



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

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

Stock Code : 01099

**Caring for Life**  
**Attending to Health**

Interim Report  
**2015**

## Company Profile

# Company Profile

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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 distributor and retailer of pharmaceutical and healthcare products and a leading supply-chain service provider in the PRC.

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

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

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

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



Corporate philosophy

## **Caring for life Attending to health**

Corporate vision

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

Corporate mission

## **Contributing to human health and good life**

Core value

## **Benevolence and responsibility**

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# Corporate Information

## Directors

Mr. Wei Yulin (*Executive Director and Chairman*)  
Mr. Li Zhiming (*Executive Director and President*)  
Mr. Chen Qiyu (*Non-executive Director and Vice Chairman*)  
Mr. She Lulin (*Non-executive Director*)  
Mr. Wang Qunbin (*Non-executive Director*)  
Mr. 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  
Mr. Tao Wuping  
Mr. Yang Jun  
Ms. Jin Yi

## 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

# Corporate Information

## 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](http://www.sinopharmgroup.com.cn)

## H Share Registrar

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

## Stock Code

01099

## Principal Banks

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

## Office of Board of Directors

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# Management Discussion and Analysis

## Industry Overview

### Increasing downward pressure with continuous new normal economy

China's macro economy was still undergoing the key stage of structural adjustment and growth model transformation in the first half of this year, and it continued the "new normal" of development. To improve the economic environment and further deepen the reforms, the government adopted a number of growth stabilizing measures. The central bank cut both interest rates and the reserve requirement ratio for three times, but GDP growth still further slowed down to 7.0%, and the total profits of industrial enterprises above designated size shrank by 0.7% as compared to the same period of last year, indicating accumulating obstacles arising from the structural adjustment and increasing downward pressure for economic growth. Despite the rather painful stage of current economic growth, new hopes of China's economy were fostered in such process and successful economic re-alignment will be achieved if the country adheres to the reforms.

### Slowed industry growth but with good prospect

- In the backdrop of milder economic growth, growth in the pharmaceutical industry also showed a slowing trend. According to data from the National Bureau of Statistics, the revenue growth of the pharmaceutical manufacturing industry decreased to 8.8% in the first half of this year as compared to the same period of last year, yet still better than the overall macro economy trend.
- Affected by the slowdown in the growth of pharmaceutical manufacturing industry, the pharmaceutical distribution industry where the Group stands also saw a moderating trend. According to data from Ministry of Commerce, revenues in the pharmaceutical distribution industry grew by 12.4% in the first half of this year as compared to the same period of last year, still significantly better than the overall macro economy trend.
- With the listing of a number of pharmaceutical retailers, the pharmaceutical retail business has entered a stage of merger, acquisition and expansion, highlighting the importance of economics of scale.

### Opportunities and challenges brought along with the release of various policies

- The industry was challenged by the drug price cut brought by the provincial tender, which facilitated the survival of the fittest and the speed of consolidation within the industry, where large scale enterprises with superior control and management will win out.
- An industry new normal of rigorous regulation has been forged with the introduction of new regulations for GSP and unannounced inspection for drugs and medical devices, which brought a huge challenge for many enterprises especially the small and medium-size ones, where large-scale distribution enterprises with compliant operations will win out. In the future, the concentration ratio of the industry is bound to increase.
- The public hospital reform will change the structure of the existing hospitals significantly, where the separation of medical treatment and drug sale will bring along enormous opportunities for the drug retail business.

# Management Discussion and Analysis

## Industry Overview

### Opportunities and challenges brought along with the release of various policies

- The newly-released guidance regarding the centralized drug procurement of public hospitals will facilitate the survival of the fittest in the industry. If the hospitals strictly abide by the payment schedule as set out in the guidance, the gearing ratio and financial expense ratio of pharmaceutical distribution enterprises will be greatly improved.
- With firm support from the government for the pharmaceutical e-commerce, traditional pharmaceutical firms appealed to the Internet for new growth drivers, where enterprises with strong platforms and offline resources edges will have huge potentials.

Although the growth of the pharmaceutical industry decelerated due to the short-term economic re-alignment, medicine as an important part of consumption will play a more significant role once the transformation is completed. In the long run, with the promotion from the aging population, urbanization, increase in chronic diseases and household income, and the wider coverage of medical insurance, we believe China's pharmaceutical industry will become an industry filled with opportunities and featured with rapid growth. Fiercer competition and stricter regulations will accelerate the industry consolidation, and the sustained deepening of healthcare reforms will make China's healthcare system more complete and regulated. We believe that, with our leading network advantages, compliant operations and superior corporate governance, enterprises like us will greatly benefit from such reforms.

## Business Review

Faced with unfavorable macroeconomic and industry situation in the first half of this year, the Group continued to advance the "scale to efficiency" transformation, explored the mixed-ownership reform, enhanced compliant operation awareness, strengthened risk management and control, accelerated the pace of transformation into innovative business mode, explored the financial capital markets and boosted the comprehensive management capabilities. The Group achieved further improvements in the development quality, further integration of platform resources and further benefits unleashed by the economic scale effect. The revenue growth of the Group continued to exceed the industry average, while profit growth continued to significantly surpass the revenue growth, which further consolidated the leading position and edges of the Group in the industry.

### Sustained and consolidated leading position in the distribution business

In the pharmaceutical distribution sector, the Group has forged an integrated pharmaceutical supply chain, and an advanced supply chain management mode, achieved steady and appropriate adjustments in product structures, sustainably optimized customer structure, continually expanded and integrated national distribution network, further centered on retail terminal penetration and dug values deep in grassroots network. As of 30 June 2015, the distribution network of the Group covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 12,850 hospitals (only referring to nationally-ranked hospitals, including 1,752 largest class-three hospitals with the highest rankings), 100,803 small end-customers (including primary health services institutions and others) and 65,413 retail outlets.

# Management Discussion and Analysis

## Business Overview

### Sustained and consolidated leading position in the distribution business

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: the national pharmaceutical distribution logistics network includes 4 logistic hubs, 42 provincial logistic centers, approximately 100 municipal level logistics networks, with a sum of more than 240 logistics networks. The Group accelerated the establishment of cloud service platform of smart supply chain, aiming to provide safe, accessible, visible and efficient professional logistic 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 logistic centers, delivery centers and delivery station networks, enabling in-depth coverage of the pharmaceutical logistics network across China. The Group promoted the construction of a four-dimensional standardized system of national logistics techniques, management, services and operations and has published 48 logistics standards in total to build a regulated, integrated and standard logistics service brand.

### High growth of the retail business

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail pharmaceutical distribution model, the Group strived for the development in the pharmaceutical retail business and strengthened its leading advantages. It 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 of 30 June 2015, the number of retail pharmacies was 2,932 covering 18 provinces and cities across the country, among which 2,036 were directly operated by the Group and 896 were operated by franchisees, sustaining industry leading position in sales amount. Besides, the distribution subsidiaries of the Group also had a good development momentum for setting up retail pharmacies, with 178 already opened, 45 of them being DTP pharmacies.

### Further utilization of platform advantages

In the first half of this year, the Group adhered to the development strategy of “profession-focused, innovation-oriented, and multi-level promotion”, continued to advance marketing transformation and further explored innovative service models in marketing service capitalizing on the business platform advantages. We achieved substantial growth in agent businesses for foreign pharmaceutical firms with an expansion in agent product types and boosted profitability.

Through actively exploring the financial and capital market, and integrating the “combination of industry and finance” philosophy into the process of corporate transformation, the Group forged stronger competitive edges in the industry chain. In the first half of this year, Sinopharm Holding (China) Finance Leasing Co., Ltd. entered formal operations and the pilot initialization work for the financing platform of the electronic supply chain was completed.

The medical equipment business obtained substantial growth in the first half of this year, which further indicated the platform advantage of the Group. Besides, the Group also achieved satisfactory results in businesses including third-party logistics and provision of supply chain services outsourcing for hospitals using solutions of the Internet of Things.



