



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



2016 Interim Report

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





Company Profile

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

The Group is mainly engaged in pharmaceutical distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, logistics and other value-added services to domestic and foreign manufacturers 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 obtained a leading position in China’s pharmaceutical retail industry.

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

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





Caring for life
Attending to health



Contributing to
human health and
good life



Becoming a
pharmaceutical
and healthcare
service provider
with international
competitiveness



Benevolence and
responsibility

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Corporate Information

At the date of this report



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. Deng Jindong (*Non-executive Director*)
Mr. Li Dongjiu (*Non-executive Director*)
Mr. Lian Wanyong (*Non-executive Director*)
Mr. Wu Yijian (*Non-executive Director*)
Ms. Li Ling (*Independent Non-executive Director*)
Mr. Yu Tze Shan Hailson (*Independent Non-executive Director*)
Mr. Tan Wee Seng (*Independent Non-executive Director*)
Mr. Liu Zhengdong (*Independent Non-executive Director*)
Mr. Zhuo Fumin (*Independent Non-executive Director*)

Supervisors

Mr. Yao Fang (*Chief Supervisor*)
Mr. Tao Wuping
Mr. Yang Jun
Ms. Li Xiaojuan
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. Li Dongjiu
Mr. Lian Wanyong
Ms. Li Ling
Mr. Tan Wee Seng

Audit Committee

Mr. Tan Wee Seng (*Chairman*)
Mr. Deng Jindong
Mr. Li Dongjiu
Mr. Liu Zhengdong
Mr. Zhuo Fumin

Remuneration Committee

Mr. Liu Zhengdong (*Chairman*)
Mr. Lian Wanyong
Mr. Wu Yijian
Mr. Yu Tze Shan Hailson
Mr. Zhuo Fumin

Nomination Committee

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

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

International auditor:
Ernst & Young

Domestic auditor:
Ernst & Young Hua Ming LLP

Corporate Information

At the date of this report

Principal Place of Business in Hong Kong

Room 2701
148 Electric Road
North Point, Hong Kong

Principal Place of Business and Headquarter in the PRC

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

Registered Office in the PRC

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

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

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

Stock Code

01099

Principal Banks

Bank of Communications Co., Ltd. Shanghai Branch
China Merchants Bank Co., Ltd. Shanghai Branch
Bank of China Limited Shanghai Branch
China Minsheng Banking Corp., Ltd. Shanghai Branch
Industrial and Commercial Bank of China Limited
Shanghai Branch

Office of Board of Directors

Tel: (+86 21) 2305 2666
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Industry Overview

Continuous “new normal” economy

China’s macro economy continued the “new normal” of development during the first half of 2016. Faced with complicated domestic and overseas situations and increasing downward pressure of economic growth, the government accelerated the advancement of structural reform of supply side while moderately expanding total demand, and actively pushed for mass start-up and mass innovation, the national economic development was stable as a whole and improving coupled with stability.

Improving industry prospect

According to data from the National Bureau of Statistics, the revenue growth of the pharmaceutical manufacturing industry reached 10.0% year-on-year during the first half of 2016, which was improving compared with that of last year. The pharmaceutical distribution industry where the Group stands also saw an improving sign in the first half of 2016, during which recorded an estimated year-on-year increase of approximately 12% in respect of the sales amount. The pharmaceutical retail business has entered a stage of merger, acquisition and expansion, highlighting the importance of economic scale and capital advantage.

Opportunities and challenges brought along with continuous deepening of healthcare reform

- The reform of public hospitals will significantly change the structure of the existing hospitals, where the separation of medical treatment and drug sale will bring along enormous opportunities for the drugs retail business.
- The implementation of “two-invoice system” will significantly change the structure of the existing pharmaceutical distribution industry and accelerate the industry consolidation. The development of the industry will further conform to regulations, benefiting large distribution enterprises with compliant operations.
- The industry was challenged by the drug price cut brought by the provincial tender, which facilitated the survival of the fittest and a quicker consolidation within the industry, where large-scale enterprises with superior control and management would win out.
- Rigorous regulation has become the “new normal”, large-scale distribution enterprises with compliant operations will win out. The concentration ratio of the industry is bound to increase in the future.
- 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 high potentials.

Management Discussion and Analysis

Industry Overview

Opportunities and challenges brought along with continuous deepening of healthcare reform

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, rise in household income and the wider coverage of medical insurance, we believe China's pharmaceutical industry will be 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 enterprises like us, with leading network advantages, compliant operations and superior corporate governance, will greatly benefit from such reforms.

Business Review

Faced with unfavorable macroeconomic and industry situation through the first half of 2016, the Group continued to adjust structure with efficiency orientation and push transformation with quality improvement and efficiency enhancement, achieving 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 sales growth, which further consolidated the leading position and edges of the Group.

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. As at 30 June 2016, the distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 13,841 hospitals (only referring to nationally-ranked hospitals, including 1,880 largest class-three hospitals with the highest rankings), 108,712 small end-customers (including primary health services institutions and others) and 71,051 retail outlets.

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, 39 provincial logistic centers, 177 municipal level logistics outlets, 22 retail logistics outlets, with a sum of 242 logistics outlets.



Business Review

Rapid growth of the retail business

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail distribution model, the Group strived for the development in the pharmaceutical retail business and strengthened its leading advantages. The Group has set up a network of retail chain pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 30 June 2016, the number of retail pharmacies was 3,268 (only referring to those operated by Sinopharm Holding Guoda Drug Store Co., Ltd.), covering 18 provinces and cities across the country, among which 2,309 were directly operated by the Group and 959 were operated by franchisees. The Group witnessed a rapid increase in sales amount as compared with the corresponding period last year and sustained its industry leading position in respect of scale.

Further utilization of platform advantages

- The Group continued to advance marketing transformation and further explored innovative service models in marketing service capitalizing on the business platform advantages. Therefore, the Group achieved substantial growth in agent businesses.
- Through actively exploring the financial and capital market, and integrating the philosophy of “combination of industry and finance” into the process of corporate transformation, the Group forged stronger competitive edges in the industry chain. The financial leasing business grew rapidly.
- The medical equipment business achieved substantial growth with the establishment of department of medical equipment development, which further confirms the direction of future development.
- Adapting to the “Internet +” trend, the Group grabbed the developing opportunities of pharmaceutical e-commerce and promoted the combination of traditional businesses and the Internet. As a result, businesses such as B2C and O2O achieved substantial growth.
- The “Internet Interconnection” project which aimed at transforming traditional businesses into e-commerce progressed smoothly with the transaction value reaching RMB2.2 billion.

Further improvement in management and control

The Group improved its management and control in finance, human resources, diversified financing, operations management, informatisation and procurement, etc., which lowered the expense ratio, the balance of accounts receivable and its weight in income, as well as the gearing ratio. The capital efficiency was further improved, the operating risks further decreased, and the enterprise competitiveness further enhanced.

Management Discussion and Analysis

Future Plan

Further solidify distribution business and extend supply chain

The Group will further solidify the distribution business and continue to maintain the leading position in the industry. The Group will continue to push the extension of supply chain into hospital and provide more value-added services.

Vigorously promote retail business

The retail business still remains as a strategic sector for the structural adjustment of the Group. The Group will continue to vigorously promote the retail business to forge a pharmaceutical terminal retail network with national layout, vertical development, reasonable structure, integration of wholesale and retail, various profit growth drivers, risk defense, global perspective and overall leading position.

Vigorously advance innovative business

The Group will continue to vigorously advance innovative business such as pharmaceutical e-commerce, financial leasing, agent business, healthcare investment, third-party logistics, medical equipment and retail clinic so as to improve profit margin.

Control risk and enhance integration

The Group will endeavor to control operation risk through capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening. Besides, the Group will continue to enhance its internal management and control in finance, operation, capital, quality and human resources to further improve the overall profitability and operation efficiency.

Looking forward, the ever-changing market environment brings many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform and structural reform of supply side to strengthen reform determination and maintain innovation tenacity, will push tasks such as reform and development, transformation and innovation, quality improvement and efficiency enhancement, and compliant operation at full throttle, will continue to focus on the improvement of both efficiency and effectiveness, continuously advance “strategic rebalance”, continuously forging a healthcare service provider with international competence.

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 RMB125,888.20 million, representing an increase of RMB14,830.75 million or 13.35% as compared with the corresponding period of last year.

Management Discussion and Analysis



Financial Summary

During the Reporting Period, the Group recorded net profit of RMB3,730.31 million, representing an increase of RMB841.78 million or 29.14% as compared with the corresponding period of last year; profit attributable to owners of the parent was RMB2,529.20 million, representing an increase of RMB615.35 million or 32.15% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.91, representing an increase of 31.88% as compared with the corresponding period of last year.

