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 國控股份有限公司)

(Stock Code: 01099)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "**Board**") of Sinopharm Group Co. Ltd. (the "**Company**" or "**Sinopharm**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") prepared under the Hong Kong Financial Reporting Standard ("**HKFRSs**") for the year ended 31 December 2016 (the "**Reporting Period**").

CHAIRMAN'S STATEMENT

I would like to express my heartfelt gratitude to the shareholders and the community for your great support and encouragement to Sinopharm over time. Sinopharm made significant progress in various aspects such as quality improvement and efficiency enhancement, being better and being stronger, and diversified development in 2016. The Board, the management and all the staff attribute to the shareholders with sustained and stable growth in results again for their support and caring for the growth of the Company.

Sustained and Stable Growth in the Results

During the Reporting Period, the Group recorded a revenue of RMB258,387.69 million, representing an increase of RMB29,714.76 million or 12.99% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB6,891.60 million, representing an increase of RMB1,150.69 million or 20.04% as compared with the corresponding period of last year. Profit attributable to shareholders of the Company amounted to RMB4,647.34 million, representing an increase of RMB875.12 million or 23.20% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.68, representing an increase of 23.53% as compared with the corresponding period of last year.

Compared to 2015, total assets of the Group increased from RMB139,429.70 million to RMB157,711.59 million, net assets increased from RMB40,878.68 million to RMB44,532.44 million, and gearing ratio increased from 70.68% to 71.76%.

For the year of 2016, total capital expenditure of the Group amounted to RMB1,464.49 million, which was primarily used for the expansion and development of distribution channels, upgrading the logistic delivery system and improving the level of informatisation, so as to increase the Group's market share and improve delivery efficiency.

Obtained Various Awards and Received High Recognition from the Market

In 2016, the Company remained as the largest healthcare listed company in the Hong Kong market in terms of market value and obtained various awards in the capital market. The Company was chosen as "The Best Investment Return Company" by "Fortune" magazine (Chinese version) and ranked 23rd in the "Fortune" China's 500 list. The Company was also awarded "2016 Excellent Board of China's Strategic Listed Company" from "21st Century Business Herald" and "The Best Listed Company Award" from "China Financial Market", those awards demonstrated the market's high recognition for the Company.

Economy was Stable in General and Industry Continued to Grow Stably

In 2016, the Chinese economy remained stable during a slow-down and was poised for better prospect while being stable, reform and open further advanced, economic structure adjustment accelerated, new growth momentum continued to increase, and people's livelihood continued to improve. It is expected that Chinese economy would still be able to sustain medium to high-speed growth during "13th Five-Year" period and continue to be an important driver to the growth of the world economy.

The Chinese government specifically released various healthcare policies, continued to push forward the healthcare reform, continued to step up investments in the healthcare industry and continued to enhance healthcare quality, aiming to establish a "Healthy China" that can satisfy the basic healthcare needs of the masses. The pharmaceutical distribution industry saw a sustained rigid demand and recorded a stable growth in sales and profit, the industry concentration ratio continued to increase. However, the whole industry was still facing challenges from policies, payment collection and working capital, etc.

Prospects

The healthcare industry will maintain a stable growth rate which is attributable to growth drivers such as the country's aging population, urbanisation, increase in chronic diseases, increase in healthcare investments as well as the continuous deepening of healthcare reform. The business opportunities brought by various innovative business models will also drive the future growth in the industry. The healthcare industry is still one of the industries with the highest growth potential. As the healthcare reform continues to deepen, various polies will continue to be released. Although short-term pains are likely to persist, we believe those polies will eventually contribute to the survival of the fittest in the industry and result in further compliance and consolidation. The industry's prospect will become better and better.

The Company adopted the restricted share incentive scheme and successfully completed the initial grant of the restricted share in 2016, which will help further improve the mechanism of benefit of and risk sharing among employees and fully arouse the proactiveness of the senior management and key employees. Looking forward, the Company will continue to capitalise on the opportunity of mixed ownership reform to further push forward reforms in various aspects such as nomination, remuneration, incentive and corporate governance and stimulate corporate vitality, so as to lay solid foundation for sustainable development.

As the largest and most powerful pharmaceutical distributor in China, Sinopharm will continue to move forward by keeping up with the "New Normal" development of the pharmaceutical and healthcare industry, capitalize on the opportunities brought by structural reforms of the supply side to further stimulate corporate vitality and creativity, and continue to provide full-channel supply chain services for clients, so as to become a true first-class global pharmaceutical service provider through actively building global healthcare service platform with a new strategy of unification of distribution and retail.

Finally, I would like to express heartfelt gratitude to all the shareholders, directors, strategic partners, members of management of the Company and all my fellow colleagues. Let us continue to make great efforts hand in hand to advance the transformation of Sinopharm from distinction to excellence as well as from a traditional pharmaceutical distribution company to an innovative healthcare service provider.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(All amounts in Renminbi thousand unless otherwise stated)
YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015 (Restated)
Revenue	*4*	**258,387,689**	228,672,929
Cost of sales	*7*	**(237,717,016)**	(209,952,616)
Gross profit		**20,670,673**	18,720,313
Other income	*5*	**272,285**	243,730
Selling and distribution expenses	*7*	**(6,618,858)**	(6,024,832)
Administrative expenses	*7*	**(4,110,380)**	(3,711,888)
Operating profit		**10,213,720**	9,227,323
Other gains – net	*6*	**410,732**	64,596
Finance income		**291,010**	243,258
Finance costs		**(2,222,830)**	(2,231,064)
Finance costs – net	*9*	**(1,931,820)**	(1,987,806)
Share of profits and losses of associates		**232,190**	165,060
Profit before tax		**8,924,822**	7,469,173
Income tax expense	*10*	**(2,033,227)**	(1,728,264)
Profit for the year		**6,891,595**	5,740,909
Attributable to:			
Owners of the parent		**4,647,344**	3,772,222
Non-controlling interests		**2,244,251**	1,968,687
		6,891,595	5,740,909
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic	*11*	**1.68**	1.36
– Diluted	*11*	**1.68**	1.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Renminbi thousand unless otherwise stated)
YEAR ENDED 31 DECEMBER 2016

	Note	**2016**	2015 (Restated)
Profit for the year		**6,891,595**	5,740,909
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurements of post-employment benefit obligations	*10*	**10,110**	(33,788)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available-for-sale investments:			
Change in fair value, net of tax	*10*	**(7,613)**	29,905
Exchange differences	*10*	**(17,839)**	4,660
Share of other comprehensive income of associates	*10*	**(1,507)**	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(26,959)**	34,565
Other comprehensive income for the year, net of tax		**(16,849)**	777
Total comprehensive income for the year		**6,874,746**	5,741,686
Attributable to:			
– Owners of the parent		**4,630,998**	3,767,444
– Non-controlling interests		**2,243,748**	1,974,242
		6,874,746	5,741,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in Renminbi thousand unless otherwise stated)
31 DECEMBER 2016