# Management Discussion and Analysis

## Business Overview

### Active embrace of the Internet

The Group adapted to the “Internet +” trend, grabbed the pharmaceutical e-commerce opportunities, and promoted the merger of traditional businesses and the Internet. In the first half of this year, the promotion of e-commerce businesses progressed steadily. The “Internet Interconnection” project which aimed at transforming traditional businesses into e-commerce has started designs in technical levels and business segment levels. The consolidation work of the For Me Pharmacy’s daoyao.com has been completed, and the vertically integrating e-commerce model has been under planning.

### Further improvement in corporate management and control

The Group improved its management and control in finance, human resources, diversified financing, operations management, informatization, and procurement, etc., which lowered the selling, administrative and financial expenses, further indicating the scale advantages.

## Future Plan

### Further improvement of capital efficiency and operations risk control

In order to remove operations risks, the Group will endeavor to cut balance percentage of accounts receivable and the gearing ratio through capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening, to further improve capital efficiency and control the operations risks so as to achieve healthier and sustainable development.

### Sustained promotion for the rapid development in the retail business

The retail business is a strategic sector for the structural adjustment of the Group. Through the sustained expansion of the retail businesses operated by Guoda Drugstore and distribution subsidiaries, the Group will forge a pharmaceutical retail network with national layout, vertical development, reasonable structure, integration of wholesale and retail, various growth drivers, risk defense, global perspective and leading position.

### Transformation aided by the “Internet +”

The Group will continue to actively promote the progress in the e-commerce project, and take advantage of the solid resources base of China National Pharmaceutical Group including pharmaceutical manufacturing, distribution, medical services, retail pharmacy and research and development to create the largest vertical e-commerce service platform in China, integrating B2B, B2C, O2O and other services using technologies and products of Internet/Mobile Internet, to provide end customers with one-stop “healthcare + drug” services. Besides, the Group will continue to actively advance the progress of the “Internet Interconnection” project, to create a B2B platform based on internal transactions using both upstream and downstream resources to transform the traditional businesses into online ones.

# Management Discussion and Analysis

## Future Plan

### Active exploration of mixed ownership reforms

The Group will take this reform as the opportunity to further promote reforms in areas such as nomination, remuneration and incentives of the management and corporate governance, in order to add dynamics to the Group and lay a solid foundation for sustainable future development.

Besides, the Group will continue to enhance the combination of industry and finance, and strengthen internal management and control to improve the overall profitability and operation efficiency.

Looking into the future, the ever-changing market environment brings many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform to continue to focus on the improvement of both efficiency and profit, proactively promote “transformation innovations and value creation”, and continuously build a healthcare service provider with international competence, which adapts to the new normal, creates new values, and evolves from distinction to excellence.

## Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB111,057.45 million, representing an increase of RMB16,221.78 million or 17.11% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB2,888.53 million, representing an increase of RMB580.40 million or 25.15% as compared with the corresponding period of last year; profit attributable to the shareholders of the Company was RMB1,913.85 million, representing an increase of RMB448.39 million or 30.60% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.69, representing an increase of 21.05% as compared with the corresponding period of last year.

# Management Discussion and Analysis

## Financial Summary

Unit: RMB million

	Six months ended 30 June 2015	Six months ended 30 June 2014	Change
<b>Operating results:</b>			
Revenue	111,057.45	94,835.67	16,221.78
Earnings before interest and tax	4,780.38	4,010.32	770.06
Profit attributable to shareholders of the Company	1,913.85	1,465.46	448.39
<b>Profitability</b>			
Gross margin	8.23%	8.28%	decreased by 0.05 percentage point
Operating margin	4.16%	4.14%	increased by 0.02 percentage point
Net profit margin	2.60%	2.43%	increased by 0.17 percentage point
Earnings per share – Basic (RMB)	0.69	0.57	0.12
<b>Key operational indicators</b>			
Trade receivables turnover days	115	107	8
Inventory turnover days	36	35	1
Trade payables turnover days	99	96	3
Current ratio (multiples)	1.22	1.26	(0.04)

Unit: RMB million

	30 June 2015	31 December 2014	Change
<b>Asset position</b>			
Total assets	136,320.72	128,655.74	7,664.98
Equity attributable to shareholders of the Company	28,250.96	27,381.87	869.09
Gearing ratio	72.17%	71.79%	increased by 0.38 percentage point
Cash and cash equivalents	14,060.53	15,232.36	(1,171.83)

# Management Discussion and Analysis

## Financial Summary

### Revenue

During the Reporting Period, the Group recorded revenue of RMB111,057.45 million, representing an increase of 17.11% as compared with RMB94,835.67 million for the six months ended 30 June 2014. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business. The Group's revenue and market share grew much faster than the overall development of the pharmaceutical market in China, and outperformed industry average.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB105,413.60 million, representing an increase of 16.38% as compared with RMB90,580.63 million for the six months ended 30 June 2014, and accounting for 94.23% of the total revenue of the Group. Such increase was primarily due to the good development trend of the pharmaceutical distribution business and further expansion of the distribution network of the Group.
- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB4,101.56 million, representing an increase of 46.58% as compared with RMB2,798.09 million for the six months ended 30 June 2014, and accounting for 3.67% of the total revenue of the Group. Such increase was primarily due to acquisitions of new subsidiaries, the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.
- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB2,355.22 million, representing an increase of 7.77% as compared with RMB2,185.34 million for the six months ended 30 June 2014. Such increase was primarily due to the increase in revenue from chemical reagents products of the Group.

### Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB101,918.22 million, representing an increase of 17.18% as compared with RMB86,978.87 million for the six months ended 30 June 2014, which was comparable with the growth rate of the sales revenue.

### Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group for the Reporting Period increased by 16.32% from RMB7,856.80 million for the six months ended 30 June 2014 to RMB9,139.23 million.

The gross profit margin of the Group for the six months ended 30 June 2015 was 8.23%, whilst the gross profit margin for the same period in 2014 was 8.28%, the decrease in gross profit margin is mainly due to the decrease in gross profit margin of retail pharmacy and other business.

### Other Income

During the Reporting Period, other income of the Group was RMB83.91 million, representing a decrease of 8.41% as compared with RMB91.61 million for the six months ended 30 June 2014. The decrease in other income was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

# Management Discussion and Analysis

## Financial Summary

### Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB2,848.64 million, representing an increase of 19.42% as compared with RMB2,385.39 million for the six months ended 30 June 2014. The increase in distribution and selling expenses was primarily attributable to the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

### General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB1,752.66 million, the percentage of the general and administrative expenses to revenue was 1.58%, representing a decrease of 0.15% as compared with the same period in 2014. The decrease was primarily attributable to the continued improving of the management and control in the general and administrative expenses by the Group.

### Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group for the Reporting Period was RMB4,621.84 million, representing an increase of 17.85% from RMB3,921.87 million for the six months ended 30 June 2014.

### Other Gains – Net

The other net gains of the Group increased by RMB55.85 million from RMB11.82 million for the six months ended 30 June 2014 to RMB67.67 million for the Reporting Period. Such increase was primarily due to the increase in gains from disposal of intangible assets, property, plant and equipment as well as the increase in foreign exchange gains.

### Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB1,026.88 million, representing an increase of RMB20.72 million as compared with RMB1,006.16 million for the six months ended 30 June 2014. The increase was primarily due to the business growth and changes in financing structure and cost of the Group.

### Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB90.88 million, representing an increase of 18.58% as compared with RMB76.64 million for the six months ended 30 June 2014.

### Income Tax Expenses

The Group's income tax expenses increased by 24.27% from RMB696.04 million for the six months ended 30 June 2014 to RMB864.98 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group. The Group's effective income tax rate decreased from 23.17% for the six months ended 30 June 2014 to 23.04% for the six months ended 30 June 2015.