	Six months ended 30 June 2016	Six months ended 30 June 2015	Unit: RMB million Change
Operating results:			
Revenue	125,888.20	111,057.45	14,830.75
Earnings before interest and tax	5,719.62	4,780.38	939.24
Profit attributable to owners of the parent	2,529.20	1,913.85	615.35
Profitability			
Gross margin	8.12%	8.23%	decreased by 0.11 percentage point
Operating margin	4.12%	4.16%	decreased by 0.04 percentage point
Net profit margin	2.96%	2.60%	increased by 0.36 percentage point
Earnings per share – Basic (RMB)	0.91	0.69	0.22
Key operational indicators			
Trade receivables turnover days	100	115	-15
Inventory turnover days	35	36	-1
Trade payables turnover days	97	99	-2
Current ratio (multiples)	1.33	1.22	0.11

	30 June 2016	31 December 2015	Unit: RMB million Change
Asset position			
Total assets	152,538.59	138,267.03	14,271.56
Equity attributable to owners of the parent	31,292.87	30,051.63	1,241.24
Gearing ratio	71.89%	70.60%	increased by 1.29 percentage point
Cash and cash equivalents	23,506.69	19,919.15	3,587.54

Management Discussion and Analysis

Financial Summary

Revenue

During the Reporting Period, the Group recorded revenue of RMB125,888.20 million, representing an increase of 13.35% as compared with RMB111,057.45 million for the six months ended 30 June 2015. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business, and the Group's revenue growth outperformed industry average of the pharmaceutical market in China.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB119,779.44 million, representing an increase of 13.63% as compared with RMB105,413.60 million for the six months ended 30 June 2015, and accounting for 94.20% 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 RMB4,909.30 million, representing an increase of 19.69% as compared with RMB4,101.56 million for the six months ended 30 June 2015, and accounting for 3.86% 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 RMB2,461.05 million, representing an increase of 4.49% as compared with RMB2,355.22 million for the six months ended 30 June 2015.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB115,664.77 million, representing an increase of 13.49% as compared with RMB101,918.22 million for the six months ended 30 June 2015, which was comparable with the growth rate of the sales revenue.

Gross Profit

The gross profit of the Group for the Reporting Period increased by 11.86% from RMB9,139.23 million for the six months ended 30 June 2015 to RMB10,223.43 million.

The gross profit margin of the Group for the six months ended 30 June 2016 was 8.12%, whilst the gross profit margin for the same period in 2015 was 8.23%, the decrease in gross profit margin is mainly due to the decrease in gross profit margin of non-distribution business.

Management Discussion and Analysis



Financial Summary

Other Income

During the Reporting Period, other income of the Group was RMB76.48 million, representing a decrease of 8.85% as compared with RMB83.91 million for the six months ended 30 June 2015. The decrease in other income was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB3,135.15 million, representing an increase of 10.06% as compared with RMB2,848.64 million for the six months ended 30 June 2015. 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 RMB1,976.61 million, the percentage of the general and administrative expenses to revenue was 1.57%, representing an increase of 12.78% as compared with the same period in 2015. The increase was primarily attributable to the increase in administrative expenses from expansion of the Group's network scale and business growth.

Operating Profit

The operating profit of the Group for the Reporting Period was RMB5,188.15 million, representing an increase of 12.25% from RMB4,621.84 million for the six months ended 30 June 2015.

Other Gains – Net

The other net gains of the Group increased by RMB358.96 million from RMB67.67 million for the six months ended 30 June 2015 to RMB426.63 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 relocation subsidy.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB890.75 million, representing a decrease of RMB136.13 million as compared with RMB1,026.88 million for the six months ended 30 June 2015. The decrease was primarily due to the decrease in financing costs of the Group.

Management Discussion and Analysis

Financial Summary

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB104.84 million, representing an increase of 15.36% as compared with RMB90.88 million for the six months ended 30 June 2015.

Income Tax Expenses

The Group's income tax expenses increased by 27.00% from RMB864.98 million for the six months ended 30 June 2015 to RMB1,098.56 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 23.04% for the six months ended 30 June 2015 to 22.75% for the six months ended 30 June 2016.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB3,730.31 million, representing an increase of 29.14% from RMB2,888.53 million for the six months ended 30 June 2015.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit or net profit attributable to owners of the parent was RMB2,529.20 million, representing an increase of 32.15%, or RMB615.35 million, from RMB1,913.85 million for the six months ended 30 June 2015. The Group's net profit margin for the Reporting Period and for the corresponding period of 2015 was 2.01% and 1.72%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,201.11 million, representing an increase of 23.23% from RMB974.68 million for the six months ended 30 June 2015.

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 RMB1,346.80 million, representing a decrease of RMB490.29 million from RMB1,837.09 million for the six months ended 30 June 2015.



Financial Summary

Cash Flow

Net cash used in investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB399.69 million, representing a decrease of RMB455.18 million as compared with RMB854.87 million for the six months ended 30 June 2015. Such decrease was primarily due to the decrease in expenses of acquisitions of external parties and the decrease in restricted cash.

Net cash generated/used in financing activities

During the Reporting Period, the net cash from financing activities of the Group was RMB2,637.94 million. Such increase was primarily due to the increase in debt issuance. The net cash used in financing activities was RMB2,126.26 million for the six months ended 30 June 2015.

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 RMB12 billion in the first half of 2016 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 for settlement of payments for import of drugs. The Group's interest-bearing borrowings are all at fixed rates.

As of 30 June 2016, 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 2016, among the Group's total borrowings, RMB24,821.07 million will be due within one year and RMB9,310.14 million will be due after one year. On 31 December 2015, the corporate bonds with an aggregate nominal value of RMB4,000 million were reclassified as liability which will be due within one year 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 has been reclassified back as liability which will be due after one year on 13 March 2016. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Management Discussion and Analysis

Financial Summary

Capital Structure

Gearing ratio

As of 30 June 2016, the Group's gearing ratio was 71.89% (31 December 2015: 70.60%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2016.

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 circumstances, including 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 2016, the Group's certain bank borrowings and notes payable were secured by land use rights with book value of RMB46.47 million (unaudited), investment properties with book value of RMB19.51 million (unaudited), properties, plant and equipment with book value of RMB60.80 million (unaudited), bank deposits with book value of RMB10.93 million (unaudited), trade receivables with book value of RMB879.49 million (unaudited) and finance lease receivables with book value of RMB502.75 million (unaudited).

Capital Expenditure

The Group's capital expenditures primarily include purchase of property, plant and equipment, leasing of land, cost of acquiring land use rights, and the acquisition of intangible assets through merger or acquisition activities. The Group's capital expenditures for the Reporting Period amounted to RMB651.37 million, whilst the amount for the corresponding period of last year was RMB1,116.21 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.

Management Discussion and Analysis



Contingent Liabilities and Material Litigations

As at 30 June 2016, the Group neither had any material contingent liabilities, nor had any material litigations.

Major Investment

During the Reporting Period, the Group did not make any major investment or have any plan for major investment or purchase of capital asset.

Major Acquisitions and Disposals

On 9 March 2016, the Board resolved to pass the resolutions in relation to the asset restructuring between the Group and certain subsidiaries of CNPGC and resolved to adjust the related transaction arrangement on 30 May 2016. Accordingly: (i) the Company has agreed to dispose 26% equity interest in Sinopharm Holding A-Think Pharmaceutical Co., Ltd. and 51% equity interest in China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. to Shanghai Modern Pharmaceutical Co., Ltd. ("**Modern Pharmaceutical**") at a consideration of approximately RMB486.2098 million, which will be satisfied by the issuance of approximately 16.7312 million consideration shares in total at the issue price of RMB29.06 per consideration share by Modern Pharmaceutical to the Company; (ii) China National Accord Medicines Co., Ltd. ("**Sinopharm Accord**") has agreed to dispose 51% equity interest in Sinopharm Zhijun (Shenzhen) Pharmaceutical Co., Ltd., 51% equity interest in Shenzhen Zhijun Pharmaceutical Trade Co., Ltd., 51% equity interest in Sinopharm Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd. and Pingshan Base at a consideration of approximately RMB2,511.3225 million, which will be satisfied by the issuance of approximately 86.4185 million consideration shares in total at the issue price of RMB29.06 per consideration share by Modern Pharmaceutical to Sinopharm Accord; and (iii) Sinopharm Accord has agreed to acquire 51% equity interest in Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd. owned by China National Pharmaceutical Foreign Trade Corporation ("**Foreign Trade Corporation**"). The consideration will be satisfied by the issuance of approximately 5.3230 million consideration shares in total at the issue price of RMB53.50 per consideration share by Sinopharm Accord to Foreign Trade Corporation.

