of 2013” and the “Report of the 2013 Annual Results of Sinopharm Group Co. Ltd.”.

On 25 July 2014, the sixth meeting of the second session of the Supervisory Committee was convened to consider and approve the “Resolution on Re-election of Supervisors of the Supervisory Committee of Sinopharm Group Co. Ltd.”.

On 22 August 2014, the seventh meeting of the second session of the Supervisory Committee was convened to consider and approve the “Report of the 2014 Interim Results of Sinopharm Group Co. Ltd.”.

On 22 September 2014, the first meeting of the third session of the Supervisory Committee was convened to consider and approve the “Resolution on Election of the Chief Supervisor of the Third Session of the Supervisory Committee of Sinopharm Group Co. Ltd.”.

II. COMMENTS OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2014

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

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

Report of the Supervisory Committee

2. Evaluation of financial condition of the Company. During the Reporting Period, the Supervisory Committee has supervised and reviewed the financial structure and position of the Company. The Supervisory Committee is of the opinion that the financial structure of the Company was healthy and standardized and the Company was in a good financial position. The 2014 Audit Report of the Company has truly, accurately and completely reflected the financial condition, results of operation and cash flows of the Company.
3. The use of funds raised by the Company. The Supervisory Committee is of the opinion that the use of proceeds complied with the provisions of relevant laws and regulations and the Articles of Association without violating the interests of the Company and its shareholders. The Supervisory Committee will continue to supervise and monitor the use of proceeds.
4. Acquisition and disposal of assets of the Company. The acquisitions and disposals of the assets of the Company during the Reporting Period were based on fair and reasonable prices. No insider dealing or any action that may injure shareholders' interests or cause any loss of assets of the Company has been found.
5. Connected transactions of the Company. During the Reporting Period, the connected transactions between the Company and all connected persons conformed to applicable regulations of the Hong Kong Stock Exchange. The connected transactions were based on fair and reasonable prices and were carried out in accordance with the principles of reasonableness, fairness and justice. No harm to the interests of the Company and unrelated shareholders has been found.
6. Preparation and review of annual report of the Company. The preparation and review procedures of the 2014 annual report of the Company conformed to all the relevant regulations of the China Securities Regulatory Commission and the Hong Kong Stock Exchange. No breach of confidentiality provisions by any person involved in the preparation or review of annual report has been found.

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

Yao Fang
Chief Supervisor

20 March 2015

Corporate Social Responsibilities

In 2014, Sinopharm Group was guided by its development principle of “System Innovation, Efficiency Enhancement and Steady Development” to promote management enhancement, marketing transformation and industry upgrade, hereby achieving healthy and sustainable development. The slogan “Optimized Strategy, Speed and Efficiency” was adhered to in pursuit of enhancing operating efficiency, thus maintaining constant increase in economic benefit and decrease in operating costs.

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

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

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

PERFORMANCE OF CORPORATE SOCIAL RESPONSIBILITY

Sinopharm Group has developed into the largest distributor of pharmaceutical and healthcare products and a leading supply-chain service provider in the PRC, and owns and operates the largest pharmaceutical distribution and delivery network in the PRC, thus having established an integrated industry chain developing related segments such as distribution and delivery of pharmaceutical and healthcare products, pharmaceutical and healthcare product retail chain, pharmaceutical manufacturing, chemical reagents, medical equipment and healthcare service with synergy. Sinopharm Group strives to become a pharmaceutical and healthcare service provider with international competitiveness to constantly contribute to human health and good life.

It has been Sinopharm Group’s persistent philosophy that an enterprise, as a member of the society, should have frank talks with its stakeholders to establish mutual reliable relationships to satisfy their various needs in terms of economy, environment and society, etc. Meanwhile, an enterprise should make contributions to the sustainable development of the society and play a role in the progress and development of the society, through equitable and transparent corporate activities. In 2014, Sinopharm Group held diverse activities to perform its corporate social responsibility in the following aspects:

1. Social responsibility training programs: The Company has held “SA8000 Social Responsibility Management System” training program for all cadres and staff each year. The program has also been included in the induction courses for new employees.
2. Propaganda on anti-corruption practices in workplace: The Company held report meetings and set up bulletin boards on anti-corruption practices in workplace to disseminate and educate on prevention of enterprise’s legal risks and job-related crimes, etc. The “April Breeze – Month of Anti-corruption Practices in the Workplace” campaign was held to further implement the “Eight Rules” and promote anti-corruption and integrity to a greater extent. General training and discussion on “Operation compliant with laws, anti-corruption practices in workplace and healthy development” was held to appeal cadres and staff to comply with laws and regulations and exercise self-restraint.

Corporate Social Responsibilities

3. Environmental protection, energy saving and emission reduction activities. Sinopharm Group has informed its subsidiaries of its energy saving and emission reduction indicators each year and entered into letters of responsibility with them. The Company strictly complied with environmental protection laws and regulations such as “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, “Water Pollution Prevention and Control Law of the People’s Republic of China”, “Law of the People’s Republic of China on Prevention and Control of Pollution from Environmental Noise” and the laws regarding industrial waste disposal. Industrial enterprises subordinated to the Company actively pursued ISO 14001 certification. The Company has made greater investments in environmental protection, sewage treatment and equipment technological upgrade of environmental protection equipment each year. In addition, the enterprises of Sinopharm Group actively pursued green purchase and socially responsible purchase, and promoted energy saving campaigns on, among other things, raw materials, water, electricity and printing paper.
4. Corporate socially responsible purchase. Sinopharm Group has increased the proportion of socially responsible purchase in its operation each year. Corporate socially responsible terms such as “Prohibition of Using Child Labor”, “Prohibition of Unreasonable Salary”, “Restriction of Use of Hazardous Chemicals” and “Greater Environmental Protection Awareness” were included in sales and purchase contracts with suppliers.
5. Corporate citizenship activities. Adhering to the philosophy of “Caring for Life; Attending to Health”, Sinopharm Group has proactively returned the society. The headquarters and subsidiaries of Sinopharm Group actively held socially responsible practice activities such as “One-to-one Support”, “Education Support”, “Help the Poor and the Old”, “Go Green”, “Disaster and Emergency Relief” and “Volunteer Service” to seriously perform the responsibilities of a corporate citizen.
6. Enhanced corporate democratic management to safeguard staff’s legitimate interests. The Company had placed emphasis on safeguarding the staff’s legitimate interests by adherence to holding a dialogue meeting between the senior management and its staff and a staff representative meeting on an annual basis, thus further strengthening and improving the democratic management progress.
7. The Company strengthened its guidance for the establishment of grassroots labor unions. It published the Operation Guide to Labor Union Establishment in Subsidiaries within the System of Sinopharm Group to practically facilitate second-level subsidiaries to establish labor unions for their subsidiaries. The latest round of resolutions such as Collective Contracts, Special Contract on Protection of Female Employees’ Interests and Headquarters Caring Fund Administrative Measures was passed, and the democratic dialogue meeting system was established. In addition, the labor union of Sinopharm Group promoted and held caring activities such as “New Year’s Day and Chinese New Year Heart-warming Visits”, “One-day Donation”, and “Heart-warming Family Talks by Telephone” for peasant labor, and organized a period of rest and recuperation for advanced employees and blood donor employees to protect the staff’s physical and mental health.



Corporate Social Responsibilities

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

Adhering to the philosophy of “Caring for Life; Attending to Health”, Sinopharm Group continues to improve its social responsibility management system and seriously fulfills various social responsibilities and commitments. Cherishing the “Benevolence, love, and responsibility” as its core value, it strives to bring long-lasting and stable value to its shareholders, clients, environment, and the society, and stands out to take the leadership as a pharmaceutical enterprise with strong sense of social responsibility.

Independent Auditor's Report



羅兵咸永道

To the shareholders of Sinopharm Group Co. Ltd.

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

We have audited the consolidated financial statements of Sinopharm Group Co. Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 264, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 March 2015

Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Revenue	5,6	200,131,261	166,866,146
Cost of sales and other operating costs	9	(183,803,043)	(153,487,630)
Gross profit		16,328,218	13,378,516
Other income	7	204,021	288,941
Distribution and selling expenses	9	(5,122,849)	(4,473,773)
General and administrative expenses	9	(3,547,468)	(3,091,764)
Operating profit		7,861,922	6,101,920
Other gains – net	8	38,730	40,196
Finance income		187,911	174,387
Finance costs		(2,316,602)	(1,834,756)
Finance costs – net	12	(2,128,691)	(1,660,369)
Share of profit of investments accounted for using the equity method	21	162,642	138,758
Profit before income tax		5,934,603	4,620,505
Income tax expense	13	(1,383,030)	(1,040,793)
Profit for the year		4,551,573	3,579,712
Attributable to:			
– Shareholders of the Company		2,874,823	2,250,002
– Non-controlling interests		1,676,750	1,329,710
		4,551,573	3,579,712
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	15	1.11	0.89
Dividends	37	857,799	667,756

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

Consolidated Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Profit for the year		4,551,573	3,579,712
Other comprehensive (losses)/income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations	33,13	(17,301)	15,843
<i>Items that may be reclassified to profit or loss</i>			
Fair value gains on available-for-sale financial assets, net of tax	23,13	10,745	5,094
Currency translation differences	13	235	(2,273)
Share of other comprehensive income of investments accounted for using the equity method	21,13	195	232
Total items that may be reclassified subsequently to profit or loss		11,175	3,053
Other comprehensive (losses)/income for the year, net of tax		(6,126)	18,896
Total comprehensive income for the year		4,545,447	3,598,608
Attributable to:			
– Shareholders of the Company		2,865,708	2,262,489
– Non-controlling interests		1,679,739	1,336,119
		4,545,447	3,598,608

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

Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2014	2013
ASSETS			
Non-current assets			
Land use rights	16	1,445,698	1,277,436
Investment properties	17	361,354	159,509
Property, plant and equipment	18	7,102,276	6,310,547
Intangible assets	19	6,348,010	5,603,289
Investments accounted for using the equity method	21	930,179	730,739
Available-for-sale financial assets	23	348,396	274,701
Deferred income tax assets	24	565,472	455,519
Other non-current assets	25	1,281,890	927,994
		18,383,275	15,739,734
Current assets			
Inventories	26	20,308,570	16,702,338
Trade receivables	27	66,098,233	51,824,730
Prepayments and other receivables	28	4,481,383	4,141,332
Available-for-sale financial assets	23	728	1,122
Bank deposits and restricted cash	29	4,151,194	3,041,892
Cash and cash equivalents	29	15,232,356	14,001,962
		110,272,464	89,713,376
Total assets		128,655,739	105,453,110
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	30	2,767,095	2,568,293
Reserves	31	24,614,772	19,247,253
		27,381,867	21,815,546
Non-controlling interests		8,907,762	6,795,804
Total equity		36,289,629	28,611,350

Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2014	2013
LIABILITIES			
Non-current liabilities			
Borrowings	32	4,222,597	4,134,067
Deferred income tax liabilities	24	632,801	596,282
Post-employment benefit obligations	33	516,272	498,749
Other non-current liabilities	34	974,615	771,483
		6,346,285	6,000,581
Current liabilities			
Trade payables	35	54,723,653	44,188,111
Accruals and other payables	36	5,419,051	5,183,535
Dividends payable		86,462	36,613
Current income tax liabilities		557,805	425,644
Borrowings	32	25,232,854	21,007,276
		86,019,825	70,841,179
Total liabilities		92,366,110	76,841,760
Total equity and liabilities		128,655,739	105,453,110
Net current assets		24,252,639	18,872,197
Total assets less current liabilities		42,635,914	34,611,931

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

The financial statements were approved by the Board of Directors on 20 March 2015 and were signed on its behalf by

Wei Yulin
Director

Lyu Changjiang
Director

Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2014	2013
ASSETS			
Non-current assets			
Investment properties	17	4,593	4,843
Property, plant and equipment	18	65,372	53,387
Intangible assets	19	369,435	110,583
Investments in subsidiaries	20	17,242,568	14,625,391
Investments accounted for using the equity method	21	209,450	132,600
Available-for-sale financial assets	23	300,520	236,120
Deferred income tax assets	24	45,878	33,193
Other non-current assets	25	1,436	6,871
		18,239,252	15,202,988
Current assets			
Inventories	26	897,367	704,585
Trade receivables	27	4,059,422	4,222,657
Prepayments and other receivables	28	17,039,509	12,661,792
Cash and cash equivalents	29	8,430,802	5,738,956
		30,427,100	23,327,990
Total assets		48,666,352	38,530,978
EQUITY			
Share capital	30	2,767,095	2,568,293
Reserves	31	19,298,963	14,986,152
Total equity		22,066,058	17,554,445

Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2014	2013
LIABILITIES			
Non-current liabilities			
Borrowings	32	3,982,902	3,969,306
Other non-current liabilities	34	326,865	208,853
Post-employment benefit obligations		30,528	30,393
		4,340,295	4,208,552
Current liabilities			
Trade payables	35	3,265,130	2,961,925
Accruals and other payables	36	12,117,573	7,963,157
Current income tax liabilities		31,396	3,409
Borrowings	32	6,845,900	5,839,490
		22,259,999	16,767,981
Total liabilities		26,600,294	20,976,533
Total equity and liabilities		48,666,352	38,530,978
Net current assets		8,167,101	6,560,009
Total assets less current liabilities		26,406,353	21,762,997

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

The financial statements were approved by the Board of Directors on 20 March 2015 and were signed on its behalf by

Wei Yulin
Director

Lyu Changjiang
Director

Consolidated Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to shareholders of the Company				Total Equity
		Paid-in capital	Reserves	Total	Non-controlling interests	
As at 1 January 2013		2,402,625	14,881,120	17,283,745	5,664,910	22,948,655
Total of comprehensive income		–	2,262,489	2,262,489	1,336,119	3,598,608
Issue shares, net of expenses		165,668	3,058,892	3,224,560	–	3,224,560
Effect of transactions with non-controlling interests		–	(97,518)	(97,518)	16	(97,502)
Revaluation gain of subsidiaries in conversion of corporate institution		–	368	368	92	460
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	364,385	364,385
Acquisition of subsidiaries		–	–	–	126,089	126,089
Other changes in shareholding of non-controlling interests of subsidiaries		–	–	–	(149,026)	(149,026)
Effect of business combination under common control		–	(219,600)	(219,600)	–	(219,600)
Dividends		–	(642,073)	(642,073)	(548,139)	(1,190,212)
Others		–	3,575	3,575	1,358	4,933
As at 31 December 2013		2,568,293	19,247,253	21,815,546	6,795,804	28,611,350
Total of comprehensive income		–	2,865,708	2,865,708	1,679,739	4,545,447
Issue shares, net of expenses		198,802	4,191,913	4,390,715	–	4,390,715
Effects of transactions with non-controlling interests	40	–	(1,020,941)	(1,020,941)	180,931	(840,010)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	94,701	94,701
Acquisition of subsidiaries		–	–	–	606,565	606,565
Dividends		–	(667,756)	(667,756)	(456,601)	(1,124,357)
Others		–	(1,405)	(1,405)	6,623	5,218
As at 31 December 2014		2,767,095	24,614,772	27,381,867	8,907,762	36,289,629

Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Cash flows from operating activities:			
Cash generated from operations	38	6,953,987	6,022,937
Income tax paid		(1,393,152)	(1,081,643)
Net cash generated from operating activities		5,560,835	4,941,294
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		637	–
Proceeds from disposal of land use rights		261	9,184
Proceeds from disposal of property, plant and equipment		22,126	60,346
Proceeds from disposal of available-for-sale financial assets		–	380
(Payment)/Proceeds for disposal of investment properties		(1,668)	6,600
Proceeds from disposal of an associate		74,726	–
Interest received from long-term deposits		39,114	42,530
Disposal of subsidiaries, net of cash disposed		(121,298)	(151,411)
Dividends received from associates		89,927	69,609
Dividends received from available-for-sale financial assets		7,316	1,479
Dividend received from a subsidiary prior to acquisition		–	15,878
Prepayment for acquisition		(124,310)	(8,442)
Purchase of land use rights		(192,901)	(91,676)
Purchase of property, plant and equipment		(1,450,506)	(1,128,276)
Purchase of intangible assets		(243,943)	(82,494)
Purchase of investment properties		–	(3,843)
Payment of long-term deposits		(42,833)	(498,700)
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		(303,617)	28,288
Consideration paid for prior year acquisitions		(117,830)	(522,249)
Acquisition of associates		(28,455)	(3,000)
Acquisition of non-controlling interests of subsidiaries		(840,010)	(93,981)
Increase in restricted cash	29	(1,109,302)	(1,434,497)
Net cash used in investing activities		(4,357,566)	(4,066,375)

Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Cash flows from financing activities:			
Proceeds from borrowings from banks		31,126,548	29,472,658
Proceeds from borrowings from other financial institution		731,600	750,000
Repayment of borrowings from banks		(33,164,663)	(30,794,597)
Repayments of borrowings from other financial institution		(870,000)	(642,000)
Repayments of bonds		(5,000,000)	–
Issue of bond, net of expense	32	5,993,140	3,958,828
Issue of shares, net of expense		4,390,715	3,224,560
Capital injections from non-controlling shareholders of subsidiaries		94,701	209,471
Dividends paid to shareholders of the Company		(667,756)	(642,073)
Dividends paid to non-controlling shareholders of subsidiaries		(410,957)	(529,310)
Interest paid		(2,201,302)	(1,595,532)
Repayment of H1N1 medical reserve from government	34	–	(3,276)
Net cash generated from financing activities		22,026	3,408,729
Increase in cash and cash equivalents		1,225,295	4,283,648
Cash and cash equivalents at beginning of year	29	14,001,962	9,801,502
Exchange gains/(losses) on cash, cash equivalents		5,099	(83,188)
Cash and cash equivalents at end of year	29	15,232,356	14,001,962

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

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

These financial statements are presented in Renminbi (“RMB”) thousands, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 20 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) Basis of preparation (continued)

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

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.
- Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.
- HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation 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 the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) Basis of preparation (continued)

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

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(2) Subsidiaries

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

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

(i) Business combinations not under common control

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Subsidiaries (continued)

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

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

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

(ii) Merger accounting for common control combinations

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

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Subsidiaries (continued)

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

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

(iv) Disposal of subsidiaries

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

(v) Separate financial statements

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Associates

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Segment reporting

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

(5) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) Foreign currency translation (continued)

(iii) Group companies

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Investment property

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

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

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

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

(8) Land use rights

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

(9) Intangible assets

(i) Goodwill

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Intangible assets (continued)

(ii) Sales network

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

(iii) Trademarks and patent rights

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

(iv) Exclusive distribution right

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

(v) Computer software

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

(vi) Internally generated product development cost

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Intangible assets (continued)

(vi) Internally generated product development cost (continued)

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

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

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

(10) Impairment of non-financial assets

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

(11) Financial assets

Classification

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, pledged bank deposits and cash and cash equivalents in the balance sheet (Note 2(14) and 2(15)).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Financial assets (continued)

Classification (continued)

(ii) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

(12) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(12) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

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

(ii) Assets classified as available for sale

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

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

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

(13) Inventories

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Trade and other receivables

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

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

(15) Cash and cash equivalents

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

(16) Share capital

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

(17) Trade payables

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

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

(18) Borrowings

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Borrowing costs

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

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

(20) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(20) Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

Outside basis differences

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

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

(iii) Offsetting

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

(21) Employee benefits

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(21) Employee benefits (continued)

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

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

Past-service costs are recognised immediately in income.

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

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

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

(22) Provisions

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Provisions (continued)

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

(23) Revenue recognition

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

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

(i) Sales of goods – pharmaceutical distribution

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

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

(ii) Sales of goods – retail pharmacy

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(23) Revenue recognition (continued)

(iii) Sales of services

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

(iv) Rental income

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

(v) Franchise income

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

(24) Interest income

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

(25) Dividend income

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

(26) Operating Leases

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

(27) Government grants

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(28) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

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

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

(i) Foreign currency risk

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

As at 31 December 2014, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, post-tax profit for the year ended 31 December 2014 would have been approximately RMB130,990 thousands lower/higher (2013: RMB104,371 thousands higher/lower), mainly as a result of foreign exchange losses/gains on translation of USD, HKD and EUR-denominated cash and cash equivalents, borrowings from banks and other financial institution and trade payables.