# Management Discussion and Analysis

## Financial Summary

### Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB2,888.53 million, representing an increase of 25.15% from RMB2,308.13 million for the six months ended 30 June 2014.

### Profit Attributable to Shareholders of the Company

During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB1,913.85 million, representing an increase of 30.60%, or RMB448.39 million, from RMB1,465.46 million for the six months ended 30 June 2014. The Group's net profit margin for the Reporting Period and for the corresponding period of 2014 was 1.72% and 1.55%, respectively.

### Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB974.68 million, representing an increase of 15.67% from RMB842.66 million for the six months ended 30 June 2014.

### Cash Flow

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

#### Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB1,837.09 million, representing a decrease of RMB28.31 million from RMB1,865.40 million for the six months ended 30 June 2014.

#### Net cash used in investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB854.87 million, representing a decrease of RMB450.55 million as compared with RMB1,305.42 million for the six months ended 30 June 2014. Such decrease was primarily due to the decrease in expenses of acquisitions of external parties and the decrease in restricted cash.

#### Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB2,126.26 million, representing a decrease of RMB23.06 million as compared with RMB2,149.32 million used in financing activities for the six months ended 30 June 2014.

# Management Discussion and Analysis

## Financial Summary

### 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 Group had successfully issued the bonds in an aggregate amount of RMB6 billion in the first half of the year for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as replenish working capital.

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

As of 30 June 2015, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong dollars and small amount denominated in US dollars and Euro.

#### Indebtedness

As of 30 June 2015, among the Group's total borrowings, RMB31,521.26 million will be due within one year and RMB154.63 million will be due after one year. As of the end of the Reporting Period, the corporate bonds with an aggregate nominal value of RMB4,000 million were reclassified as current liability by the Company, since the holders of the corporate bonds have an early redemption right on 13 March 2016. Any unredeemed part of the corporate bonds will be reclassified back as non-current liability on 13 March 2016. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

#### Gearing ratio

As of 30 June 2015, the Group's gearing ratio was 72.17% (31 December 2014: 71.79%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2015.

### 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.

### Pledge of Assets

As of 30 June 2015, the Group's certain bank borrowings were secured by land use rights with book value of RMB51.41 million (unaudited), bank deposits with book value of RMB10.01 million (unaudited), properties, plant and equipment with book value of RMB95.53 million (unaudited) and trade receivables with book value of RMB2,227.53 million (unaudited).

# Management Discussion and Analysis

## Financial Summary

### Capital Expenditure

The Group's capital expenditures primarily include purchase of property, plant and equipment, leasing of land, cost of acquiring land use rights, and the acquisition of intangible assets through merger or acquisition activities. The Group's capital expenditures for the Reporting Period amounted to RMB1,116.21 million, whilst the amount for the corresponding period of last year was RMB849.61 million.

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

### Going Concern

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

## Human Resources

As of 30 June 2015, the Group had a total of 52,912 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.



# Biographies of Directors, Supervisors and Senior Management

## Directors

**Mr. Wei Yulin**, aged 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., vice chairman of Fosun Sinopharm (Hong Kong) Logistics Warehousing Development Co., Ltd., the director and general manager of Sinopharm Holding Hong Kong Co., Ltd., and the director of each of Sinopharm Holding Guoda Drug stores Co., Ltd., Sinopharm Online Co., Ltd. and Sinopharm Holding Medical Investment Management Co., Ltd.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Chen Qiyu**, aged 43, non-executive Director and vice Chairman, joined the Company on 16 January 2003, and had served as the chief Supervisor until 30 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 and January 2011, respectively. Mr. Chen has been a director of each of Fosun International Limited and Shanghai Fosun High Technology (Group) Co., Ltd. since 10 July 2015. 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, respectively, and has served as its vice chairman 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 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. Mr. Wang served as a director of Sinopharm Industrial Investment Co., Ltd. from July 2008 to March 2014, has been a director of Henan Lingrui Pharmaceutical Company Ltd. (a company listed on the Shanghai Stock Exchange) since May 2002, and has also been an executive director and the president of Fosun International Limited (a company listed on the Hong Kong Stock Exchange) since August 2005 and January 2009, respectively. Mr. Wang is currently the chairman of the Huzhou Chamber of Commerce in Shanghai and the vice chairman of China Chamber of International Commerce.

**Mr. 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.

**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 of the board of directors 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.

## Biographies of Directors, Supervisors and Senior Management

**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 of Sinopharm Industrial Investment Co., Ltd. since July 2008.

**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.

## Biographies of Directors, Supervisors and Senior Management

**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.

**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.

## Biographies of Directors, Supervisors and Senior Management

**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 non-executive 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.

**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 previously 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 currently 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".

## Biographies of Directors, Supervisors and Senior Management

**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), independent 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.

**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.

# Biographies of Directors, Supervisors and Senior Management

## Supervisors

**Mr. Yao Fang**, aged 46, 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.

**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.



## Biographies of Directors, Supervisors and Senior Management

**Mr. Tao Wuping**, aged 60, Supervisor, was an independent non-executive Director from 22 September 2008 to 20 September 2014, and has been a Supervisor since June 2015. Mr. Tao is a lawyer and has over 31 years of working experience as practicing lawyer. Mr. Tao obtained a master's degree in law, majoring in international economic law, from Fudan University in June 1997. He has been the head of Shen Da Law Firm, a visiting law professor of Shanghai Institute of Foreign Trade, a part-time professor at the Law and Politics College of East China Normal University, and the honorary dean, a part-time professor at the Law and Politics College of Shanghai Normal University and a visiting professor of East China University of Political Science and Law since August 1994, March 2002, June 2003, September 2003 and June 2012, respectively. Mr. Tao has been the independent director of Shangying Co., Ltd. since May 2013 and has been the independent director of Tianzhi Fund Management Co., Ltd. since August 2014. Mr. Tao served as the independent non-executive Director of Sinopharm Group from 22 September 2008 to 20 September 2014. Mr. Tao was awarded the title of "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

**Mr. Yang Jun**, aged 49, employee representative Supervisor, has been the secretary of disciplinary committee of the Company since April 2014 and the employee representative Supervisor since June 2015. Mr. Yang is a senior marketing specialist and an intermediate economist. Mr. Yang graduated from Beijing Normal University with a bachelor's degree in Education Management in June 1989, and graduated from the Party School of the Central Committee of C.P.C with a master's degree in Economic Administration in July 2001. Mr. Yang had served in the China National Pharmaceutical Industry Corporation from July 1989 to February 2006, successively as the secretary of the general manager's office, the deputy director of the department of supply and sales, the manager of coordination and planning department, the manager of reagent department and traditional Chinese medicine department, the deputy manager of the headquarter of the operation business, as well as the marketing director and the manager of hospital department. Mr. Yang had served in China National Pharmaceutical Group Corporation from February 2006 to March 2014, successively as the deputy head of and head of operation management department, and the head of international cooperation department.

**Ms. Jin Yi**, aged 40, employee representative Supervisor, joined the Group on 25 December 2007, successively served as the senior project manager and the vice director of the investment management department, and has been the investment project supervisor of the investment management department since January 2015, and has been the employee representative Supervisor since June 2015. Ms. Jin has approximately 16 years of working experience. Ms. Jin obtained a bachelor's degree in economics, majoring in investment economics, from Nanjing University in July 1997, and a master's degree in business administration from The Chinese University of Hong Kong in December 2005. Ms. Jin was qualified as an intermediate economist. Ms. Jin served as the floor trader of Zhengzhou Commodity Exchange in China from July 1997 to May 1998, the project manager of information consulting department of Shanghai Information Center from May 1999 to July 2003, and the senior analyst of ALC Advisors (Shanghai) Company Limited from April 2005 to November 2007.