Both Modern Pharmaceutical and Foreign Trade Corporation are subsidiaries and associates of CNPGC, the ultimate controlling shareholder of the Company, therefore Modern Pharmaceutical, Foreign Trade Corporation, and CNPGC are connected persons of the Group, and the each of the aforesaid transaction constitute a discloseable transaction and connected transaction exempt from the independent shareholders' approval requirement under Chapter 14 and under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), respectively. For details, please refer to announcements on the websites of the Company and the Stock Exchange dated 9 March 2016 and 30 May 2016.

Save as disclosed above, during the Reporting Period, the Company did not conduct any material acquisition and disposal of assets related to subsidiaries, associates and joint ventures.

Management Discussion and Analysis

Human Resources

As of 30 June 2016, the Group had a total of 55,869 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.



Directors

Mr. Wei Yulin, aged 59, 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 39 years of working experience, over 23 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. and Sinopharm Holding Medical Investment Management 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 53, 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 34 years of working experience, over 30 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 February 2016. Mr. Li is currently chairman of Sinopharm Group Xinjiang Medicines Co., Ltd., China National Accord Medicines Co., Ltd. and Sinopharm Holding (China) Finance Leasing Co., Ltd., the director of China National Medicines Co., Ltd., Sinopharm Industrial Investment Co., Ltd., Sinopharm Holding Hong Kong Co., Ltd., and Sinopharm Holding Guoda Drug stores Co., Ltd..

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Qiyu, aged 44, non-executive Director and vice Chairman, joined the Company on 16 January 2003, and had served as the chief Supervisor until 31 May 2010. He has served as a non-executive Director since 31 May 2010 and has been the vice Chairman since November 2013. He has over 23 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 the executive director of Fosun International Limited and the director of Shanghai Fosun High Technology (Group) Co., Ltd. since 10 July 2015. Mr. Chen has been a director of Tianjin Pharmaceuticals Group Co., Ltd., Zhejiang DIAN Diagnostics Co., Ltd., Beijing Sanyuan Food Co., Ltd. and Maxigen Biotech Inc. since February 2009, May 2010, September 2015 and December 2015, respectively. Mr. Chen served as the supervisor, director as well as the director and general manager of Sinopharm Industrial Investment Co., Ltd from July 2008 to March 2014 successively, and has served as the vice chairman of the same since March 2014 till now. Mr. Chen is currently also the member of Shanghai 12th Committee of the Chinese People's Political Consultative Conference, 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 59, 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 32 years of working experience, over 29 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.



Mr. Wang Qunbin, aged 46, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. He has around 24 years of working experience, over 21 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. Mr. Wang was a director and the president of Shanghai Fosun High Technology (Group) Co., Ltd. since November 1994 and January 2009, respectively. He has 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 has been a director of Henan Lingrui Pharmaceutical Company Ltd. (a company listed on the Shanghai Stock Exchange) since May 2002, and was also a director of Sinopharm Industrial Investment Co., Ltd. from July 2008 to March 2014. Mr. Wang is currently the honorary chairman of the Huzhou Chamber of Commerce in Shanghai and the vice chairman of China Chamber of International Commerce.

Mr. Li Yuhua, aged 66, non-executive Director, has been a non-executive Director since 21 September 2014. He has more than 40 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. Deng Jindong, aged 51, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. He has over 28 years of working experience, over 23 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. Mr. Deng was a director and chief financial officer, and a director of Sinopharm Industrial Investment Co., Ltd. from July 2008 to August 2015 and from August 2015 to January 2016, respectively. He has also been its chairman since January 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. Li Dongjiu, aged 51, 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 over 28 years of working experience in the pharmaceutical industry, over 23 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, a PhD degree of Transportation Planning and Management from Wuhan University of Technology in June 2013, 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. Mr. Li served 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. from January 2013 to February 2015 and served as a director of Nature's Sunshine Products Inc., a company listed on NASDAQ, USA (NASDAQ: NATR) from August 2014 to June 2016. Mr. Li currently is a senior vice president as well as chairman of pharmaceutical commerce committee of Shanghai Fosun Pharmaceutical Development Co., Ltd., a director of Sinopharm Industrial Investment Co., Ltd. and a director of China National Medicines Co.. Currently, he is also a director of, a vice president of China Nonprescription Medicines Association (CNMA) and China Association of Pharmaceutical Commerce, a commissioner for the UN Commission on Life-Saving Commodities for Women and Children and a member of council of the Cancer Foundation of China.

Mr. Lian Wanyong, aged 45, non-executive Director. Mr. Lian has been a non-executive Director since 29 January 2016 and served as a non-executive Director from December 2008 to January 2011. He has served as a Supervisor of the Company from January 2011 to December 2015. Mr. Lian has over 19 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, and has been the head of the investment management department of CNPGC since February 2008. Mr. Lian was a director of Sinopharm Industrial Investment Co., Ltd. from December 2008 to March 2014.



Mr. Wu Yijian, aged 46, non-executive Director. Mr. Wu has served as a non-executive Director since 16 June 2016. Mr. Wu has around 23 years of working experience. Mr. Wu graduated from Medical School of Fudan University (former Shanghai Medical University) with a medical bachelor's degree in preventive medicine in July 1993, he obtained a master's degree in business administration from Tsinghua university in July 2003 and completed the courses for the general manager in the China Europe International Business School of Management in July 2007. He also obtained an EMPAcc master's degree from The Chinese University of Hong Kong and Shanghai National Accounting Institute in November 2014. Mr. Wu has been with San-jiu Group since July 1993 and successively served as sales director of San-jiu Pharmaceutical trade Co., Ltd, the chief operating officer of San-jiu Pharmaceutical Chain Co., Ltd. and the deputy general manager of Shanghai San-jiu Pharmaceutical Technology Development Co., Ltd.. Mr. Wu has been with Fosun Pharmaceutical Group since June 2004 and successively served as the general manager of Shanghai Fosun Pharmaceutical investment Co., Ltd., Shanghai Fosun Pharmaceutical Co., Ltd. and Shanghai ForMe Pharmacy Co., Ltd.. In 2014, Mr. Wu was appointed as the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd.. He currently is the president assistant and the director of the commercial pharmaceutical management committee of Shanghai Fosun Pharmaceutical Group Co., Ltd..

Ms. Li Ling, aged 54, 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 33 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 an economics professor and Ph.D. supervisor at Research Institute of National Development, a director of Research Center of China Healthy 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 59, independent non-executive Director, has served as a non-executive Director since 21 September 2014 and has more than 37 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. Tan Wee Seng, aged 61, 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), Xtep International Holdings Limited (a company listed on the Hong Kong Stock Exchange), he is also an 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 46, 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 22 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, member of standing committee of Shanghai Changning District People's Congress, vice chairman of Shanghai Youth Federation, vice president of Shanghai General Chamber of Commerce, standing member of Shanghai Association of Industry and Commerce, and vice chairman of Shanghai Changning District Association of Industry and Commerce.

Mr. Zhuo Fumin, aged 64, independent non-executive Director, Mr. Zhuo has been a non-executive Director since March 2016. Mr. Zhuo has more than 40 years of experience in the field of enterprise management and capital markets. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983. He subsequently obtained a master's degree in economics from Fudan University in 1997. Mr. Zhuo has been serving as a partner of GGV Capital, a venture capital fund, since 2008. Between 1987 and 1995, Mr. Zhuo served senior positions including an office head and an officer assistant of the Shanghai Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo held in turn various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. From 2002 to 2005, Mr. Zhuo was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly owned subsidiary of Vertex Management Group, a global venture capital management company. In 2005, Mr. Zhuo co-founded SIG Capital Limited, an investment fund which focuses primarily on energy conservation, environmental protection and healthcare sectors. Mr. Zhuo has served as a director of Grandhope Biotech Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300238) and an independent director of Focus Media Holding Limited (a company previously listed on NASDAQ, stock code: FMCN). Mr. Zhuo is an independent director of China Enterprise Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600675), Arcplus Group Plc (a company listed on the Shanghai Stock Exchange, stock code: 600629) and Daqo New Energy Corp. (a company listed on the New York Stock Exchange, stock code: DQ) and Focus Media (a company listed on the Shenzhen Stock Exchange, stock code: 002027), a non-executive Director of Besunyen Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 926), and an independent non-executive director of Shenyin Wanguo (H.K.) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 218) and SRE Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1207).