	Note	**2016**	2015 (Restated)
ASSETS			
Non-current assets			
Prepaid land lease payments		**1,328,555**	1,489,897
Investment properties		**407,552**	393,872
Property, plant and equipment		**6,752,464**	7,642,496
Intangible assets		**6,282,772**	6,722,725
Investment in a joint venture		**2,940**	-
Investments in associates		**3,327,990**	1,133,444
Available-for-sale investments		**461,980**	322,247
Finance lease receivables		**3,788,098**	1,550,131
Deferred tax assets		**791,208**	646,627
Other non-current assets		**1,808,312**	1,628,387
Total non-current assets		**24,951,871**	21,529,826
Current assets			
Inventories		**25,759,525**	22,553,244
Trade receivables	*12*	**69,245,421**	65,032,756
Prepayments and other receivables		**5,677,916**	5,393,743
Available-for-sale investments		**5,468**	2,069
Finance lease receivables		**1,480,990**	349,720
Pledged deposits and restricted cash		**5,017,640**	4,602,286
Cash and cash equivalents		**25,572,759**	19,966,052
Total current assets		**132,759,719**	117,899,870
Total assets		**157,711,590**	139,429,696
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,767,095**	2,767,095
Reserves		**29,043,833**	27,343,215
		31,810,928	30,110,310
Non-controlling interests		**12,721,508**	10,768,367
Total equity		**44,532,436**	40,878,677

	Note	**2016**	2015 (Restated)
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**11,135,299**	608,195
Deferred tax liabilities		**601,328**	692,619
Post-employment benefit obligations		**518,353**	553,912
Other non-current liabilities		**1,186,815**	1,074,527
Total non-current liabilities		**13,441,795**	2,929,253
Current liabilities			
Trade payables	*13*	**66,745,815**	59,563,296
Accruals and other payables		**9,679,585**	7,022,722
Dividends payable		**93,770**	93,022
Tax payable		**855,611**	587,443
Interest-bearing bank and other borrowings		**22,362,578**	28,355,283
Total current liabilities		**99,737,359**	95,621,766
Total liabilities		**113,179,154**	98,551,019
Total equity and liabilities		**157,711,590**	139,429,696
Net current assets		**33,022,360**	22,278,104
Total assets less current liabilities		**57,974,231**	43,807,930

NOTES:

(All amounts in Renminbi thousand unless otherwise stated)

1 GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "**PRC**") on 8 January 2003 as a company with limited liability under the PRC Company Law.

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

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

These financial statements are presented in Renminbi ("**RMB**") thousand, unless otherwise stated. These financial statements have been approved for issue by the Board on 24 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the revaluation of available-for-sale investments which have been measured at fair value.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

3 SEGMENT INFORMATION

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

(i) Pharmaceutical distribution – distribution of medicine, medical instruments and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;

(ii) Retail pharmacy – operation of medicine chain stores; and

(iii) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products, and finance lease.

Although the retail pharmacy segment does not meet the quantitative thresholds required by HKFRS8 *Operating segments*, management has concluded that this segment should be reported, as it is closely monitored by the operating committee as a potential growth segment and is expected to materially contribute to group revenue in the future.

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

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

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

Capital expenditure comprises mainly additions to prepaid land lease payments, 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 on terms mutually agreed upon amongst those business segments. The revenue from external parties reported to the operating committee is measured in a manner consistent with that in the consolidated statement of profit or loss.

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

(i) Years ended 31 December 2016 and 2015

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Group
Year ended 31 December 2016					
Segment results					
External segment revenue	**243,883,443**	**10,201,689**	**4,302,557**	**-**	**258,387,689**
Inter-segment revenue	**2,575,373**	**36,821**	**138,319**	**(2,750,513)**	**-**
Revenue	**246,458,816**	**10,238,510**	**4,440,876**	**(2,750,513)**	**258,387,689**
Operating profit	**9,372,677**	**298,098**	**601,990**	**(59,045)**	**10,213,720**
Other gains – net	**35,510**	**8,671**	**366,551**	**-**	**410,732**
Share of profits and losses of associates	**13,807**	**2,500**	**215,883**	**-**	**232,190**
	9,421,994	**309,269**	**1,184,424**	**(59,045)**	**10,856,642**
Finance costs – net					**(1,931,820)**
Profit before tax					**8,924,822**
Income tax expense					**(2,033,227)**
Profit for the year					**6,891,595**
Other segment items included in in the statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	**57,284**	**22**	**(1,142)**		**56,164**
Provision/(reversal of provision) for impairment of inventories	**946**	**(149)**	**7,789**		**8,586**
Provision for impairment of intangible assets	**25,850**	**-**	**-**		**25,850**
Provision for impairment of finance lease receivables	**-**	**-**	**33,746**		**33,746**
Amortisation of prepaid land lease payments	**40,577**	**51**	**6,175**		**46,803**
Depreciation of property, plant and equipment	**564,844**	**75,984**	**114,895**		**755,723**
Depreciation of investment properties	**11,497**	**2,454**	**2,660**		**16,611**
Amortisation of intangible assets	**214,651**	**14,537**	**19,436**		**248,624**
Capital expenditures	**1,190,886**	**175,441**	**98,167**		**1,464,494**

(i) Years ended 31 December 2016 and 2015 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Group
Year ended 31 December 2015					
Segment results					
External segment revenue	215,597,160	8,714,841	4,360,928	-	228,672,929
Inter-segment revenue	1,860,763	14,529	373,814	(2,249,106)	-
Revenue	217,457,923	8,729,370	4,734,742	(2,249,106)	228,672,929
Operating profit	8,413,312	215,880	617,594	(19,463)	9,227,323
Other gains – net	49,069	(1,769)	17,296	-	64,596
Share of profits and losses of associates	7,355	2,425	155,280	-	165,060
	8,469,736	216,536	790,170	(19,463)	9,456,979
Finance costs – net					(1,987,806)
Profit before tax					7,469,173
Income tax expense					(1,728,264)
Profit for the year					5,740,909
Other segment items included in the statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	10,259	(293)	1,199		11,165
Provision/(reversal of provision) for impairment of inventories	50,011	(207)	3,135		52,939
Provision for impairment of property, plant and equipment	-	-	1,541		1,541
Provision for impairment of intangible assets	8,191	25,000	6,893		40,084
Provision for impairment of finance lease receivables	-	-	19,214		19,214
Amortisation of prepaid land lease payments	32,268	51	7,933		40,252
Depreciation of property, plant and equipment	479,555	85,854	151,237		716,646
Depreciation of investment properties	-	-	18,068		18,068
Amortisation of intangible assets	211,305	13,130	6,462		230,897
Capital expenditures	1,398,942	501,423	235,055		2,135,420