(ii) Fair value and cash flow interest rate risk

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

As at 31 December 2014, if interest rates on deposits in bank or other financial institution had been 15 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2014 would have been RMB20,490 thousands (2013: RMB12,101 thousands) higher/lower, mainly as a result of higher/lower interest income on bank or other financial institution.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(1) Financial risk factors (continued)

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

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

As at 31 December 2014, if interest rates on borrowings had been 50 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2014 would have been RMB67,871 thousands (2013: RMB62,960 thousands) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

(iii) Credit risk

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

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

The Group has policies to place its cash and cash equivalents only with major financial institutions and other financial institution controlled by CNPGC. As at 31 December 2014, most of the restricted bank deposits and cash and cash equivalents were deposited with major financial institutions in Mainland China and Hong Kong except the deposit in related party as disclosed in Note 42.

(iv) Liquidity risk

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

At the reporting date, the Group held cash and cash equivalents of RMB15,232,356 thousands (2013: RMB14,001,962 thousands) (Note 29) and trade receivables of RMB66,098,233 thousands (2013: RMB51,824,730 thousands) (Note 27) that are expected to readily generate cash inflows for managing liquidity risk. The Group also has agreed to receive bank acceptance notes from certain customers with long-term business trading history and most of these notes are guaranteed by major banks in Mainland China. The maturity of these bank acceptance notes ranges from 3 to 6 months. To maintain flexibility in the Group's funding requirements, a major portion of these bank acceptance notes are discounted to banks or other financial institution with effective interest rates ranging from 4.2% to 7.4% per annum.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(1) Financial risk factors (continued)

(iv) Liquidity risk (continued)

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2014					
Borrowings	25,236,954	100,000	4,131,600	8,095	29,476,649
Interests payments on borrowings (note)	670,521	189,734	233,694	1,281	1,095,230
Trade and other payables	59,662,497	-	-	-	59,662,497
Other non-current liability	-	100,000	-	-	100,000
	85,569,972	389,734	4,365,294	9,376	90,334,376
As at 31 December 2013					
Borrowings	21,017,786	-	4,164,761	-	25,182,547
Interests payments on borrowings (note)	638,734	193,216	416,609	-	1,248,559
Trade and other payables	49,061,874	-	-	-	49,061,874
	70,718,394	193,216	4,581,370	-	75,492,980

note: Interest is based on borrowings as at 31 December 2014 and 2013 and the interest rate as at 31 December 2014 and 2013.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(2) Capital risk management

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

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

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

The gearing ratios are as follows:

	As at 31 December	
	2014	2013
Total liabilities	92,366,110	76,841,760
Total assets	128,655,739	105,453,110
Gearing ratio	71.79%	72.87%

(3) Fair value estimation

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(3) Fair value estimation (continued)

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

	Level 1	Level 2	Level 3	Total
At 31 December 2014				
Available-for-sale financial assets	49,565	4,570	294,989	349,124
At 31 December 2013				
Available-for-sale financial assets	35,633	4,570	235,620	275,823

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

(3) Fair value estimation (continued)

(ii) Financial instruments in level 2 (continued)

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

(iii) Financial instruments in level 3

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

(5) Impairment of receivables

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

(6) Net realisable value of inventories

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(7) Income taxes and deferred income tax

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

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

(8) Post-employment benefit obligations

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

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

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

(9) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (9). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued)

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

(1) For the Year ended 31 December 2014 and 2013

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
Year ended 31 December 2014					
Segment results					
External segment revenue	190,133,058	5,901,875	4,096,328	–	200,131,261
Inter-segment revenue	1,334,846	2,284	355,294	(1,692,424)	–
Revenue	191,467,904	5,904,159	4,451,622	(1,692,424)	200,131,261
Operating profit	7,175,868	219,007	481,558	(14,511)	7,861,922
Other gains/(losses)	26,962	(206)	11,974	–	38,730
Share of profit of investments accounted for using the equity method	3,528	2,037	157,077	–	162,642
	7,206,358	220,838	650,609	(14,511)	8,063,294
Finance costs – net					(2,128,691)
Profit before income tax					5,934,603
Income tax expense					(1,383,030)
Profit for the year					4,551,573
Other segment items included in the income statement					
Provision for impairment of trade and other receivables, net	187,501	266	1,206		188,973
Provision for impairment of inventories	2,862	62	21,174		24,098
Provision for impairment of property, plant and equipment	–	–	20,645		20,645
Provision for impairment of intangible assets	–	–	4,233		4,233
Provision for impairment of goodwill	–	–	5,850		5,850
Amortisation of land use rights	29,839	51	6,775		36,665
Depreciation of property, plant and equipment	412,254	59,107	115,574		586,935
Depreciation of investment properties	–	–	14,900		14,900
Amortisation of intangible assets	188,514	5,129	3,103		196,746
Capital expenditures	2,468,206	107,197	328,768		2,904,171

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued) (1) For the Year ended 31 December 2014 and 2013 (continued)

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued) (2) As at 31 December 2014 and 2013

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Group
As at 31 December 2014					
Segment assets and liabilities					
Segment assets	120,166,345	3,206,254	6,435,604	(1,717,936)	128,090,267
Segment assets include:					
Investments accounted for using the equity method	84,355	14,283	831,541	-	930,179
Unallocated assets – Deferred income tax assets					565,472
Total assets					128,655,739
Segment liabilities	59,995,952	1,949,107	2,029,590	(1,696,791)	62,277,858
Unallocated liabilities – Deferred income tax liabilities and borrowings					30,088,252
Total liabilities					92,366,110
As at 31 December 2013					
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 – Deferred income tax liabilities and borrowings					25,737,625
Total liabilities					76,841,760

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

6 REVENUE

	Year ended 31 December	
	2014	2013
Sales of goods	199,652,863	166,454,416
Consulting income	194,925	145,927
Franchise fees and other service fee from medicine chain stores	119,848	112,016
Rental income (Note 17)	111,414	107,769
Import agency income	25,948	24,528
Others	26,263	21,490
	200,131,261	166,866,146

7 OTHER INCOME

	Year ended 31 December	
	2014	2013
Government grants (i)	204,021	288,941

note:

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

8 OTHER GAINS – NET

	Year ended 31 December	
	2014	2013
Write-back of certain liabilities (i)	26,870	27,204
Gain on fair value re-measurement of existing stake in connection with disposal of a subsidiary	7,602	–
Gain on disposal of subsidiaries	2,659	2,702
Gain on disposal of investment accounted for equity method	2,265	–
Gain on disposal of land use right, property, plant and equipment and intangible assets	5,840	15,828
Foreign exchange loss – net	(17,853)	(4,461)
Loss on disposal of available-for-sale financial assets	(394)	(56)
Dividend from a subsidiary prior to acquisition	–	15,878
Compensation write-back/(charge) (ii)	11,020	(22,040)
Donation	(11,054)	(9,261)
Others – net	11,775	14,402
	38,730	40,196

notes:

- (i) In 2014, the Group reviewed all the trade and other payables with aging over 5 years and wrote-back these unpayable long aging liabilities of RMB26,870 thousands.
- (ii) In March 2010, one subsidiary of the Group signed a “Real estate transfer and corporation agreement” with a Real Estate Development Company (the “counterparty”). In June 2012, the subsidiary determined to terminate the agreement due to its long-term development plan, and made compensation provision amounting to RMB17,600 thousands accordingly. The subsidiary paid compensation of RMB4,980 thousands in 2012 but didn't pay the remaining part. In April 2013, the counterparty sued the subsidiary for the remaining compensation of RMB11,020 thousands, additional compensation of RMB11,020 thousands and overdue penalty of RMB11,020 thousands. In May 2013, the court went in the counterparty's favour at the first instance and the subsidiary made additional provision amounting to RMB22,040 thousands. In 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 in 2014.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

9 EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
Raw materials and trading merchandise consumed	183,280,631	153,045,878
Changes in inventories of finished goods and work in progress	(93,898)	(3,681)
Employee benefit expenses (Note 10)	4,326,711	3,618,164
Provision for impairment of trade receivables (Note 27)	167,884	134,134
Provision for impairment of other receivables (Note 28)	21,089	2,298
Provision for impairment of inventories (Note 26)	24,098	53,388
Provision for impairment of intangible assets (Note 19)	4,233	–
Provision for impairment of property, plant and equipment (Note 18)	20,645	5,340
Provision for impairment of goodwill (Note 19)	5,850	63,200
Operating lease rental in respect of land and buildings	587,830	425,411
Depreciation of property, plant and equipment (Note 18)	586,935	476,729
Depreciation of investment properties (Note 17)	14,900	11,338
Amortisation of intangible assets (Note 19)	196,746	149,802
Amortisation of land use rights (Note 16)	36,665	39,057
Auditors' remuneration		
– statutory audit service	21,292	19,980
– non-statutory audit service	330	2,275
– non-audit service	938	820
Advisory and consulting fees	82,796	60,422
Transportation expenses	835,286	686,714
Travel expenses	242,806	216,386
Market development and business promotion expenses	936,324	987,116
Utilities	143,562	128,969
Others	1,029,707	929,427
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	192,473,360	161,053,167

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2014	2013
Salaries, wages, allowances and bonuses	3,352,661	2,774,007
Contributions to pension plans (i)	336,978	293,185
Post-employment benefits	27,158	21,873
Housing benefits (ii)	133,255	112,666
Other benefits (iii)	476,659	416,433
	4,326,711	3,618,164

notes:

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the Directors for the year ended 31 December 2014 are set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
Executive director					
Mr. Wei Yulin	1,564	1,887	-	94	3,545
Mr. Li Zhiming (i)	1,401	1,378	-	94	2,873
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Mr. Zhou Bin	-	-	-	-	-
Mr. Chen Qiyu	-	-	-	-	-
Mr. Wang Fucheng (ii)	-	-	-	-	-
Mr. Li Dongjiu	-	-	-	-	-
Mr. Li Yuhua (iii)	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua (ii)	188	-	-	-	188
Mr. Tao Wuping (ii)	188	-	-	-	188
Mr. Xie Rong (ii)	188	-	-	-	188
Mr. Zhou Bajun (ii)	188	-	-	-	188
Ms. Li Ling	263	-	-	-	263
Mr. Lyu Changjiang (iii)	75	-	-	-	75
Mr. Liu Zhengdong (iii)	75	-	-	-	75
Mr. Chen Weicheng (iii)	75	-	-	-	75
Mr. Yu Zishan (iii)	75	-	-	-	75
Supervisor					
Ms. Zhang Jian	577	318	-	94	989
Mr. Lian Wanyong	-	-	-	-	-
Mr. Yao Fang	-	-	-	-	-
	4,857	3,583	-	282	8,722

notes:

- (i) Mr. Li Zhiming is the chief executive.
- (ii) Resigned on 20 September 2014.
- (iii) Appointed on 21 September 2014.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

(a) Directors' emoluments (continued)

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

(b) Five highest paid individuals

Two (2013: one) of the five highest paid individuals, whose emoluments are reflected in the analysis presented above, is two (2013: one) of the Directors.

The emoluments to the other three (2013: four) highest paid individuals are as follows:

	Year ended 31 December	
	2014	2013
Salaries	3,003	3,960
Discretionary bonuses	3,845	4,015
Employer's contribution to pension scheme	296	373
	7,144	8,348

	Year ended 31 December	
	2014 Number	2013 Number
Emolument bands		
HK\$1,000,001 – HK\$2,000,000 (RMB788,901 – RMB1,577,800)	–	–
HK\$2,000,001 – HK\$2,500,000 (RMB1,577,801 – RMB1,972,250)	–	–
HK\$2,500,001 – HK\$3,000,000 (RMB1,972,251 – RMB2,366,700)	1	4
HK\$3,000,001 – HK\$3,500,000 (RMB2,366,701 – RMB2,761,150)	2	–

- (c) For the years ended 31 December 2013 and 2014, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

12 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014	2013
Interest expense:		
– Borrowings	1,380,030	1,101,196
– Discount of notes receivable	452,675	321,006
– Discount of accounts receivable	369,430	310,937
– Net interest on net defined benefit liability	10,723	20,126
Gross interest expense	2,212,858	1,753,265
Bank charges	125,382	104,129
Less: capitalised interest expense	(21,638)	(22,638)
Finance costs	2,316,602	1,834,756
Finance income:		
– Interest income on deposits in bank or other financial institution	(148,797)	(131,857)
– Interest income on long-term deposits	(39,114)	(42,530)
Net finance costs	2,128,691	1,660,369

13 TAXATION Income tax expense

	Year ended 31 December	
	2014	2013
Current income tax	1,525,313	1,169,588
Deferred taxation (Note 24)	(142,283)	(128,795)
	1,383,030	1,040,793

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

13 TAXATION (continued)

Income tax expense (continued)

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

	Year ended 31 December	
	2014	2013
Profit before income tax	5,934,603	4,620,505
Less: Share of profit of investments accounted for using the equity method	(162,642)	(138,758)
	5,771,961	4,481,747
Tax calculated at applicable tax rate	1,358,210	1,008,081
Expenses not deductible for tax purposes	67,273	64,014
Income not subject to tax	(11,752)	(9,516)
Tax losses for which no deferred income tax asset was recognised, net	3,493	4,129
Tax losses utilised for which no deferred income tax asset recognised in prior years	(4,333)	(10,057)
Impact of change in applicable income tax rate on deferred tax	(4,635)	751
Income tax refund	(25,226)	(16,609)
Income tax expense	1,383,030	1,040,793
Weighted average applicable tax rate (i)	23.30%	22.53%

note:

- (i) During 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.

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

13 TAXATION (continued)

Income tax expense (continued)

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

	2014			2013		
	Before tax	Tax (charge)/credit	After tax	Before tax	Tax (charge)/credit	After tax
Fair value gains on available-for-sale financial assets	14,326	(3,581)	10,745	6,792	(1,698)	5,094
Remeasurement (losses)/gains of post-employment benefit obligations	(22,477)	5,176	(17,301)	20,834	(4,991)	15,843
Share of other comprehensive income of investments accounted for using the equity method	195	-	195	232	-	232
Currency translation differences	235	-	235	(2,273)	-	(2,273)
Other comprehensive (losses)/gains	(7,721)	1,595	(6,126)	25,585	(6,689)	18,896

14 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company for the year ended 31 December 2014 as recorded in the financial statements of the Company is RMB713,712 thousands (2013: RMB840,010 thousands).

15 EARNINGS PER SHARE

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

	Year ended 31 December	
	2014	2013
Profit attributable to shareholders of the Company (RMB'000)	2,874,823	2,250,002
Weighted average number of ordinary shares in issue ('000)	2,585,178	2,523,359
Basic earnings per share (RMB per share)	1.11	0.89

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

16 LAND USE RIGHTS – GROUP

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

	Year ended 31 December	
	2014	2013
Cost	1,650,962	1,448,438
Accumulated amortisation	(205,264)	(171,002)
Net book amount	1,445,698	1,277,436
Opening net book amount	1,277,436	1,017,029
Additions	139,135	241,829
Acquisition of subsidiaries (Note 41)	80,790	67,196
Disposal of subsidiaries	–	(129)
Disposal	(14,998)	(9,432)
Amortisation (Note 9)	(36,665)	(39,057)
Closing net book amount	1,445,698	1,277,436

The approved use periods of land use rights that are located in Mainland China range from 10 to 50 years (2013: 10 to 50 years).

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

As at 31 December 2014, the land use rights with a net book amount of approximately RMB46,278 thousands (2013: RMB72,135 thousands) were pledged as collaterals for the Group's bank borrowings (Note 32).

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

17 INVESTMENT PROPERTIES The Group

	Year ended 31 December	
	2014	2013
Cost	566,004	320,837
Accumulated depreciation	(204,650)	(161,328)
Net book amount	361,354	159,509
Opening net book amount	159,509	175,588
Acquisition of subsidiaries (Note 41)	169,809	–
Additions	–	3,843
Transfer from property, plant and equipment (Note 18)	53,071	6,542
Transfer to property, plant and equipment (Note 18)	(165)	(12,164)
Disposal	(5,970)	(2,962)
Depreciation (Note 9)	(14,900)	(11,338)
Closing net book amount	361,354	159,509

Investment properties are located in Mainland China on land with the land use periods of 25 to 50 years (2013: 25 to 50 years).

As at 31 December 2014, investment properties with a net book amount of approximately RMB21,260 thousands (2013: Nil) were pledged as collaterals of the Group's bank borrowings (Note 32).

As at 31 December 2014, the fair value of the investment properties was estimated to be approximately RMB2,978,919 thousands (2013: RMB2,170,449 thousands). The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

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

	Year ended 31 December	
	2014	2013
Revenue (Note 6)	111,414	107,769

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

17 INVESTMENT PROPERTIES (continued) The Company

	Year ended 31 December	
	2014	2013
Cost	7,343	7,343
Accumulated depreciation	(2,750)	(2,500)
Net book amount	4,593	4,843
Opening net book amount	4,843	5,093
Depreciation	(250)	(250)
Closing net book amount	4,593	4,843

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT The Group

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT (continued) The Group (continued)

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor Vehicles	Construction In-progress	Total
At 1 January 2014						
Cost	4,683,373	1,428,715	896,407	530,240	890,080	8,428,815
Accumulated depreciation and impairment	(834,194)	(537,479)	(483,246)	(263,349)	–	(2,118,268)
Net book amount	3,849,179	891,236	413,161	266,891	890,080	6,310,547
Year ended 31 December 2014						
Opening net book amount	3,849,179	891,236	413,161	266,891	890,080	6,310,547
Acquisition of subsidiaries (Note 41)	68,247	24,452	2,895	12,573	484	108,651
Additions	132,054	160,973	165,472	87,000	889,639	1,435,138
Transfers	590,865	292,721	42,089	6,939	(932,614)	–
Transfer from investment properties (Note 17)	165	–	–	–	–	165
Transfer to investment properties (Note 17)	(53,071)	–	–	–	–	(53,071)
Impairment Charge (Note 9)	(45)	(19,094)	(6)	–	(1,500)	(20,645)
Disposals	(40,221)	(28,115)	(5,763)	(13,399)	–	(87,498)
Disposal of subsidiaries	–	(3,373)	(474)	(229)	–	(4,076)
Depreciation (Note 9)	(220,056)	(164,133)	(134,754)	(67,992)	–	(586,935)
Closing net book amount	4,327,117	1,154,667	482,620	291,783	846,089	7,102,276
At 31 December 2014						
Cost	5,349,328	1,817,722	1,078,774	610,286	846,089	9,702,199
Accumulated depreciation and impairment	(1,022,211)	(663,055)	(596,154)	(318,503)	–	(2,599,923)
Net book amount	4,327,117	1,154,667	482,620	291,783	846,089	7,102,276

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

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

	Year ended 31 December	
	2014	2013
Cost of sales and other operating costs	106,429	84,602
Distribution and selling expenses	193,704	111,344
General and administrative expenses	286,802	280,783
	586,935	476,729

As at 31 December 2014, property, plant and equipment with a net book amount of approximately RMB79,759 thousands (2013: RMB217,413 thousands) were pledged as collaterals of the Group's bank borrowings (Note 32).