Biographies of Directors, Supervisors and Senior Management

Supervisors

Mr. Yao Fang, aged 47, the chief Supervisor, has served as the Supervisor of the Company since 7 January 2011. Mr. Yao has around 25 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 since 9 June 2010. He served as president and CEO of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from 9 June 2010 to 6 June 2016. 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. Tao Wuping, aged 61, Supervisor, has been a Supervisor since June 2015, was an independent non-executive Director from 22 September 2008 to 20 September 2014, and. Mr. Tao is a lawyer and has over 33 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. Mr. Tao has been the director of Guantao Zhongmao (Shanghai) Law Firm since August 2016. He was the director of Shanghai Shen Da Law Firm from August 1994 to August 2016. Mr. Tao has been 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 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 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 50, 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. Li Xiaojuan, aged 40, Supervisor. Ms. Li has over 14 years of working experience. Ms. Li obtained a bachelor's degree in real estate operation and management from investment economics department of Dongbei University of Finance & Economics in July 1998 and a master's degree in national economics (investment economics) with specialty in securities investment from investment economics department of Dongbei University of Finance & Economics in April 2001. Ms. Li is a qualified economist, a non-practicing certified public accountant, and an asset valuer. Ms. Li served as the project manager of Beijing Tianhua Accounting Firm from April 2001 to April 2003 and the vice director of strategic cooperation department of TopSun Group from April 2003 to February 2005. Ms. Li served as the manager of finance department of China National Pharmaceutical Industry Corporation from February 2005 to April 2006 and the director of auditing and supervision office and the manager of auditing department of China National Pharmaceutical Industry Corporation from April 2006 to August 2010. Ms. Li also served as the vice director of investment management department of China National Pharmaceutical Group Corporation from August 2010 to April 2014. Ms. Li currently is the vice director of auditing department of China National Pharmaceutical Group Corporation.

Ms. Jin Yi, aged 41, 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 17 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. Please refer to the section headed “Senior Management” for Mr. Ma’s biography.

Dr. Liu Wei, is currently a partner of DLA Piper UK LLP. 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 59, 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 41 years of working experience, over 31 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 Lerentang Pharmaceutical Co., Ltd., Sinopharm Holding Jilin Co., Ltd., Sinopharm Holding Shenyang Co., Ltd., Sinopharm Holding Shandong Co., Ltd. and Sinopharm Holding Dalian Hecheng Co., Ltd..



Mr. Lu Jun, aged 57, 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 40 years of working experience, over 17 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, Sinopharm Group Shanxi 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 47, 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 23 years of working experience, over 20 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., Sinopharm Online Co., Ltd. and China National Medicines Co., Ltd..

Biographies of Directors, Supervisors and Senior Management

Mr. Cai Zhongxi, aged 51, has been a vice President since May 2010. He has over 32 years of working experience, over 24 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., Sinopharm Holding Distribution 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 52, 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 29 years of working experience, over 18 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 Group Finance Co., Ltd., and the director and general manager of Sinopharm Holding Hong Kong Co., Ltd..



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 Medicines Co., Ltd. and Sinopharm Holding Medical Investment Management Co., Ltd.. He is also the chairman of China National Accord Medicines Co., Ltd., Sinopharm Holding Henan Co., Ltd., Guangdong Oriental New & Special Medicines Co., Ltd., Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd. and Sinopharm Bio-pharmaceutical Co., Ltd..

Mr. Xu Shuangjun, aged 48, has been the non-executive vice president of the Company since March 2011. He has over 31 years of working experience, over 23 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. from March 1999 to August 2004, and was the chairman and general manager of Hebei Zhongrui Medicines Co., Ltd., the general manager and secretary of the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co., Ltd., 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, secretary of the Party Committee, and chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd. from May 2011 to December 2015, and has been its vice chairman since December 2015.

Other Information

Changes of Directors and Supervisors

On 4 January 2016, Mr. Zhou Bin tendered his resignation as a non-executive director of the Company (the “**Director(s)**”), which took effect on 4 January 2016. As considered and approved by the 2016 first extraordinary general meeting of the Company held on 29 January 2016, Mr. Lian Wanyong was appointed as non-executive Director of the third session of board of directors of the Company (the “**Board**”), his term of office was from 29 January 2016 to 20 September 2017.

As considered and approved by the 2016 second extraordinary general meeting of the Company held on 8 March 2016, Mr. Zhuo Fumin was appointed as an independent non-executive Director of the third session of the Board, his term of office was from 8 March 2016 to 20 September 2017.

On 25 March 2016, Mr. Liu Hailiang tendered his resignation as non-executive Director, which took effect on the date of 2015 annual general meeting. As considered and approved by the 2015 annual general meeting of the Company held on 16 June 2016, Mr. Wu Yijian was appointed as a non-executive Director of the third session of the Board, his term of office was from 16 June 2016 to 20 September 2017.

On 8 January 2016, Mr. Lian Wanyong tendered his resignation as a shareholder representative supervisor of the Company. As considered and approved by the 2016 first extraordinary general meeting of the Company held on 29 January 2016, Ms. Li Xiaojuan was appointed as a shareholder representative supervisor of the third session of the supervisory committee of the Company, her term of office was from 29 January 2016 to 20 September 2017.

For detailed information, please refer to the announcements of the Company dated 4 January 2016, 8 January 2016, 20 January 2016, 29 January 2016, 8 March 2016, 25 March 2016 and 16 June 2016.

Changes of Auditors

The term of office of PricewaterhouseCoopers as the international auditor of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company has expired at the date of the 2015 annual general meeting of the Company. As considered and approved by the 2015 annual general meeting of the Company held on 16 June 2016, Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international and domestic auditors of the Company, respectively. Their term of office took effect from the date of approval by the 2015 annual general meeting of the Company until the conclusion of the next annual general meeting. For detailed information, please refer to the announcements of the Company dated 24 May 2016 and 16 June 2016.



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 2016, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers ("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 relevant class of shares (%)	Long position/ short position/ shares available for lending
Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

Save as disclosed above, as at 30 June 2016, 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 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 2016, 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)	74,647,330	2.7	6.26	Long position
			212,000	0.07	0.02	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,	238,488,061	8.62	19.99	Long position
		Investment manager,	778,010	0.03	0.07	Short position
		Custodian/approved lending agent (Note 10)	195,946,156	7.08	16.43	Shares available for lending
Citigroup Inc.	H shares	Interest of controlled corporation,	67,060,822	2.42	5.62	Long position
		Custodian/approved lending agent (Note 11)	29,600	0	0	Short position
			63,406,551	2.29	5.31	Shares available for lending
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	106,690,800	3.86	8.94	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	131,262,800	4.74	11.00	Long position

Other Information

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

Notes:

The information was disclosed based on the data available on the HKExnews website of the Stock Exchange (www.hkexnews.hk).

- (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 Industrial Investment Co., Ltd. ("**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) Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**") is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun High Technology (Group) Co., Ltd. ("**Fosun High Technology**") is the beneficial owner of 39.91% equity interest in Fosun Pharma and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun International Ltd. ("**Fosun Company**") is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (6) Fosun Holdings Ltd. ("**Fosun Holdings**") is the beneficial owner of 71.48% equity interest in Fosun Company and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings Ltd. ("**Fosun International Holdings**") is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore it 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 64.45% 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 74,647,330 and short positions of 212,000 H shares of the Company indirectly through a series of controlled corporations.
- (10) JPMorgan Chase & Co. is interested, as beneficial owner, investment manager, and custodian/approved lending agent, in an aggregate of long positions of 238,488,061 H shares (of which 195,946,156 are H shares available for lending) and short positions of 778,010 H shares of the Company.
- (11) Citigroup Inc. is interested, as custodian/approved lending agent and indirectly through a series of controlled corporations, in an aggregate of long positions of 67,060,822 H shares (of which 63,406,551 are H shares available for lending) and short positions of 29,600 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2016, 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 2016, 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 2015 annual general meeting of the Company convened on 16 June 2016, the Company paid the final dividend for the year ended 31 December 2015 to the shareholders of the Company on 15 August 2016, totaling approximately RMB1,134,508,986.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2016.

Subsequent Events

Details of the relevant events that occurred since the end of the Reporting Period are set out in Note 31 to the Interim Financial Information contained in this report.

Save for the above, as at the date of this report, the State-owned Assets Supervision and Administration Commission of the State Council has approved the implementation of the Company's restricted share incentive scheme in principal, and on 19 August 2016, the Board has resolved to propose the adoption of such restricted share incentive scheme. The restricted share incentive scheme is subject to the approval of shareholders of the Company in shareholders' general meeting. For details, please refer to the announcements of the Company published on the websites of the Company and the Stock Exchange dated 18 August 2016 and 19 August 2016.

Audit Committee

As at the date of this report, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Tan Wee Seng (Chairman), Mr. Liu Zhengdong and Mr. Zhuo Fumin, 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 2016 and agreed on the accounting treatment adopted by the Company.

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

The Company has adopted all the code provisions contained in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules as the Company's code on corporate governance. On 9 December 2015, Mr. Lyu Changjiang tendered his resignation as an independent non-executive Director and a member of Nomination Committee of the Board. As considered and approved by 2016 second extraordinary general meeting, Mr. Zhuo Fumin was appointed as an independent non-executive Director on 8 March 2016 and was elected as a member of Nomination Committee of the Board on the same day. Save as disclosed above, during the Reporting Period, the Company had complied with the code provisions set out in the Code.