(ii) As at 31 December 2016 and 2015

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Group
As at 31 December 2016					
Segment assets and liabilities					
Segment assets	**140,062,386**	**5,726,403**	**13,296,519**	**(2,164,926)**	**156,920,382**
Segment assets include:					
Investments in associates and a joint venture	**162,214**	**17,846**	**3,150,870**	**-**	**3,330,930**
Unallocated assets – Deferred tax assets					**791,208**
Total assets					**157,711,590**
Segment liabilities	**73,847,155**	**3,960,703**	**3,288,010**	**(2,015,919)**	**79,079,949**
Unallocated liabilities – Deferred tax liabilities and borrowings					**34,099,205**
Total liabilities					**113,179,154**
As at 31 December 2015					
Segment assets and liabilities					
Segment assets	127,514,786	4,657,063	9,544,934	(2,933,714)	138,783,069
Segment assets include:					
Investments in associates and a joint venture	98,595	16,309	1,018,540	-	1,133,444
Unallocated assets – Deferred tax assets					646,627
Total assets					139,429,696
Segment liabilities	66,149,561	2,911,001	2,789,059	(2,954,699)	68,894,922
Unallocated liabilities – Deferred tax liabilities and borrowings					29,656,097
Total liabilities					98,551,019

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

4 REVENUE

Revenue mainly represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

	2016	2015
Sales of goods	**257,171,400**	228,045,092
Consulting income	**417,412**	215,673
Franchise fee and other service fee from medicine chain stores	**133,436**	133,686
Operating lease income	**164,591**	121,000
Revenue from logistics service	**160,466**	49,398
Interest income from finance leases	**270,464**	40,349
Import agency income	**22,949**	27,954
Others	**46,971**	39,777
	258,387,689	228,672,929

5 OTHER INCOME

	2016	2015
Government grants *(i)*	**272,285**	243,730

Note:

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

6 OTHER GAINS – NET

	2016	2015
Write-back of certain liabilities	**12,596**	33,766
Gain on fair value remeasurement of existing equity in a subsidiary disposed of	**35,080**	2,603
Gain on disposal of subsidiaries	**110,377**	6,816
Gain on disposal of prepaid land lease payments, property, plant and equipment and intangible assets	**255,934**	5,805
Foreign exchange loss - net	**(5,036)**	(23,947)
Gain on disposal of available-for-sale investments	**470**	42,791
Donation	**(17,339)**	(20,073)
Dividend from available-for-sale investments	**13,727**	13,030
Others - net	**4,923**	3,805
	410,732	64,596

7 EXPENSES BY NATURE

	2016	2015
Raw materials and trading merchandise consumed	**236,797,833**	209,414,520
Changes in inventories of finished goods and work in progress	**29,325**	23,799
Employee benefit expenses *(Note 8)*	**5,855,887**	5,144,630
Provision/(reversal of provision) for impairment of trade receivables	**29,718**	(4,675)
Provision for impairment of other receivables	**26,446**	15,840
Provision for impairment of inventories	**8,586**	52,939
Provision for impairment of intangible assets	**25,850**	40,084
Provision for impairment of property, plant and equipment	**-**	1,541
Provision for impairment of finance lease receivables	**33,746**	19,214
Operating lease rental in respect of land and buildings	**897,185**	680,702
Depreciation of property, plant and equipment	**755,723**	716,646
Depreciation of investment properties	**16,611**	18,068
Amortisation of intangible assets	**248,624**	230,897
Amortisation of prepaid land lease payments	**46,803**	40,252
Auditors' remuneration		
- statutory audit service	**20,575**	22,015
- non-statutory audit service	**1,761**	270
- non-audit service	**5,625**	416
Advisory and consulting fees	**141,523**	86,790
Transportation expenses	**972,332**	849,014
Travel expenses	**288,193**	235,820
Market development and business promotion expenses	**921,930**	829,777
Utilities	**174,656**	127,962
Others	**1,147,322**	1,142,815
Total cost of sales, selling and distribution expenses, and administrative expenses	**248,446,254**	219,689,336

8 EMPLOYEE BENEFIT EXPENSES

	2016	2015
Salaries, wages, allowances and bonuses	**4,591,081**	3,996,366
Contributions to pension plans *(i)*	**463,149**	412,813
Post-employment benefits	**25,493**	30,163
Housing benefits *(ii)*	**189,578**	163,631
Share incentive expenses	**3,833**	-
Other benefits *(iii)*	**582,753**	541,657
	5,855,887	5,144,630

Notes:

(i) As stipulated by the related regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in Mainland China. The Group also contributes to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 7% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 20% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

Contributions totalling RMB5,781 thousand (2015: RMB10,856 thousand) were payable to the fund at the year end of 2016.

(ii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' basic salary.

(iii) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

9 FINANCE INCOME AND COSTS

	2016	2015
Interest expense:		
– Borrowings	**1,240,172**	1,396,672
– Discount of notes receivable	**319,003**	369,459
– Factoring of accounts receivable	**489,476**	327,551
– Net interest on net defined benefit liability	**14,982**	18,001
Gross interest expense	**2,063,633**	2,111,683
Bank charges	**179,338**	142,125
Less: capitalised interest expense	**(20,141)**	(22,744)
Finance costs	**2,222,830**	2,231,064
Finance income:		
– Interest income on deposits in banks or other financial institutions	**(224,181)**	(171,940)
– Interest income on long-term deposits	**(66,829)**	(71,318)
Net finance costs	**1,931,820**	1,987,806

10 TAXATION

Income tax expense

	2016	2015
Current income tax	**2,314,064**	1,811,471
Deferred taxation	**(280,837)**	(83,207)
	2,033,227	1,728,264

A reconciliation of the tax charge applicable to profit before tax using the applicable rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2016	2015
Profit before tax	**8,924,822**	7,469,173
Less: Share of profits and losses of associates	**(232,190)**	(165,060)
	8,692,632	7,304,113
Tax calculated at the applicable tax rate	**2,173,158**	1,826,028
Expenses not deductible for tax purposes	**69,553**	56,666
Income not subject to tax	**(1,768)**	(5,821)
Tax losses not recognised	**25,817**	18,740
Tax losses utilised from previous periods	**(32,915)**	(3,131)
Impact of change in the applicable income tax rate on deferred tax	**4,834**	(16,222)
Impact of lower tax rates enacted by local authority	**(132,360)**	(114,373)
Income tax refund	**(73,092)**	(33,623)
Income tax expense	**2,033,227**	1,728,264

Note:

(i) During 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 operations in designated areas with preferential EIT policies.