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

	Year ended 31 December	
	2014	2013
Borrowing cost capitalized	21,638	22,638
Weighted average borrowing cost rate	4.99%	4.97%

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

18 PROPERTY, PLANT AND EQUIPMENT (continued) The Company

	Buildings	Furniture, fittings and equipment	Motor vehicles	Construction in Progress	Total
At 1 January 2013					
Cost	768	43,239	19,425	8,175	71,607
Accumulated depreciation	(258)	(19,521)	(11,969)	–	(31,748)
Net book amount	510	23,718	7,456	8,175	39,859
Year ended 31 December 2013					
Opening net book amount	510	23,718	7,456	8,175	39,859
Additions	–	25,174	377	–	25,551
Transfers	–	3,018	–	(3,018)	–
Disposals	–	(627)	(44)	–	(671)
Depreciation	–	(8,885)	(2,467)	–	(11,352)
Closing net book amount	510	42,398	5,322	5,157	53,387
At 1 January 2014					
Cost	768	69,151	18,915	5,157	93,991
Accumulated amortisation	(258)	(26,753)	(13,593)	–	(40,604)
Net book amount	510	42,398	5,322	5,157	53,387
Year ended 31 December 2014					
Opening net book amount	510	42,398	5,322	5,157	53,387
Additions	–	25,196	739	1,620	27,555
Transfers	–	1,370	–	(1,370)	–
Disposals	–	(902)	–	–	(902)
Depreciation	–	(12,221)	(2,447)	–	(14,668)
Closing net book amount	510	55,841	3,614	5,407	65,372
At 31 December 2014					
Cost	768	93,460	19,654	5,407	119,289
Accumulated depreciation	(258)	(37,619)	(16,040)	–	(53,917)
Net book amount	510	55,841	3,614	5,407	65,372

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS The Group

	Goodwill	Sales network	Trademarks and patent	Exclusive distribution rights	Software	Internally generated product development costs	Total
At 1 January 2013							
Cost	3,396,955	2,277,743	171,666	-	177,353	25,373	6,049,090
Accumulated amortization	-	(325,014)	(121,673)	-	(51,791)	-	(498,478)
Net book amount	3,396,955	1,952,729	49,993	-	125,562	25,373	5,550,612
Year ended of 31 December 2013							
Opening net book amount	3,396,955	1,952,729	49,993	-	125,562	25,373	5,550,612
Additions	-	30	2,837	-	63,490	16,137	82,494
Acquisition of subsidiaries	132,285	28,840	21,779	-	1,238	-	184,142
Transfer	-	-	200	-	-	(200)	-
Disposal of subsidiaries	-	-	-	-	(230)	-	(230)
Disposal	-	-	(28)	-	(699)	-	(727)
Amortization (Note 9)	-	(114,314)	(17,686)	-	(17,802)	-	(149,802)
Impairment Charge (Note 9)	(63,200)	-	-	-	-	-	(63,200)
Closing net book amount	3,466,040	1,867,285	57,095	-	171,559	41,310	5,603,289
At 31 December 2013							
Cost	3,529,240	2,306,613	193,463	-	240,735	41,310	6,311,361
Accumulated amortization and impairment	(63,200)	(439,328)	(136,368)	-	(69,176)	-	(708,072)
Net book amount	3,466,040	1,867,285	57,095	-	171,559	41,310	5,603,289
Year ended of 31 December 2014							
Opening net book amount	3,466,040	1,867,285	57,095	-	171,559	41,310	5,603,289
Additions	-	-	629	280,802	103,805	39,509	424,745
Acquisition of subsidiaries (Note 41)	269,711	275,590	-	-	602	-	545,903
Transfer	-	-	1,770	-	2,188	(3,958)	-
Disposal of subsidiaries	(6,013)	(12,961)	-	-	-	-	(18,974)
Disposal	-	-	(113)	-	(11)	-	(124)
Amortization (Note 9)	-	(118,306)	(18,267)	(21,060)	(39,113)	-	(196,746)
Impairment Charge (Note 9)	(5,850)	-	-	-	(4,233)	-	(10,083)
Closing net book amount	3,723,888	2,011,608	41,114	259,742	234,797	76,861	6,348,010
At 31 December 2014							
Cost	3,792,938	2,566,333	195,711	280,802	346,038	76,861	7,258,683
Accumulated amortization and impairment	(69,050)	(554,725)	(154,597)	(21,060)	(111,241)	-	(910,673)
Net book amount	3,723,888	2,011,608	41,114	259,742	234,797	76,861	6,348,010

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS (continued)

The Group (continued)

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

	Year ended 31 December	
	2014	2013
Distribution and selling expenses	142,438	114,851
General and administrative expenses	54,308	34,951
	196,746	149,802

Impairment tests for goodwill:

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

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

2013	Opening	Addition	Impairment	Disposal of subsidiaries	Closing
Pharmaceutical distribution	2,623,673	70,755	-	-	2,694,428
Retail	538,539	9,080	-	-	547,619
Other	234,743	52,450	(63,200)	-	223,993
Total	3,396,955	132,285	(63,200)	-	3,466,040

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS (continued)

The Group (continued)

Impairment tests for goodwill: (continued)

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

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

The key assumptions, long term growth rate and discount rate, used for value-in-use calculations in 2013 are as follows:

	Pharmaceutical distribution	Retail pharmacy	Other business
Revenue growth rate in the budget period	5.6%-30%	7.2%-20.2%	10.8%-22.4%
Gross margin	3.0%-10.9%	26.0%-37.5%	22.0%-35.0%
Growth rate to extrapolate cash flows beyond the budget period	3.0%	3.0%	3.0%
Discount rate	15.5%	15.9%	16.0%-20.0%

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

In 2014, as the present value of estimates future cash flow lower than the carrying amount, the Group provided goodwill impairment amounting to RMB5,850 thousands for its one subsidiary, which are included in other business segment.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

19 INTANGIBLE ASSETS (continued) The Company

	Software
At 1 January 2013	
Cost	88,295
Accumulated amortisation	(7,549)
Net book amount	80,746
Year ended 31 December 2013	
Opening net book amount	80,746
Additions	35,859
Amortization	(6,022)
Closing net book amount	110,583
At 31 December 2013	
Cost	124,154
Accumulated amortization	(13,571)
Net book amount	110,583
Year ended 31 December 2014	
Opening net book amount	110,583
Additions	298,882
Amortization	(40,030)
Closing net book amount	369,435
At 31 December 2014	
Cost	423,036
Accumulated amortization	(53,601)
Net book amount	369,435

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES

Company

(a) Investments in subsidiaries

	As at 31 December	
	2014	2013
Investments, at cost		
– Listed shares (i)	2,442,020	500,260
– Unlisted shares	14,800,548	14,125,131
	17,242,568	14,625,391
Quoted market value of listed shares	15,356,934	9,090,223

note:

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES (continued)

Company (continued)

(b) Material non-controlling interests

The total non-controlling interests for the period is RMB8,907,762 thousands (2013: RMB6,795,804 thousands), of which RMB1,432,370 (2013: 1,215,308) is for National Medicines and RMB2,344,855 (2013: RMB1,393,151) is attributed to Sinopharm Accord. The non-controlling interests in respect of other subsidiaries are not material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 40 for transactions with non-controlling interests.

Summarised balance sheet

	National Medicines		Sinopharm Accord	
	2014	2013	2014	2013
Current				
Assets	4,419,750	4,117,384	10,992,130	9,465,741
Liabilities	(2,715,333)	(2,714,401)	(7,687,757)	(8,486,750)
Total current net assets	1,704,417	1,402,983	3,304,373	978,991
Non-current				
Assets	1,122,237	965,236	1,851,791	1,604,606
Liabilities	(268,393)	(197,638)	(370,746)	(324,555)
Total non-current net assets	853,844	767,598	1,481,045	1,280,051
Net assets	2,558,261	2,170,581	4,785,418	2,259,042

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES (continued)

Company (continued)

(b) Material non-controlling interests (continued)

Summarised income statement

	National Medicines		Sinopharm Accord	
	2014	2013	2014	2013
Revenue	11,538,343	10,081,474	23,954,331	21,199,466
Profit before income tax	620,944	527,137	817,659	653,557
Income tax expense	(126,894)	(103,707)	(159,442)	(124,883)
Post-tax profit	494,050	423,430	658,217	528,674
Other comprehensive income	10,744	5,094	–	–
Total comprehensive income	504,794	428,524	658,217	528,674
Total comprehensive income allocated to non-controlling interests	15,397	12,967	17,404	13,658
Dividends paid to non-controlling interests	69,701	58,978	40,254	31,986

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES (continued)

Company (continued)

(b) Material non-controlling interests (continued)

Summarised cash flows

	National Medicines		Sinopharm Accord	
	2014	2013	2014	2013
Cash flows from operating activities				
Cash generated from operations	341,852	287,285	(628,089)	596,537
Income tax paid	(122,909)	(101,722)	(168,608)	(131,509)
Net cash generated from/(used in) operating activities	218,943	185,563	(796,697)	465,028
Net cash used in investing activities	(87,617)	(113,995)	(315,355)	(131,242)
Net cash (used in)/generated from financing activities	(253,647)	125,950	868,310	(156,566)
Net (decrease)/increase in cash and cash equivalents	(122,321)	197,518	(243,742)	177,220
Cash and cash equivalents at beginning of year	844,225	646,707	1,097,948	920,748
Exchange gains/(losses) on cash and cash equivalents	–	–	6	(20)
Cash and cash equivalents at end of year	721,904	844,225	854,212	1,097,948

The information above is the amount before inter company elimination.

The information above is prepared in accordance with HKFRS.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD The Group

	As at 31 December	
	2014	2013
Share of net assets	903,846	710,420
Goodwill	26,333	20,319
	930,179	730,739
	Year ended 31 December	
	2014	2013
At 1 January	730,739	689,324
Additions through business combination (Note 41)	19,522	3,000
Other additions	34,650	–
Reclassification from investments in subsidiaries upon cessation of control	185,166	119,095
Share of results	162,642	138,758
Unrealised profit of transaction with associates	6,009	12,491
Share of other comprehensive income	195	232
Dividends declared by associates attributable to the Group	(91,914)	(70,491)
Disposals	(73,305)	–
Reclassification to available-for-sale financial assets upon cessation of significant influence	(43,525)	–
Reclassification to investment in subsidiaries upon transfer of control to the Group	–	(161,670)
At 31 December	930,179	730,739

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(continued)

The Group (continued)

Set out below are the associates of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2014

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(continued)

The Group (continued)

Summarised financial information for associates

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

Summarised balance sheet

	As at 31 December	
	2014	2013
Current		
Cash and cash equivalents	994,843	483,086
Other current assets (excluding cash)	2,038,962	1,649,202
Total current assets	3,033,805	2,132,288
Financial liabilities (excluding trade payables)	(73,000)	(43,000)
Other current liabilities (including trade payables)	(1,791,717)	(1,318,832)
Total current liabilities	(1,864,717)	(1,361,832)
Non-current		
Assets	2,113,154	1,634,655
Liabilities	(105,666)	(63,329)
Net assets	3,176,576	2,341,782

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(continued)

The Group (continued)

Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	2014	2013
Revenue	4,744,748	3,419,300
Depreciation and amortisation	(64,345)	(56,017)
Interest income	10,314	12,973
Interest expense	(6,153)	(993)
Profit before income tax	865,324	751,095
Income tax expense	(128,827)	(109,225)
Post-tax profit from continuing operations	736,497	641,870
Other comprehensive income	414	493
Total comprehensive income	736,911	642,363
Dividends received from associate	91,913	70,491

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

The Company

As at 31 December

	2014	2013
Investments, at cost		
– Unlisted shares	209,450	132,600

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY The Group

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued) The Group (continued)

At 31 December 2013	Loans and receivables	Available-for- sale	Total
Assets as per balance sheet			
Other non-current assets – long term deposits	799,200	–	799,200
Available-for-sale financial assets	–	275,823	275,823
Trade receivables	51,824,730	–	51,824,730
Other receivables	1,794,694	–	1,794,694
Restricted bank deposits	3,041,892	–	3,041,892
Cash and cash equivalents	14,001,962	–	14,001,962
Total	71,462,478	275,823	71,738,301
		Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet			
Borrowings		25,141,343	25,141,343
Trade payables		44,188,111	44,188,111
Accruals and other payables		4,873,763	4,873,763
Total		74,203,217	74,203,217

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued) The Company

At 31 December 2014	Loans and receivables	Available-for-sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	–	300,520	300,520
Amounts due from subsidiaries	16,473,418	–	16,473,418
Trade receivables	4,059,422	–	4,059,422
Other receivables	448,814	–	448,814
Cash and cash equivalents	8,430,802	–	8,430,802
Total	29,412,456	300,520	29,712,976
		Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		10,828,802	10,828,802
Trade payables		3,265,130	3,265,130
Accruals and other payables		12,092,753	12,092,753
Other non-current liabilities		91,822	91,822
Total		26,278,507	26,278,507

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued) The Company (continued)

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

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS The Group

	As at 31 December	
	2014	2013
Listed equity investments, at fair value	49,565	35,633
Unlisted equity investments	299,559	240,190
	349,124	275,823
Less: Current portion	(728)	(1,122)
	348,396	274,701

	Year ended 31 December	
	2014	2013
At 1 January	275,823	206,967
Additions	59,369	62,500
Net gains	14,326	6,792
Disposals	(394)	(436)
At 31 December	349,124	275,823

The Company

	As at 31 December	
	2014	2013
Unlisted equity investment	300,520	236,120

	Year ended 31 December	
	2014	2013
At 1 January	236,120	173,620
Additions	15,000	62,500
Reclassification from investment accounted for using the equity method	49,400	–
At 31 December	300,520	236,120

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX The Group

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

	As at 31 December	
	2014	2013
Deferred income tax assets		
– to be recovered after more than 12 months	213,017	182,115
– to be recovered within 12 months	352,455	273,404
	565,472	455,519
Deferred income tax liabilities		
– to be settled after more than 12 months	(596,428)	(558,391)
– to be settled within 12 months	(36,373)	(37,891)
	(632,801)	(596,282)
Deferred income tax liability – net	(67,329)	(140,763)

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

	Year ended 31 December	
	2014	2013
At 1 January	(140,763)	(252,186)
Acquisition of subsidiaries (Note 41)	(70,444)	(31,098)
Injection from non-controlling interests of one subsidiary	–	20,415
Credited to consolidated income statements (Note 13)	142,283	128,795
Tax credited/(charged) relating to components of other comprehensive income (Note 13)	1,595	(6,689)
At 31 December	(67,329)	(140,763)

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX (continued)

The Group (continued)

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

Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Unrealised profit	Tax losses	Others	Total
At 1 January 2013	139,010	129,383	10,284	19,836	41,200	339,713
Acquisition of subsidiaries	–	5,871	–	–	3,593	9,464
Injection from non-controlling interests of one subsidiary	20,415	–	–	–	–	20,415
Credited to consolidated income statement	1,404	45,180	11,581	14,154	18,599	90,918
Charged to other comprehensive income	(4,991)	–	–	–	–	(4,991)
At 31 December 2013	155,838	180,434	21,865	33,990	63,392	455,519
Acquisition of subsidiaries (Note 41)	1,635	3,177	–	–	627	5,439
Credited to consolidated income statements	16,908	35,992	9,395	18,319	18,724	99,338
Credited to other comprehensive income	5,176	–	–	–	–	5,176
At 31 December 2014	179,557	219,603	31,260	52,309	82,743	565,472

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX (continued)

The Group (continued)

Deferred income tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains from available-for-sale financial assets	Others	Total
At 1 January 2013	(575,972)	(6,304)	(9,623)	(591,899)
Acquisition of subsidiaries	(40,562)	–	–	(40,562)
Credited to consolidated income statements	37,177	–	700	37,877
Credited to other comprehensive income	–	(1,698)	–	(1,698)
At 31 December 2013	(579,357)	(8,002)	(8,923)	(596,282)
Acquisition of subsidiaries (Note 41)	(75,883)	–	–	(75,883)
Credited to consolidated income statements	39,614	–	3,331	42,945
Charged to other comprehensive income	–	(3,581)	–	(3,581)
At 31 December 2014	(615,626)	(11,583)	(5,592)	(632,801)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Based on above principles, the Group did not recognise deferred income tax assets of approximately RMB20,367 thousands (2013: RMB16,454 thousands) in respect of tax losses amounting to approximately RMB81,469 thousands (2013: RMB65,814 thousands). As at 31 December 2014, these unrecognised tax losses amounting to RMB7,459 thousands, RMB9,574 thousands, RMB15,544 thousands, RMB27,272 thousands and RMB21,620 thousands will expire in 2015, 2016, 2017, 2018 and 2019 respectively.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

24 DEFERRED INCOME TAX (continued) The Company

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

	Year ended 31 December	
	2014	2013
At 1 January	33,193	40,537
Charged/(Credited) to income statement	11,304	(7,738)
Credited to the other comprehensive income	1,381	394
At 31 December	45,878	33,193

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

Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Others	Total
At 1 January 2013	20,702	9,778	10,057	40,537
Credited to income statements	(3,859)	(1,558)	(2,321)	(7,738)
Credited to other comprehensive income	394	–	–	394
At 31 December 2013	17,237	8,220	7,736	33,193
Charged to income statements	4,442	1,405	5,457	11,304
Credited to other comprehensive income	1,381	–	–	1,381
At 31 December 2014	23,060	9,625	13,193	45,878

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

25 OTHER NON-CURRENT ASSETS The Group

	As at 31 December	
	2014	2013
Long-term deposit	842,033	799,200
Partial payment for consideration for acquisition (i)	124,310	8,442
Property compensation for office relocation arrangement (ii)	70,250	70,250
Others	245,297	50,102
	1,281,890	927,994

notes:

- (i) The Group paid RMB124,310 thousands (2013: RMB8,442 thousands) for acquisition as partial payment of the total consideration. However, the related transactions have not been completed by 31 December 2014.
- (ii) According to agreement with local government in May 2012, one of the Group's subsidiaries is entitled to receive a subsidy of RMB120,250 thousands, including cash of RMB50,000 thousands and part of one property with fair value of RMB70,250 thousands, for logistic centre relocation and rebuilding upon request from local government. As at 31 December 2014, the compensated property was under construction by a third party and recorded as non-current assets. The subsidy relating to the construction of relevant logistic centre of RMB93,320 thousands was recorded as non-current liability – deferred revenue (Note 34) and was credited to the income statement on a straight-line basis over the expected lives of the logistic centre. The remaining part of the subsidy was recognised in income statement of the year ended 31 December 2012 directly.

The Company

	As at 31 December	
	2014	2013
Partial payment for consideration for acquisition of subsidiaries	–	6,195
Others	1,436	676
	1,436	6,871

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

26 INVENTORIES The Group

	As at 31 December	
	2014	2013
Raw materials	287,978	210,151
Work in progress	46,956	80,223
Finished goods and trading merchandise	20,037,690	16,481,629
	20,372,624	16,772,003
Less: Provision for impairment	(64,054)	(69,665)
	20,308,570	16,702,338

The cost of inventories recognised as expense and included in cost of sales amounted to RMB183,186,733 thousands (2013: RMB153,042,197 thousands) (Note 9).

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2014	2013
Provision for impairment		
At 1 January	69,665	47,333
Provision for the year (Note 9)	24,098	53,388
Credited to cost of sales when inventories were sold	(29,709)	(31,056)
At 31 December	64,054	69,665

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

26 INVENTORIES (continued) The Company

	As at 31 December	
	2014	2013
Trading merchandise	900,894	708,401
Less: Provision for impairment	(3,527)	(3,816)
	897,367	704,585

Movement of provision for impairment of inventories is as follows:

	Year ended 31 December	
	2014	2013
Provision for impairment		
At 1 January	3,816	10,083
Provision for the year	(289)	(6,267)
At 31 December	3,527	3,816

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES The Group

	As at 31 December	
	2014	2013
Accounts receivable	62,566,132	47,481,041
Notes receivable	4,199,915	4,868,152
	66,766,047	52,349,193
Less: Provision for impairment	(667,814)	(524,463)
Trade receivables – net	66,098,233	51,824,730

The fair value of trade receivables approximates their carrying amounts.

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

	As at 31 December	
	2014	2013
Below 3 months	44,040,688	36,426,895
3 to 6 months	14,907,673	11,536,284
6 months to 1 year	7,379,806	4,025,438
1 to 2 years	342,139	262,888
Over 2 years	95,741	97,688
	66,766,047	52,349,193

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES (continued)

The Group (continued)

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

	As at 31 December	
	2014	2013
3 to 6 months	14,428,712	11,164,074
6 months to 1 year	7,297,419	3,977,514
1 to 2 years	303,334	222,186
Over 2 years	28,080	34,061
	22,057,545	15,397,835

As of 31 December 2014, trade receivables of approximately RMB667,814 thousands (2013: RMB524,463 thousands), were impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult financial situations. The ageing of these receivables is as follows:

	As at 31 December	
	2014	2013
3 to 6 months	478,961	372,210
6 months to 1 year	82,387	47,924
1 to 2 years	38,805	40,702
Over 2 years	67,661	63,627
	667,814	524,463

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES (continued)

The Group (continued)

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

	Year ended 31 December	
	2014	2013
At 1 January	524,463	398,823
Provision for impairment (Note 9)	167,884	134,134
Receivables written off as uncollectible	(23,609)	(8,334)
Disposal of subsidiaries	(924)	(160)
At 31 December	667,814	524,463

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

The trade receivables are denominated in RMB.

As at 31 December 2014, notes receivable of RMB632,686 thousands (2013: RMB377,627 thousands) and accounts receivable of RMB1,891,877 thousands (2013: RMB2,295,985 thousands) were pledged as collaterals for the Group's bank borrowings (Note 32).

As at 31 December 2014, outstanding accounts receivable of RMB4,018,632 thousands (2013: RMB3,989,172 thousands) were derecognized under the accounts receivable factoring programs without recourse. The ageing of these derecognised accounts receivable was within one year. As at 31 December 2014, the collection of such accounts receivable on behalf of banks as financing activities, amounted to RMB608,497 thousands (2013: RMB830,733 thousands) was recorded in other payables (Note 36).