Other Information

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



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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 38 to 80, which comprises the condensed consolidated balance sheet of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries as at 30 June 2016, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on 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” (“**HKAS 34**”) 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 HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKAS 34.

Ernst & Young

Certified Public Accountants
Hong Kong

Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	7	125,888,196	111,057,454
Cost of sales and other operating costs	10	(115,664,769)	(101,918,222)
Gross profit		10,223,427	9,139,232
Other income	8	76,484	83,906
Distribution and selling expenses	10	(3,135,150)	(2,848,637)
General and administrative expenses	10	(1,976,613)	(1,752,660)
Operating profit		5,188,148	4,621,841
Other gains – net	9	426,633	67,665
Finance income		108,588	123,664
Finance costs		(999,342)	(1,150,543)
Finance costs – net	12	(890,754)	(1,026,879)
Share of profit of investments accounted for using the equity method		104,839	90,877
PROFIT BEFORE TAX		4,828,866	3,753,504
Income tax expense	13	(1,098,560)	(864,978)
PROFIT FOR THE PERIOD		3,730,306	2,888,526
Attributable to:			
Owners of the parent		2,529,200	1,913,845
Non-controlling interests		1,201,106	974,681
		3,730,306	2,888,526
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Expressed in RMB per share)			
– Basic and fully diluted	14	0.91	0.69

The notes on pages 45 to 80 form an integral part of these interim condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016



	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	3,730,306	2,888,526
OTHER COMPREHENSIVE (LOSS)/INCOME:		
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurements of post-employment benefit obligations	(1,310)	263
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(15,421)	31,722
Exchange differences on translation of financial statements of overseas subsidiaries	(11,008)	(101)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(26,429)	31,621
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(27,739)	31,884
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,702,567	2,920,410
Attributable to:		
Owners of the parent	2,512,730	1,928,602
Non-controlling interests	1,189,837	991,808
	3,702,567	2,920,410

The notes on pages 45 to 80 form an integral part of these interim condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Land use rights	16	1,474,427	1,489,897
Investment properties	16	390,650	393,872
Property, plant and equipment	16	7,603,735	7,641,039
Intangible assets	16	6,597,923	6,719,969
Investments accounted for using the equity method	17	1,318,292	1,133,444
Available-for-sale financial assets		299,796	322,247
Finance lease receivables	18	2,189,234	1,550,131
Deferred tax assets	22	608,114	640,669
Other non-current assets		1,544,584	1,623,692
Total non-current assets		22,026,755	21,514,960
CURRENT ASSETS			
Inventories		22,391,402	22,348,576
Trade and bills receivables	19	74,201,048	64,623,618
Prepayments and other receivables		5,149,985	5,059,231
Available-for-sale financial assets		1,004	2,069
Finance lease receivables	18	906,258	349,720
Bank deposits and restricted cash		4,355,453	4,449,700
Cash and cash equivalents		23,506,688	19,919,154
Total current assets		130,511,838	116,752,068
Total assets		152,538,593	138,267,028
CURRENT LIABILITIES			
Trade and bills payables	25	65,223,448	59,037,872
Accruals and other payables		6,299,333	6,783,632
Dividends payable		1,236,345	73,022
Current income tax liabilities		671,846	583,550
Borrowings	21	24,821,068	28,203,994
Total current liabilities		98,252,040	94,682,070
Net current assets		32,259,798	22,069,998
Total assets less current liabilities		54,286,553	43,584,958

The notes on pages 45 to 80 form an integral part of these interim condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

30 June 2016



	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		54,286,553	43,584,958
NON-CURRENT LIABILITIES			
Borrowings	21	9,310,136	608,195
Deferred tax liabilities	22	644,934	692,619
Post-employment benefit obligations	23	545,727	553,912
Other non-current liabilities	24	900,521	1,074,527
Total non-current liabilities		11,401,318	2,929,253
Net assets		42,885,235	40,655,705
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	2,767,095	2,767,095
Reserves		28,525,775	27,284,531
		31,292,870	30,051,626
Non-controlling interests		11,592,365	10,604,079
Total equity		42,885,235	40,655,705

The notes on pages 45 to 80 form an integral part of these interim condensed consolidated financial statements.

Wei Yulin
Director

Tan Wee Seng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

		Unaudited					
		Attributable to owners of the parent				Non-	
	Notes	Share capital RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016		2,767,095	17,249,954	10,034,577	30,051,626	10,604,079	40,655,705
Total comprehensive income		-	(16,470)	2,529,200	2,512,730	1,189,837	3,702,567
Effects of transaction with non-controlling interests	26	-	(136,977)	-	(136,977)	(47,826)	(184,803)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	98,090	98,090
Acquisition of subsidiaries	27	-	-	-	-	4,304	4,304
Dividends		-	-	(1,134,509)	(1,134,509)	(256,119)	(1,390,628)
As at 30 June 2016		2,767,095	17,096,507	11,429,268	31,292,870	11,592,365	42,885,235

		Unaudited					
		Attributable to owners of the parent				Non-	
		Share capital RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015		2,767,095	17,238,056	7,376,716	27,381,867	8,907,762	36,289,629
Total comprehensive income		-	14,757	1,913,845	1,928,602	991,808	2,920,410
Effects of transaction with non-controlling interests		-	(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		-	-	-	-	130,476	130,476
Dividends		-	-	(857,799)	(857,799)	(369,710)	(1,227,509)
Others		-	-	-	-	2,535	2,535
As at 30 June 2015		2,767,095	17,059,149	8,424,719	28,250,963	9,683,550	37,934,513

The notes on pages 45 to 80 form an integral part of these interim condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016



		For the six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash generated from operations	2,400,020	2,769,940
	Income tax paid	(1,053,223)	(932,853)
	Net cash generated from operating activities	1,346,797	1,837,087
CASH FLOWS USED IN INVESTING ACTIVITIES			
	Proceeds from disposal of intangible assets	2,952	25,326
	Proceeds from disposal of items of property, plant and equipment	223,398	56,086
	Proceeds from long-term deposits	117,761	–
	Proceeds from disposal of available-for-sale financial assets	–	6,455
	Interest received from long-term deposits	17,928	20,045
28	Disposal of subsidiaries, net of cash disposed of	121,085	(1,134)
	Dividends received from associates	37,690	13,461
	Dividends received from available-for-sale financial assets	228	5,798
	Purchase of land use rights	(10,505)	(1,360)
	Purchase of property, plant and equipment	(582,782)	(527,595)
	Purchase of intangible assets	(108,801)	(122,420)
	Payment of long-term deposits	–	(17,223)
	Acquisition of available-for-sale financial assets	–	(4,000)
	Acquisition of subsidiaries, net of cash acquired – not under common control	(19,155)	(157,713)
27	Contingent consideration paid for prior year acquisitions	(63,934)	(18,956)
	Acquisition of associates	(45,000)	(9,003)
26	Acquisition of non-controlling interests in subsidiaries	(184,803)	(150,331)
	Decrease in restricted cash	94,247	27,695
	Net cash used in investing activities	(399,691)	(854,869)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from borrowings from banks		14,525,642	19,868,687
Proceeds from borrowings from other financial institution		271,500	340,000
Repayment of borrowings from banks		(13,801,361)	(23,299,622)
Repayment of borrowings from other financial institution		(410,000)	(500,000)
Repayment of bonds		(9,000,000)	(3,000,000)
Issue of bond, net of expense		11,977,584	5,992,950
Capital injections from non-controlling shareholders of subsidiaries		98,090	75,303
Dividends paid to non-controlling shareholders of subsidiaries		(227,305)	(375,099)
Interest paid		(796,207)	(1,228,477)
Net cash from/(used in) financing activities		2,637,943	(2,126,258)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		3,585,049	(1,144,040)
Cash and cash equivalents at beginning of period		19,919,154	15,232,356
Effect of foreign exchange rate changes, net		2,485	(27,790)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		23,506,688	14,060,526

The notes on pages 45 to 80 form an integral part of these interim condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



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 with the proportion of 1:0.8699 into 1,637,037,451 shares with RMB1 each. In September 2009, the Company issued overseas-listed foreign invested shares (“**H Shares**”), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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**”).

2. Basis of Preparation

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

The interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

3. Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those in the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised standards and interpretations effective on 1 January 2016, noted below:

(a) Revised standards adopted by the Group

The Group has adopted the following revised standards for the first time for the financial year beginning 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs had no significant financial effect on these financial statements.

(b) Issued but not effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



4. Estimates

The preparation of interim condensed consolidated 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 expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated 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 annual financial statements for the year ended 31 December 2015.

5. Financial Instruments

(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 for the year ended 31 December 2015.