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

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

	2016			2015		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax (charge)/ credit	After tax
Available-for-sale investments:						
Changes in fair value	**(10,151)**	**2,538**	**(7,613)**	39,873	(9,968)	29,905
Remeasurement of post-employment benefit obligations	**12,495**	**(2,385)**	**10,110**	(44,521)	10,733	(33,788)
Share of other comprehensive income of associates	**(1,507)**	**-**	**(1,507)**	-	-	-
Exchange differences	**(17,839)**	**-**	**(17,839)**	4,660	-	4,660
Other comprehensive income	**(17,002)**	**153**	**(16,849)**	12	765	777

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent excluding the profit attributable to the shareholders of restricted shares expected to be unlocked in the future as at the end of the reporting period and the weighted average number of ordinary shares of 2,767,095 thousand (2015: 2,767,095 thousand) in issue during the year excluding restricted shares at the end of the year.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and included the number of restricted shares expected to be unlocked in the future.

The calculations of basic and diluted earnings per share are based on:

	2016	2015
Earnings		
Profit attributable to ordinary equity holders of the parent	**4,647,344**	3,772,222
Less: profit attributable to the shareholders of restricted shares expected to be unlocked in the future	**(12,143)**	-
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**4,635,201**	3,772,222
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *('000)*	**2,759,865**	2,767,095
Effect of dilution – Restricted shares *('000)*	**7,230**	**-**
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation *('000)*	**2,767,095**	2,767,095
Basic earnings per share *(RMB per share)*	**1.68**	1.36
Diluted earnings per share *(RMB per share)*	**1.68**	1.36

12 TRADE RECEIVABLES

	2016	2015
Accounts receivable	**60,688,999**	59,244,680
Notes receivable	**9,355,552**	6,577,946
	70,044,551	65,822,626
Less: Provision for impairment	**(799,130)**	(789,870)
Trade receivables – net	**69,245,421**	65,032,756

The fair value of trade receivables approximates to their carrying amount.

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

	2016	2015
Within 1 year	**68,603,558**	**64,609,034**
1 to 2 years	**561,223**	**403,536**
Over 2 years	**80,640**	**20,186**
	69,245,421	**65,032,756**

As at 31 December 2016, notes receivable of RMB239,073 thousand (2015: RMB646,973 thousand) and accounts receivable of RMB666,872 thousand (2015: RMB607,950 thousand) were pledged as collaterals for the Group's bank borrowings.

As at 31 December 2016, notes receivable of RMB121,230 thousand (2015: RMB70,551 thousand) were pledged as collaterals for the Group's notes payable.

The maximum exposure to credit risk as at 31 December 2016 is the carrying value of each category of receivable mentioned above and other receivables.

13 TRADE PAYABLES

	2016	2015
Accounts payable	**50,257,200**	43,332,421
Notes payable	**16,488,615**	16,230,875
	66,745,815	59,563,296

The fair value of trade payables approximates to their carrying amount.

The ageing analysis of trade payables is as follows:

	2016	2015
Below 3 months	**49,532,985**	49,410,481
3 to 6 months	**12,878,192**	6,221,805
6 months to 1 year	**2,938,441**	2,860,549
1 to 2 years	**748,965**	565,547
Over 2 years	**647,232**	504,914
	66,745,815	59,563,296

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

	2016	2015
RMB	**66,276,986**	59,062,818
USD	**397,669**	478,143
EUR	**-**	6,045
HKD	**71,160**	15,930
MOP	**-**	360
	66,745,815	59,563,296

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

During the year ended 31 December 2016, accounts payable of RMB3,037,485 thousand (2015: RMB3,567,502 thousand) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 31 December 2016 and 31 December 2015, all bank borrowings related to this program were repaid.

14 DIVIDENDS

The dividends paid by the Company in 2016 were RMB1,134,509 thousand (RMB0.41 (tax inclusive) per ordinary share). A final dividend for the year ended 31 December 2016 of RMB0.50 (tax inclusive) per ordinary share, totalling approximately RMB1,383,548 thousand is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 24 March 2017. These financial statements have not reflected this proposed dividend.

	2016	2015
Proposed final dividend	**1,383,548**	1,134,509

15 MATERIAL ASSETS RESTRUCTURING

During the year, the Group had the following material assets restructuring transactions.

(a) The Company disposed of 26% equity interest in Sinopharm Holding A-Think Pharmaceutical Co., Ltd. ("**Sinopharm A-Think**") and 51% equity interest in China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. ("**Sanyi Pharmaceutical**") held by the Company to Shanghai Modern Pharmaceutical Co., Ltd. ("**Modern Pharmaceutical**") for an aggregate consideration of approximately RMB486,210 thousand, which shall be satisfied by issuance of 16,731,237 consideration shares in total at the issue price of RMB29.06 per consideration share by Modern Pharmaceutical to the Company. The above-mentioned consideration shares of approximately 16,731,237 represent approximately 3.01% of the issued share capital of Modern Pharmaceutical as enlarged by the issuance of the consideration shares; and

(b) China National Accord Medicines Co., Ltd. ("**Sinopharm Accord**") disposed of 51% equity interest in Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd. ("**Zhijun Pharmaceutical**"), 51% equity interest in Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. ("**Zhijun Pharmaceutical Trade**"), 51% equity interest in Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd. ("**Pingshan Pharmaceutical**"), and Pingshan Base held by Sinopharm Accord to Modern Pharmaceutical for an aggregate consideration of approximately RMB2,511,323 thousand, which shall be satisfied by issuance of 86,418,532 consideration shares in total at the issue price of RMB29.06 per consideration share by Modern Pharmaceutical to Sinopharm Accord. The above-mentioned consideration shares of approximately 86,418,532 represent approximately 15.56% of the issued share capital of Modern Pharmaceutical as enlarged by the issuance of the consideration shares; and

(c) Sinopharm Accord acquired 51% equity interest in Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd. ("**Southern Pharmaceutical**") by China National Pharmaceutical Foreign Trade Corporation ("**Pharmaceutical Foreign Trade**") for an aggregate consideration of approximately RMB284,783 thousand, which shall be satisfied by the issuance of approximately 5,323,043 consideration shares in total at the issue price of RMB53.50 per consideration share by Sinopharm Accord to Pharmaceutical Foreign Trade. The above-mentioned consideration shares of approximately 5,323,043 represent approximately 1.24% of the issued share capital of Sinopharm Accord as enlarged by the issuance of the consideration shares. Sinopharm Accord acquired 49% equity interest in Southern Pharmaceutical held by 11 individuals for an aggregate consideration of approximately RMB273,615 thousand, which shall be satisfied by cash. Sinopharm Accord shall issue 5,114,297 shares in total at the issue price of RMB53.50 to Ping An Asset Management Co., Ltd. to raise matching funds. The above-mentioned consideration shares of approximately 5,114,297 represent approximately 1.19% of the issued share capital of Sinopharm Accord as enlarged by the issuance of the consideration shares; and

(d) The Company disposed of 100% equity interest in Sinopharm Holding GuoDa Drug Store Co., Ltd., 100% equity interest in Foshan Nanhai Medical Group Co., Ltd. and 100% equity interest in Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. held by the Company to Sinopharm Accord for an aggregate consideration of approximately RMB2,945,587 thousand, which shall be satisfied by issuance of 55,057,700 consideration shares in total at the issue price of RMB53.50 per consideration share by Sinopharm Accord to the Company. The above-mentioned consideration shares of approximately 55,057,700 represent approximately 12.87% of the issued share capital of Sinopharm Accord as enlarged by the issuance of the consideration shares.

