国药集团
SINOPHARM

國藥控股股份有限公司
SINOPHARM GROUP CO. LTD.*

(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

Caring for Life
Attending to Health
Interim Report 2017

* *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.".*

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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 become a leader in China's pharmaceutical retail industry.

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

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

Corporate Philosophy

Caring for life. Attending to health

Corporate Mission

Contributing to human health and good life

Core Value

Benevolence and responsibility

Corporate Vision

Becoming a pharmaceutical and healthcare service provider with international competitiveness

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Corporate Information

At the date of this report

Directors

Mr. Li Zhiming *(Executive Director, Chairman and President)*
Mr. Chen Qiyu *(Non-executive Director and Vice Chairman)*
Mr. She Lulin *(Non-executive Director)*
Mr. Wang Qunbin *(Non-executive Director)*
Mr. Ma Ping *(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. Liu Yong
Mr. Liu Wei

Strategy and Investment Committee

Mr. Li Zhiming *(Chairman)*
Mr. Chen Qiyu
Mr. She Lulin
Mr. Wang Qunbin
Mr. Ma Ping
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. Li Zhiming *(Chairman)*
Mr. She Lulin
Mr. Wang Qunbin
Ms. Li Ling
Mr. Yu Tze Shan Hailson
Mr. Liu Zhengdong
Mr. Zhuo Fumin

Authorized Representatives

Mr. Li Zhiming
Mr. Liu Yong

Legal Advisers

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

As to PRC law:
Beijing Zhonglun (Shanghai) Law Firm
Shanghai Boss & Young Attorneys at Law

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 Co., Ltd. Shanghai Branch
China Minsheng Banking Corp., Ltd. Shanghai Branch
Industrial and Commercial Bank of China Co., Ltd. Shanghai Branch
Agricultural Bank of China Co., Ltd. Shanghai Branch
China Construction Bank Co., Ltd. Shanghai Branch

Office of Board of Directors

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

Management Discussion and Analysis

Industry Overview

Stable economy with upwards trend

During the first half of 2017, China's macro economy was running within a reasonable range. The economy showed signs of stability and an upwards trend accompanied by stable and patterned growth. The employment rate went up, prices became more stable, a good pattern of structural optimization was shown, and the stability, coordination, and sustainability of economic development were enhanced.

Slowdown in growth of distribution industry

Due to the influence of industry policies, the growth of the distribution industry has slowed down year-over-year, however it has continued to exceed the macroeconomic growth level. As more pharmaceutical companies go public, the pharmaceutical distribution and retail industries have entered a stage of mergers, acquisitions and expansions, highlighting the importance of holding a scale advantage.

Opportunities and challenges co-existed

The industry was challenged by policies such as the "two-invoice system", drug tender and rigorous regulation of pharmaceutical distribution, contributing to the survival of the fittest environment and the push for quick 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 treatments and drug sales will bring along challenges for hospitals, but will bring along enormous opportunities for the drug retail businesses. With firm support from the government for the pharmaceutical e-commerce market, traditional pharmaceutical firms looked to the Internet for new growth drivers, where enterprises with strong online platforms and advantages in offline resources will have the highest potentials for growth.

In the long run, with contribution from factors such as the aging population, urbanization, increase in chronic diseases, rise in household income and the wider coverage of medical insurance, we believe that China's healthcare industry will be filled with opportunities and featured with rapid growth.

Business Review

Facing an unfavorable industry situation through the first half of 2017, the Group took "new thought, new strategy, new momentum, new target" as a strategic guidance. The Group further integrated platform resources and unleashed scale effect, resulting in the revenue growth of the Group continuing to exceed the industry average, which further consolidated the leading position and advantages of the Group.

Management Discussion and Analysis

Business Review

Solid leading position in the distribution business

In the pharmaceutical distribution industry, the Group has forged an integrated pharmaceutical supply chain and an advanced supply chain management system. The Group has achieved steady and appropriate adjustments in product structures, sustainably optimised customer structure, and continually expanded and integrated the national distribution network. As at 30 June 2017, the distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 14,279 hospitals (only referring to ranked hospitals, including 1,938 largest class-three hospitals with the highest rankings), 112,041 small end-customers (including primary health services institutions and others) and 74,108 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.