The maximum exposure to credit risk as at 31 December 2014 is the carrying value of each category of receivable mentioned above and in Note 28.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

27 TRADE RECEIVABLES (continued) The Company

	As at 31 December	
	2014	2013
Accounts receivable	3,761,436	3,648,280
Notes receivable	316,733	588,777
	4,078,169	4,237,057
Less: Provision for impairment	(18,747)	(14,400)
Trade receivables – net	4,059,422	4,222,657

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

	As at 31 December	
	2014	2013
Below 3 months	3,234,164	2,989,843
3 to 6 months	719,290	860,392
6 months to 1 year	124,715	386,822
	4,078,169	4,237,057

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

28 PREPAYMENTS AND OTHER RECEIVABLES The Group

	As at 31 December	
	2014	2013
Prepayments	2,169,634	2,211,238
Value-added tax recoverable	307,012	258,793
Deposits	1,190,714	872,945
Staff advances	64,350	77,338
Amounts due from related parties (Note 42)		
– other receivables	7,123	3,777
– prepayments	84,383	135,400
Other receivables	731,607	637,983
	4,554,823	4,197,474
Less: Provision for impairment	(73,440)	(56,142)
	4,481,383	4,141,332

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

The other receivables are denominated in RMB.

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

	Year ended 31 December	
	2014	2013
At 1 January	56,142	59,497
Provision for the year (Note 9)	21,089	2,298
Receivables written off as uncollectible	(3,586)	(5,101)
Disposal of subsidiaries	(205)	(552)
At 31 December	73,440	56,142

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

28 PREPAYMENTS AND OTHER RECEIVABLES (continued) The Company

	As at 31 December	
	2014	2013
Amounts due from subsidiaries	16,473,418	11,957,345
Prepayments	117,277	100,685
Dividend receivable	389,437	550,926
Other receivables	75,605	67,543
	17,055,737	12,676,499
Less: Provision for impairment	(16,228)	(14,707)
	17,039,509	12,661,792

29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS The Group

	As at 31 December	
	2014	2013
Bank deposits and restricted cash		
Pledged bank deposits	4,151,194	3,041,892

	As at 31 December	
	2014	2013
Cash and cash equivalents		
– Cash on hand	11,617	13,374
– Cash at banks	13,650,946	13,316,105
– Cash in other financial institution (Note 42)	1,569,793	672,483
	15,232,356	14,001,962
Bank deposits and restricted cash, cash and cash equivalents		
Denominated in		
– RMB	15,371,118	15,537,570
– USD	100,082	60,607
– HKD	3,911,541	1,445,505
– Others	809	172
	19,383,550	17,043,854

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

The Group (continued)

Pledged bank deposits are collaterals for the following:

	As at 31 December	
	2014	2013
Collateral for bank acceptance notes	3,955,250	2,828,296
Collateral for bank borrowings (Note 32)	–	79,487
Collateral for letter of credit	187,073	130,820
Collateral for letter of guarantee	8,871	3,289
	4,151,194	3,041,892

The maximum exposure to credit risk as at 31 December 2014 and 2013 approximates the carrying value of bank deposits and restricted cash and cash and cash equivalents.

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

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

	As at 31 December	
	2014	2013
Weighted average effective interest rate (per annum)	0.82%	0.93%

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

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

	As at 31 December	
	2014	2013
Cash and cash equivalents		
– Cash on hand	16	38
– Cash at banks	6,930,545	5,088,731
– Cash in other financial institution	1,500,241	650,187
	8,430,802	5,738,956
Bank deposits and cash and cash equivalents		
Denominated in		
– RMB	4,522,093	4,294,016
– HKD	3,908,708	1,444,939
– USD	1	1
	8,430,802	5,738,956

30 SHARE CAPITAL

	Number of shares	Domestic shares with par value of RMB1 per share	H Shares with par value of RMB1 per share	Total
At 1 January 2013	2,402,625	1,574,284	828,341	2,402,625
At 31 December 2013	2,568,293	1,574,284	994,009	2,568,293
Issue of shares	198,802	–	198,802	198,802
At 31 December 2014	2,767,095	1,574,284	1,192,811	2,767,095

The total authorised number of domestic shares and H shares is 2,767,095 thousands shares (2013: 2,568,293 thousands shares) with a par value of RMB1 per share (2013: RMB1 per share). All issued shares are fully paid.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

30 SHARE CAPITAL (continued)

On 1 December 2014, the Company issued 198,801,600 H shares at HK\$28.40 per share, and raised gross proceeds of HK\$5,645,965 thousands (equivalent to RMB4,468,217 thousands). After deduction of the expenses of HK\$97,931 thousands (equivalent to RMB77,502 thousands) in relation to the placement, the total net proceeds was HK\$ 5,548,035 thousands (equivalent to RMB4,390,715 thousands), of which RMB198,802 thousands is recorded as share capital and RMB4,191,913 thousands is recorded as share premium. Further details are given in Note 31.

31 RESERVES The Group

	Note	Share premium	Statutory reserves	Revaluation of available-for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
At 1 January 2013		10,826,368	252,040	9,716	(13,817)	3,806,813	14,881,120
Profit for the year		-	-	-	-	2,250,002	2,250,002
Issue shares, net of expenses		3,058,892	-	-	-	-	3,058,892
Revaluation of available-for-sale financial assets							
- gross		-	-	2,989	-	-	2,989
- tax		-	-	(747)	-	-	(747)
Remeasurement on post-employment benefit obligation							
- gross		-	-	-	16,444	-	16,444
- tax		-	-	-	(4,028)	-	(4,028)
Currency translation differences		-	-	-	(2,273)	-	(2,273)
Appropriation to statutory reserves		-	92,272	-	-	(92,272)	-
Share of other comprehensive income of investments accounted for using the equity method in associates		-	-	-	102	-	102
Effect of business combination under common control		-	-	-	(219,600)	-	(219,600)
Dividends		-	-	-	-	(642,073)	(642,073)
Transactions with non-controlling interests		-	-	-	(87,006)	(10,512)	(97,518)
Revaluation gain of subsidiaries in conversion of corporate institution		-	-	-	368	-	368
Others		-	-	-	3,442	133	3,575
At 31 December 2013		13,885,260	344,312	11,958	(306,368)	5,312,091	19,247,253

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

31 RESERVES (continued) The Group (continued)

	Note	Share premium	Statutory reserves	Revaluation of available-for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
Profit for the year		-	-	-	-	2,874,823	2,874,823
Issue shares, net of expenses		4,191,913	-	-	-	-	4,191,913
Revaluation of available-for-sale financial assets							
– gross		-	-	6,305	-	-	6,305
– tax		-	-	(1,576)	-	-	(1,576)
Remeasurement on post-employment benefit obligation							
– gross		-	-	-	(18,614)	-	(18,614)
– tax		-	-	-	4,446	-	4,446
Currency translation differences		-	-	-	238	-	238
Appropriation to statutory reserves	(a)	-	79,086	-	-	(79,086)	-
Share of other comprehensive income of investments accounted for using the equity method in associates		-	-	-	86	-	86
Dividends	37	-	-	-	-	(667,756)	(667,756)
Transactions with non-controlling interests		-	-	-	(960,871)	(60,070)	(1,020,941)
Others		-	-	-	1,881	(3,286)	(1,405)
At 31 December 2014		18,077,173	423,398	16,687	(1,279,202)	7,376,716	24,614,772

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

31 RESERVES (continued) The Company

	Note	Share premium	Statutory reserves	Other reserves (Note (c))	Retained Earnings (Note (b))	Total
As at 1 January 2013		10,815,193	252,040	(57,541)	628,541	11,638,233
Profit for the year		–	–	–	932,282	932,282
Issue shares, net of expenses		3,058,892	–	–	–	3,058,892
Appropriation to statutory reserves		–	92,272	–	(92,272)	–
Remeasurement on post-employment benefit obligation						
– gross		–	–	(1,576)	–	(1,576)
– tax		–	–	394	–	394
Dividends		–	–	–	(642,073)	(642,073)
As at 31 December 2013		13,874,085	344,312	(58,723)	826,478	14,986,152
Profit for the year		–	–	–	792,798	792,798
Issue shares, net of expenses		4,191,913	–	–	–	4,191,913
Appropriation to statutory reserves	(a)	–	79,086	–	(79,086)	–
Remeasurement on post-employment benefit obligation						
– gross		–	–	(5,525)	–	(5,525)
– tax	24	–	–	1,381	–	1,381
Dividends	37	–	–	–	(667,756)	(667,756)
As at 31 December 2014		18,065,998	423,398	(62,867)	872,434	19,298,963

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

31 RESERVES (continued) The Company (continued)

notes:

- (a) PRC laws and regulations require companies registered in the PRC to maintain certain statutory reserves, which are to be appropriated from the retained profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distributing retained profit to their shareholders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of net profits to statutory surplus reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to a discretionary surplus reserve based on a resolution of the board of directors.
- (b) Retained earnings as at 31 December 2014 include the proposed final dividend of RMB857,799 thousands (2013: RMB667,756 thousands).
- (c) Other reserves mainly represent reserves for business combination under common control, transactions with non-controlling interests and remeasurement on post-employment benefit obligation.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS The Group

	As at 31 December	
	2014	2013
Non-current		
Secured bank borrowings (i)	–	164,761
Unsecured bank borrowings	108,095	–
Unsecured borrowings from other financial institution (Note 42)	131,600	–
Bond (ii)	3,982,902	3,969,306
	4,222,597	4,134,067
Current		
Secured bank borrowings	2,564,104	2,661,537
Unsecured bank borrowings	16,472,850	12,886,249
Unsecured borrowings from other financial institution (Note 42)	200,000	470,000
Bond (iii)	5,995,900	4,989,490
	25,232,854	21,007,276
Total borrowings	29,455,451	25,141,343

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

– RMB	27,849,566	24,051,361
– USD	1,605,885	1,089,982
	29,455,451	25,141,343

notes:

- (i) In 2014, two subsidiaries of the Group repaid non-current secured bank borrowings in advance.
- (ii) 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 Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS (continued) The Group (continued)

notes: (continued)

(iii) 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 matured and were repaid on 22 August 2014.

On 12 August 2014, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB3,435 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,565 thousands. The bonds mature 270 days from the issue day, and the annual interest rate is 4.75%. As at 31 December 2014, the bonds would mature within one year and was classified as current liability.

On 17 October 2014, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB3,425 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,575 thousands. The bonds mature 270 days from the issue day, and the annual interest rate is 4.40%. As at 31 December 2014, the bonds would mature within one year and was classified as current liability.

The Group's borrowings were repayable as follows:

	Borrowings from banks or other financial institution		Bond	
	As at 31 December		As at 31 December	
	2014	2013	2014	2013
Within 1 year	19,236,954	16,017,786	5,995,900	4,989,490
Between 1 to 2 years	100,000	–	–	–
Between 2 to 5 years	131,600	164,761	3,982,902	3,969,306
Over 5 years	8,095	–	–	–
	19,476,649	16,182,547	9,978,802	8,958,796

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS (continued)

The Group (continued)

notes: (continued)

(iii) (continued)

	Borrowings from banks or other financial institution		Bond	
	2014	2013	2014	2013
Wholly repayable within 5 years	19,468,554	16,182,547	9,978,802	8,958,796
Wholly repayable after 5 years	8,095	–	–	–
	19,476,649	16,182,547	9,978,802	8,958,796

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

	Year ended 31 December	
	2014	2013
Weighted average effective interest rate (per annum)	5.59%	5.51%

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

As at 31 December 2014, secured bank borrowings amounting to RMB70,411 thousands are guaranteed by third parties (31 December 2013: RMB307,824 thousands). The collaterals for the rest of the Group's secured bank borrowings are as follows:

	As at 31 December	
	2014	2013
Property, plant and equipment (Note 18)	79,759	217,413
Investment properties (Note 17)	21,260	–
Land use rights (Note 16)	46,278	72,135
Pledged bank deposits (Note 29)	–	79,487
Notes receivable (Note 27)	632,686	377,627
Accounts receivables (Note 27)	1,891,877	2,295,985
	2,671,860	3,042,647

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS^(continued)

The Group ^(continued)

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

	Carrying amount As at 31 December		Fair value As at 31 December	
	2014	2013	2014	2013
Borrowings from banks	239,695	164,761	240,949	166,180
Bond	3,982,902	3,969,306	4,003,626	3,969,571

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.75% (2013: 7.2%) and are within level 2 of the fair value hierarchy.

The Company

	As at 31 December	
	2014	2013
Non-current		
Bond	3,982,902	3,969,306
Current		
Secured bank borrowings	–	300,000
Unsecured bank borrowings	650,000	400,000
Unsecured borrowings from other financial institution	200,000	150,000
Bond	5,995,900	4,989,490
	6,845,900	5,839,490
Total borrowings	10,828,802	9,808,796

The borrowings were denominated in RMB.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

32 BORROWINGS (continued) The Company (continued)

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

	Borrowings from banks or other financial institution As at 31 December		Bond As at 31 December	
	2014	2013	2014	2013
Within 1 year	850,000	850,000	5,995,900	4,989,490
Between 1 to 2 years	–	–	–	–
Between 2 to 5 years	–	–	3,982,902	3,969,306
	850,000	850,000	9,978,802	8,958,796

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

	Year ended 31 December	
	2014	2013
Weighted average effective interest rate (per annum)	4.99%	5.00%

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

	As at 31 December	
	2014	2013
Accounts receivable	–	345,560

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP

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

	As at 31 December	
	2014	2013
Balance sheet obligations for post-employment benefit	516,272	498,749

	Year ended 31 December	
	2014	2013
Income statement charge for post-employment benefit	37,881	41,999
Remeasurement gains/(losses) recognised in the statement of other comprehensive income in the period (Note 13)	22,477	(20,834)
Cumulative remeasurement losses recognised in the statement of other comprehensive income	55,454	32,977

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

	As at 31 December	
	2014	2013
Present value of funded obligations	10,452	9,728
Fair value of plan assets	(26,026)	(17,227)
Surplus of funded plans	(15,574)	(7,499)
Present value of unfunded post-employment benefit obligations	531,846	506,248
Liability in the balance sheet	516,272	498,749

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

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

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2013	460,707	(10,774)	449,933
Current service cost	5,004	–	5,004
Past service cost	16,869	–	16,869
Interest expense/(income) (Note 12)	20,703	(577)	20,126
	42,576	(577)	41,999
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	364	364
– Gains from change in financial assumptions	(21,198)	–	(21,198)
	(21,198)	364	(20,834)
Contributions:			
– Employers	–	(6,618)	(6,618)
Payments:			
– Benefit payments	(47,767)	378	(47,389)
Injection from non-controlling interests of one subsidiary	81,658	–	81,658
At 31 December 2013	515,976	(17,227)	498,749

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2014	515,976	(17,227)	498,749
Current service cost	13,982	–	13,982
Past service cost	13,176	–	13,176
Interest expense/(income) (Note 12)	11,709	(986)	10,723
	38,867	(986)	37,881
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	(2,970)	(2,970)
– Losses from change in financial assumptions	25,447	–	25,447
	25,447	(2,970)	22,477
Contributions:			
– Employers	–	(7,614)	(7,614)
Payments:			
– Benefit payments	(49,097)	2,771	(46,326)
Acquisition of subsidiary (Note 41)	11,105	–	11,105
At 31 December 2014	542,298	(26,026)	516,272

The significant actuarial assumptions were as follows:

	2014	2013
Discount rate	3.75%	4.75%
Pension growth rate	5.00%	5.00%

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

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

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

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

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

Expected maturity analysis of undiscounted and post-employment benefits:

At 31 December 2014	Less than a year	Between 1-5 years	Over 5 years	Total
Post-employment benefits	51,349	159,587	880,467	1,091,403

34 OTHER NON-CURRENT LIABILITIES The Group

	As at 31 December	
	2014	2013
Medical reserve funds		
– general (i)	422,185	350,732
– for H1N1 vaccines	68,407	68,407
Office relocation funds (ii)	18,032	64,021
Government grants for construction of logistic centers (iii)	114,587	47,075
Government grants for products development	32,213	61,395
Deferred revenue	205,664	155,481
Long-term payables for exclusive distribution right (iv)	91,822	–
Others	21,705	24,372
	974,615	771,483

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

34 OTHER NON-CURRENT LIABILITIES (continued) The Group (continued)

notes:

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

The Group will have to sell pharmaceutical products to specific customers at cost when there is any serious disaster, epidemic and other emergency, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. No fund was used to offset trade receivables during the year ended 31 December 2014 (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 31 December 2014, the directors expect that such office relocation will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.
- (iii) Certain of the Group's subsidiaries received funds from local governments as a subsidy for construction of logistic centers. As at 31 December 2014, the directors expect that such constructions will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.
- (iv) In 2014, the Group obtained an exclusive distribution right with a total consideration amounted to RMB300,000 thousands to be paid over three years. The exclusive distribution right, recorded as an intangible asset (Note 19), was initially recognized at amortized cost. As at 31 December 2014, the current maturities of the payment are recorded as accruals and other payables (Note 36), while the non-current maturities of the payment are recorded as other non-current liabilities.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

34 OTHER NON-CURRENT LIABILITIES (continued) The Company

	As at 31 December	
	2014	2013
Medical reserve funds – general	232,309	205,853
Long-term payables for exclusive distribution right	91,822	–
Others	2,734	3,000
	326,865	208,853

35 TRADE PAYABLES The Group

	As at 31 December	
	2014	2013
Accounts payable	40,690,701	33,863,118
Notes payable	14,032,952	10,324,993
	54,723,653	44,188,111

The fair value of trade payables approximates their carrying amounts.

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2014	2013
Below 3 months	45,562,575	37,867,067
3 to 6 months	6,240,695	4,279,395
6 months to 1 year	1,920,892	1,378,044
1 to 2 years	590,099	401,810
Over 2 years	409,392	261,795
	54,723,653	44,188,111

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

35 TRADE PAYABLES (continued)

The Group (continued)

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

	As at 31 December	
	2014	2013
RMB	54,063,645	42,380,197
USD	653,645	1,776,278
EUR	6,363	31,636
	54,723,653	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 accounted for as financing cash outflows.

During the year ended 2014, accounts payable of RMB4,605,291 thousands(2013: RMB5,425,982 thousands) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 31 December 2014 and 31 December 2013, all bank borrowings related to this program were repaid.

The Company

	As at 31 December	
	2014	2013
Accounts payable	2,722,129	2,741,830
Notes payable	543,001	220,095
	3,265,130	2,961,925

The fair value of trade payables approximates their carrying amounts.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

35 TRADE PAYABLES (continued)

The Company (continued)

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

	As at 31 December	
	2014	2013
Below 3 months	3,163,517	2,901,491
3 to 6 months	73,593	55,883
6 months to 1 year	21,569	741
1 to 2 years	3,239	1,297
Over 2 years	3,212	2,513
	3,265,130	2,961,925

The Company's trade payables are denominated in RMB.

36 ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December	
	2014	2013
Accrual of operating expenses	674,611	575,825
Collection of accounts receivables on behalf of banks under factoring programs (Note 27)	608,497	830,733
Salary and welfare payable	732,641	697,910
Advances from customers	481,380	308,276
Other deposits	754,816	447,724
Taxes payable other than income tax	343,867	315,930
Interest payable	284,453	307,972
Other payables due to related parties (Note 42)	43,129	21,012
Advance due from related parties (Note 42)	356	1,496
Payables arising from acquisition of subsidiaries and contingent consideration	61,394	188,785
Current maturities of long-term payables for exclusive distribution right	98,471	–
Others	1,335,436	1,487,872
	5,419,051	5,183,535

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

The Group's other payables are denominated in RMB.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

36 ACCRUALS AND OTHER PAYABLES (continued) The Company

	As at 31 December	
	2014	2013
Amounts due to subsidiaries	11,503,408	7,238,133
Amounts due to other related parties	77,030	6,580
Salary and welfare payable	67,496	42,815
Accrual of operating expenses	74,388	33,637
Collection of accounts receivables on behalf of banks under factoring programs	915	232,813
Taxes payable other than income tax	2,217	13,364
Interest payable	228,973	269,739
Advances from customers	24,820	6,305
Other deposits	3,659	11,660
Payables arising from acquisition of subsidiaries and contingent consideration	1,152	87,206
Current maturities of long-term payables for exclusive distribution right	98,471	–
Others	35,044	20,905
	12,117,573	7,963,157

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

The Company's other payables are denominated in RMB.