Since the acquisitions and the disposals and deemed disposal under the above asset restructuring are inter-conditional, the acquisitions and the disposals and deemed disposal are regarded as one transaction involving both an acquisition and disposal. Both Modern Pharmaceutical and Pharmaceutical Foreign Trade are subsidiaries of CNPGC, the ultimate controlling shareholder of the Company. When the Group loses control over subsidiaries, it derecognised (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the carrying amount of the consideration received, (ii) the carrying amount of any investment retained and (iii) any resulting surplus or deficit in reserves.

Upon completion of the assets restructuring, the carrying amount of the shareholding of the non-controlling interests increased by RMB411,901 thousand. The Group recognised a decrease in equity attributable to owners of parent of RMB596,589 thousand.

The above transactions have been approved by the SASAC (State-owned Assets Supervision and Administration Commission of the State Council), the CSRC (China Securities Regulatory Commission), the shareholders' meeting of the Company, Sinopharm Accord and Modern Pharmaceutical, respectively. Upon completion of the asset restructuring, (i) Sinopharm Accord continues to be a subsidiary of the Company, and its shareholding of the Company in Sinopharm Accord increased from 51.00% to 56.06%. (ii) Southern Pharmaceutical becomes a subsidiary of the Company, and the equity interests of the Company in Southern Pharmaceutical are held through Sinopharm Accord, and (iii) each of Sinopharm A-Think, Sanyi Pharmaceutical, Zhijun Pharmaceutical, Zhijun Pharmaceutical Trade, and Pingshan Pharmaceutical cease to be a subsidiary of the Company and become associate of the Company as well as a subsidiary of Modern Pharmaceutical. Therefore, each of Sinopharm A-Think, Sanyi Pharmaceutical, Zhijun Pharmaceutical, Zhijun Pharmaceutical Trade Company, and Pingshan Pharmaceutical become a connected person of the Company.

As at 4 January 2017, the new A shares of Sinopharm Accord subscribed for by the Company were listed on the Shenzhen Stock Exchange, subject to a lock-up period of 36 months.

As at 9 March 2017, the new A shares of Modern Pharmaceutical subscribed for by the Company and Sinopharm Accord were listed on the Shanghai Stock Exchange, subject to a lock-up period of 36 months.

16 BUSINESS COMBINATIONS

(a) Business combinations not under common control

Acquisitions during the year are as follows:

The Group acquired equity interests from third parties in certain subsidiaries which are mainly engaged in the distribution of medicines and pharmaceutical products and operations of pharmaceutical chain stores to extend the market share of the Group. The subsidiaries acquired by the Group during the year are as follows:

Subsidiaries acquired from third parties	**Acquisition date**	**Acquired interests %**
Sinopharm Guoda Qunkang Pharmacy Chain Store (Taishan) Co., Ltd.	31 March 2016	70%
Sinopharm Holding Linqu Co., Ltd.	7 January 2016	80%
Yishang Juli Technology Co., Ltd.	31 March 2016	100%

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Contingent consideration *(i)*	20,790
– Cash paid	23,761
Total purchase consideration	44,551

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

	Fair value at acquisition date
Cash and cash equivalents	3,755
Property, plant and equipment	2,347
Intangible assets	
– software and trademarks	4,820
Deferred tax assets	187
Inventories	20,743
Trade and other receivables	64,360
Trade and other payables	(61,572)
Deferred tax liabilities	(1,202)
Interest-bearing bank and other borrowings	(11,600)
Net assets	21,838
Non-controlling interests *(ii)*	(4,304)
Goodwill	27,017
	44,551
Total purchase consideration	44,551
Less: contingent consideration *(i)*	(20,790)
Consideration for acquisitions settled in cash	23,761
Less: non-cash settled consideration	(852)
Cash consideration paid in 2016	22,909
Cash and cash equivalents in subsidiaries acquired	(3,755)
Cash outflow on acquisition	19,154

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

Notes:

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay a contingent consideration based on achievement of the profit targets of the acquirees. The maximum undiscounted contingent consideration payable is RMB20,790 thousand.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB20,790 thousand. As at 31 December 2016, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

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

(iii) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2016 are summarised as follows:

	From acquisition date to 31 December 2016
Revenue	**166,472**
Net profit	**5,050**

(iv) The revenue and net profit of these newly acquired subsidiaries from 1 January 2016 to 31 December 2016 are summarised as follows:

	From 1 January 2016 to 31 December 2016
Revenue	**184,711**
Net profit	**6,351**

(b) Business combinations under common control

As a part of the assets restructuring (Note 15), in October 2016, the Group obtained a 51% equity interest in Southern Pharmaceutical from Pharmaceutical Foreign Trade. Since both Southern Pharmaceutical and Pharmaceutical Foreign Trade are subsidiaries of CNPGC, the ultimate controlling shareholder of the Company, the acquisition was a business combination under common control. The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of the above subsidiary on the consolidated statement of financial position.

The consolidated statement of financial position as at 31 December 2014:

	The Group excluding Southern Pharmaceutical	Southern Pharmaceutical	Adjustments	Consolidated
Net assets	36,289,629	205,724	2,755	36,498,108
Share capital	2,767,095	30,000	(30,000)	2,767,095
Share premium	18,077,173	-	-	18,077,173
Statutory reserves	423,398	16,582	(16,582)	423,398
Revaluation of available-for-sale investments	16,687	-	-	16,687
Other reserves	(1,279,202)	40	10,838	(1,268,324)
Retained earnings	7,376,716	159,102	(115,066)	7,420,752
Non-controlling interests	8,907,762	-	153,565	9,061,327
	36,289,629	205,724	2,755	36,498,108

17 EVENTS AFTER THE REPORTING PERIOD

On 20 July 2016, the Company, China National Medicines Co., Ltd. (“**National Medicines**”), and the other non-controlling shareholders entered into the Assets Transfer Agreements and passed the resolutions to make revision to the related transaction proposal on 23 September 2016, pursuant to which the Company proposed to dispose of the 96% equity interest in Sinopharm Holding Beijing Co., Ltd. (“**Sinopharm Beijing**”), 51% equity interest in Sinopharm Holding Beijing Huahong Co., Ltd. (“**Beijing Huahong**”), 51% equity interest in Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. (“**Beijing Kangchen**”) and 51% equity interest in Beijing Tianxinpuxin Bio-Medicine Co., Ltd. to National Medicines for an aggregate consideration of approximately RMB5,339.69 million, which will be satisfied by issuance of approximately 212,736,835 consideration shares in total at the issue price of RMB25.10 per consideration share by National Medicines to the Company. While the other non-controlling shareholders also agreed to transfer 4% equity interest in Sinopharm Beijing, 9% equity interest in Beijing Huahong and 49% equity interest in Beijing Kangchen to National Medicine on equal conditions and obtain the consideration shares issued by National Medicine. Upon completion of all the transactions under the Assets Transfer Agreements, the Company's shareholding ratio in National Medicines will be increased from 44.01% to 58.52%.