Leading position in the retail business

In respect of the retail pharmacy market, the Group is aiming to establish an integrated wholesale-retail distribution model. The Group strived for 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 2017, the number of retail pharmacies was 3,693 (only referring to those operated by Sinopharm Holding Guoda Drug Store Co., Ltd.), covering 18 provinces and cities across the country, among which 2,664 were directly operated by the Group and 1,029 were operated by franchisees. The sales amount grew rapidly year-over-year, and the industry leading position was sustained in respect of scale.

Strengthening of core competence and proactive promotion of innovative businesses

- Based on alignment of pharmaceutical and medical devices, 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 the pharmaceutical e-commerce market and promoted the combination of traditional businesses and the Internet. Sinopharm Online completed series A financing, businesses such as B2C and O2O achieved substantial growth, and B2B business also achieved satisfactory progress.

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

Management Discussion and Analysis

Business Review

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., the expense ratio was further lowered, profitability was further improved, the operating risks were further decreased, and the enterprise competitiveness was further enhanced.

Future Plan

Build smart service capability via technological innovation

The Group will utilise technological innovation to build a smart healthcare technology platform with "integrated wholesale-retail" as its core and advance the Group's transformation from traditional service-based enterprise to technology-based service enterprise, achieving its goals of stable industry position, significant management advantage, comprehensive business system and leading innovation capability.

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 optimisation of the network layout, further utilising scale and network advantages and continuously solidifying the Group's 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 the main business are critical for optimising the Group's revenue structure and profitability. 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 progress of the e-commerce project with the aim to establish a vertical e-commerce service platform integrating B2B, B2C, O2O services. The Group will continue to promote third-party logistics and national integrated cold-chain logistics service system with the aim to build "smart logistics" + "cold-chain brand".

Management Discussion and Analysis

Future Plan

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.

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, take "new thought, new strategy, new momentum, new target" as strategic guidance, advance the "integrated wholesale-retail" strategy, strengthen technology application, promote transformation and innovation, with the aim to build a smart healthcare service ecosystem with international competence.

Financial Summary

The financial summary set out below is extracted from the unaudited financial statements of the Group for the six months ended 30 June 2017 (the "**Reporting Period**") which were prepared in accordance with the Hong Kong Accounting Standard 34 *Interim financial reporting*.

During the Reporting Period, the Group recorded revenue of RMB137,767.54 million, representing an increase of RMB10,968.59 million or 8.65% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,031.84 million, representing an increase of RMB277.28 million or 7.39% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB2,764.65 million, representing an increase of RMB229.14 million or 9.04% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company amounted to RMB1.00, representing an increase of 8.70% as compared with the corresponding period of last year.

Management Discussion and Analysis

Financial Summary

Unit: RMB million

	Six months ended 30 June 2017	Six months ended 30 June 2016 (Restated)	Change
Operating result			
Revenue	**137,767.54**	126,798.95	10,968.59
Earnings before interest and tax	**6,155.43**	5,754.81	400.62
Profit attributable to owners of the parent	**2,764.65**	2,535.51	229.14
Profitability			
Gross margin	**7.91%**	8.10%	decreased by 0.19 percentage point
Operating margin	**4.27%**	4.12%	increased by 0.15 percentage point
Net profit margin	**2.93%**	2.96%	decreased by 0.03 percentage point
Earnings per share – Basic (RMB)	**1.00**	0.92	0.08
Key operational indicators			
Trade receivables turnover ratio (days)	**104**	100	4
Inventory turnover ratio (days)	**36**	35	1
Trade payables turnover ratio (days)	**98**	97	1
Current ratio (times)	**1.26**	1.33	-0.07

Unit: RMB million

	30 June 2017	31 December 2016	Change
Asset position			
Total assets	**173,659.67**	157,711.59	15,948.08
Equity attributable to owners of the parent	**32,892.03**	31,810.93	1,081.10
Gearing ratio	**72.44%**	71.76%	increased by 0.68 percentage point
Cash and cash equivalents	**20,070.92**	25,572.76	-5,501.84

Management Discussion and Analysis

Financial Summary

Revenue

During the Reporting Period, the Group recorded revenue of RMB137,767.54 million, representing an increase of 8.65% as compared with RMB126,798.95 million for the six months ended 30 June 2016. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB131,700.23 million, representing an increase of 9.10% as compared with RMB120,718.39 million for the six months ended 30 June 2016, and accounting for 94.61% 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 RMB5,700.91 million, representing an increase of 16.12% as compared with RMB4,909.30 million for the six months ended 30 June 2016, and accounting for 4.10% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB1,800.38 million, representing a decrease of 26.85% as compared with RMB2,461.05 million for the six months ended 30 June 2016, primarily due to the disposal of manufacturing assets.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB126,875.48 million, representing an increase of 8.88% as compared with RMB116,525.31 million for the six months ended 30 June 2016, 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 6.02% from RMB10,273.64 million for the six months ended 30 June 2016 to RMB10,892.06 million.