37 DIVIDENDS

The dividends paid by the Company in 2014 were RMB667,756 thousands (RMB0.26 (tax inclusive) per ordinary share). A final dividend for the year ended 31 December 2014 of RMB0.31 (tax inclusive) per ordinary share, amounting to a total amount of approximately RMB857,799 thousands is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 20 March 2015. These financial statements have not reflected this proposed dividend.

	Year ended 31 December	
	2014	2013
Proposed final dividend	857,799	667,756

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

38 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2014	2013
Profit before income tax	5,934,603	4,620,505
Adjustments for:		
– Share of profit of investments accounted for using the equity method (Note 21)	(162,642)	(138,758)
– Asset impairment	243,799	258,360
– Depreciation	601,835	488,067
– Amortisation	233,411	188,859
– Gain on disposal of land use right and plant and equipment (Note 8)	(5,840)	(15,828)
– Write-back of certain liabilities (Note 8)	(26,870)	(27,204)
– Gain on adjustment of contingent consideration	–	(938)
– Loss on disposal of available-for-sale financial assets (Note 8)	394	56
– Finance cost	2,180,497	1,730,627
– Gain on disposal of investment accounted for equity method	(2,265)	–
– Gain on re-measuring of existing interest in connection with acquisitions (Note 8)	(7,602)	–
– Gain on disposal of subsidiaries (Note 8)	(2,659)	(2,702)
	8,986,661	7,101,044
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
– Inventories	(3,309,441)	(2,711,735)
– Trade receivables	(12,979,711)	(13,238,508)
– Prepayments and other receivables	(421,714)	(280,636)
– Trade payables	13,969,744	13,918,388
– Accruals and other payables	708,448	1,234,384
Cash generated from operations	6,953,987	6,022,937

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

39 COMMITMENTS

(a) Capital commitments

Capital expenditures at balance sheet date are as follows:

The Group

	As at 31 December	
	2014	2013
Property, plant and equipment:		
– contracted but not provided for	525,211	310,073
Acquisition of equity interests		
– contracted but not provided for	431,464	24,320
	956,675	334,393

(b) Operating lease commitments

(i) The Group is the lessee:

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

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

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

	As at 31 December	
	2014	2013
Within 1 year	490,371	408,722
Later than 1 year and not later than 5 years	888,288	697,367
Later than 5 years	275,952	216,641
	1,654,611	1,322,730

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

39 COMMITMENTS (continued)

(b) Operating lease commitments (continued)

(ii) The Group is the lessor:

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

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

	As at 31 December	
	2014	2013
Within 1 year	43,883	42,544
Later than 1 year and not later than 5 years	88,153	77,768
Later than 5 years	14,006	8,401
	146,042	128,713

40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in subsidiaries

On 21 March 2014, the Company fulfilled the subscription for 74,483 thousands new A shares issued by Sinopharm Accord through non-public issuance at a consideration of RMB1,941,760 thousands (the subscription price is RMB26.07 per new A share). After deduction of the expenses of RMB12,695 thousands in relation to the subscription, the total net proceeds for Sinopharm Accord was RMB1,929,065 thousands. After the subscription, the shareholding of the non-controlling interests in Sinopharm Accord was diluted from 61.67% to 49.00%, while the carrying amount of the non-controlling interests increased by RMB640,265 thousands. The Group recognized a decrease in equity attributable to shareholders of the Company of RMB652,959 thousands.

Except for the above-mentioned transaction, the Group also acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Equity interests Acquired %	Cash consideration
Sinopharm Holding Hubei Co., Ltd.	5	57,074
Sinopharm Holding Xinyu Co., Ltd.	30	7,947
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	34	76,124
Sichuan Pharmaceutical Co., Ltd.	49	686,171
Sinopharm Health Solutions Co., Ltd.	30	–
		827,316

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(a) Acquisition of additional interest in subsidiaries (continued)

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

	Effect on the total equity
Carrying amount of non-controlling interests acquired	459,522
Consideration paid to non-controlling interests	827,316
Excess of consideration paid over the carrying amount acquired	367,794

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

During the year, the Company disposed 70% equity interests in Sinopharm Holding Mudanjiang Co., Ltd. to Sinopharm Holding Heilongjiang Co., Ltd., a 65% interests owned subsidiary of the Company, without loss of control. Upon the transaction, the carrying amount of the non-controlling interests in Sinopharm Holding Heilongjiang Co., Ltd. increased by RMB218 thousands. The Group recognized a decrease in equity attributable to shareholders of the Company of RMB218 thousands.

During the year, Sinopharm Holding Qingdao Co., Ltd. obtained a capital injection from a non-controlling shareholder amounting to 1,500 thousands. The shareholding of the non-controlling interests in Sinopharm Holding Qingdao Co., Ltd. increased by 10% and the carrying amount increased by 1,470 thousands. The Group recognized an increase in equity attributable to shareholders of the Company of RMB30 thousands.

(c) Effects of transactions with non-controlling interests on the equity attributable to shareholders of the Company for the year ended 31 December 2014

	Effect on the total equity
Changes in equity attributable to shareholders of the Company arising from:	
– acquisition of additional interest in subsidiaries	1,020,753
– disposal of interest in a subsidiary without loss of control	188
Net effect for transactions with non-controlling interests on equity attributable to shareholders of the Company	1,020,941

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS

(a) Business combinations not under common control

Acquisitions during the year comprise:

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

Subsidiaries acquired	Acquisition date	Acquired interests %
Sinopharm Group Qiandongnan Pharmaceutical Co., Ltd.	January, 2014	70%
Sinopharm Holding Shantou Co., Ltd.	January, 2014	70%
Sinopharm Holding Chongqing Taimin Pharmaceutical Co., Ltd.	January, 2014	60%
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%
Sinopharm Bio-pharmaceutical Co., Ltd.	August, 2014	70%
Sichuan Pharmaceutical Group Co., Ltd. of CNPGC	September, 2014	66%

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Contingent consideration (ii)	1,200
– Cash paid	615,270
Total purchase consideration	616,470

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS (continued)

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

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

	Fair value at acquisition date	Acquirees' carrying amounts at acquisition date
Cash and cash equivalents	309,406	309,406
Property, plant and equipment	108,651	98,746
Intangible assets		
– sales network	275,590	–
– software and trademarks	602	602
Land use rights	80,790	44,249
Investment properties	169,809	10,096
Deferred income tax assets	5,439	5,439
Inventories	292,948	292,948
Investments accounted for using the equity method	19,522	19,522
Other non-current assets	23,878	23,878
Trade and other receivables (i)	1,788,999	1,788,999
Trade and other payables	(1,439,001)	(1,439,001)
Deferred income tax liabilities	(75,883)	–
Other non-current liabilities	(47,776)	(47,776)
Borrowings	(559,650)	(559,650)
Net assets	953,324	547,458
Non-controlling interests (iii)	(606,565)	
Goodwill (Note 19)	269,711	
	616,470	
Total purchase consideration	616,470	
Less: contingent consideration (ii)	(1,200)	
Consideration for acquisitions settled in cash	615,270	
Less: prepayments for the acquisition in 2013	(2,247)	
Cash consideration paid in 2014	613,023	
Cash and cash equivalents in subsidiaries acquired	(309,406)	
Cash outflow on acquisition	303,617	

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

41 BUSINESS COMBINATIONS (continued)

(a) 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) Trade and other receivables

The fair value of trade and other receivables is RMB1,788,999 thousands and includes trade receivables with a fair value of RMB1,653,890 thousands. The gross contractual amount for trade receivables is RMB1,671,582 thousands, of which RMB17,692 thousands is expected to be uncollectible.

(ii) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of the profit targets of the acquirees. The maximum undiscounted contingent consideration payable is 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 31 December 2014, there was no adjustment to the contingent consideration arrangement.

(iii) Non-controlling interests

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

(iv) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2014 are summarised as follows:

	From acquisition date to 31 December 2014
Revenue	2,552,687
Net profit	56,359

(v) The revenue and net profit of these newly acquired subsidiaries from 1 January 2014 to 31 December 2014 are summarised as follows:

	From 1 January 2014 to 31 December 2014
Revenue	5,845,313
Net profit	147,855

(vi) The related acquisition cost is immaterial.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

Name of related party	Nature of relationship
CNPGC	The ultimate holding company of the Company
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC, Associate
Xinxiang Central Hospital	Controlled by CNPGC
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
Xinxiang City Second People's Hospital	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Xinxiang Maternity and Child Hospital	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Tiantan Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	Controlled by CNPGC
Sinopharm Sichuan TCM Co., Ltd.	Controlled by CNPGC
Sinopharm Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
China Sinopharm International Corporation	Controlled by CNPGC
Foshan Feng Liao Xing Pharmaceutical Co., Ltd.	Controlled by CNPGC
Chengdu Institute of Biological Products	Controlled by CNPGC
Xinxiang Hospital of Traditional Chinese Medicine	Controlled by CNPGC
Sino-TCM Chengde Co., Ltd.	Controlled by CNPGC
Sinopharm Institute of Zhongsheng Bio-technology Co., Ltd.	Controlled by CNPGC
Shanghai Techwell Biopharmaceutical Co., Ltd.	Controlled by CNPGC
Jilin Sinopharm Medical Devices Co., Ltd.	Controlled by CNPGC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
China National Pharmaceutical Industry Corporation	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
Shanghai Modern Pharmaceutical Haimen Co., Ltd.	Controlled by CNPGC
Sinopharm Medicine Co., Ltd.	Controlled by CNPGC
China National Corp. of Traditional and Herbal Medicine	Controlled by CNPGC
Beijing Institute of Biological Products Co., Ltd.	Controlled by CNPGC
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Modern Pharmaceutical Co., Ltd.	Controlled by CNPGC
Foshan Winteam Pharmaceutical Co., Ltd.	Controlled by CNPGC
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
Qinghai Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Combined Instrument Co., Ltd.	Controlled by CNPGC
Sinopharm Hunan Medical Devices Co., Ltd.	Controlled by CNPGC
Sinopharm Henan Medical Devices Co., Ltd.	Controlled by CNPGC
Sinopharm Vanda Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm (Tianjin) Medical Devices Co., Ltd.	Controlled by CNPGC
Sinopharm Chuankang Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Scientific Instruments & Materials Import & Export Wuhan Co., Ltd.	Controlled by CNPGC
Sinopharm Heilongjiang TCM Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Group Xinjiang Medical Instrument Co., Ltd.	Controlled by CNPGC
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shangdong Lu Ya Pharmaceutical Co., Ltd.	Controlled by CNPGC
Qinghai Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
Guangdong Global Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Huasheng Medical Biotechnology Development Co., Ltd.	Controlled by CNPGC
Guizhou Longlife Pharmaceutical Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd.	Controlled by CNPGC
Changchun Qijian Biological Products Co., Ltd.	Controlled by CNPGC
Lanzhou Bio-technology development Co., Ltd.	Controlled by CNPGC
Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
China Bio-Technology Co., Ltd.	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
China National Scientific Instruments & Materials Corporation	Controlled by CNPGC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Changchun Institute of Biological Products Co., Ltd.	Controlled by CNPGC
China State Institute of Pharmaceutical Industry-Haimen Pharmaceutical	Controlled by CNPGC
Shanghai Beneficial Northrop Biotechnology Co., Ltd.	Controlled by CNPGC
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	Associate of CNPGC
Sino-Swed Pharmaceutical Corporation Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Shanghai Salem Biological Technology Co., Ltd.	Associate of CNPGC
Shanghai Huayu Pharmaceutical Co., Ltd.	Associate of CNPGC
China State Institute of Pharmaceutical Industry	Associate of CNPGC
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical")	Non-controlling shareholders with significant influence to the Company
Foshan Central Hospital Ltd.	Subsidiary of Fosun Pharmaceutical
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Anhui Jimin Tumor Hospital	Subsidiary of Fosun Pharmaceutical
Shanghai Chemo WangBang Biopharma Co.Ltd	Subsidiary of Fosun Pharmaceutical
Shanghai Zhaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	Subsidiary of Fosun Pharmaceutical
Chongqing Haisiman Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Handan Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Guilin Hua Guiguo medicine Associates	Subsidiary of Fosun Pharmaceutical
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jinzhou Aohong Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	Associate
Hutchison Whamoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	Associate
Sichuan Kangxin Medical Co., Ltd.	Associate
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate
Shanghai Lingyun Guoda Pharmacy Co. Ltd.	Associate
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Hubei Yuan Kang Medicine Co., Ltd.	Associate
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	Associate
Shenzhen Wan Wei Pharmaceutical Trade Co.,Ltd.	Subsidiary of Associate

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, and balances arising from related party transaction, except that have been disclosed in Note 34.

(a) Significant related party transactions

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

	Year ended 31 December	
	2014	2013
Sales of goods		
Xinxiang Central Hospital	287,267	96,299
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	189,830	145,293
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	173,341	176,086
Xinxiang City Second People's Hospital	69,957	18,013
Hubei Yuan Kang Medicine Co., Ltd.	68,364	–
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	60,798	55,140
Foshan Central Hospital Ltd.	54,502	9,159
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	52,006	43,930
China National Corp. of Traditional and Herbal Medicine	25,696	41,870
Shanghai Institute of Bio-products Co., Ltd.	18,615	17,589
Shanghai Fosun Pharmaceuticals Co., Ltd.	18,272	15,130
Chongqing Yaoyou Pharmaceutical Co., Ltd.	16,214	55,168
Shanghai Lingyun Guoda Pharmacy Co. Ltd.	14,422	–
Lanzhou Institute of Bio-products Co., Ltd.	14,347	17,288
Xinxiang Maternity and Child Hospital	12,431	4,298
Sichuan Kangxin Medical Co., Ltd.	10,519	–
Sinopharm Sichuan TCM Co., Ltd.	9,477	5,564
Wuhan Institute of Biological Products Co., Ltd.	8,803	24,499
Beijing Tiantan Biological Products Co., Ltd.	8,309	5,836
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	7,296	14,379
Sinopharm Weiqida Pharmaceutical Co., Ltd.	6,807	4,992
Chengdu Rongsheng Pharmaceutical Co., Ltd.	5,729	11,264
China Sinopharm International Corporation	5,298	1,510
Foshan Feng Liao Xing Pharmaceutical Co., Ltd.	5,128	–
Chengdu Institute of Biological Products	4,731	5,035
Anhui Jimin Tumor Hospital	4,518	3,608
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	4,459	–
Xinxiang Hospital of Traditional Chinese Medicine	3,928	783
Sino-TCM Chengde Co., Ltd.	2,741	2,416

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2014	2013
Sinopharm Institute of Zhongsheng Bio-technology Co., Ltd.	2,322	–
Shanghai Techwell Biopharmaceutical Co., Ltd.	1,853	2,562
China National Pharmaceutical Industry Corporation	1,765	1,309
Jilin Sinopharm Medical Devices Co., Ltd.	1,463	–
Beijing Institute of Biological Products Co., Ltd.	1,357	4,461
Shanghai Chemo WangBang Biopharma Co.Ltd	1,170	3,527
Shanghai Beneficial Northrop Biotechnology Co., Ltd.	1,001	–
Shanghai Institute of Pharmaceutical Industry	779	1,057
China National Pharmaceutical Foreign Trade Corporation	257	60,558
Shanghai Modern Pharmaceutical Haimen Co., Ltd.	120	1,354
Shanghai Zhaohui Pharmaceutical Co., Ltd.	2	4,144
Sinopharm Medicine Co., Ltd.	–	16,694
Others	10,512	8,130
	1,186,406	878,945

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2014	2013
Purchases of goods		
Yichang Humanwell Pharmaceutical Co., Ltd.	1,182,004	964,749
Sino-Swed Pharmaceutical Corporation Ltd.	877,169	555,428
Chengdu Rongsheng Pharmaceutical Co., Ltd.	406,827	316,753
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	399,631	281,861
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	221,645	–
Lanzhou Institute of Bio-products Co., Ltd.	219,454	247,778
China National Pharmaceutical Foreign Trade Corporation	196,921	137,925
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	189,755	79,684
Chongqing Yaoyou Pharmaceutical Co., Ltd.	147,001	135,620
China Otsuka Pharmaceutical Co., Ltd.	126,923	74,517
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	126,473	65,367
Shanghai Modern Pharmaceutical Co., Ltd.	112,565	82,186
Foshan Winteam Pharmaceutical Co., Ltd.	109,768	70,765
Wuhan Institute of Biological Products Co., Ltd.	68,299	64,649
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	66,562	–
Chongqing Haisiman Pharmaceuticals Co., Ltd.	62,998	50,899
Shenzhen Main Luck Pharmaceutical Co., Ltd.	61,602	146,108
Anhui Jingfang Pharmaceutical Co., Ltd.	47,411	19,503
Shanghai Institute of Bio-products Co., Ltd.	42,980	74,171
Shanghai Salem Biological Technology Co., Ltd.	41,427	48,346
Handan Pharmaceutical Co., Ltd.	36,378	25,679
Shanghai Fosun Pharmaceuticals Co., Ltd.	21,134	30,059
Hunan Dongting Pharmaceutical Co., Ltd.	20,008	10,799
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	19,975	16,718
China National Pharmaceutical Industry Co., Ltd.	19,216	5,712
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	18,842	16,630
Qinghai Pharmaceutical Co., Ltd.	16,286	16,054
Sinopharm Group Combined Instrument Co., Ltd.	15,632	3,619
Sinopharm Weiqida Pharmaceutical Co., Ltd.	15,383	16,379
China National Corp. of Traditional and Herbal Medicine	14,106	37,800
Sinopharm Henan Medical Devices Co., Ltd.	12,336	2,101

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2014	2013
Sinopharm Hunan Medical Devices Co., Ltd.	11,898	–
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	11,675	3,769
Sinopharm Vanda Pharmaceutical Co., Ltd.	10,570	7,510
Sinopharm Sichuan TCM Co., Ltd.	10,174	–
Sinopharm (Tianjin) Medical Devices Co., Ltd.	9,739	–
Sinopharm Chuankang Pharmaceutical Co., Ltd.	9,351	8,999
China National Pharmaceutical Industry Corporation	8,631	5,429
Shenyang Hongqi Pharmaceutical Co., Ltd.	8,452	7,447
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	8,134	13,162
China National Scientific Instruments & Materials Import & Export Wuhan Co., Ltd.	6,994	–
Chengdu Institute of Biological Products	6,747	–
Sinopharm Heilongjiang TCM Co., Ltd.	6,286	1,096
China Pharmaceutical Group Xinjiang Medical Instrument Co., Ltd.	6,218	1,702
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	5,689	3,162
Guilin Hua Guiguo medicine Associates	5,514	5,549
Shandong Lu Ya Pharmaceutical Co., Ltd.	5,274	2,015
Sichuan Hexin Pharmaceutical Co., Ltd.	4,726	–
Sichuan Kangxin Medical Co., Ltd.	4,718	–
Qinghai Pharmaceutical Group Co., Ltd.	4,650	–
Guangdong Global Pharmaceutical Co., Ltd.	4,199	4,458
Shanghai Shangsheng Biological Products Co., Ltd.	4,119	1
Beijing Tiantan Biological Products Co., Ltd.	4,074	7,128
Beijing Huasheng Medical Biotechnology Development Co., Ltd.	3,371	964
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co., Ltd.	3,186	2,821
Guizhou Longlife Pharmaceutical Co., Ltd.	2,230	1,484
China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd.	2,169	1,566
Jinzhou Aohong Pharmaceutical Co., Ltd.	2,061	18,144
Changchun Qijian Biological Products Co., Ltd.	–	19,987
Sinopharm Medicine Co., Ltd.	–	13,523
Others	16,843	21,807
	5,104,403	3,749,582

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

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

	Year ended 31 December	
	2014	2013
Notes receivable discount		
Sinopharm Group Finance Co., Ltd.	2,019,178	1,382,694

	Year ended 31 December	
	2014	2013
Borrowings		
Sinopharm Group Finance Co., Ltd.	731,600	750,000

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

(ii) Key management compensation

	Year ended 31 December	
	2014	2013
Salaries and other short-term employee benefits	25,117	23,269
Termination benefits	—	—
Post-employment benefits	—	—
Other long-term benefits	—	—
	25,117	23,269

(b) Balances with related parties

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

	As at 31 December	
	2014	2013
Cash in other financial institution		
Sinopharm Group Finance Co., Ltd.	1,569,793	672,483