National Medicines also resolved that, upon the completion of the transactions under the proposed Assets Transfer Agreements, National Medicine shall issue no more than 41.04 million subscription shares by way of non-public offer to no more than ten qualified designated investors at the issue price of RMB25.10 per subscription share to raise proceeds of no more than RMB1,030 million in aggregate, and such proceeds will be mainly used for hospital supply chain extension programs, community hospital pharmacy hosting projects, hospital cold-chain logistic system projects and information technology construction projects. Immediately following the completion of the proposed issuance of the subscription shares, National Medicines will be held as to 55.38% by the Company and will continue to be a subsidiary of the Company.

On 17 January 2017, the aforesaid transaction has been approved by the CSRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Stable economy in general with increasing downward pressure of economic growth

China's macro economy was stable in general with improving quality of economic growth in 2016. GDP growth further slowed down to 6.7%, downward pressure of economic growth increased, indicating that the current economy is going through a relatively difficult time.

Continuous rigid demand

Despite slowdown of economic growth and frequent release of industry policies, the rigid demand of healthcare industry continued, the industry growth continued to exceed the macroeconomic growth. As more pharmaceutical companies go public, the pharmaceutical distribution and retail industries have entered into a stage of merger, acquisition and expansion, highlighting the importance of scale advantage.

Opportunities and challenges brought along with frequent release of healthcare policies

The industry was challenged by policies such as "two-invoice system", drug tender and rigorous regulation of pharmaceutical distribution, contributing to the facilitating of the survival of the fittest and a quicker consolidation within the industry, large-scale enterprises with superior control and management will win out. The concentration ratio of the industry is bound to increase in the future.

The separation of medical treatment and drug sale will bring along challenges for hospitals, but will bring along enormous opportunities for the drugs retail business. 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.

In the long run, with the contribution from the aging population, urbanization, increase in chronic diseases, rise in household income and the wider coverage of medical insurance, we believe China's healthcare 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 unfavourable macroeconomic and industry situation through the whole year, 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.

Continuous strengthen of 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 31 December 2016, the distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 14,231 hospitals (only referring to ranked hospitals, including 1,991 largest class-three hospitals with the highest rankings), 119,931 small end-customers (including primary health services institutions and others) and 79,839 retail outlets.

The Group continued its endeavours to promote integrated operation. Meanwhile, the Group continued to strengthen the construction of national integrated logistics platform: the national pharmaceutical distribution logistics network includes 4 logistic hubs, 38 provincial logistic centres, 185 municipal level logistics outlets, 24 retail logistics outlets, with a sum of 251 logistics outlets.

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 31 December 2016, the number of retail pharmacies was 3,502 (only referring to those operated by Sinopharm Holding Guoda Drug Store Co., Ltd.), covering 18 provinces and cities across the country, among which 2,503 were directly operated by the Group and 999 were operated by franchisees. The Group witnessed a rapid increase in sales amount and a significant increase in profit 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 new ideas of corporate transformation, the Group forged stronger competitive edges in the industry chain. The financial leasing business grew rapidly and profit increased significantly. Sinopharm-CICC (Shanghai) Medical & Healthcare Investment Management Co., Ltd. was established, industry and capital are aligned to drive the consolidation of distribution and retail industries as well as to advance Sinopharm's strategic expansion.

- Based on alignment of pharmaceutical and medical device, hospital medical services such as cleaning, sterilization and post-sale maintenance were actively promoted and achieved rapid growth in scale.

- 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.

- Capitalising on the policy opportunity to actively promote third-party logistics and national integrated cold-chain logistics service system, satisfactory progress was achieved.

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 ratio of accounts receivable balance in income, as well as the accounts receivable turnover days. The capital efficiency was further improved, the operating risks were further decreased, and the enterprise competitiveness was further enhanced.

Future Plan

Continue to solidify leading position in distribution business

The distribution business still remains as an important strategic sector of the Group. The Group will continue to advance the descending of distribution network and optimize network layout, further utilizing scale and network advantages and continuously solidifying industry leading position. The Group will further advance regional integration with the aim to build regional enterprise groups with integrated management and control, various services, synergy and versatility, and high operation efficiency, so as to lay a foundation for a national integration.

Continue to promote rapid growth of 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.

Continue to advance and foster innovative businesses

Innovative businesses based on main business are critical for optimizing the Group's revenue structure and profitability. The Group will continue to vigorously drive marketing transformation to help agent business achieve faster growth. The Group will continue to advance "combination of industry and finance" and vigorously promote financial services such as financial leasing and industry investment. The Group will continue to utilise current hospital resources to vigorously promote hospital medical services such as cleaning, sterilization and post-sale maintenance. The Group will continue to actively advance the progress of e-commerce project with the aim to establish a vertical e-commerce service platform integrating B2B, B2C, O2O services to provide end customers with one-stop "medical + pharmaceutical" services.

Further improve capital efficiency and control operation risk

The Group will further improve capital efficiency and control operation risk through measures such as capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening, so as to realise healthier sustainable development.

Accelerate internationalisation process and expand international business

The Group will take advantage of capital and channel advantages to promote international business. Besides, the Group will strengthen international communication, possess international vision and cultivate international talents.

Looking forward, the industry is in a vastly volatile time with change and adjustment, bringing many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform and supply side structural reform, will take "new thought, new strategy, new momentum, new target" as strategic guidance, and will continue to advance transformation and upgrade, realizing sustainable development and forging a pharmaceutical healthcare service provider with international competence.

Financial Summary

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

During the Reporting Period, the Group recorded a revenue of RMB258,387.69 million, representing an increase of RMB29,714.76 million or 12.99% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB6,891.60 million, representing an increase of RMB1,150.69 million or 20.04% as compared with the corresponding period of last year. Profit attributable to owners of the parent amounted to RMB4,647.34 million, representing an increase of RMB875.12 million or 23.20% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.68, representing an increase of 23.53% as compared with the corresponding period of last year.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB258,387.69 million, representing an increase of 12.99% as compared with RMB228,672.93 million for the twelve months ended 31 December 2015, which was primarily due to the increase in revenue from the Group's pharmaceutical distribution and retail pharmacy business. The Group's revenue grew faster than the average level of development of pharmaceutical market in China.