The gross profit margin of the Group for the six months ended 30 June 2017 was 7.91%, whilst the gross profit margin for the same period in 2016 was 8.10%, the decrease in gross profit margin is mainly due to the disposal of manufacturing subsidiaries.

Management Discussion and Analysis

Financial Summary

Other Income

During the Reporting Period, other income of the Group was RMB211.68 million, representing an increase of 176.78% as compared with RMB76.48 million for the six months ended 30 June 2016. The increase in other income 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 RMB3,311.23 million, representing an increase of 5.24% as compared with RMB3,146.39 million for the six months ended 30 June 2016. The increase in selling and distribution 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.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB1,906.84 million, representing a decrease of 3.71% from RMB1,980.27 million for the same period in 2016.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group decreased to 1.38% from 1.56% for the six months ended 30 June 2016, which was due to the implementation of cost control measures and the economies of scale of the Group.

Operating Profit

The operating profit of the Group for the Reporting Period was RMB5,885.67 million, representing an increase of 12.68% from RMB5,223.46 million for the six months ended 30 June 2016.

Other Gains – Net

The other net gains of the Group decreased by RMB396.94 million from RMB426.51 million for the six months ended 30 June 2016 to RMB29.57 million for the Reporting Period. Such decrease was primarily due to the decrease in gains from disposal of prepaid land lease payments, property, plant and equipment and intangible assets.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB998.12 million, representing an increase of RMB104.33 million as compared with RMB893.79 million for the six months ended 30 June 2016. The increase was primarily due to the increase in interest expenses of the Group.

Management Discussion and Analysis

Financial Summary

Share of Profits and Losses of Associates and a Joint Venture

During the Reporting Period, the Group's share of profits and losses of associates and a joint venture was RMB240.20 million, representing an increase of 129.11% as compared with RMB104.84 million for the six months ended 30 June 2016.

Income Tax Expense

The Group's income tax expense increased by 1.72% from RMB1,106.47 million for the six months ended 30 June 2016 to RMB1,125.47 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 22.76% for the six months ended 30 June 2016 to 21.82% for the six months ended 30 June 2017.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB4,031.84 million, representing an increase of 7.39% from RMB3,754.56 million for the six months ended 30 June 2016.

Profit Attributable to Owners of the Parent

During the Reporting Period, Profit Attributable to Owners of the Parent was RMB2,764.65 million, representing an increase of 9.04%, or RMB229.14 million, from RMB2,535.51 million for the six months ended 30 June 2016. The Group's net profit margin for the Reporting Period and for the corresponding period of 2016 was 2.01% and 2.00%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,267.19 million, representing an increase of 3.95% from RMB1,219.05 million for the six months ended 30 June 2016.

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.

Management Discussion and Analysis

Financial Summary

Cash Flow

Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB11,104.93 million. The net cash generated from operating activities of the Group was RMB1,399.82 million for the six months ended 30 June 2016. The decrease was primarily attributed to the outflow of operating cash flow due to the expansion of the Group's subsidiary's financial leasing business and the slowing down in receipt of trade receivables.

Net cash used in investing activities

During the Reporting Period, the net cash used in investing activities of the Group was RMB1,239.49 million, representing an increase of RMB1,124.34 million as compared with RMB115.15 million for the six months ended 30 June 2016. Such increase was primarily due to the increase in acquisitions of property, plant and equipment and subsidiaries.

Net cash from financing activities

During the Reporting Period, the net cash from financing activities of the Group was RMB6,835.38 million, representing an increase of RMB4,495.29 million as compared with RMB2,340.09 million for the six months ended 30 June 2016. Such increase was primarily due to debt issuance.

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 RMB30 billion in the first half of 2017 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.