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

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

	As at 31 December	
	2014	2013
Trade receivables due from		
Xinxiang Central Hospital	139,599	79,668
Xinxiang City Second People's Hospital	62,849	16,641
Foshan Central Hospital Ltd.	23,650	19,470
Shanghai Bei Yi Guoda pharmaceutical Co. Ltd.	16,406	15,055
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	16,275	21,387
Wuhan Institute of Biological Products Co., Ltd.	16,216	20,894
Beijing Jingxiang Fosun Pharmacy Chain Co., Ltd.	8,201	6,139
Xinxiang Maternity and Child Hospital	7,114	4,323
Beijing Tiantan Biological Products Co., Ltd.	6,749	1,114
Hubei Yuan Kang Medicine Co., Ltd.	5,841	13,407
Sichuan Kangxin Medical Co., Ltd.	5,177	–
Sinopharm Weiqida Pharmaceutical Co., Ltd.	4,911	–
Anhui Jimin Tumor Hospital	3,719	2,533
Shanghai Fosun Pharmaceuticals Co., Ltd.	3,191	3,909
Chengdu Institute of Biological Products	2,883	3,695
Shanghai Institute of Bio-products Co., Ltd.	2,304	5,828
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	2,232	5,653
Xinxiang Hospital of Traditional Chinese Medicine	2,204	789
Chongqing Yaoyou Pharmaceutical Co., Ltd.	1,738	8,136
Chengdu Rongsheng Pharmaceutical Co., Ltd.	1,497	5,196
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	1,497	–
Shanghai Huayu Pharmaceutical Co., Ltd.	1,085	–
Lanzhou Institute of Bio-products Co., Ltd.	769	3,112
China National Corp. of Traditional and Herbal Medicine	135	8,781
Shanghai Zhaohui Pharmaceutical Co., Ltd.	–	1,505
China National Pharmaceutical Foreign Trade Corporation	–	105
Others	4,955	4,071
	341,197	251,411

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

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

	As at 31 December	
	2014	2013
Other receivables due from		
Sichuan Kangxin Medical Co., Ltd.	2,536	–
China Bio-Technology Co., Ltd.	1,750	2,000
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	965	882
Shanghai Institute of Pharmaceutical Industry	520	–
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	295	–
China National Pharmaceutical Foreign Trade Corporation	250	–
Others	807	895
	7,123	3,777

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

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

	As at 31 December	
	2014	2013
Prepayments due from		
China National Pharmaceutical Foreign Trade Corporation	27,970	80,177
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	16,612	1,287
Lanzhou Institute of Bio-products Co., Ltd.	6,308	6,325
Sino-Swed Pharmaceutical Corporation Ltd.	5,957	12,008
GuiZhou Tongjitang Pharmaceutical Co., Ltd.	5,262	73
Qinghai Pharmaceutical Group Co., Ltd.	5,139	–
China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd.	2,817	91
Wuhan Institute of Biological Products Co., Ltd.	2,200	6,130
Chongqing Yaoyou Pharmaceutical Co., Ltd.	1,900	134
China National Pharmaceutical Industry Co., Ltd.	1,466	13
Chengdu Rongsheng Pharmaceutical Co., Ltd.	673	10,627
Foshan Winteam Pharmaceutical Co., Ltd.	531	7,455
Qinghai Pharmaceutical Co., Ltd.	39	3,841
Shanghai Institute of Bio-products Co., Ltd.	2	2
China National Scientific Instruments & Materials Corporation	–	1,039
Shanghai Shangsheng Biological Products Co., Ltd.	–	520
Jinzhou Aohong Pharmaceutical Co., Ltd.	–	489
Others	7,507	5,189
	84,383	135,400

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

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

	As at 31 December	
	2014	2013
Trade payables due to		
Yichang Humanwell Pharmaceutical Co., Ltd.	445,434	374,568
Sino-Swed Pharmaceutical Corporation Ltd.	103,304	71,753
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	86,442	86,702
Lanzhou Institute of Bio-products Co., Ltd.	65,181	43,166
Guizhou Tongjitang Pharmaceutical Co., Ltd.	51,080	11,452
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	51,057	–
Chongqing Yaoyou Pharmaceutical Co., Ltd.	38,766	55,809
Shanghai Modern Pharmaceutical Co., Ltd.	34,099	25,048
China National Pharmaceutical Foreign Trade Corporation	26,855	63,309
Anhui Jingfang Pharmaceutical Co., Ltd.	21,929	4,286
Foshan Winteam Pharmaceutical Co., Ltd.	20,374	13,591
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	19,353	7,144
Chongqing Haisiman Pharmaceuticals Co., Ltd.	15,499	10,555
China Otsuka Pharmaceutical Co., Ltd.	13,879	9,417
Handan Pharmaceutical Co., Ltd.	11,380	15,384
Sinopharm Henan Medical Devices Co., Ltd.	11,344	4,091
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	10,325	–
China National Pharmaceutical Industry Co., Ltd.	7,012	2,136
Qinghai Pharmaceutical Co., Ltd.	5,203	7,343
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	5,120	680
Shanghai Salem Biological Technology Co., Ltd.	5,089	12,941
Sinopharm Vanda Pharmaceutical Co., Ltd.	4,659	3,440
Chengdu Institute of Biological Products	4,366	–
Shanghai Institute of Bio-products Co., Ltd.	3,804	2,820
China National Pharmaceutical Industry Corporation	3,629	4,548
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	3,473	1,349
Shanghai Fosun Pharmaceuticals Co., Ltd.	3,379	9,136
China Pharmaceutical Group Xinjiang Medical Instrument Co., Ltd.	2,872	444

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

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

	As at 31 December	
	2014	2013
Hunan Dongting Pharmaceutical Co., Ltd.	2,820	2,061
Sichuan Kangxin Medical Co., Ltd.	2,157	–
Sinopharm Heilongjiang TCM Co., Ltd.	2,041	1,239
Shangdong Lu Ya Pharmaceutical Co., Ltd.	1,954	630
Beijing Tiantan Biological Products Co., Ltd.	1,915	3,081
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	1,781	1,544
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	1,675	4,335
Guangdong Global Pharmaceutical Co., Ltd.	1,590	543
Shenzhen Main Luck Pharmaceutical Co., Ltd.	1,400	37,466
Sinopharm Chuankang Pharmaceutical Co., Ltd.	1,341	800
Others	18,584	16,754
	1,112,165	909,565

	As at 31 December	
	2014	2013
Other payables due to		
CNPGC	22,155	9,438
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	8,379	186
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	6,810	34
China State Institute of Pharmaceutical Industry	1,990	6,485
China State Institute of Pharmaceutical Industry-Haimen Pharmaceutical	1,300	–
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	240	370
China National Corp. of Traditional and Herbal Medicine	–	1,500
Others	2,255	2,999
	43,129	21,012

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

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

	As at 31 December	
	2014	2013
Advanced from customers		
Lanzhou Institute of Bio-products Co., Ltd	–	1,407
Others	356	89
	356	1,496

	As at 31 December	
	2014	2013
Borrowings due to		
Sinopharm Group Finance Co., Ltd.	331,600	470,000

Borrowings from Sinopharm Group Finance Co., Ltd, a financial institution, bear interest at 4.76% (2013: 5.15 %) and have repayment terms within one year.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

As at 31 December 2014, the Company has direct and indirect interests in the following subsidiaries:

Principal subsidiaries:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Distribution Center Co., Ltd. (國藥控股分銷中心有限公司)	PRC, 30 January 2002	2,000,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd. (國藥集團新疆藥業有限公司)	PRC, 31 March 2009	780,637	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司)	PRC, 21 December 1999	478,800	44	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Group Guorui Medicine Co., Ltd (國藥集團國瑞藥業有限公司)	PRC, 31 March 2000	300,000	2	98	Medicine manufacture and trading in the PRC
Sinopharm Group Xinjiang Province New & Special National Pharmaceutical Co., Ltd. (國藥集團新疆新特藥業有限公司)	PRC, 30 June 2003	100,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Logistics Co., Ltd. (國藥物流有限責任公司)	PRC, 8 November 2002	90,620	–	56	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Hebei Pharmaceutical Co., Ltd. (國藥控股河北醫藥有限公司)	PRC, 4 June 2010	51,461	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Shenzhen Chinese Herbal Co., Ltd. (國藥控股深圳中藥有限公司)	PRC, 28 May 1987	50,000	-	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. (廣東東方新特藥有限公司)	PRC, 25 December 1993	50,000	100	-	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Shanghai Corporation (中國醫藥集團上海公司)	PRC, 24 July 1988	40,237	100	-	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Co., Ltd. (國藥控股浙江有限公司)	PRC, 9 October 1995	40,000	70	-	Distribution of pharmaceutical products and laboratory supplies in the PRC
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd. (北京國藥天元物業管理有限公司)	PRC, 28 December 1981	36,130	100	-	Property rental in the PRC
China National Pharmaceutical Group Tianjin Corporation (中國醫藥(集團)天津公司)	PRC, 1 December 1952	32,540	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guangdong Yuexing Pharmaceutical Co., Ltd. (國藥控股廣東粵興有限公司)	PRC, 1 December 1993	100,000	-	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding GuoDa Pharmacy Chain Store Shanghai Co., Ltd. (國藥控股國大藥房上海連鎖有限公司)	PRC, 18 May 2001	30,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Southwest Medicine Co., Ltd. (國藥集團西南醫藥有限公司)	PRC, 19 November 1997	20,000	67	3	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Beijing Chemical Reagent Co., Ltd. (國藥集團化學試劑北京有限公司)	PRC, 30 December 1953	15,000	–	100	Distribution of chemical reagents and healthcare products in the PRC
Xinjiang Hotan Regional Medical & Herbal Medicines Co., Ltd. (國藥控股新疆和田藥業有限公司)	PRC, 29 May 1989	12,517	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Kashi New&Special Drugs Co., Ltd. (國藥控股新疆新特喀什藥業有限公司)	PRC, 12 July 2007	11,797	–	99	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Korla Pharmaceutical Co., Ltd. (國藥新疆庫爾勒醫藥有限責任公司)	PRC, 13 June 2002	10,156	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wuzhou Co., Ltd. (國藥控股梧州有限公司)	PRC, 13 June 2000	10,000	–	100	Distribution of pharmaceutical products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Beijing Guoda Pharmacy Chain Store Co., Ltd. (北京國大藥房連鎖有限公司)	PRC, 1 August 2001	10,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shaanxi Co., Ltd. (國藥控股陝西有限公司)	PRC, 30 May 2001	10,000	60	–	Distribution of pharmaceutical and healthcare products, logistics services in the PRC
Sinopharm Holding Xinjiang Province New & Special West Pharmaceutical Co., Ltd. (國藥控股新疆新特西部藥業有限公司)	PRC, 20 May 1993	10,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Kelamayi New & Special Pharmaceutical Co., Ltd. (國藥集團新疆新特克拉瑪依藥業有限公司)	PRC, 20 August 1972	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Foshan Co., Ltd. (國藥控股佛山有限公司)	PRC, 15 January 1986	15,000	–	100	Medicine chain store; distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Guangxi Logistics Co., Ltd. (國藥控股廣西物流有限公司)	PRC, 22 August 1990	7,101	–	100	Investment in logistics and transportations, property rental and provide medical consulting service in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xinjiang Hami Region Medical & Herbal Medicines Co., Ltd. (國藥控股新疆哈密藥業有限公司)	PRC, 11 July 1956	11,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Xinjiang New&Special Medicines Chain Store Co., Ltd. (國藥控股國大藥房新疆新特藥業連鎖有限責任公司)	PRC, 4 November 2003	6,122	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Boertala Mongol Autonomous Prefecture Traditional & Herbal Medicines Co., Ltd. (國藥控股新疆博州藥業有限公司)	PRC, 26 April 1989	6,099	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Ili Tongde Medicines Co., Ltd. (國藥控股新疆伊犁同德藥業有限公司)	PRC, 21 September 1998	5,001	–	100	Distribution of pharmaceutical products in the PRC
Xinjiang Tacheng Pharmaceutical Co., Ltd. (國藥控股新疆塔城藥業有限公司)	PRC, 9 March 1955	5,000	–	100	Distribution of pharmaceutical products in the PRC
China National Pharmaceutical Group Shenyang Chemical Reagent Co., Ltd. (國藥集團化學試劑瀋陽有限公司)	PRC, 7 September 1998	5,000	–	51	Distribution of chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Tianjin Guoda Pharmacy Chain Store Co., Ltd. (天津國大藥房連鎖有限公司)	PRC, 18 September 2001	5,000	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Guangdong Huixin Investment Co., Ltd. (廣東惠信投資有限公司)	PRC, 6 May 1985	5,000	–	100	Medicine trading; property rental in the PRC
Sinopharm Holding Guangdong Logistics Co., Ltd. (國藥控股廣東物流有限公司)	PRC, 14 August 1993	10,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Xinjiang Kuitun Pharmaceutical Co., Ltd. (國藥控股新疆奎屯藥業有限公司)	PRC, 14 May 1982	5,000	–	100	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Xinjiang Chemical Reagent & Glassware Medical Instruments Co., Ltd. (國藥控股新疆化玻醫療器械有限公司)	PRC, 2 April 2004	5,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Altay Region Medical & Herbal Medicines Co., Ltd. (國藥控股新疆阿勒泰藥業有限公司)	PRC, 22 December 1981	5,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Chemical Reagent Shaanxi Co., Ltd. (國藥集團化學試劑陝西有限公司)	PRC, 15 August 2000	5,000	–	100	Distribution of chemical reagents, etc. in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Urumqi Ningdetang Pharmaceutical Co., Ltd. (國藥控股烏魯木齊凝德堂醫藥有限公司)	PRC, 20 March 1998	3,823	–	100	Property rental in the PRC
Guangxi Guoda Pharmacy Chain Store Co., Ltd. (廣西國大藥房連鎖有限公司)	PRC, 14 August 2001	3,000	–	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Guangzhou Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房廣州連鎖有限公司)	PRC, 1 September 2001	2,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hetian Region Ankang Chain Drugstore Co., Ltd. (和田地區安康醫藥零售連鎖有限公司)	PRC, 23 December 2004	2,000	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shaanxi Pharmaceutical Corporation. (陝西省醫藥公司)	PRC, 29 March 1994	628	–	100	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Shaanxi Co., Ltd. (國藥集團陝西醫藥有限公司)	PRC, 15 August 2000	600	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Xinjiang Baitong Property Management Co., Ltd. (新疆百通物業管理有限責任公司)	PRC, 30 May 2006	500	–	100	Property rental in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Beijing Huahong Co., Ltd. (國藥控股北京華鴻有限公司)	PRC, 18 November 2003	350,000	51	-	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Pharmaceutical Logistics Co., Ltd (國藥集團醫藥物流有限公司)	PRC, 18 December 2002	300,000	100	-	Provision of pharmaceutical logistics services in the PRC
Sinopharm Group Accord Pharmaceutical Co., Ltd. (國藥集團一致藥業股份有限公司)	PRC, 18 June 2001	362,632	51	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instruments Co., Ltd. (國藥控股醫療器械有限公司)	PRC, 27 July 2006	200,000	100	-	Distribution of pharmaceutical products and chemical reagents in the PRC
Shenzhen Zhijun Pharmaceutical Co., Ltd. (深圳致君製藥有限公司)	PRC, 22 December 1984	200,000	-	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Jiangsu Co., Ltd. (國藥控股江蘇有限公司)	PRC, 12 October 2001	814,453	100	-	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yangzhou Co., Ltd. (國藥控股揚州有限公司)	PRC, 17 January 1991	41,489	-	75	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd. (國藥集團致君(蘇州)製藥有限公司)	PRC, 10 March 2003	180,000	-	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Lerentang Pharmaceutical Co., Ltd. (國藥樂仁堂醫藥有限公司)	PRC, 9 March 2011	150,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Changzhou Co., Ltd. (國藥控股常州有限公司)	PRC, 17 December 2010	140,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tianxinpuxin Bio-Medicine Co., Ltd. (國藥控股北京天星普信生物醫藥有限公司)	PRC, 1 April 2010	100,000	51	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Co., Ltd. (國藥控股湖北有限公司)	PRC, 1 December 2003	100,000	75	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding A-Think Pharmaceutical Co., Ltd. (國藥一心製藥有限公司)	PRC, 10 December 1997	100,000	75	–	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Tangshan Xintiandi Co., Ltd. (國藥樂仁堂唐山醫藥有限公司)	PRC, 1 April 2011	100,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Heilongjiang Co., Ltd. (國藥控股黑龍江有限公司)	PRC, 2 December 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd. (國藥控股星鯊製藥(廈門)有限公司)	PRC, 30 December 1998	95,000	60	-	Medicine manufacture, building decoration, communication, clothing, chemical reagents, import and export of goods and technology, business consulting, etc
Sinopharm Holding Pingdingshan Co., Ltd. (國藥控股平頂山有限公司)	PRC, 25 April 2011	80,000	-	60	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Ningxia Co., Ltd. (國藥控股寧夏有限公司)	PRC, 28 December 2008	80,000	67	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Foshan Nanhai Medical Group Co., Ltd. (佛山市南海醫藥集團有限公司)	PRC, 30 December 2010	70,000	100	-	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shandong Co., Ltd. (國藥控股山東有限公司)	PRC, 12 April 2006	70,000	67	-	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Hunan Co., Ltd. (國藥控股湖南有限公司)	PRC, 21 June 2001	70,000	80	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Co., Ltd. (國藥控股山西有限公司)	PRC, 17 January 2004	60,000	60	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Henan Co., Ltd. (國藥控股河南股份有限公司)	PRC, 11 December 2006	57,765	51	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd. (國藥控股凌雲生物醫藥(上海)有限公司)	PRC, 14 January 2011	50,000	55	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Wuxi Co., Ltd. (國藥控股無錫有限公司)	PRC, 24 December 2010	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Anhui Co., Ltd. (國藥控股安徽有限公司)	PRC, 5 January 2007	50,000	67	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Wenzhou Co., Ltd. (國藥控股溫州有限公司)	PRC, 31 March 1995	50,000	58	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dalian Co., Ltd. (國藥控股大連有限公司)	PRC, 9 April 2010	80,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jilin Co., Ltd. (國藥控股吉林有限公司)	PRC, 6 March 2008	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Drug Store Guangdong Co., Ltd. (國藥控股國大藥房廣東有限公司)	PRC, 1 July 2004	50,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding GuoDa Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房揚州大德生連鎖有限公司)	PRC, 23 August 2001	44,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Foshan Nanhai Medical Co., Ltd. (佛山市南海醫藥有限公司)	PRC, 30 December 2010	40,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Foshan Nanhai Xinyaoteyao Co., Ltd. (佛山市南海新藥特藥有限公司)	PRC, 30 December 2010	40,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Fuzhou Co., Ltd. (國藥控股福州有限公司)	PRC, 15 September 1998	40,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Fujian Guoda Pharmacy Chain Store Co., Ltd. (福建國大藥房連鎖有限公司)	PRC, 28 November 2002	37,500	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Nantong Co., Ltd. (國藥控股南通有限公司)	PRC, 3 January 2012	36,000	–	80	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Longyan Co., Ltd. (國藥控股龍岩有限公司)	PRC, 22 April 2011	36,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd (國藥河北樂仁堂醫藥連鎖有限公司)	PRC, 3 November 2011	35,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Health Solutions Co., Ltd. (國藥控股健康發展(上海)有限公司)	PRC, 19 January 2004	31,500	70	–	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services
Sinopharm Holding Yunnan Co., Ltd. (國藥控股雲南有限公司)	PRC, 20 November 2000	31,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Meitai Medical Instruments Co., Ltd. (國藥控股美太醫療設備(上海)有限公司)	PRC, 2 January 2012	30,000	–	70	Distribution of medical equipment, building decoration, communication, clothing, chemical reagents, import and export of goods and technology, business consulting, etc
Sinopharm Holding Huzhou Co., Ltd. (國藥控股湖州有限公司)	PRC, 9 September 2011	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xuzhou Co., Ltd. (國藥控股徐州有限公司)	PRC, 17 December 2010	30,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Ningde Co., Ltd. (國藥控股寧德有限公司)	PRC, 21 June 2011	30,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Taizhou Co., Ltd. (國藥控股台州有限公司)	PRC, 14 March 2011	30,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. (國藥集團上海立康醫藥股份有限公司)	PRC, 27 July 1994	30,000	72	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Hainan Co., Ltd. (國藥控股海南有限公司)	PRC, 10 July 2000	30,000	68	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding (Tianjin) Orient Bookcom Pharmaceutical Trade Co., Ltd. (國藥控股(天津)東方博康醫藥有限公司)	PRC, 6 January 1994	30,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Suzhou Co., Ltd. (國藥控股蘇州有限公司)	PRC, 3 January 1993	30,000	–	80	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Shenzhen Yanfeng Co., Ltd. (國藥控股深圳延風有限公司)	PRC, 6 April 2010	30,000	–	51	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Jiangxi Co., Ltd. (國藥控股江西有限公司)	PRC, 13 October 2009	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Lunan Co., Ltd. (國藥控股魯南有限公司)	PRC, 29 April 2007	100,000	–	65	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Shandong Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房山東有限公司)	PRC, 3 January 2001	29,000	–	55	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Changzhou Pharmacy Logistics Center Co., Ltd. (國藥控股常州醫藥物流中心有限公司)	PRC, 17 December 2010	25,078	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instrument (Beijing) Co., Ltd. (國藥控股醫療器械(北京)有限公司)	PRC, 1 January 2012	25,000	–	70	Distribution of medical equipments, Import and export of goods and technology in PRC
Liyang Guoda People Pharmacy Chain Store Co., Ltd (溧陽國大人民藥房有限公司)	PRC, 11 May 2011	25,000	–	80	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding GuoDa Jiangmeng Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房江門連鎖有限公司)	PRC, 1 June 2012	24,000	–	65	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xinyu Co., Ltd. (國藥控股新餘有限公司)	PRC, 1 January 1999	22,500	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Liuzhou Co., Ltd. (國藥控股柳州有限公司)	PRC, 1 December 2003	20,531	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Jiankun (Beijing) Medical Co., Ltd. (國藥健坤(北京)醫藥有限責任公司)	PRC, 4 January 2012	20,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qinghai Co., Ltd. (國藥控股青海有限公司)	PRC, 1 November 2011	20,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yancheng Co., Ltd. (國藥控股鹽城有限公司)	PRC, 17 December 2010	20,000	–	52	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Nutraceuticals (Shanghai) Co., Ltd. (國藥健康實業(上海)有限公司)	PRC, 4 January 2011	20,000	70	–	Enterprise management consulting, technology services and development in the field of biotechnology professional
Sinopharm Holding Hainan Hongyi Co., Ltd. (國藥控股海南鴻益有限公司)	PRC, 27 July 2011	20,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding GuoDa Neimenggu Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房內蒙古有限公司)	PRC, 13 July 2011	20,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hunan Guoda Minshengtang Pharmacy Chain Store Co., Ltd. (湖南國大民生堂藥房連鎖有限公司)	PRC, 13 April 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (山西國大萬民藥房連鎖有限公司)	PRC, 9 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Quanzhou GuoDa Pharmacy Chain Store Co., Ltd. (泉州市國大藥房連鎖有限公司)	PRC, 14 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Lerentang Baoding Pharmaceutical Co., Ltd. (國藥樂仁堂保定醫藥有限公司)	PRC, 22 November 2012	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Cangzhou Pharmaceutical Co., Ltd. (國藥樂仁堂滄州醫藥有限公司)	PRC, 21 December 2011	20,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhangzhou Co., Ltd. (國藥控股漳州有限公司)	PRC, 29 April 2011	20,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanghai Ourchem Chemical Reagent Co., Ltd. (上海沃凱藥業有限公司)	PRC, 11 August 1988	18,854	–	100	Property rental, distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Handan Co., Ltd. (國藥樂仁堂邯鄲醫藥有限公司)	PRC, 17 January 2011	50,000	–	89.2	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Anqing Co., Ltd. (國藥控股安慶有限公司)	PRC, 25 February 2010	18,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. (國藥集團三益藥業(蕪湖)有限公司)	PRC, 10 November 2005	15,000	95	–	Distribution of solution of pharmaceutical products
Sinopharm Holding Liuan Co., Ltd. (國藥控股六安有限公司)	PRC, 6 May 2012	20,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Henan Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房河南連鎖有限公司)	PRC, 25 April 2011	15,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Tianjin North Pharmaceutical Co., Ltd. (國藥控股天津北方醫藥有限公司)	PRC, 28 December 2010	15,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Zhanjiang Co., Ltd. (國藥控股湛江有限公司)	PRC, 8 February 1985	70,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Zhejiang Guoda Drugstore Co., Ltd. (浙江國藥大藥房有限公司)	PRC, 13 March 2000	15,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Changde Co., Ltd. (國藥控股常德有限公司)	PRC, 25 November 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Suzhou Boai Pharmaceutical Co., Ltd. (國藥控股蘇州博愛醫藥有限公司)	PRC, 30 January 2011	13,000	–	100	Distribution of pharmaceutical products and laboratory supplies in the PRC
Shanghai Donghong Medical Co., Ltd. (上海東虹醫藥有限公司)	PRC, 4 June 2012	12,000	85	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Shenzhen Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房(深圳)連鎖有限公司)	PRC, 3 July 1985	10,800	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Nanping Co., Ltd. (國藥控股南平有限公司)	PRC, 6 July 2011	10,500	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd. (國藥控股懷德居醫藥(廈門)有限公司)	PRC, 30 April 1996	10,000	-	92	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanxi Zhengxiang Real Estate Development Co., Ltd. (山西正翔房地產開發有限公司)	PRC, 15 May 2009	10,000	-	100	Real estate development, Distribution of constructing materials and decoration
Sinopharm Holding Medical Technology (Tianjin) Co., Ltd. (國藥控股醫療科技(天津)有限公司)	PRC, 22 February 2012	10,000	-	70	Distribution of medical equipments and goods, information technology services in PRC
Sinopharm Holding Quanzhou Co., Ltd. (國藥控股泉州有限公司)	PRC, 31 May 2013	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Weifang Co., Ltd. (國藥控股濰坊有限公司)	PRC, 16 June 2006	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanghai Meiluo Medical Co., Ltd. (上海美羅醫藥有限公司)	PRC, 17 May 2012	30,000	100	-	Distribution of pharmaceutical products, medical equipments and chemical reagents, import and export of goods and technology in the PRC
Sinopharm Holding Jining Co., Ltd. (國藥控股濟寧有限公司)	PRC, 8 January 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Wuhu Co., Ltd. (國藥控股蕪湖有限公司)	PRC, 5 May 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Jiangmeng Renren Medical Co., Ltd. (國藥控股江門仁仁有限公司)	PRC, 3 May 2012	60,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huaian Co., Ltd. (國藥控股淮安有限公司)	PRC, 17 December 2010	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xinjiang New & Special Gingsen Antler Medical Co., Ltd. (國藥控股新疆新特參茸藥業有限公司)	PRC, 10 March 2011	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Anshun Co., Ltd. (國藥控股安順有限公司)	PRC, 20 March 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Sanming Co., Ltd. (國藥控股三明有限公司)	PRC, 2 April 2011	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Putian Co., Ltd. (國藥控股莆田有限公司)	PRC, 8 December 2010	20,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Qingdao Co., Ltd. (國藥控股青島有限公司)	PRC, 18 January 2011	11,111	-	90	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jinzhou Co., Ltd. (國藥控股錦州有限公司)	PRC, 12 May 2011	10,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Dongguan Co., Ltd. (國藥控股東莞有限公司)	PRC, 12 September 2001	18,000	-	100	Distribution of pharmaceutical products in the PRC
Taicang Hushi Chemical Reagent Co., Ltd. (太倉滬試試劑有限公司)	PRC, 24 June 2002	10,000	-	60	Chemical reagents manufacture and trading in the PRC
Sinopharm Holding Jinan Co., Ltd. (國藥控股濟南有限公司)	PRC, 7 August 2000	10,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Guoda Shenyang Tianyitang Pharmacy Chain Store Co., Ltd. (國藥控股國大天益堂藥房連鎖(瀋陽)有限公司)	PRC, 2 August 2002	10,000	-	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Zaozhuang Co., Ltd. (國藥控股棗莊有限公司)	PRC, 17 February 2011	8,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding GuoDa Shenyang Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房瀋陽連鎖有限公司)	PRC, 19 September 2000	8,000	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding GuoDa Nanjing Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房南京連鎖有限公司)	PRC, 27 September 2002	8,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Huizhou Co., Ltd. (國藥控股惠州有限公司)	PRC, 9 May 2004	18,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Datong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (大同市國大萬民藥業有限公司)	PRC, 9 March 2011	6,150	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Weihai Co., Ltd. (國藥控股威海有限公司)	PRC, 7 January 2012	6,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhoushan Co., Ltd. (國藥控股舟山有限公司)	PRC, 5 January 2006	6,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shenzhen Traditional & Herbal Medicine Co., Ltd. (國藥控股深圳藥材有限公司)	PRC, 1 December 2001	15,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Lishui Co., Ltd. (國藥控股麗水有限公司)	PRC, 14 March 2011	6,000	–	98	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jinhua Co., Ltd. (國藥控股金華有限公司)	PRC, 6 May 2011	5,300	–	90	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Chongqing Wanzhou Co., Ltd. (國藥控股重慶萬州有限公司)	PRC, 5 May 2011	5,000	–	80	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wencheng County Medicine Co., Ltd. (國藥控股文成縣醫藥有限公司)	PRC, 1 February 1982	5,000	–	58	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Prospect Dentech (Beijing) Co., Ltd. (國藥前景口腔科技(北京)有限公司)	PRC, 5 August 2010	5,000	–	51	Distribution of medical equipments, Imports and exports of goods and technology, business consultation in the PRC
Sinopharm Holding Puer Co., Ltd. (國藥控股普洱有限公司)	PRC, 13 February 2012	5,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents, Imports and exports of goods and technology in the PRC
Sinopharm Lerentang Hebei Medical Co., Ltd. (國藥樂仁堂河北藥業有限公司)	PRC, 9 March 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Suzhou Boai Medical Instrument Co., Ltd. (蘇州市博愛醫療器械有限公司)	PRC, 30 January 2011	5,000	–	100	Distribution of medical instruments in the PRC
Shanxi Tongfeng Pharmacy Logistics Co., Ltd. (山西同豐醫藥物流有限公司)	PRC, 9 March 2011	5,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shenzhen Jianmin Pharmaceutical Co., Ltd. (國藥控股深圳健民有限公司)	PRC, 8 January 2001	20,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yulin Co., Ltd. (國藥控股玉林有限公司)	PRC, 17 January 2004	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dezhou Co., Ltd. (國藥控股德州有限公司)	PRC, 14 December 2006	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Liaocheng Co., Ltd. (國藥控股聊城有限公司)	PRC, 15 June 2005	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Huzhou Muhanzhuai Pharmacy Chain Store Co., Ltd. (湖州慕韓齋醫藥連鎖有限公司)	PRC, 22 November 2011	4,000	–	98	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xiamen Guanghua Medical Science & Technology Co., Ltd. (廈門光華醫藥科技有限公司)	PRC, 7 November 2005	4,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shaoguan Co., Ltd. (國藥控股韶關有限公司)	PRC, 29 September 2002	3,600	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd. (長治市國大萬民藥房有限公司)	PRC, 9 March 2011	3,200	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd. (國藥樂仁堂河北醫療器械貿易有限公司)	PRC, 9 March 2011	10,010	–	70	Distribution of medical instruments in the PRC
Jincheng Guoda Wanmin Pharmacy Chain Store Co., Ltd. (晉城市國大萬民藥房有限公司)	PRC, 9 March 2011	2,560	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Dongtou Pharmaceutical Co. Ltd. (洞頭縣醫藥有限公司)	PRC, 1 December 1981	2,000	–	61	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Sinopharm Holding Zhaoqing Co., Ltd. (國藥控股肇慶有限公司)	PRC, 2 January 2012	15,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Shijiazhuang Pharmaceutical Co., Ltd. (國藥樂仁堂石家莊醫藥有限公司)	PRC, 9 March 2011	2,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding GuoDa Guangxi Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房廣西連鎖有限公司)	PRC, 1 December 2001	2,000	–	100	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents; property rental in the PRC
Sinopharm Holding Chinese Herbal Slice Co., Ltd. (國藥控股廣西中藥飲片有限公司)	PRC, 12 June 2007	2,000	–	100	Medicine manufacture and trading in the PRC
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. (深圳致君醫藥貿易有限公司)	PRC, 1 March 1985	10,000	–	100	Distribution of pharmaceutical, healthcare products and laboratory supplies in the PRC
Sinopharm Holding Taian Co., Ltd. (國藥控股泰安有限公司)	PRC, 19 March 1993	1,790	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Jinzhong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (晉中市國大萬民藥房有限公司)	PRC, 9 March 2011	1,700	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Yangzhou Weikang Pharmaceutical Co., Ltd. (揚州衛康醫藥有限公司)	PRC, 29 December 1992	1,420	–	85	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Meizhou Co., Ltd. (國藥控股梅州有限公司)	PRC, 30 June 2010	18,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanxi Zhengxiang Property Management Co., Ltd. (山西正翔物業管理有限公司)	PRC, 10 December 2012	1,100	-	100	Property Management
RMC Marketing Consulting (上海諾允市場行銷諮詢有限公司)	PRC, 19 January 2004	1,000	-	100	Health consultation, medical consulting, market information consulting and investigation, convention and exhibition services
Shanghai Guoda Shanghong Qibao Drugstore Co., Ltd. (上海國大上虹七寶藥房有限公司)	PRC, 9 April 2004	1,000	-	51	Medicine chain store in the PRC
Shanghai Meiluo Guoda Drugstore Co., Ltd. (上海美羅大藥房有限公司)	PRC, 4 February 2008	500	-	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Lanxi Conba Pharmacy Chain Store Co., Ltd. (金華國控大藥房連鎖有限公司)	PRC, 6 May 2011	500	-	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Zhejiang Intlmedicine DrugStore Dongshan Co., Ltd. (浙江國藥大藥房東山藥店有限公司)	PRC, 1 December 2000	500	-	51	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Guoda Dongsheng Drugstore Co., Ltd. (上海國大東盛大藥房有限公司)	PRC, 1 July 2003	500	-	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shanghai Guoda Dongxin Pharmacy Chain Store Co., Ltd. (上海國大東信藥房有限公司)	PRC, 27 September 1995	300	-	100	Medicine chain store in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Shanxi Co., Ltd. (國藥集團山西有限公司)	PRC, 14 April 2011	1,000,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Tianjin Co., Ltd. (國藥控股天津有限公司)	PRC, 1 December 2004	830,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shenyang Co., Ltd. (國藥控股瀋陽有限公司)	PRC, 27 November 2003	800,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents; provision of pharmaceutical logistics services in the PRC
Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)	PRC, 23 March 2004	600,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Beijing Co., Ltd. (國藥控股北京有限公司)	PRC, 28 October 2003	600,000	96	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Chemical Reagent Co., Ltd. (國藥集團化學試劑有限公司)	PRC, 24 October 2003	450,000	90	10	Distribution of chemical reagents in the PRC
Sinopharm Holding Guangzhou Co., Ltd. (國藥控股廣州有限公司)	PRC, 1 September 2003	1,000,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Fujian Co., Ltd. (國藥控股福建有限公司)	PRC, 20 January 2010	284,000	70	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Logistics Tianjing Co., Ltd. (國藥控股天津物流有限公司)	PRC, 29 September 2005	190,000	-	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Inner Mongolia Co., Ltd. (國藥控股內蒙古有限公司)	PRC, 14 May 2010	150,000	100	-	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. (國藥控股北京康辰生物醫藥有限公司)	PRC, 19 January 2005	130,000	51	-	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Guangxi Co., Ltd. (國藥控股廣西有限公司)	PRC, 15 March 2004	500,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Lingshang Hospital Management Service Co., Ltd. (國藥控股菱商醫院管理服務(上海)有限公司)	PRC, 5 July 2013	80,000	60	-	Distribution of medical equipments and goods, information technology services in PRC
Ningxia Guoda Pharmacy Chain Store Co., Ltd. (寧夏國大藥房連鎖有限公司)	PRC, 17 November 2008	70,000	-	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hong Kong Co., Ltd. (國藥控股股份香港有限公司)	PRC, 14 August 2009	USD9.5million	100	–	Investment; distribution of pharmaceutical, healthcare products; medicine chain store; and, provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Gansu Co., Ltd. (國藥控股甘肅有限公司)	PRC, 14 January 2010	60,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanghai Ourchem biotechnology Co., Ltd. (上海沃凱生物技術有限公司)	PRC, 19 September 2005	50,000	–	100	Research of bio-technology and consulting service in the PRC
Sinopharm Holding Guizhou Co., Ltd. (國藥控股貴州有限公司)	PRC, 1 April 2010	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanghai Tongyu Information Technology Co., Ltd. (上海統禦信息科技有限公司)	PRC, 27 December 2005	41,000	100	–	Information technology development and medicine consulting in the PRC
Sinopharm Holding Guangdong Hengxing Co., Ltd. (國藥控股廣東恒興有限公司)	PRC, 1 December 2004	50,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Luoyang Co., Ltd. (國藥控股洛陽有限公司)	PRC, 13 January 2012	40,000	–	67	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Co., Ltd. (國藥控股重慶有限公司)	PRC, 8 May 2010	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Shangqiu Co., Ltd. (國藥控股商丘有限公司)	PRC, 3 March 2011	30,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Hunan Health Industry Co., Ltd. (國藥控股湖南大健康產業有限公司)	PRC, 28 August 2013	30,000	–	100	Investments, Information technology development and medicine consulting in the PRC
Sinopharm Holding Anyang Co., Ltd. (國藥控股安陽有限公司)	PRC, 11 December 2009	20,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Nanyang Co., Ltd. (國藥控股南陽有限公司)	PRC, 11 December 2009	20,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Lerentang Chengde Pharmaceutical Co., Ltd. (國藥樂仁堂承德醫藥有限公司)	PRC, 19 September 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Qinhuangdao Pharmaceutical Co., Ltd. (國藥樂仁堂秦皇島醫藥有限公司)	PRC, 22 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Zhangjiakou Pharmaceutical Co., Ltd. (國藥樂仁堂張家口醫藥有限公司)	PRC, 15 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Zhumadian Co., Ltd. (國藥控股駐馬店有限公司)	PRC, 24 May 2012	55,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Langfang Medical Co., Ltd. (國藥樂仁堂廊坊醫藥有限公司)	PRC, 17 May 2012	23,333	–	60	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Sinopharm Holding Tibet Pharmaceutical Co., Ltd. (國藥控股西藏醫藥有限公司)	PRC, 1 July 2013	20,000	60	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Lerentang Xingtai Pharmaceutical Co., Ltd. (國藥樂仁堂邢臺醫藥有限公司)	PRC, 27 August 2013	20,000	–	78	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Logistics Co., Ltd. (國藥控股山西物流有限公司)	PRC, 13 December 2008	15,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Wuhan Co., Ltd. (國藥控股武漢有限公司)	PRC, 30 September 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Tongliao Co., Ltd. (國藥控股通遼有限公司)	PRC, 27 October 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Wuwei Co., Ltd. (國藥控股武威有限公司)	PRC, 15 February 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Mudanjiang Co., Ltd. (國藥控股牡丹江有限公司)	PRC, 27 March 2012	15,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yantai Co., Ltd. (國藥控股煙臺有限公司)	PRC, 23 April 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Baise Co., Ltd. (國藥控股百色有限公司)	PRC, 7 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guilin Co., Ltd. (國藥控股桂林有限公司)	PRC, 11 May 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guigang Co., Ltd. (國藥控股貴港有限公司)	PRC, 30 May 2013	10,000	–	100	Distribution of pharmaceutical products and commodities in the PRC
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd. (國藥控股(天津濱海)醫藥有限公司)	PRC, 1 April 2010	10,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Kaifeng Co., Ltd. (國藥控股開封有限公司)	PRC, 21 May 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Puyang Co., Ltd. (國藥控股濮陽有限公司)	PRC, 11 August 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Jiaozuo Co., Ltd. (國藥控股焦作有限公司)	PRC, 13 September 2010	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Bengbu Co., Ltd. (國藥控股蚌埠有限公司)	PRC, 29 September 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chenzhou Co., Ltd. (國藥控股郴州有限公司)	PRC, 1 September 2010	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Anhui Guoda Pharmacy Chain Store Co., Ltd. (安徽國大藥房連鎖有限公司)	PRC, 8 September 2010	10,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Ankang Co., Ltd. (國藥控股安康有限公司)	PRC, 6 January 2011	10,000	–	70	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shanxi Yangquan Co., Ltd. (國藥控股山西陽泉有限公司)	PRC, 19 May 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Sanmenxia Co., Ltd. (國藥控股三門峽有限公司)	PRC, 24 January 2011	10,000	–	67	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Huainan Co., Ltd. (國藥控股淮南有限公司)	PRC, 8 April 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Fuyang Co., Ltd. (國藥控股阜陽有限公司)	PRC, 05 September 2011	10,000	-	55	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Baotou Co., Ltd. (國藥控股包頭有限公司)	PRC, 26 January 2011	10,000	-	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Qingyang Co., Ltd. (國藥控股慶陽有限公司)	PRC, 18 May 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qianxinan Co., Ltd. (國藥控股黔西南有限公司)	PRC, 15 January 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Yunyang Co., Ltd. (國藥控股重慶雲陽有限公司)	PRC, 6 March 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Hengshui Medical Co., Ltd. (國藥樂仁堂衡水醫藥有限公司)	PRC, 13 December 2011	10,000	-	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shangluo Co., Ltd. (國藥控股商洛有限公司)	PRC, 21 February 2012	10,000	70	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chifeng Co., Ltd. (國藥控股赤峰有限公司)	PRC, 22 November 2011	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Jingmen Co., Ltd. (國藥控股荊門有限公司)	PRC, 21 June 2012	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Qiannan Co. Ltd. (國藥控股黔南州有限公司)	PRC, 16 February 2012	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhongshan Co., Ltd. (國藥控股中山有限公司)	PRC, 6 September 2012	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Dandong Co., Ltd. (國藥控股丹東有限公司)	PRC, 25 November 2013	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Biological Product Co., Ltd. (國藥控股湖北生物製品有限公司)	PRC, 5 January 2013	10,000	–	70	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Hubei Bokang Co., Ltd. (國藥控股湖北柏康有限公司)	PRC, 22 October 2013	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding GuoDa Shanxi Yiyuan Pharmacy Chain Store Co., Ltd. (國藥控股國大藥房山西益源連鎖有限公司)	PRC, 10 October 2013	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Zhejiang Biological Product Co., Ltd. (國藥控股浙江生物製品有限公司)	PRC, 25 September 2013	10,000	-	60	Distribution of biological products and technological consulting in the PRC
Sinopharm Holding Luohe Co., Ltd. (國藥控股漯河有限公司)	PRC, 10 December 2012	10,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhoukou Co., Ltd. (國藥控股周口有限公司)	PRC, 22 January 2013	10,000	-	77	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinxiang Co., Ltd. (國藥控股新鄉有限公司)	PRC, 17 June 2013	10,000	-	70	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Yanan Co., Ltd. (國藥控股延安有限公司)	PRC, 25 October 2013	10,000	90	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beijing Airport International Trading Co., Ltd. (國藥空港(北京)國際貿易有限公司)	PRC, December 2010	10,000	-	100	Provision of pharmaceutical logistics services in the PRC
Tianjin Yishengjiahe Health Consultancy Co., Ltd. (天津市怡生家和健康顧問有限公司)	PRC, 6 June 2013	10,000	-	100	Health consultation, medical consulting, distribution of pharmaceutical products
Sinopharm Holding Tongchuan Co., Ltd. (國藥控股銅川有限公司)	PRC, 20 September 2010	8,000	-	70	Distribution of pharmaceutical and healthcare products in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tongren Co., Ltd. (國藥控股銅仁有限公司)	PRC, 14 December 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zunyi Co., Ltd. (國藥控股遵義有限公司)	PRC, 29 November 2011	20,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Pingliang Co., Ltd. (國藥控股平涼有限公司)	PRC, 11 February 2011	7,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yulin Co., Ltd. (國藥控股榆林有限公司)	PRC, 14 December 2011	7,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Yichang Co., Ltd. (國藥控股宜昌有限公司)	PRC, 24 May 2010	6,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Qujing Co., Ltd. (國藥控股曲靖有限公司)	PRC, 1 September 2010	6,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangyang Co., Ltd. (國藥控股襄陽有限公司)	PRC, 11 October 2010	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Huangshi Co., Ltd. (國藥控股黃石有限公司)	PRC, 26 July 2010	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Enshi Co., Ltd. (國藥控股恩施有限公司)	PRC, 22 November 2011	6,000	–	60	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Dali Co., Ltd. (國藥控股大理有限公司)	PRC, 24 January 2011	6,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Bayan Nur Co., Ltd. (國藥控股巴彥淖爾有限公司)	PRC, 30 May 2011	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Honghe Co., Ltd. (國藥控股紅河有限公司)	PRC, 10 September 2013	6,000	–	100	Distribution of pharmaceutical products and commodities in the PRC
Sinopharm Holding (Tianjin) Medical Instruments Co., Ltd. (國藥控股(天津)醫療器械有限公司)	PRC, 25 May 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shiyang Co., Ltd. (國藥控股十堰有限公司)	PRC, 17 August 2010	5,000	–	75	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Lvliang Co., Ltd. (國藥控股山西呂梁有限公司)	PRC, 26 October 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yueyang Co., Ltd. (國藥控股岳陽有限公司)	PRC, 25 August 2010	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jingzhou Co., Ltd. (國藥控股荊州有限公司)	PRC, 24 August 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Changzhi Co., Ltd. (國藥控股山西長治有限公司)	PRC, 24 December 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Suzhou Chemical Reagent Co., Ltd. (國藥集團化學試劑蘇州有限公司)	PRC, 25 August 2004	5,000	–	100	Distribution of chemical reagents in the PRC
China National Pharmaceutical Group Hefei Chemical Reagent Co., Ltd. (國藥集團化學試劑合肥有限公司)	PRC, 1 April 2011	5,000	–	60	Distribution of chemical reagents in the PRC
China National Pharmaceutical Group Southwest Medicine Zigong Co., Ltd. (國藥集團西南醫藥自貢有限公司)	PRC, 18 November 2011	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Southwest Medicine Luzhou Co., Ltd. (國藥集團西南醫藥瀘州有限公司)	PRC, 29 December 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Linfen Co., Ltd. (國藥控股山西臨汾有限公司)	PRC, 13 May 2011	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangtan Co., Ltd. (國藥控股湘潭有限公司)	PRC, 7 January 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangxi Co., Ltd. (國藥控股湘西有限公司)	PRC, 19 January 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yongzhou Co., Ltd. (國藥控股永州有限公司)	PRC, 3 November 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Ulanqab Co., Ltd. (國藥控股烏蘭察布有限公司)	PRC, 13 May 2011	5,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yanbian Co., Ltd. (國藥控股延邊有限公司)	PRC, 25 February 2011	5,000	-	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Leshan Medical Co., Ltd. (國藥控股樂山醫藥有限公司)	PRC, 5 March 2012	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Wenshan Co., Ltd. (國藥控股文山有限公司)	PRC, 13 April 2012	5,000	-	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm A-think Changchun Medical Co., Ltd. (國藥一心長春醫藥有限公司)	PRC, 21 February 2012	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Jiangnan Co., Ltd. (國藥控股湖北江漢有限公司)	PRC, 6 July 2012	5,000	-	60	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Sinopharm Holding Huanggang Co., Ltd. (國藥控股黃岡有限公司)	PRC, 31 October 2012	5,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Supply Chain Service (Shanghai) Co., Ltd. (國藥(上海)供應鏈服務有限公司)	PRC, 18 December 2012	5,000	-	100	Cargo agent, warehousing, shipping