# 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 an 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., Sinopharm Holding Shandong Co., Ltd. and Sinopharm Holding Dalian Hecheng 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 Sichuan Pharmaceutical Group Co., Ltd. of CNPGC, Fosun Sinopharm (Hong Kong) Logistics Warehousing Development Co., Ltd. and Sinopharm Holding Medical Investment Management Co., Ltd., and chairman of Sinopharm Holding Jiangsu Co., Ltd., 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 Sinopharm Online Co., Ltd., and the director of China National Medicines Co., Ltd. and Sinopharm Guohua Network Technology Co., Ltd.

## 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 Holding Hong Kong Co., Ltd. and Sinopharm Group Finance Co., Ltd.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Ma Wanjun**, aged 46, 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 24 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 19 years of working experience, over 15 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.), the director of Sinopharm Holding Changsha Co., Ltd. and Sinopharm Online 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.

## Other Information

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

As at 30 June 2015, the interests or short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 total number of H shares in issue of the Company (%)	Long position/ short position/ shares available for lending
Ms. Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

Save as disclosed above, as at 30 June 2015, 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 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.

## Other Information

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

As at 30 June 2015, 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	-
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



## Other Information

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

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage 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
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 9)	66,417,672	2.40	5.57	Long position
			20,000	0.00	0.00	Short 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,	119,310,386	4.31	10.00	Long position
		Investment manager,	370,963	0.01	0.03	Short position
		Custodian/approved lending agent (Note 10)	90,218,082	3.26	7.56	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	71,601,200	2.59	6.00	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	101,621,200	3.67	8.52	Long position
OppenheimerFunds, Inc.	H shares	Investment manager	119,092,000	4.30	9.98	Long position

## Other Information

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

Notes:

- (1) Such 1,571,555,953 domestic shares 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 71.29% 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 66,417,672 H shares of the Company and short positions of 20,000 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 119,310,386 H shares (of which 90,218,082 are H shares available for lending) and short positions of 370,963 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2015, 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.



## Other Information

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

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### Dividends

Pursuant to the relevant resolution passed at the 2014 annual general meeting of the Company convened on 18 June 2015, the Company paid the final dividend for the year ended 31 December 2014 to the shareholders of the Company on 31 July 2015, totalling approximately RMB857,799,478.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2015.

### Subsequent Events

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

### Audit Committee

As at the date of this report, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Lyu Changjiang (Chairman), Mr. Tan Wee Seng and Mr. Liu Zhengdong, and two non-executive Directors, namely Mr. Deng Jindong and Mr. Li Dongjiu. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2015 as well as this interim report, and agreed on the accounting treatment adopted by the Company.

### Compliance with the Corporate Governance Code Set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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

### Securities Transactions by Directors and Supervisors

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

### Disclosure of Information

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

# Report on Review of Interim Financial Information



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF SINOPHARM GROUP CO. LTD.**

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

## Introduction

We have reviewed the interim financial information set out on pages 36 to 76, which comprises the interim condensed consolidated balance sheet of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 21 August 2015

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# Interim Condensed Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Revenue	7	111,057,454	94,835,673
Cost of sales and other operating costs	10	(101,918,222)	(86,978,874)
<b>Gross profit</b>		<b>9,139,232</b>	7,856,799
Other income	8	83,906	91,609
Distribution and selling expenses	10	(2,848,637)	(2,385,387)
General and administrative expenses	10	(1,752,660)	(1,641,152)
<b>Operating profit</b>		<b>4,621,841</b>	3,921,869
Other gains – net	9	67,665	11,818
Finance income		123,664	126,062
Finance costs		(1,150,543)	(1,132,220)
Finance costs – net	12	(1,026,879)	(1,006,158)
Share of profit of investments accounted for using the equity method		90,877	76,637
<b>Profit before income tax</b>		<b>3,753,504</b>	3,004,166
Income tax expense	13	(864,978)	(696,041)
<b>Profit for the period</b>		<b>2,888,526</b>	2,308,125
<b>Attributable to:</b>			
– Shareholders of the Company		1,913,845	1,465,462
– Non-controlling interests		974,681	842,663
		<b>2,888,526</b>	2,308,125
<b>Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)</b>			
– Basic and fully diluted	14	0.69	0.57
<b>Dividends</b>	15	–	–

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

## Interim Condensed Consolidated Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
<b>Profit for the period</b>	<b>2,888,526</b>	2,308,125
<b>Other comprehensive income/(losses):</b>		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post-employment benefit obligations	<b>263</b>	(17,196)
<i>Items that may be reclassified to profit or loss</i>		
Fair value gains on available-for-sale financial assets, net of tax	<b>31,722</b>	2,560
Currency translation differences	<b>(101)</b>	753
Total items that may be reclassified subsequently to profit or loss	<b>31,621</b>	3,313
<b>Other comprehensive income/(losses) for the period, net of tax</b>	<b>31,884</b>	(13,883)
<b>Total comprehensive income for the period</b>	<b>2,920,410</b>	2,294,242
<b>Total comprehensive income for the period attributable to:</b>		
– Shareholders of the Company	<b>1,928,602</b>	1,454,094
– Non-controlling interests	<b>991,808</b>	840,148
	<b>2,920,410</b>	2,294,242

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

# Interim Condensed Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	16	1,440,184	1,445,698
Investment properties	16	353,518	361,354
Property, plant and equipment	16	7,321,122	7,102,276
Intangible assets	16	6,716,391	6,348,010
Investments accounted for using the equity method	17	949,092	930,179
Available-for-sale financial assets		395,767	348,396
Deferred income tax assets	21	571,429	565,472
Other non-current assets		1,462,297	1,281,890
<b>Total non-current assets</b>		<b>19,209,800</b>	18,383,275
<b>Current assets</b>			
Inventories		19,910,920	20,308,570
Trade receivables	18	74,386,253	66,098,233
Prepayments and other receivables		4,628,993	4,481,383
Available-for-sale financial assets		728	728
Bank deposits and restricted cash		4,123,499	4,151,194
Cash and cash equivalents		14,060,526	15,232,356
<b>Total current assets</b>		<b>117,110,919</b>	110,272,464
<b>Total assets</b>		<b>136,320,719</b>	128,655,739
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Share capital	19	2,767,095	2,767,095
Reserves		25,483,868	24,614,772
		<b>28,250,963</b>	27,381,867
<b>Non-controlling interests</b>		<b>9,683,550</b>	8,907,762
<b>Total equity</b>		<b>37,934,513</b>	36,289,629

## Interim Condensed Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	154,629	4,222,597
Deferred income tax liabilities	21	658,645	632,801
Post-employment benefit obligations	22	494,656	516,272
Other non-current liabilities	23	896,422	974,615
<b>Total non-current liabilities</b>		<b>2,204,352</b>	6,346,285
<b>Current liabilities</b>			
Trade payables	24	57,749,760	54,723,653
Accruals and other payables		5,563,101	5,419,051
Dividends payable		857,799	86,462
Current income tax liabilities		489,930	557,805
Borrowings	20	31,521,264	25,232,854
<b>Total current liabilities</b>		<b>96,181,854</b>	86,019,825
<b>Total liabilities</b>		<b>98,386,206</b>	92,366,110
<b>Total equity and liabilities</b>		<b>136,320,719</b>	128,655,739
<b>Net current assets</b>		<b>20,929,065</b>	24,252,639
<b>Total assets less current liabilities</b>		<b>40,138,865</b>	42,635,914

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

**Wei Yulin**  
Director

**Lyu Changjiang**  
Director



## Interim Condensed Consolidated Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited					
		Attributable to shareholders of the Company				Non-	
Note	Share capital	Other reserves	Retained earnings	Total	controlling interests	Total equity	
<b>As at 1 January 2015</b>	<b>2,767,095</b>	<b>17,238,056</b>	<b>7,376,716</b>	<b>27,381,867</b>	<b>8,907,762</b>	<b>36,289,629</b>	
Total comprehensive income	-	14,757	1,913,845	1,928,602	991,808	2,920,410	
Effects of transaction with non-controlling interests	25	(193,664)	(8,043)	(201,707)	(54,624)	(256,331)	
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	75,303	75,303	
Acquisition of subsidiaries	26	-	-	-	130,476	130,476	
Dividends		-	(857,799)	(857,799)	(369,710)	(1,227,509)	
Others		-	-	-	2,535	2,535	
<b>As at 30 June 2015</b>	<b>2,767,095</b>	<b>17,059,149</b>	<b>8,424,719</b>	<b>28,250,963</b>	<b>9,683,550</b>	<b>37,934,513</b>	