- Pharmaceutical distribution segment: during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB246,458.82 million, representing an increase of 13.34% as compared with RMB217,457.92 million for the twelve months ended 31 December 2015, which accounted for 94.38% of the total revenue of the Group. Such increase was primarily due to a remarkable growth in the pharmaceutical distribution business and the further expansion of the pharmaceutical distribution network of the Group.

- Retail pharmacy segment: during the Reporting Period, the revenue from retail pharmacy of the Group was RMB10,238.51 million, representing an increase of 17.29% as compared with RMB8,729.37 million for the twelve months ended 31 December 2015. The increase was primarily due to the acquisition for expansion and business growth of the Group's existing pharmacies.

- Other business segments: during the Reporting Period, revenue from other business of the Group was RMB4,440.88 million, representing a decrease of 6.21% as compared with RMB4,734.74 million for the twelve months ended 31 December 2015.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB237,717.02 million, representing an increase of 13.22% as compared with RMB209,952.62 million for the twelve months ended 31 December 2015. The increase was primarily due to the increase in the sales revenue of the Group.

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB20,670.67 million, representing an increase of 10.42% as compared with RMB18,720.31 million for the twelve months ended 31 December 2015. The gross profit margin of the Group for the twelve months ended 31 December 2015 and 2016 were 8.19% and 8.00%, respectively.

Other Income

During the Reporting Period, other income of the Group was RMB272.29 million, representing an increase of 11.72% as compared with RMB243.73 million for the twelve months ended 31 December 2015. The increase was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB6,618.86

million, representing an increase of 9.86% as compared with RMB6,024.83 million for the twelve months ended 31 December 2015. The increase in selling and distribution expenses was primarily attributable to the Group's enlarged operation scale, its business development and its expansion of distribution networks through new set-ups and acquisitions of companies and businesses, etc.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB4,110.38 million, representing an increase of 10.74% as compared with RMB3,711.89 million for the twelve months ended 31 December 2015. The increase in administrative expenses was primarily attributable to the increase in administrative costs incurred by the expansion of network scale and business growth of the Group.

During the Reporting Period, the proportion of the Group’s administrative expenses to the total revenue of the Group decreased to 1.59% from 1.62% for the twelve months ended 31 December 2015, which was due to the implementation of cost control measures and the economies of scale of the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB10,213.72 million, representing an increase of 10.69% from RMB9,227.32 million for the twelve months ended 31 December 2015.

Other Gains – Net

The other gains of the Group less other losses increased from RMB64.60 million for the twelve months ended 31 December 2015 to RMB410.73 million for the Reporting Period. The increase was primarily due to the increase in gains from disposal of subsidiaries and fixed assets by the Group.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB1,931.82 million, representing a decrease of 2.82% as compared with RMB1,987.81 million for the twelve months ended 31 December 2015. The decrease was primarily due to the decrease in financing costs of the Group.

Share of Profits and Losses of Associates

During the Reporting Period, the Group’s share of profits and losses of associates was RMB232.19 million, representing an increase of 40.67% as compared with RMB165.06 million for the twelve months ended 31 December 2015.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB2,033.23 million, representing an increase of RMB304.97 million as compared with RMB1,728.26 million for the twelve months ended 31 December 2015. The increase was primarily due to the increase in profits of the Group, which led to a corresponding increase in income tax expenses. The Group's actual income tax rate decreased to 22.78% during the Reporting Period from 23.14% for the twelve months ended 31 December 2015.

Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2016 was RMB6,891.60 million, representing an increase of 20.04% as compared with RMB5,740.91 million for the twelve months ended 31 December 2015. The profit margin of the Group for the twelve months ended 31 December 2015 and 2016 were 2.51% and 2.67%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit or net profit attributable to owners of the parent was RMB4,647.34 million, representing an increase of 23.20% or RMB875.12 million from RMB3,772.22 million for the twelve months ended 31 December 2015. The Group's net profit margin for the Reporting Period and the corresponding period of 2015 were 1.80% and 1.65%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB2,244.25 million, representing an increase of RMB275.56 million from RMB1,968.69 million for the twelve months ended 31 December 2015.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB93,781.12 million, of which approximately RMB44,119.75 million were not yet utilized. Cash and cash equivalents of RMB25,572.76 million primarily comprise cash, bank savings and income from current operating activities.

Cash flow

The cash of the Group was primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2015 and 2016, respectively:

	2016	2015	2015(Restated)
	RMB million	*RMB million*	*RMB million*
Net cash generated from operating activities	**9,257.96**	13,560.45	13,412.33
Net cash used in investing activities	**(1,606.45)**	(1,596.47)	(1,643.32)
Net cash used in financing activities	**(2,026.96)**	(7,328.09)	(7,159.75)
Net increase in cash and cash equivalents	**5,624.55**	4,635.89	4,609.26
Cash and cash equivalents at the beginning of the year	**19,966.05**	15,232.36	15,305.98
Exchange differences	**(17.84)**	50.90	50.81
Cash and cash equivalents at the end of the year	**25,572.76**	19,919.15	19,966.05

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB9,257.96 million, representing a decrease of RMB4,154.37 million from RMB13,412.33 million for the twelve months ended 31 December 2015. The decrease was primarily attributed to the outflow of operating cashflow due to the expansion of the Group's subsidiary's financial leasing business.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,606.45 million, representing a decrease of RMB36.87 million as compared with RMB1,643.32 million for the twelve months ended 31 December 2015.

Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB2,026.96 million, which was primarily attributable to the repayment of due debts and the interests paid. The net cash used in financing activities of the Group for the twelve months ended 31 December 2015 was RMB7,159.75 million.

Capital Expenditure

The Group's capital expenditures were primarily utilized for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improving of the level of informatization. The Group's capital expenditures amounted to RMB2,135.42 million and RMB1,464.49 million for the year ended 31 December 2015 and the Reporting Period, respectively.

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

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. Through issuance of the super short-term financing bill, the Group obtained approximately RMB11 billion for the purpose of replenishing working capital, facilitating the adjustment of the debt structure of the Group and reducing financing costs.

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

As at 31 December 2016, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD and Euro ("**EUR**") and AUD ("**AUD**").

Indebtedness

As at 31 December 2016, the Group had aggregate banking facilities of RMB93,781.12 million, of which RMB44,119.75 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2016, RMB22,362.58 million will be due within one year and RMB11,135.30 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As at 31 December 2016, the Group's gearing ratio was 71.76% (31 December 2015: 70.68%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 31 December 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 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 at 31 December 2016, part of the Group's borrowings and notes payable were secured by prepaid land lease payments with book value of RMB43.14 million, investment properties with book value of RMB19.06 million, properties, plant and equipment with book value of RMB76.69 million, trade receivables with book value of RMB1,027.18 million and finance lease receivables with book value of RMB439.81 million.