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. Financial Instruments (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 RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2016 (Unaudited)					
Borrowings	25,415,882	4,909,812	4,887,369	-	35,213,063
Financial liabilities including trade and other payables	69,942,197	-	-	-	69,942,197
Dividends payable	1,236,345	-	-	-	1,236,345
	96,594,424	4,909,812	4,887,369	-	106,391,605
As at 31 December 2015 (Audited)					
Borrowings	28,584,853	270,750	336,173	43,367	29,235,143
Financial liabilities including trade and other payables	65,315,672	-	-	-	65,315,672
Other non-current liabilities	-	567	13,572	135,878	150,017
	93,900,525	271,317	349,745	179,245	94,700,832

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



5. Financial Instruments (continued)

(iii) Fair value measurement and hierarchy

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2016 (Unaudited)				
Assets				
Available-for-sale financial assets	59,125	4,570	–	63,695
As at 31 December 2015 (Audited)				
Assets				
Available-for-sale financial assets	80,751	4,570	–	85,321

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	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Borrowings from banks and other financial institution (Note 21)	1,322,084	608,195	1,317,274	616,826
Bond (Note 21)	7,988,052	–	7,883,954	–

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. Financial Instruments (continued)

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

The fair values of the following financial assets and liabilities approximate to their carrying amounts:

- Financial lease receivables
- Long term deposits
- Trade and bills receivables
- Other receivables
- Restricted bank deposits
- Cash and cash equivalents
- Current borrowings
- Trade and bills 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 CEO and the executives at the CEO office) that are used to make strategic decisions. The operating committee considers the business from a business type perspective. The reportable operating segments derive their revenue primarily from the following three business types in the PRC:

- (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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



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 tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

6. Segment Information (continued)

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

(i) For the six months ended 30 June 2016 and 2015

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Other business operations RMB'000	Elimination RMB'000	Total RMB'000
Six months ended 30 June 2016 (Unaudited)					
Segment results					
External segment revenue	118,673,910	4,873,410	2,340,876	-	125,888,196
Inter-segment revenue	1,105,525	35,886	120,178	(1,261,589)	-
Revenue	119,779,435	4,909,296	2,461,054	(1,261,589)	125,888,196
Operating profit	4,585,451	114,541	492,955	(4,799)	5,188,148
Other gains	126,578	4,210	295,845	-	426,633
Share of profits of investments accounted for using the equity method	5,716	739	98,384	-	104,839
	4,717,745	119,490	887,184	(4,799)	5,719,620
Finance costs – net					(890,754)
Profit before tax					4,828,866
Income tax expense					(1,098,560)
Profit for the period					3,730,306
Other segment items included in the income statement					
Provision for impairment of trade, other and long-term receivables	154,319	(189)	16,411		170,541
Provision for impairment of inventories	4,380	232	7,158		11,770
Amortisation of land use rights	20,902	26	2,806		23,734
Depreciation of property, plant and equipment	273,235	36,471	66,673		376,379
Depreciation of investment properties	6,298	281	1,404		7,983
Amortisation of intangible assets	112,954	6,779	9,952		129,685
Capital expenditures	533,434	51,433	66,501		651,368

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



6. Segment Information (continued)

(i) For the six months ended 30 June 2016 and 2015 (continued)

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Other business operations RMB'000	Elimination RMB'000	Total RMB'000
Six months ended 30 June 2015					
(Unaudited)					
Segment results					
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 profits of investments accounted for using the equity method	5,341	771	84,765	-	90,877
	4,295,400	131,565	379,935	(26,517)	4,780,383
Finance costs – net					(1,026,879)
Profit before tax					3,753,504
Income tax expense					(864,978)
Profit for the period					2,888,526
Other segment items included in the income statement					
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
Capital expenditures	674,386	367,784	74,035		1,116,205

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

6. Segment Information (continued)

(ii) At 30 June 2016 and 31 December 2015

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Other business operations RMB'000	Elimination RMB'000	Total RMB'000
As at 30 June 2016 (Unaudited)					
Segment assets and liabilities					
Segment assets	137,500,561	5,775,276	12,704,720	(4,050,078)	151,930,479
Segment assets include:					
Investments accounted for using the equity method	138,287	17,049	1,162,956	-	1,318,292
Unallocated assets – Deferred tax assets					608,114
Total assets					152,538,593
Segment liabilities	72,086,909	3,187,780	3,647,809	(4,045,278)	74,877,220
Unallocated liabilities – Borrowings and deferred tax liabilities					34,776,138
Total liabilities					109,653,358
As at 31 December 2015 (Audited)					
Segment assets and liabilities					
Segment assets	126,358,076	4,657,063	9,544,934	(2,933,714)	137,626,359
Segment assets include:					
Investments accounted for using the equity method	98,595	16,309	1,018,540	-	1,133,444
Unallocated assets – Deferred tax assets					640,669
Total assets					138,267,028
Segment liabilities	65,361,154	2,911,001	2,789,059	(2,954,699)	68,106,515
Unallocated liabilities – Borrowings and deferred tax liabilities					29,504,808
Total liabilities					97,611,323

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



7. Revenue

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of goods	125,414,240	110,807,671
Rental income	77,394	55,846
Franchise fees and other service fee from medicine chain stores	107,616	71,936
Interest income from finance lease	145,683	–
Consulting income	104,616	85,783
Import and export agency income	1,739	16,466
Others	36,908	19,752
	125,888,196	111,057,454

8. Other Income

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Government grants	76,484	83,906

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

9. Other Gains – Net

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Gain on disposal of land use rights, intangible assets and property, plant and equipment	176,215	12,102
Relocation compensation	136,393	–
Gain on fair value remeasurement of retained interest in connection with disposal of controlling interest in a subsidiary	40,736	2,603
Gain on disposal of subsidiaries	82,518	6,816
Foreign exchange (losses)/gains – net	(11,811)	21,366
Write-back of certain liabilities	3,958	9,127
Gain on disposal of available-for-sale financial assets	–	6,270
Donation	(5,277)	(2,231)
Others – net	3,901	11,612
	426,633	67,665

10. Expenses by Nature

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Raw materials and trading merchandise consumed	115,305,227	101,831,362
Changes in inventories of finished goods and work in progress	(68,460)	(88,543)
Employee benefit expenses (Note 11)	2,647,422	2,178,457
Provision for impairment of trade receivables	146,451	124,259
Provision for impairment of long-term receivables	15,241	2,558
Provision for impairment of other receivables	8,849	9,342
Provision for impairment of inventories	11,770	24,823
Operating leases in respect of leasehold land and buildings	409,662	319,670
Depreciation of property, plant and equipment (Note 16)	376,379	331,142
Depreciation of investment properties (Note 16)	7,983	9,464
Amortisation of intangible assets (Note 16)	129,685	114,073
Amortisation of land use rights (Note 16)	23,734	20,142
Auditors' remuneration	10,440	11,150
Consulting and other service fees	62,966	31,661
Transportation expenses	534,798	461,175
Travel expenses	112,048	99,330
Promotion and advertising expenses	389,907	449,295
Utilities	75,043	70,094
Others	577,387	520,065
	120,776,532	106,519,519

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



11. Employee Benefit Expenses

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Salaries, wages and bonuses	2,031,189	1,694,001
Contributions to pension plans (i)	241,632	192,662
Post-employment benefits (Note 23)	10,625	3,409
Housing benefits (ii)	84,232	72,533
Other benefits (iii)	279,744	215,852
	2,647,422	2,178,457

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 certain percentage of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group also contributes based on certain percentage 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 certain rates of the employees' basic salary.
- (iii) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

12. Finance Income And Costs

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Finance costs:		
Interest expense:		
– Borrowings	580,302	744,936
– Discounting of notes receivable	182,115	220,548
– Discounting of accounts receivable	153,468	125,122
– Net interests on net defined benefit liability (Note 23)	8,069	9,355
Gross interest expense	923,954	1,099,961
Bank charges	83,606	65,084
Less: Capitalised interest expense	(8,218)	(14,502)
	999,342	1,150,543
Finance income:		
– Interest income on deposits in bank or other financial institution	(90,660)	(103,619)
– Interest income on long-term deposits	(17,928)	(20,045)
	(108,588)	(123,664)
Net finance costs	890,754	1,026,879

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



13. Income Tax Expense

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current PRC income tax	1,141,519	901,494
Deferred tax (Note 22)	(42,959)	(36,516)
	1,098,560	864,978

During the six months ended 30 June 2016, 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 owners of the parent for the reporting period and on the weighted average number of ordinary shares in issue during the reporting period.