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

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

## Interim Condensed Consolidated Statement of Cash Flows

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
<b>Cash flows from operating activities:</b>			
Cash generated from operations		2,769,940	2,612,168
Income tax paid		(932,853)	(746,764)
Net cash generated from operating activities		1,837,087	1,865,404
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of intangible assets		25,326	637
Proceeds from disposal of property, plant and equipment		56,086	18,315
Payment for disposal of investment properties		–	(1,668)
Proceeds from long-term deposits		–	37,000
Proceeds from disposal of available-for-sale financial assets		6,455	–
Interest received from long-term deposits		20,045	25,382
Disposal of subsidiaries, net of cash disposed		(1,134)	(4,096)
Dividends received from associates		13,461	8,819
Dividends received from available-for-sale financial assets		5,798	1,002
Prepayment for acquisition		–	(253,113)
Purchase of land use rights		(1,360)	(44,775)
Purchase of property, plant and equipment		(527,595)	(472,169)
Purchase of intangible assets		(122,420)	(134,575)
Payment of long-term deposits		(17,223)	–
Acquisition of available-for-sale financial assets		(4,000)	(15,000)
Acquisition of subsidiaries, net of cash acquired			
– not under common control	26	(157,713)	(3,608)
Consideration paid for prior year acquisitions		(18,956)	(99,135)
Acquisition of associates		(9,003)	(22,260)
Acquisition of non-controlling interests of subsidiaries	25	(150,331)	(57,074)
Decrease/(increase) in restricted cash		27,695	(289,103)
Net cash used in investing activities		(854,869)	(1,305,421)

# Interim Condensed Consolidated Statement of Cash Flows

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings from banks		19,868,687	16,792,405
Proceeds from borrowings from other financial institution		340,000	351,600
Repayment of borrowings from banks		(23,299,622)	(15,507,568)
Repayment of borrowings from other financial institution		(500,000)	(490,000)
Repayment of bonds	20	(3,000,000)	(2,000,000)
Issue of bond, net of expense	20	5,992,950	–
Capital injections from non-controlling shareholders of subsidiaries		75,303	49,250
Dividends paid to non-controlling shareholders of subsidiaries		(375,099)	(204,467)
Interest paid		(1,228,477)	(1,140,540)
Net cash used in financing activities		(2,126,258)	(2,149,320)
<b>Decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		15,232,356	14,001,962
Exchange (losses)/gains on cash and cash equivalents		(27,790)	14,273
<b>Cash and cash equivalents at end of period</b>		<b>14,060,526</b>	<b>12,426,898</b>

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 1 General information

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

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

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) thousands, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 21 August 2015.

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

### Key events

During the six month period ended 30 June 2015, the Group acquired equity interests in certain subsidiaries with a total consideration amounting to approximately RMB756,816 thousands. Further details are given in Note 26.

## 2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with HKFRSs.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) New amendments adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2015.

- Amendment to HKAS 19 regarding defined benefit plans is effective for annual periods beginning on or after 1 July 2014. It applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for annual periods beginning on or after 1 July 2014:

- Amendments to HKFRS 8 'Operating Segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.
- Amendment to HKAS 16 'Property, Plant and Equipment' and HKAS 38 'Intangible Assets' clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- Amendment to HKAS 24 'Related Party Disclosures' does not require to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but requires to disclose the amounts charged to the reporting entity by the management entity for services provided.

Annual improvements 2013 include the following changes from the 2011–2013 cycle of the annual improvements project, are effective for annual periods beginning on or after 1 July 2014:

- Amendment to HKFRS 3 'Business Combinations' clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 3 Accounting policies (continued)

### (a) New amendments adopted by the Group (continued)

- Amendment to HKFRS 13 'Fair Value Measurement' clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.
- Amendment to HKAS 40 'Investment Property' requires preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

### (b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2015, and have not been early adopted by the Group in preparing this condensed consolidated interim financial information. The Group is yet to assess the full impact of these new standards and amendments and intends to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

HKFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operation', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 41 'Agriculture: Bearer Plants', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', effective for annual periods beginning on or after 1 January 2016.

Amendment to HKAS 27 'Equity Method in Separate Financial Statements', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment Entities: Applying the Consolidation Exception', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 1 'Disclosure Initiative', effective for annual periods beginning on or after 1 January 2016.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 3 Accounting policies (continued)

### (b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group (continued)

Annual improvements 2014 that affect following standards: HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', HKFRS 7 'Financial instruments: Disclosures', HKAS 19 'Employee Benefits' and HKAS 34 'Interim Financial Reporting', effective for annual periods beginning on or 1 January 2016.

HKFRS15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

## 4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

## 5 Financial risk management

### (i) Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 5 Financial risk management (continued)

### (ii) Liquidity risk

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>As at 30 June 2015 (Unaudited)</b>					
Borrowings (Note 20)	31,536,997	31,600	100,000	23,029	31,691,626
Interests payments on borrowings (Note)	754,414	191,100	137,706	2,205	1,085,425
Trade and other payables	62,840,053	–	–	–	62,840,053
	<b>95,131,464</b>	<b>222,700</b>	<b>237,706</b>	<b>25,234</b>	<b>95,617,104</b>
<b>As at 31 December 2014 (Audited)</b>					
Borrowings (Note 20)	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
	<b>85,569,972</b>	<b>389,734</b>	<b>4,365,294</b>	<b>9,376</b>	<b>90,334,376</b>

Note: Interests are based on borrowings as at 30 June 2015 and 31 December 2014 and the interest rates as at 30 June 2015 and 31 December 2014.



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 5 Financial risk management (continued)

### (iii) Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2015 and 31 December 2014.

	Level 1	Level 2	Level 3	Total
<b>At 30 June 2015 (Unaudited)</b>				
<b>Assets</b>				
Available-for-sale financial assets	91,705	5,801	298,989	396,495
<b>Liabilities</b>				
Contingent consideration	–	–	276,538	276,538
<b>At 31 December 2014 (Audited)</b>				
<b>Assets</b>				
Available-for-sale financial assets	49,565	4,570	294,989	349,124
<b>Liabilities</b>				
Contingent consideration	–	–	1,152	1,152

There were no significant transfers of financial assets among level 1, level 2 and level 3 during the period.

There were no changes in valuation techniques during the period.

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

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

	Carrying Amount		Fair Value	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Borrowings from banks and other financial institution (Note 20)	154,629	239,695	154,937	240,949
Bond (Note 20)	–	3,982,902	–	4,003,626

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 5 Financial risk management (continued)

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

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

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

## 6 Segment information

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

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

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of land use rights, investment properties, property, plant and equipment, intangible assets, investments accounted for using the equity method, inventories, receivables and operating cash.