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 its 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 its 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**") at an aggregate consideration of approximately RMB284.7828 million. 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 disclosable 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 (the "**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. As at the date of this announcement, the aforesaid transactions have closed.

On 20 July 2016, the Company and China National Medicines Corporation Ltd. ("**SINOPHARM (CNCM LTD)**") entered into the assets transfer agreements and pass the resolutions to make revision to the related transaction proposal on 23 September 2016. Pursuant to which, the company resolved to transfer 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 to SINOPHARM (CNCM LTD) at an aggregate consideration of approximately RMB5,339.6946 million, which will be satisfied by issuance of approximately 212,736,835 consideration shares in total at the issue price of RMB25.10 per consideration share by SINOPHARM (CNCM LTD) to the Company. While the other minority shareholders of the aforesaid target companies also agreed to transfer their corresponding equity interests in the aforesaid target companies to SINOPHARM (CNCM LTD) on equal conditions and obtain the consideration shares issued by SINOPHARM (CNCM LTD). Upon completion of all the transactions under the assets transfer agreements, the Company's shareholding ratio in SINOPHARM (CNCM LTD) will be increased from 44.01% to 58.52%, and SINOPHARM (CNCM LTD) will continue to be a subsidiary of the Company. The Company's proposed disposal of the target assets to SINOPHARM (CNCM LTD) and the proposed acquisition of the consideration shares to be issued by SINOPHARM (CNCM LTD) contemplated under the assets transfer agreements constitute disclosable transactions under Chapter 14 of the Listing Rules. Details of the transactions are set out in the announcement of the Company published on the Company and the websites of the Hong Kong Stock Exchange on 20 July 2016 and 23 September 2016.

As at the date of this announcement, the aforesaid transactions have been approved by China Securities Regulatory Commission and are in the process of closing.

Save as disclosed above, during the Reporting Period, the Company had no major acquisitions and disposals with respect to subsidiaries, associated and jointly-owned companies.

Major Investment

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

Going Concern

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

Contingent Liabilities and Material Litigations

As at 31 December 2016, the Group neither had any material contingent liability, nor had any material litigation.

Human Resources

As at 31 December 2016, the Group had a total of 56,127 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 to improve their working efficiency, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 24 March 2017 to propose to distribute a final dividend of RMB0.5 per share (tax inclusive) for the year ended 31 December 2016 (the "**Final Dividend**"), totalling approximately RMB1,383,548 thousand. If the proposal of profit distribution is approved by shareholders at the 2016 annual general meeting to be held on Friday, 30 June 2017 (the "**AGM**"), the Final Dividend will be distributed to the shareholders whose names appear on the register of members of the Company on Tuesday, 11 July 2017 no later than the end of August 2017.

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

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

Pursuant to *the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document* (the "**Notice**") issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld by the Company from the Final Dividend payable to the individual H-share shareholders whose names appear on the register of members of the Company on Tuesday, 11 July 2017, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 31 May 2017 to Friday, 30 June 2017 (both days inclusive). In order to qualify to attend the AGM and to vote at the meeting, all instruments of transfer of the holders of H-shares of the Company must be lodged at the H-shares registrar of the Company at Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 30 May 2017. Shareholders whose names appear on the register of members of the Company on Wednesday, 31 May 2017 shall be entitled to attend the AGM.

The register of members of the Company will be closed from Thursday, 6 July 2017 to Tuesday, 11 July 2017 (both days inclusive). In order to qualify to receive the Final Dividend, all instruments of transfer of the holders of H-shares of the Company must be lodged at the H-shares registrar of the Company at Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 5 July 2017. Shareholders whose names appear on the register of members of the Company on Tuesday, 11 July 2017 shall be entitled to receive the Final Dividend.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company currently consists of five Directors: including three independent non-executive Directors being Mr. Tan Wee Seng, Mr. Liu Zhengdong, Mr. Zhuo Fumin and two non-executive Directors being Mr. Deng Jindong and Mr. Li Dongjiu. Mr. Tan Wee Seng currently serves as the chairman of the audit committee. The primary responsibilities of the Company's audit committee are to inspect, review and supervise the Company's financial information, reporting process for financial information and risk management and internal control system. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2016.

SCOPE OF WORK OF ERNST & YOUNG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CORPORATE GOVERNANCE CODE") SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Company has adopted all code provisions of the Corporate Governance Code as the code of corporate governance of the Company. On 9 December 2015, Mr. Lyu Changjiang resigned from his positions as the independent non-executive director of the Company and the member of nomination committee under the Board. On 8 March 2016, Mr. Zhuo Fumin was appointed as an independent non-executive director of the Company after being approved at the Company's second extraordinary general meeting in 2016 and was appointed as the member of nomination committee under the Board on the same day.

Save as disclosed above, during the Reporting Period, the Company had complied with the code provisions as set out in the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE") SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Board has adopted the Model Code as the code of practice for directors and supervisors in respect of their trading in the listed securities of the Company. After making specific enquires with the directors and supervisors, all of them confirmed that they had complied with the requirements set out in the Model Code during the Reporting Period.

SUBSEQUENT EVENT

On 24 March 2017, Mr. Wei Yulin, due to the fact that he has reached retirement age, has tendered his resignation as the Chairman of the Board, the executive Director and the chairman of each of the Nomination Committee and Strategy and Investment Committee of the Board with immediate effect. Mr. Wei Yulin has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders or creditors of the Company. The Board wishes to express its heartfelt appreciation for Mr. Wei Yulin's remarkable contribution during his tenure of service.

On 24 March 2017, Mr. Li Zhiming, the executive Director and President of the Company, and a member of the Investment Committee of the Board, was elected as the chairman of the Board and appointed as the chairman of the Nomination Committee and the chairman of the Strategy and Investment Committee of the Board. The term of office of Mr. Li Zhiming begins from the date of approval of the election at this Board meeting, and will last until the expiry of the term of the current the Board. Mr. Li Zhiming will serve as the President until the appointment of the new President by the Board.

DISCLOSURE OF INFORMATION

The 2016 annual report of the Company will be duly dispatched to the shareholders of the Company, and published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sinopharmgroup.com.cn).

By order of the Board of
Sinopharm Group Co. Ltd.
Li Zhiming
Chairman

Shanghai, the PRC
24 March 2017

As at the date of this announcement, the executive director of the Company is Mr. Li Zhiming; the non-executive directors of the Company are Mr. Chen Qi Yu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Ma Ping, Mr. Deng Jindong, Mr. Li Dongjiu, Mr. Lian Wanyong and Mr. Wu Yijian; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong and Mr. Zhuo Fumin.

* *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."*