	For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to owners of the parent (RMB'000)	2,529,200	1,913,845
Weighted average number of ordinary shares in issue ('000)	2,767,095	2,767,095
Basic earnings per share (RMB per share)	0.91	0.69

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

15. Dividends

The final dividend for year 2015 of RMB0.41 per share (tax inclusive), amounting to RMB1,134,509 thousands in total, was approved by the shareholders at the annual general meeting of the Company held on 16 June 2016 and was paid on 15 August 2016 to the shareholders whose names appeared on the register of members of the Company on 28 June 2016.

No interim dividend was proposed for the six months ended 30 June 2016.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

16. Land Use Rights, Investment Properties, Property, Plant and Equipment and Intangible Assets

	Land use rights RMB'000	Investment properties RMB'000	Property, plant and equipment RMB'000	Intangible assets RMB'000
For the six months ended 30 June 2016 (Unaudited)				
Opening net carrying amount as at 1 January 2016	1,489,897	393,872	7,641,039	6,719,969
Additions	19,194	-	587,495	10,437
Acquisition of subsidiaries (Note 27)	-	-	2,347	31,895
Transfer	1,861	4,761	(12,521)	5,899
Disposals	(231)	-	(46,953)	(2,952)
Disposals of subsidiaries (Note 28)	(12,560)	-	(191,293)	(37,640)
Depreciation or amortisation (Note 10)	(23,734)	(7,983)	(376,379)	(129,685)
Closing net carrying amount as at 30 June 2016	1,474,427	390,650	7,603,735	6,597,923
For the six months ended 30 June 2015 (Unaudited)				
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	-	-	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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



17. Investments Accounted for Using the Equity Method

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Share of net assets	1,285,854	1,107,111
Goodwill	32,438	26,333
	1,318,292	1,133,444
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
At 1 January	1,133,444	930,179
Additions from acquisitions of subsidiaries	–	972
Acquisitions	45,000	9,003
Reclassification from investments in a subsidiary upon cessation of control	81,222	2,603
Share of results	104,839	90,877
Unrealised profit in transaction with associates	–	2,667
Dividends declared by associates attributable to the Group	(46,213)	(87,209)
At 30 June	1,318,292	949,092

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

18. Finance Lease Receivables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Finance lease receivables	3,723,975	2,308,533
Less: Unearned finance income	(593,606)	(389,468)
Net finance lease receivables	3,130,369	1,919,065
Less: Provision for impairment	(34,877)	(19,214)
	3,095,492	1,899,851
Less: Current portion	(906,258)	(349,720)
	2,189,234	1,550,131

The fair values of finance lease receivables approximates to their carrying amounts.

An aged analysis of finance lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period, is as follows:

	30 June 2016		31 December 2015	
	Finance lease receivables RMB'000 (Unaudited)	Net finance lease receivables RMB'000 (Unaudited)	Finance lease receivables RMB'000 (Audited)	Net finance lease receivables RMB'000 (Audited)
Within 1 year	3,723,975	3,130,369	2,308,533	1,919,065

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



18. Finance Lease Receivables (continued)

The table below illustrates the gross and net amounts of finance lease receivables the Group expects to receive in the following three consecutive accounting years:

	As at 30 June 2016		As at 31 December 2015	
	Finance lease receivables RMB'000 (Unaudited)	Net finance lease receivables RMB'000 (Unaudited)	Finance lease receivables RMB'000 (Audited)	Net finance lease receivables RMB'000 (Audited)
Within 1 year	945,855	901,316	520,123	353,253
1 to 2 years	927,625	811,200	518,777	403,599
2 to 3 years	879,368	707,047	501,955	432,372
Over 3 years	971,127	710,806	767,678	729,841
	3,723,975	3,130,369	2,308,533	1,919,065

19. Trade and Bills Receivables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Accounts receivable	68,944,304	58,860,366
Notes receivable	6,157,327	6,530,876
	75,101,631	65,391,242
Less: Provision for impairment	(900,583)	(767,624)
	74,201,048	64,623,618

The fair values of trade and bills receivables approximates to their carrying amounts.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. Trade and Bills 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 and bills receivables is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	74,049,152	64,847,238
1 to 2 years	958,293	461,290
Over 2 years	94,186	82,714
Total	75,101,631	65,391,242

The trade and bills receivables are denominated in RMB.

20. Share Capital

	Number of shares	Domestic shares with par value of RMB1 per share RMB'000	H Shares with par value of RMB1 per share RMB'000	Total RMB'000
As at 1 January 2016 and 30 June 2016 (Unaudited)	2,767,095	1,574,284	1,192,811	2,767,095
	Number of shares	Domestic shares with par value of RMB1 per share RMB'000	H Shares with par value of RMB1 per share RMB'000	Total RMB'000
As at 1 January 2015 and 30 June 2015 (Audited)	2,767,095	1,574,284	1,192,811	2,767,095

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



21. Borrowings

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current		
Bank borrowings	1,322,084	576,595
Other borrowings	–	31,600
Bonds (i)	7,988,052	–
	9,310,136	608,195
Current		
Bank borrowings	16,604,072	14,879,102
Other borrowings	223,100	330,000
Bonds (i)	7,993,896	12,994,892
	24,821,068	28,203,994
Total borrowings	34,131,204	28,812,189

Note:

- (i) During six months ended 30 June 2016, bonds at a total par value of RMB9,000,000 thousands matured and were repaid by the Company.

On 15 January 2016, 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 RMB3,675 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,325 thousands. The bonds mature 270 days from the issue date, and the annual interest rate is 2.50%.

On 18 March 2016, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000 thousands. After deduction of the expenses of approximately RMB2,400 thousands in relation to the issuance, the total net proceeds was approximately RMB1,997,600 thousands. The bonds mature 270 days from the issue date, and the annual interest rate is 2.69%.

On 8 June 2016, 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 RMB3,489 thousands in relation to the issuance, the total net proceeds was approximately RMB2,996,511 thousands. The bonds mature 270 days from the issue date, and the annual interest rate is 3.28%.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

21. Borrowings (continued)

On 11 March 2016, 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**”) with no guarantee. The corporate bonds will expire on 9 March 2021, for a period of five years commencing from the issue date of 9 March 2016. The annual interest rate of the corporate bonds for the first three years was fixed at 2.92%. 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. 9 March 2019.

At the end of respective reporting period, borrowings were repayable as follows:

	Bank and other borrowings		Bonds	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	16,827,172	15,209,102	7,993,896	12,994,892
1 to 2 years	566,562	249,600	4,000,000	–
2 to 5 years	755,522	317,700	3,988,052	–
Over 5 years	–	40,895	–	–
	18,149,256	15,817,297	15,981,948	12,994,892

22. Deferred Tax

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Deferred tax assets	608,114	640,669
Deferred tax liabilities	(644,934)	(692,619)
	(36,820)	(51,950)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



22. Deferred Tax (continued)

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

	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
At 1 January	(51,950)	(67,329)
Acquisition of subsidiaries (Note 27)	(1,015)	(45,717)
Disposal of subsidiaries (Note 28)	(32,391)	–
Credited to consolidated income statement (Note 13)	42,959	36,516
Tax credited/(charged) relating to components of other comprehensive income	5,577	(10,686)
At 30 June	(36,820)	(87,216)

23. 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:

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current service cost	4,270	2,965
Past service cost	6,355	444
Interest cost	8,069	9,355
	18,694	12,764

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

23. Post-Employment Benefit Obligations (continued)

The amounts recognised in the consolidated balance sheet are analysed below:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Unaudited)
Present value of funded obligations	11,970	12,005
Fair value of plan assets	(44,785)	(38,016)
Surplus of funded plans	(32,815)	(26,011)
Present value of unfunded post-employment benefit obligations	578,542	579,923
Liability in the balance sheet	545,727	553,912

The movement of the post-employment benefit obligations over the period is as follows:

	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
At 1 January	553,912	516,272
Charged to consolidated income statement	18,694	12,764
Remeasurements of post-employment benefit obligations recognised in consolidated statement of comprehensive income	1,747	(351)
Contributions by employers and benefit payments	(28,626)	(34,029)
At 30 June	545,727	494,656

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



24. Other Non-Current Liabilities

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Medical reserve funds (i)		
– general	408,737	408,737
– for 2009 H1N1 vaccines	68,407	68,407
Office relocation funds (ii)	6,196	–
Government grants for construction of logistic centers (iii)	85,066	85,547
Government grants for products research and development	41,800	47,327
Deferred revenue	273,231	290,341
Finance lease deposits (iv)	–	150,017
Others	17,084	24,151
	900,521	1,074,527

Notes:

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

The Group will have to sell pharmaceutical products to specific customers at cost when there is any serious disaster, epidemic and other emergency, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. No fund was used to offset trade receivables during the six months ended 30 June 2016 (For the six months ended 30 June 2015: RMB1,232 thousands). 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 2016, 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 grants from local governments as a subsidy for construction of logistic centers. Since the grants are related to long-term assets and will be released to the income statement over the expected useful lives of the relevant assets by equal annual instalments, the balance is classified as other non-current liabilities as at 30 June 2016.
- (iv) The deposits were paid by leasee to the Group as security for performance of the finance lease contract and will be net off the rental of the last few months before the expiration of the lease contract.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