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

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

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

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

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

### (i) For the six months ended 30 June 2015 and 2014

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
<b>Six months ended 30 June 2015 (Unaudited)</b>					
<b>Segment results</b>					
External segment revenue	104,717,512	4,094,866	2,245,076	-	111,057,454
Inter-segment revenue	696,084	6,694	110,142	(812,920)	-
Revenue	105,413,596	4,101,560	2,355,218	(812,920)	111,057,454
Operating profit	4,246,498	129,494	272,366	(26,517)	4,621,841
Other gains	43,561	1,300	22,804	-	67,665
Share of profit of investments accounted for using the equity method	5,341	771	84,765	-	90,877
Finance costs – net	4,295,400	131,565	379,935	(26,517)	(1,026,879)
Profit before income tax					3,753,504
Income tax expense					(864,978)
Profit for the period					2,888,526
<b>Other segment items included in the income statement</b>					
Provision for impairment of trade and other receivables	127,330	169	6,102		133,601
Provision for impairment of inventories	24,530	56	237		24,823
Amortisation of land use rights	17,337	26	2,779		20,142
Depreciation of property, plant and equipment	218,826	35,182	77,134		331,142
Depreciation of investment properties	8,572	169	723		9,464
Amortisation of intangible assets	102,828	5,353	5,892		114,073
<b>Capital expenditures</b>	674,386	367,784	74,035		1,116,205

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

### (i) For the six months ended 30 June 2015 and 2014 (continued)

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 6 Segment information (continued)

### (ii) As at 30 June 2015 and 31 December 2014

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
<b>As at 30 June 2015 (Unaudited)</b>					
<b>Segment assets and liabilities</b>					
Segment assets	126,812,784	4,123,592	6,680,014	(1,867,100)	135,749,290
Segment assets include:					
Investments accounted for using the equity method	96,580	16,026	836,486	-	949,092
Unallocated assets – Deferred income tax assets					571,429
Total assets					136,320,719
Segment liabilities	63,360,035	2,450,336	2,085,805	(1,844,508)	66,051,668
Unallocated liabilities – Borrowings and deferred income tax liabilities					32,334,538
Total liabilities					98,386,206
<b>As at 31 December 2014 (Audited)</b>					
<b>Segment assets and liabilities</b>					
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 – Borrowings and deferred income tax liabilities					30,088,252
Total liabilities					92,366,110

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 7 Revenue

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Sales of goods	110,807,671	94,605,904
Rental income	55,846	44,699
Franchise fees and other service fee from medicine chain stores	71,936	58,722
Consulting income	85,783	83,076
Import and export agency income	16,466	6,195
Others	19,752	37,077
	<b>111,057,454</b>	94,835,673

## 8 Other income

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Government grants (Note)	83,906	91,609

Note –

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

## 9 Other gains – net

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Gain on disposal of land use rights, intangibles assets and property, plant and equipment	12,102	975
Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	2,603	7,602
Gain on disposal of a subsidiary	6,816	–
Foreign exchange gains/(losses) – net	21,366	(19,038)
Write-back of certain liabilities	9,127	11,139
Compensation write-back	–	11,020
Gain on disposal of available-for-sale financial assets	6,270	–
Donation	(2,231)	(3,173)
Others – net	11,612	3,293
	<b>67,665</b>	11,818

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 10 Expenses by nature

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Raw materials and trading merchandise consumed	101,831,362	86,819,026
Changes in inventories of finished goods and work in progress	(88,543)	(6,882)
Employee benefit expenses (Note 11)	2,178,457	1,874,772
Provision for impairment of trade receivables	124,259	118,110
Provision for impairment of other receivables	9,342	5,349
Provision/(write-back) for impairment of inventories	24,823	(3,373)
Operating leases in respect of leasehold land and buildings	319,670	253,593
Depreciation of property, plant and equipment (Note 16)	331,142	272,960
Depreciation of investment properties (Note 16)	9,464	5,287
Amortisation of intangible assets (Note 16)	114,073	91,370
Amortisation of land use rights (Note 16)	20,142	16,777
Auditors' remuneration	11,150	11,027
Consulting and other service fees	31,661	36,592
Transportation expenses	461,175	388,196
Travel expenses	99,330	99,508
Promotion and advertising expenses	449,295	454,011
Utilities	70,094	64,004
Others	522,623	505,086
<b>Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses</b>	<b>106,519,519</b>	<b>91,005,413</b>

## 11 Employee benefit expenses

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Salaries, wages and bonuses	1,694,001	1,458,920
Contributions to pension plans (i)	192,662	144,743
Post-employment benefits (Note 22)	3,409	7,938
Housing benefits (ii)	72,533	54,301
Other benefits (iii)	215,852	208,870
	<b>2,178,457</b>	<b>1,874,772</b>



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 11 Employee benefit expenses (continued)

Notes –

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

## 12 Finance income and costs

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
Interest expense:		
– Borrowings	<b>744,936</b>	704,041
– Discounting of notes receivable	<b>220,548</b>	214,734
– Discounting of accounts receivable	<b>125,122</b>	151,363
– Net interests on net defined benefit liability	<b>9,355</b>	11,525
Gross interest expense	<b>1,099,961</b>	1,081,663
Bank charges	<b>65,084</b>	64,210
Less: capitalised interest expense	<b>(14,502)</b>	(13,653)
Finance costs	<b>1,150,543</b>	1,132,220
Finance income:		
– Interest income on deposits in bank or other financial institution	<b>(103,619)</b>	(100,680)
– Interest income on long-term deposits	<b>(20,045)</b>	(25,382)
Net finance costs	<b>1,026,879</b>	1,006,158

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 13 Income tax expense

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Current PRC income tax	901,494	753,522
Deferred taxation	(36,516)	(57,481)
	<b>864,978</b>	696,041

During the six months ended 30 June 2015, 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.

## 14 Earnings per share

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

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	1,913,845	1,465,462
Weighted average number of ordinary shares in issue ('000)	2,767,095	2,568,293
Basic earnings per share (RMB per share)	0.69	0.57

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 15 Dividends

The final dividend for year 2014 of RMB0.31 per share (tax inclusive), amounting to RMB857,799 thousands in total, was approved by the shareholders at the annual general meeting of the Company held on 18 June 2015 and was paid on 31 July 2015 to the shareholders whose names appeared on the register of members of the Company on 29 June 2015.

No interim dividend was proposed for the six-month period ended 30 June 2015.

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

	Land use rights	Investment properties	Property, plant and equipment	Intangible assets
<b>Six months ended 30 June 2015</b>				
<b>(Unaudited)</b>				
Opening net carrying amount as at 1 January 2015	1,445,698	361,354	7,102,276	6,348,010
Additions	7,648	-	537,966	22,420
Acquisition of subsidiaries (Note 26)	-	-	78,510	469,661
Transfer	9,135	12,083	(22,767)	1,549
Disposals	(2,155)	(10,455)	(28,365)	(10,966)
Disposals of a subsidiary	-	-	(15,356)	(210)
Depreciation or amortisation (Note 10)	(20,142)	(9,464)	(331,142)	(114,073)
Closing net carrying amount as at 30 June 2015	1,440,184	353,518	7,321,122	6,716,391
<b>Six months ended 30 June 2014</b>				
<b>(Unaudited)</b>				
Opening net carrying amount as at 1 January 2014	1,277,436	159,509	6,310,547	5,603,289
Additions	31,613	-	481,696	318,541
Acquisition of subsidiaries	-	-	4,476	13,283
Transfer	-	14,277	(14,277)	-
Disposals	-	(5,583)	(17,062)	(222)
Disposals of subsidiaries	-	-	(442)	(18,974)
Depreciation or amortisation (Note 10)	(16,777)	(5,287)	(272,960)	(91,370)
Closing net carrying amount as at 30 June 2014	1,292,272	162,916	6,491,978	5,824,547

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

### 17 Investments accounted for using the equity method

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Share of net assets	<b>922,759</b>	903,846
Goodwill	<b>26,333</b>	26,333
	<b>949,092</b>	930,179
	<b>Six months ended 30 June</b>	
	<b>2015 (Unaudited)</b>	2014 (Unaudited)
Beginning of the period	<b>930,179</b>	730,739
Additions from acquisitions of subsidiaries	<b>972</b>	–
Acquisitions	<b>9,003</b>	28,455
Reclassification from investments in a subsidiary upon cessation of control	<b>2,603</b>	60,886
Share of results	<b>90,877</b>	76,637
Unrealized profit in transaction with associates	<b>2,667</b>	6,947
Dividends declared by associates attributable to the Group	<b>(87,209)</b>	(87,163)
End of the period	<b>949,092</b>	816,501

### 18 Trade receivables

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Accounts receivable	<b>71,226,687</b>	62,566,132
Notes receivable	<b>3,962,798</b>	4,199,915
	<b>75,189,485</b>	66,766,047
Less: Provision for impairment	<b>(803,232)</b>	(667,814)
	<b>74,386,253</b>	66,098,233

The fair values of trade receivables approximate their carrying amounts.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

### 18 Trade receivables (continued)

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

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Below 3 months	<b>46,075,116</b>	44,040,688
3 to 6 months	<b>18,166,713</b>	14,907,673
6 months to 1 year	<b>9,907,783</b>	7,379,806
1 to 2 years	<b>944,035</b>	342,139
Over 2 years	<b>95,838</b>	95,741
<b>Total</b>	<b>75,189,485</b>	66,766,047

The trade receivables are denominated in RMB.