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Taizhou Herbal Medicine Co., Ltd. (國藥控股台州中藥有限公司)	PRC, 12 April 2013	5,000	–	100	Chinese herbal medicine manufacturing and trading in the PRC
Sinopharm Holding Jilin Medical Device Co., Ltd. (國控吉林醫療器械有限公司)	PRC, 15 March 2013	5,000	–	51	Distribution of medical equipments
Sinopharm Holding Songyuan Co., Ltd. (國藥控股松原有限公司)	PRC, 25 March 2013	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chongqing Nanchuan Co., Ltd. (國藥控股重慶南川有限公司)	PRC, 15 August 2012	5,000	–	85	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Shanghai Chemical Reagent Co., Ltd. (國藥集團化學試劑上海有限公司)	PRC, 12 June 2006	4,500	–	100	Distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jilin City Medical Co., Ltd. (國藥控股吉林市醫藥有限公司)	PRC, 30 January 2011	4,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
China National Pharmaceutical Group Panzihua Medicine Co., Ltd. (國藥集團攀枝花醫藥有限公司)	PRC, 22 December 2010	3,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Siping Co., Ltd. (國藥控股四平有限公司)	PRC, 25 February 2011	3,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Ningxia Guyuan Co., Ltd. (國藥控股寧夏固原有限公司)	PRC, 4 September 2012	3,000	–	85.71	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Baicheng Co., Ltd. (國藥控股白城有限公司)	PRC, 10 January 2011	2,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Shanxi Guoda Wanmin Clinic Management Chain Co., Ltd. (山西國大萬民連鎖診所管理有限公司)	PRC, 8 July 2013	1,200	–	100	Managing subsidiaries
China National Pharmaceutical Group Chengdu Chemical Reagent Co., Ltd. (國藥集團化學試劑成都有限公司)	PRC, 15 November 2004	1,000	–	60	Distribution of laboratory supplies in the PRC
Shanghai Guoda Pharmaceutical Co., Ltd. (寧夏國大藥品有限公司)	PRC, 9 April 2004	1,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Shaanxi Guoyi Drugstore Co., Ltd. (陝西國誼大藥房有限公司)	PRC, 19 April 2010	1,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shenzhen Logistics Co., Ltd. (國藥控股深圳物流有限公司)	PRC, 8 September 2005	5,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Tianjin Enterprise Development Co., Ltd. (天津國藥企業發展有限公司)	PRC, 28 July 2004	1,000	–	100	Consulting and technology services in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Taizhou Fang Tongren Medical Co., Ltd. (台州方同仁醫藥連鎖有限公司)	PRC, 19 October 2011	1,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tongyu Information Technology Co., Ltd. (北京統禦信息科技有限公司)	PRC, 13 September 2013	1,000	–	100	Information technology development and medicine consulting in the PRC
Hangzhou Sinopharm Holding Drugstore Co., Ltd. (杭州國控大藥房有限公司)	PRC, 4 July 2012	600	–	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd. (國藥樂仁堂石家莊藥材有限公司)	PRC, 15 July 2011	500	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Lishui Xiandu Pharmaceutical Retail Co. Ltd. (麗水仙都醫藥零售有限公司)	PRC, 20 October 2012	500	–	100	Distribution of pharmaceutical products, laboratory supplies medical equipments and chemical reagents in the PRC
Shanghai Guoda Changxin Drugstore Co., Ltd. (上海國大長信藥房有限公司)	PRC, 24 May 2012	300	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Beijing China Reagent & Fine Chemicals Consulting Co., Ltd. (北京國化精試諮詢有限公司)	PRC, 27 December 2001	100	–	100	Chemical reagents consultation in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Yueqing Leyi Drugstore Co., Ltd. (樂清樂怡大藥房有限公司)	PRC, 16 October 2012	100	-	100	Distribution of pharmaceutical products in the PRC
Tianjin Bookcom Shengjia Drugstore Co.,Ltd. (天津博康勝家大藥房有限公司)	PRC, 17 October 2005	500	-	100	Distribution of pharmaceutical products,medical instruments and chemical reagents in the PRC
Sinopharm Holding Biopharmaceutical(Tianjin) Co.,Ltd. (國藥控股生物醫藥(天津)有限公司)	PRC, 18 August 1997	10,000	-	70	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Shantou Co.,Ltd. (國藥控股汕頭有限公司)	PRC, 14 April 1999	8,000	-	70	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Rizhao Co., Ltd. (國藥控股日照有限公司)	PRC, 4 January 2007	2,600	-	80	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Group Qiangdongnan Pharmaceutical Co.,Ltd. (國藥控股黔東南州醫藥有限公司)	PRC, 8 December 2011	8,000	-	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Taimin Pharmaceutical Co.,Ltd. (國藥控股重慶泰民醫藥有限公司)	PRC, 17 August 2012	20,000	60	-	Distribution of pharmaceutical products,medical instruments and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Bio-pharmaceutical Co.,Ltd. (國藥控股上海生物醫藥有限公司)	PRC, 3 December 2009	20,000	70	–	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sichuan Pharmaceutical Group Co., Ltd. Of CNPGC (國藥四川醫藥集團有限公司)	PRC, 2 September 2001	65,744	66	–	Management of medical project investment,consulting and technology training in PRC
Sichuan Pharmaceutical Co., Ltd. (四川省醫藥股份有限公司)	PRC, 14 May 1988	200,000	49	51	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sichuan Zhongwei Phamaceutical Co., Ltd. (四川省中緯醫藥有限公司)	PRC, 31 May 2006	10,000	–	90	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sichuan Pharmacy Chain Store Co., Ltd. (四川大藥房醫藥連鎖有限公司)	PRC, 20 November 2008	10,000	–	80	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Anshan Co.,Ltd. (國藥控股鞍山有限公司)	PRC, 5 November 2013	20,000	–	70	Distribution of pharmaceutical products,medical instruments and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Macheng Co.,Ltd. (國藥控股麻城有限公司)	PRC, 16 October 2013	5,000	–	70	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Xianning Co.,Ltd. (國藥控股鹹寧有限公司)	PRC, 23 October 2013	11,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei New & Special Medicines Co., Ltd. (國藥控股湖北新特藥有限公司)	PRC, 14 November 2013	10,000	–	70	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Xiamen Co.,Ltd. (國藥控股廈門有限公司)	PRC, 12 December 2013	10,000	–	100	Distribution of pharmaceutical products,healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Shanxi Jinzhong Co.,Ltd. (國藥控股山西晉中有限公司)	PRC, 23 December 2013	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Jincheng Co.,Ltd. (國藥控股山西晉城有限公司)	PRC, 21 January 2014	10,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beihai Co.,Ltd. (國藥控股北海有限公司)	PRC, 28 February 2014	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Fushun Co.,Ltd. (國藥控股撫順有限公司)	PRC, 23 January 2014	20,000	–	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Linzhou Co.,Ltd. (國藥控股林州有限公司)	PRC, 7 January 2014	5,000	–	40	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hulun Buir Co.,Ltd. (國藥控股呼倫貝爾有限公司)	PRC, 29 April 2014	10,000	–	70	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Suzhou guokang Drugstore Co.,Ltd (蘇州國康藥店有限公司)	PRC, 7 May 2014	300	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm A-think Medical Research & Development (Beijing) Co., Ltd. (國藥一心醫藥研發(北京)有限公司)	PRC, 11 April 2014	1,000	–	100	Technical research development and consulting in PRC
Sinopharm Holding Henan Inspection Devices Co.,Ltd. (國藥控股河南檢驗用品有限公司)	PRC, 27 June 2014	10,000	–	70	Research of medical equipment software and distribution of medical instruments in PRC
Sinopharm Holding Hongkong International Co.,Ltd. (國藥控股香港國際有限公司)	PRC, 31 March 2014	3,970	–	60	Distribution of pharmaceutical products and healthcare products in PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Drugstore (Jilin) Co., Ltd. (國藥控股大藥房(吉林)有限公司)	PRC, 12 June 2014	1,000	-	85	Distribution of pharmaceutical products, biological products and milk powder in PRC
Sinopharm Holding Huangshan Health Industry Co., Ltd. (國藥集團黃山大健康產業有限公司)	PRC, 6 August 2014	10,000	-	100	Health consulting, investment of healthy industry, planting and retail of primary agricultural goods and technology import and export in PRC
Sinopharm Holding Huangmei Co., Ltd. (國藥控股黃梅有限公司)	PRC, 23 July 2014	20,000	-	50	Distribution of pharmaceutical products, medical instruments in PRC
Sichuan Shengde Drugstore Co., Ltd. (四川省晟德藥房有限公司)	PRC, 18 September 2014	1,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shangcai Co., Ltd. (國藥控股上蔡有限公司)	PRC, 24 September 2014	10,000	-	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xiamen Guanghua Medicines Co., Ltd. (國藥控股廈門光華藥業有限公司)	PRC, 25 February 2014	4,000	-	100	Chinese herbal medicine manufacturing and trading, technical research and test in the PRC
Sinopharm Shanxi Guokang Hospital Drugstore Co., Ltd. (國藥山西國康大醫院藥店有限公司)	PRC, 30 September 2014	2,000	-	60	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Shanxi Yangmeisanyuan Drugstore Co., Ltd. (國藥山西陽煤三院大藥房有限公司)	PRC, 4 September 2014	1,000	–	100	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Nanchang Drugstore Co., Ltd. (國藥控股南昌大藥房有限公司)	PRC, 23 September 2014	1,000	–	51	Distribution of pharmaceutical products in PRC
Sinopharm Group Linfen Co., Ltd. (國藥集團臨汾有限公司)	PRC, 14 October 2014	10,000	–	80	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC
Sinopharm Xinxiang Chain Store Co., Ltd. (國藥新鄉零售連鎖有限公司)	PRC, 11 October 2014	10,000	–	51	Distribution of pharmaceutical products in PRC
Sinopharm Holding Wugang Co., Ltd. (國藥控股舞鋼有限公司)	PRC, 12 August 2014	5,000	–	40	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC
Suizhou Center Drugstore Co., Ltd. (隨州中心大藥房有限公司)	PRC, 22 November 2013	500	–	100	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sinopharm Holding Shanxi Xinzhou Co., Ltd. (國藥控股山西忻州有限公司)	PRC, 3 November 2014	10,000	–	80	Distribution of pharmaceutical products, computer services in PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal associates:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Yichang Humanwell Pharmaceutical Co., Ltd. (宜昌人福藥業有限責任公司)	PRC, 1 August 2001	293,527	20	Medicine manufacture and trading in the PRC
Qinghai Pharmaceutical Group Co., Ltd. (青海製藥(集團)有限責任公司)	PRC, 17 January 2000	139,563	47	Medicine manufacture and trading in the PRC
Shenzhen Main Luck Pharmaceutical Co., Ltd. (深圳萬樂藥業有限公司)	PRC, 4 July 1990	USD19.5 million	35	Research and inspection of pharmaceutical products in the PRC
Sinopharm Xinjiang Pharmaceutical Co., Ltd. (國藥集團新疆製藥有限公司)	PRC, 1958	90,964	45	Medicine manufacture
Shanghai Beiyi Guoda pharmaceutical Co. Ltd. (上海北翼國大藥材醫藥有限公司)	PRC, 26 July 1994	12,000	26	Distribution of pharmaceutical products and chemical reagents in the PRC
Hubei Yuankang Pharmaceutical Co., Ltd. (湖北緣康醫藥有限公司)	PRC, 25 April 2011	10,000	30	Distribution of pharmaceutical and healthcare products in the PRC
Wuxi Huihua Qiangsheng Pharmaceutical Chain Co., Ltd (無錫匯華強盛醫藥連鎖有限公司)	PRC, 7 July 2003	7,150	21	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Dong's Pharmaceutical Information Co., Ltd. (東氏醫藥資訊有限公司)	PRC, 22 October 1999	1,000	46	Corporate management services in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Principal associates: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Shanghai Guoda Lingyun Drug Store Co.,Ltd (上海國大凌雲藥房有限公司)	PRC, 17 November 2006	500	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co.,Ltd (國藥控股和記黃埔醫藥(上海)有限公司)	PRC, 23 September 1993	63,570	49	Distribution of pharmaceutical products in the PRC
Sichuan Kangdaxin Pharmaceutical Co., Ltd. (四川康達欣醫藥有限公司)	PRC, 4 June 2012	20,000	25	Distribution of pharmaceutical products and medical instruments in the PRC
Yibin Huangyu Pharmaceutical Co., Ltd. (宜賓市環宇醫藥有限責任公司)	PRC, 15 August 2006	10,000	49	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Jilin Baiqi Pharmaceutical Co., Ltd. (吉林百琦藥業有限公司)	PRC, 9 March 2004	66,000	35	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Medical Investment Management Co., Ltd. (國藥控股醫療投資管理有限公司)	PRC, 22 November 2013	500,000	25	Asset management, information technology development and medicine consulting in the PRC

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

notes:

- (i) Except for Sinopharm Accord, National Medicines, Sinopharm Holding Henan Co., Ltd. and China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. which are joint stock limited liability companies, China National Pharmaceutical Group Shanghai Corporation, China National Pharmaceutical Group Tianjin Corporation and Shaanxi Pharmaceutical Corporation which are enterprises owned by the whole people, the other subsidiaries of the Group are limited liability entities.
- (ii) The English names of certain subsidiaries and associates are translation made by management of the Company as they do not have official English names.

44 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2014, the Group acquired three subsidiaries from Fosun Pharmaceutical and the total considerations for these acquisitions amounted to RMB414,356 thousands.

Subsequent to 31 December 2014, the Group acquired one subsidiary from a third party and the total consideration for the acquisition amounted to RMB141,418 thousands.

SINOPHARM GROUP CO. LTD.

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

www.sinopharmgroup.com.cn