25. Trade and Bills Payables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Accounts payable	50,497,141	42,946,078
Notes payable	14,726,307	16,091,794
	65,223,448	59,037,872

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 3 months	48,906,712	48,885,057
3 to 6 months	11,942,280	6,221,805
6 months to 1 year	3,021,395	2,860,549
1 to 2 years	755,960	565,547
Over 2 years	597,101	504,914
	65,223,448	59,037,872

The Group has accounts payable financing program with certain banks whereby the bank repaid accounts payable 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 2016, accounts payable of RMB926,980 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2016 and 31 December 2015, all bank borrowings related to this program were repaid.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



26. Transactions with Non-Controlling Interests

(a) Acquisition of additional interests in subsidiaries

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

Subsidiaries	Acquired interests	Cash consideration RMB'000
Sinopharm Holding Hunan Co., Ltd.	17%	149,883
Sinopharm Holding Xiangyang Co., Ltd.	30%	34,920
Sinopharm Holding Ningxia Co., Ltd.	6.01%	–
		<hr/>
		184,803

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

	Effect on the total equity RMB'000
Carrying amount of non-controlling interests acquired	47,826
Purchase consideration	
– Cash paid	170,835
– Contingent consideration	13,968
	<hr/>
Excess of consideration paid over the carrying amount acquired	136,977

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. Transactions with Non-Controlling Interests (continued)

(b) Effects of transactions with non-controlling interests on the total equity for the six months ended 30 June 2016

	Effect on the total equity RMB'000
Changes in total equity arising from:	
– acquisition of additional interests in subsidiaries	136,977

27. 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 and operation of pharmaceutical chain stores to expand the market share of the Group, during the period as follows:

Subsidiaries acquired	Acquisition date	Acquired interests
Sinopharm Holding Linqu Co., Ltd.	January, 2016	80%
Taishan Sinopharm Holding Guoda Qunkang Pharmacy Chain Store Co., Ltd.	April, 2016	70%
Beijing Yishang Juli Technology Co., Ltd.	April, 2016	100%

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 follows:

Purchase consideration	
– Cash paid	23,900
– Contingent consideration (Note (i))	20,652
Total purchase consideration	44,552

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



27. 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 RMB'000	Acquired carrying amounts at acquisition date RMB'000
Cash and cash equivalents	3,755	3,755
Property, plant and equipment	2,347	2,347
Intangible assets	4,878	69
Deferred tax assets	187	187
Inventories	23,463	23,463
Other non-current assets	4,300	4,300
Trade and other receivables	60,506	60,506
Trade and other payables	(64,795)	(64,795)
Borrowings	(11,600)	(11,600)
Deferred tax liabilities	(1,202)	–
Net assets	21,839	18,232
Non-controlling interest (Note (ii))	(4,304)	
Goodwill	27,017	
Net assets acquired	44,552	
Consideration for acquisitions settled in cash	23,900	
Available-for-sale financial assets	(990)	
Cash and cash equivalents in subsidiaries acquired	(3,755)	
Cash outflow on acquisition	19,155	

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 to Condensed Consolidated Financial Statements

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27. Business Combinations (continued)

Business combinations not under common control (continued)

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 RMB20,652 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB20,652 thousands. As at 30 June 2016, 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 owners of the parent from the respective acquisition dates to 30 June 2016 are summarised as follows:

	From acquisition date to 30 June 2016 RMB'000 (Unaudited)
Revenue	79,400
Net profit attributable to owners of the parent	1,583

Notes to Condensed Consolidated Financial Statements

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28. Disposal of Subsidiaries

The Group disposed of equity interests in certain subsidiaries to independent third parties during the period as follows:

Subsidiaries disposed of	Disposed interests
Tianjin Yishengjiahe Health Consultancy Co., Ltd.	45%
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	67%

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

	Date of disposal RMB'000 (Unaudited)
Net assets disposed of:	
Cash and cash equivalents	41,026
Property, plant and equipment	191,293
Land use rights	12,560
Intangible assets	37,640
Deferred tax assets	34,581
Inventories	54,402
Other non-current assets	412
Trade and other receivables	49,152
Trade and other payables	(118,067)
Borrowings	(177,949)
Deferred tax liabilities	(2,190)
Other non-current liabilities	(2,781)
Net assets	120,079
Gain on disposal of subsidiaries and gain on fair value remeasurement of retained interest in connection with disposal of controlling interests in subsidiaries	123,254
	243,333
Satisfied by:	
Cash	162,111
Investments accounted for using the equity method	81,222
	243,333

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28. Disposal of Subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	From 1 January 2016 to the date of disposal RMB'000 (Unaudited)
Cash consideration	162,111
Cash and cash equivalents in subsidiaries disposed of	(41,026)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	121,085

29. Commitments

(a) Capital commitments

Capital commitments at the end of the reporting period are as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Property, plant and equipment: – contracted but not provided for	342,847	301,755

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016



29. Commitments (continued)

(b) Operating lease commitments (continued)

(i) As lessee:

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	542,476	610,513
In the second to fifth years, inclusive	1,316,613	1,241,357
After 5 years	390,200	461,574
	2,249,289	2,313,444

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.

(ii) As lessor:

The Group leases out certain investment properties under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	80,694	56,072
In the second to fifth years, inclusive	129,240	85,048
After 5 years	469	26,685
	210,403	167,805

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30. 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 and bills receivables, prepayments and other receivables, trade and bills payables and other payables, borrowings, pledged bank deposits, short-term loan receivable, cash and cash equivalents.

(i) Significant transactions with related parties

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CNPGC and subsidiaries of CNPGC		
Sale of goods	421,034	385,765
Purchase of goods	942,691	784,941
Rental expenses	2,756	125
Interest expenses	21,311	27,915
Borrowings	269,000	340,000
Notes receivable discount	938,246	1,439,034
Associates of the Group		
Sale of goods	267,029	201,787
Purchase of goods	941,347	794,498
Interest expenses	-	2
Associates of CNPGC		
Sale of goods	1	243
Purchase of goods	582,951	541,608
The subsidiaries of entity which has significant influence over the Company		
Sale of goods	42,618	49,602
Purchase of goods	525,624	419,797

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30. Significant Related Party Transactions (continued)

(ii) Significant balances with related parties

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CNPGC and subsidiaries of CNPGC		
Cash in other financial institution	269,155	1,993,739
Trade and bills receivables	217,338	133,781
Other receivables	16,682	26,383
Prepayments	24,799	66,364
Trade and bills payables	261,094	242,006
Other payables	43,916	44,622
Advances from customers	145	3,284
Borrowings	220,600	311,600
Associates of the Group		
Trade and bills receivables	57,128	62,956
Other receivables	8,631	14,801
Prepayments	596	1,402
Trade and bills payables	299,286	408,662
Other payables	687	72,203
Associates of CNPGC		
Trade and bills receivables	73	39
Other receivables	19	3
Prepayments	4,007	453
Trade and bills payables	142,043	114,580
The subsidiaries of entity which has significant influence over the Company		
Trade and bills receivables	32,923	35,579
Other receivables	906	257
Prepayments	10,190	7,146
Trade and bills payables	167,794	187,764
Other payables	109	95

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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

30. Significant Related Party Transactions (continued)

(iii) Key management compensation

The compensation of key management is on annual basis and still in approval process.

31. Material Subsequent Events

On 20 July 2016, the Company, and certain other non-controlling shareholders entered into the Assets Transfer Agreements, pursuant to which the Company proposed to dispose of 96% equity interest in Sinopharm Holding Beijing Co., Ltd., 51% equity interest in Sinopharm Holding Beijing Huahong Co., Ltd., 51% equity interest in Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. and 51% equity interest in Beijing Tianxinpuxin Bio-Medicine Co., Ltd. held by the Company (the “**Target Companies**”), to China National Medicines Corporation Ltd. at an aggregate consideration of approximately RMB5,372.68 million, which will be satisfied by issuance of approximately 214,051,189 consideration shares in total at the issue price of RMB25.10 per consideration share by China National Medicines Corporation Ltd. to the Company. While certain other non-controlling shareholders also agreed to transfer their corresponding equity interests in certain Target Companies to China National Medicines Corporation Ltd. on equal conditions and obtain the consideration shares issued by China National Medicines Corporation Ltd.. Upon completion of all the transactions under the Assets Transfer Agreements, the Company’s shareholding ratio in China National Medicines Corporation Ltd. will increase from 44.01% to 58.57% and China National Medicines Corporation Ltd. will continue to be a subsidiary of the Company.

32. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2016.