### 19 Share capital

	<b>Number of shares</b>	<b>Domestic shares with par value of RMB1 per share</b>	<b>H Shares with par value of RMB1 per share</b>	<b>Total</b>
As at 1 January 2015 and 30 June 2015	<b>2,767,095</b>	<b>1,574,284</b>	<b>1,192,811</b>	<b>2,767,095</b>
	Number of shares	Domestic shares with par value of RMB1 per share	H Shares with par value of RMB1 per share	Total
As at 1 January 2014 and 30 June 2014	2,568,293	1,574,284	994,009	2,568,293

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 20 Borrowings

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
<b>Non-current</b>		
Bank borrowings	<b>23,029</b>	108,095
Unsecured borrowings from other financial institution (Note 28(ii))	<b>131,600</b>	131,600
Bond (i)	–	3,982,902
	<b>154,629</b>	4,222,597
<b>Current</b>		
Bank borrowings	<b>18,496,997</b>	19,036,954
Unsecured borrowings from other financial institution (Note 28(ii))	<b>40,000</b>	200,000
Bond (i)	<b>12,984,267</b>	5,995,900
	<b>31,521,264</b>	25,232,854
<b>Total borrowings</b>	<b>31,675,893</b>	29,455,451

Note –

- (i) On 9 May 2015, bonds at a total par value of RMB3,000,000 thousands matured and were repaid by the Company.

On 10 April 2015, 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 RMB3,525 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,475 thousands. The bonds mature 270 days from the issue day, and the annual interest rate is 4.80%.

On 21 May 2015, 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 RMB3,525 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,475 thousands. The bonds mature 270 days from the issue day, and the annual interest rate is 3.28%.

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”). 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 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 and the bond holders also have the right for early redemption at the end of the third year, i.e. 13 March 2016. Because of the early redemption right, these corporate bonds were classified as current liability as at 30 June 2015, and any unredeemed part of the corporate bonds will be reclassified back as non-current liability on 13 March 2016.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 20 Borrowings (continued)

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

	Borrowings from banks or other financial institution		Bond	
	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 1 year	18,536,997	19,236,954	12,984,267	5,995,900
Between 1 to 2 years	31,600	100,000	–	–
Between 2 to 5 years	100,000	131,600	–	3,982,902
Over 5 years	23,029	8,095	–	–
	<b>18,691,626</b>	19,476,649	<b>12,984,267</b>	9,978,802

Movements in borrowings are as follows:

### Six months ended as at 30 June 2015 (Unaudited)

Opening balance as at 1 January 2015	29,455,451
Additions from acquisition of subsidiaries (Note 26)	29,580
Other increase in borrowings	20,208,686
Issue of bond	5,992,950
Amortised bond issuance expense	12,516
Repayment of borrowings	(21,023,290)
Repayment of bond	(3,000,000)
Closing balance as at 30 June 2015	<b>31,675,893</b>

### Six months ended 30 June 2014 (Unaudited)

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

Interest expense on borrowings and loans for the six months ended 30 June 2015 is approximately RMB744,936 thousands (For the six months ended 30 June 2014 (unaudited): RMB704,041 thousands) (Note 12).

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

### 21 Deferred income tax

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Deferred income tax assets	<b>571,429</b>	565,472
Deferred income tax liabilities	<b>(658,645)</b>	(632,801)
Deferred income tax liability – net	<b>(87,216)</b>	(67,329)

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

	<b>Six months ended 30 June</b>	
	<b>2015 (Unaudited)</b>	2014 (Unaudited)
At 1 January	<b>(67,329)</b>	(140,763)
Acquisition of subsidiaries (Note 26)	<b>(45,717)</b>	668
Disposal of a subsidiary	–	3,097
Credited to consolidated income statement (Note 13)	<b>36,516</b>	57,481
Tax (charged)/credited relating to components of other comprehensive income	<b>(10,686)</b>	4,668
At 30 June	<b>(87,216)</b>	(74,849)



## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

### 22 Post-employment benefit obligations

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

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

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>(Unaudited)</b>	2014 (Unaudited)
Current service cost	<b>2,965</b>	2,240
Past service cost	<b>444</b>	5,698
Interest cost	<b>9,355</b>	11,525
	<b>12,764</b>	19,463

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

	<b>As at</b> <b>30 June</b> <b>2015</b> <b>(Unaudited)</b>	As at 31 December 2014 (Audited)
	Present value of funded obligations	<b>10,356</b>
Fair value of plan assets	<b>(35,237)</b>	(26,026)
Surplus of funded plans	<b>(24,881)</b>	(15,574)
Present value of unfunded post-employment benefit obligations	<b>519,537</b>	531,846
Liability in the balance sheet	<b>494,656</b>	516,272

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 23 Other non-current liabilities

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Medical reserve funds (i)		
– general	<b>420,953</b>	422,185
– for 2009 H1N1 vaccines	<b>68,407</b>	68,407
Office relocation funds (ii)	<b>23,817</b>	18,032
Government grants for construction of logistic centers (iii)	<b>112,505</b>	114,587
Government grants for products development	<b>26,715</b>	32,213
Deferred revenue	<b>203,617</b>	205,664
Long-term payables for exclusive distribution right	<b>–</b>	91,822
Others	<b>40,408</b>	21,705
	<b>896,422</b>	974,615

- (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. The fund amounting to RMB1,232 thousand were used to offset trade receivables during the period ended 30 June 2015 (31 December 2014: Nil). The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for the aforementioned use.

- (ii) Certain of the Group's subsidiaries received funds from local governments as compensation for losses arising from office relocation upon requests from local governments. Upon completion of the office relocation, such funds, after offsetting against actual losses arising from office relocation, will be recognised as other income. As at 30 June 2015, the directors expect that such office relocation will not be completed within one year and therefore, the balance is classified as other non-current liabilities.
- (iii) Certain of the Group's subsidiaries received funds from local governments as a subsidy for construction of logistic centers. As at 30 June 2015, the directors expect that such constructions will not be completed within one year and therefore, the balance is classified as other non-current liabilities.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

### 24 Trade payables

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Accounts payable	<b>44,466,058</b>	40,690,701
Notes payable	<b>13,283,702</b>	14,032,952
	<b>57,749,760</b>	54,723,653

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

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Below 3 months	<b>48,257,559</b>	45,562,575
3 to 6 months	<b>6,237,026</b>	6,240,695
6 months to 1 year	<b>2,238,299</b>	1,920,892
1 to 2 years	<b>602,554</b>	590,099
Over 2 years	<b>414,322</b>	409,392
	<b>57,749,760</b>	54,723,653

The Group has accounts payable financing program with certain banks whereby the bank repaid accounts payables on behalf of the Group with an equivalent sum drawn as borrowings. Such draw down of borrowings is a non-cash transaction while repayment of the borrowings in cash is classified as financing cash outflows.

During the six months ended 30 June 2015, accounts payable of RMB2,623,242 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2015, bank borrowings of RMB459,354 thousands arising from this program were not repaid.

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Transactions with non-controlling interests

### (a) Acquisition of additional interest in subsidiaries

During the period, the Company acquired additional interests in its subsidiaries from non-controlling interests as follows:

<b>Subsidiaries</b>	<b>Acquired interests Acquired %</b>	<b>Cash consideration</b>
Sinopharm Holding (Tianjin) Orient Bookcom Pharmaceutical Trade Co., Ltd.	49	206,144
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	28	24,000
Sinopharm Holding Dandong Co., Ltd.	10	3,000
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd.	5.5	14,687
Sinopharm Holding GuoDa Henan Pharmacy Chain Store Co., Ltd.	9	8,500
		256,331

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

	<b>Effect on the total equity</b>
Carrying amount of non-controlling interests acquired	54,026
Purchase consideration	
– Cash paid	150,331
– Contingent consideration	103,072
– Consideration payable	2,928
Excess of consideration paid over the carrying amount acquired	202,305

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 25 Transactions with non-controlling interests (continued)

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

During the period, Sinopharm Lerentang Hengshui Medical Co., Ltd. obtained a capital injection from two non-controlling shareholders amounting to RMB2,857 thousands. The shareholding of the non-controlling interests in Sinopharm Lerentang Hengshui Medical Co., Ltd. increased by 20% and the carrying amount increased by RMB2,731 thousands. The Group recognized an increase in equity attributable to shareholders of the company of RMB126 thousands.

During the period, Sinopharm Holding Yichang Co., Ltd. obtained a capital injection from two non-controlling shareholders amounting to RMB2,288 thousands. The shareholding of the non-controlling interests in Sinopharm Holding Yichang Co., Ltd. increased by 20% and the carrying amount increased by RMB1,815 thousands. The Group recognized an increase in equity attributable to shareholders of the company of RMB472 thousands.

### (c) Effects of transactions with non-controlling interests on the total equity for the period ended 30 June 2015

	<b>Effect on the total equity</b>
Changes in total equity arising from:	
– acquisition of additional interest in a subsidiary	202,305
– disposal of interest in a subsidiary without loss of control	(598)
Net effect for transactions with non-controlling interests on total equity	201,707

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 26 Business combinations

### Business combinations not under common control

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

<b>Subsidiaries acquired</b>	<b>Acquisition date</b>	<b>Acquired interests</b>
Sinopharm Group Nanping NewPower Co., Ltd.	February, 2015	80%
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	June, 2015	100%
Sinopharm Medicine Holding Suzhou Kangmin Medicine Co., Ltd.	January, 2015	80%
Wenzhou Haoxihao Medicines Retail Co., Ltd.	January, 2015	75%
Sinopharm Holding Dalian Hecheng Co., Ltd.	May, 2015	80%
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd.	April, 2015	70%

The Group also acquired equity interests in three subsidiaries from its related party Shanghai Fosun Pharmaceutical (Group) Co., Ltd., during the period as follows:

<b>Subsidiaries acquired</b>	<b>Acquisition date</b>	<b>Acquired interests</b>
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd.	January, 2015	97%
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd.	January, 2015	92%
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	January, 2015	53%

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

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

Purchase consideration	
– Cash paid	583,350
– Consideration payable	–
– Contingent consideration (Note (i))	173,466
Total purchase consideration	756,816

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 26 Business combinations (continued)

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

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

	Fair values at acquisition date	Acquirees' carrying amounts at acquisition date
Cash and cash equivalents	301,327	301,327
Property, plant and equipment	78,510	61,696
Intangible assets		
– sales network	73,270	–
– software and trademarks	162,403	2,268
Deferred income tax assets	393	393
Inventories	416,896	416,896
Available-for-sale financial assets	1,230	1,230
Other non-current assets	1,002	1,002
Trade and other receivables	731,087	731,087
Trade and other payables	(1,037,124)	(1,037,124)
Borrowings	(29,580)	(29,580)
Deferred income tax liabilities	(46,110)	–
Net assets	653,304	449,195
Non-controlling interest (Note (ii))	(130,476)	
Goodwill	233,988	
Net assets acquired	756,816	
Consideration for acquisitions settled in cash	583,350	
Prepayments for the acquisition in 2014	(124,310)	
Cash and cash equivalents in subsidiaries acquired	(301,327)	
Cash outflow on acquisition	157,713	

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 26 Business combinations (continued)

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

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

Notes –

#### (i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB173,466 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB173,466 thousands. As at 30 June 2015, there was no adjustment to the contingent consideration arrangement.

#### (ii) Non-controlling interest

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

(iii) The revenue, net profit attributable to shareholders of the Company of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2015 are summarized as follows:

	From acquisition date to 30 June 2015 (Unaudited)
Revenue	1,723,710
Net profit attributable to shareholders of the Company	27,098

(iv) The related acquisition cost is immaterial.



# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 27 Commitments

### (a) Capital commitments

Capital commitments at balance sheet date are as follows:

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Property, plant and equipment: – contracted but not provided for	<b>410,671</b>	525,211
Acquisition of equity interests – contracted but not provided for	<b>147,700</b>	431,464
	<b>558,371</b>	956,675

### (b) Operating lease commitments

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

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

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
Within 1 year	<b>572,438</b>	490,371
Later than 1 year and not later than 5 years	<b>844,034</b>	888,288
Later than 5 years	<b>281,487</b>	275,952
	<b>1,697,959</b>	1,654,611

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 27 Commitments (continued)

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

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

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 1 year	48,004	43,883
Later than 1 year and not later than 5 years	94,502	88,153
Later than 5 years	6,736	14,006
	<b>149,242</b>	146,042

## 28 Significant related party transactions

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

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

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 28 Significant related party transactions (continued)

### (i) Significant transactions with related parties

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
<i>Significant transactions with related parties except for other state-owned enterprises</i>		
CNPGC and subsidiaries of CNPGC		
Sale of goods	385,765	363,980
Purchase of goods	784,941	842,782
Rental	125	547
Interest expenses	27,915	21,620
Borrowings	340,000	351,600
Notes receivable discount	1,439,034	816,877
Associates of the Group		
Sale of goods	201,787	159,053
Purchase of goods	794,498	621,140
Interest expenses	2	53
Associates of CNPGC		
Sale of goods	243	964
Purchase of goods	541,608	575,295
The subsidiaries of entity which has significant influence over the Company		
Sale of goods	49,602	51,709
Purchase of goods	419,797	324,894

# Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

## 28 Significant related party transactions (continued)

### (ii) Significant balances with related parties

	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)
<i>Significant balances with related parties except for other state-owned enterprises</i>		
CNPGC and subsidiaries of CNPGC		
Cash in other financial institution	<b>92,361</b>	1,569,793
Trade receivables	<b>349,243</b>	268,939
Other receivables	<b>2,430</b>	3,318
Prepayments	<b>47,085</b>	74,768
Trade payables	<b>318,163</b>	313,165
Other payables	<b>31,203</b>	42,876
Advance	<b>2,700</b>	–
Borrowings	<b>171,600</b>	331,600
Associates of the Group		
Trade receivables	<b>32,604</b>	28,922
Other receivables	<b>21,133</b>	3,506
Prepayments	<b>1,417</b>	614
Trade payables	<b>320,312</b>	510,378
Other payables	<b>675</b>	240
Associates of CNPGC		
Trade receivables	<b>97</b>	1,241
Other receivables	<b>2,464</b>	–
Prepayments	<b>10,939</b>	6,241
Trade payables	<b>139,605</b>	123,975
Advance	<b>4,358</b>	–
The subsidiaries of entity which has significant influence over the Company		
Trade receivables	<b>52,760</b>	42,093
Other receivables	<b>6,088</b>	299
Prepayments	<b>3,053</b>	2,760
Trade payables	<b>197,680</b>	164,647
Other payables	<b>5</b>	14

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



## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

### 29 Material subsequent events

On 17 August 2015, the Company entered into an equity transfer agreement with its parent company, in respect of the acquisition of 20% equity interest in Sinopharm Holding Medical Investment Management Co., Ltd. at a consideration of RMB100,000 thousands.