As of 30 June 2017, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong dollars and small amount denominated in US dollars and Euro.

Management Discussion and Analysis

Financial Summary

Capital Structure

Indebtedness

As of 30 June 2017, among the Group's total borrowings, RMB34,917.54 million will be due within one year and RMB8,430.17 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

Gearing ratio

As of 30 June 2017, the Group's gearing ratio was 72.44% (31 December 2016: 71.76%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2017.

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 2017, the Group's certain bank borrowings and notes payable were secured by prepaid land lease payments with book value of RMB36.64 million (unaudited), investment properties with book value of RMB18.55 million (unaudited), properties, plant and equipment with book value of RMB52.21 million (unaudited), bank deposits with book value of RMB68.97 million (unaudited), trade receivables with book value of RMB1,282.41 million (unaudited) and finance lease receivables with book value of RMB370.73 million (unaudited).

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 for the Reporting Period amounted to RMB1,465.50 million, representing an increase of RMB812.16 million as compared with RMB653.34 million for the six months ended 30 June 2016, mainly due to the payment for the new office building.

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.

Management Discussion and Analysis

Financial Summary

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 30 June 2017, 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

During the Reporting Period, the Company did not conduct any material acquisition and disposal of assets related to subsidiaries, associates and joint ventures.

Human Resources

As of 30 June 2017, the Group had a total of 55,961 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Li Zhiming, aged 54, executive Director, Chairman (Legal Representative) and President, 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, and the Chairman and the secretary of Party Committee since March 2017. Mr. Li was the chief legal advisor, the secretary of disciplinary committee, chairman of labour union and the deputy secretary of the Party Committee of the Company from October 2012 to March 2017. He has more than 35 years of working experience, over 31 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li graduated from the Xinjiang Commerce College 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 with associate degree in July 1997. Mr. Li was qualified as a senior economist and a chief pharmacist. 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 the director of Sinopharm Industrial Investment Co., Ltd., China National Accord Medicines Co., Ltd., China National Medicines Co., Ltd.,, Sinopharm Holding Guoda Drugstores Co., Ltd., Sinopharm Group Xinjiang Medicines Co., Ltd., vice chairman of Shanghai Shyndec Pharmaceutical Co., Ltd., and chairman of Sinopharm Holding Hong Kong Co., Ltd., Sinopharm Holding Lingshang Hospital Management Services (Shanghai) Co., Ltd., Sinopharm Holding Medical Instruments Co., Ltd., Sinopharm Holding (China) Finance Leasing Co., Ltd. and Sinopharm-CICC (Shanghai) Medical & Healthcare Investment Management Co., Ltd.

Mr. Chen Qiyu, aged 45, 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 24 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 and co-president of Fosun International Limited since August 2010, and has served as its executive director since July 10 2015. He has served as the vice president and co-president of Shanghai Fosun High Technology (Group) Co., Ltd. since January 2011, and has served as its director since July 10 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, the vice-chief commissioner of China Medicinal Biotech Association and the vice-chief of Shanghai Society of Genetics etc..

Mr. She Lulin, aged 61, non-executive Director, joined the Group as a non-executive Director on 16 January 2003. He was the vice Chairman and has served as the Chairman of from August 2007 to November 2013. He has around 33 years of working experience, over 30 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 48, non-executive Director, joined the Group on 16 January 2003, and has been a non-executive Director since then. He has around 25 years of working experience, over 22 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 from January 2009 to March 2017, respectively; and has served as its executive director and chief executive officer since March 2017. 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. Ma Ping, aged 61, has over 34 years of working experience and currently serves as an external director of China National Pharmaceutical Group Corporation. Mr. Ma received a bachelor degree from chemistry department of Fudan University in 1982. Mr. Ma served as principal clerk, engineer, vice director and director of Ministry of Labor and Personnel, National Pharmaceutical Administration, State Planning Commission, respectively from February 1982 to March 1992. He served as department manager, project manager, general manager of London Export Corporation, Hoechst (China), Lotus Healthcare, respectively from March 1992 to April 1994. He co-founded and served as managing director of BMP from April 1994 to October 1996. He served as investment director, business development director of Sinogen International Ltd. from October 1996 to May 1998. He served as vice president, COO, China general manager of United Medical Industrial Group from May 1998 to March 2000. He served as director, vice general manager of Tonghua Golden-horse Group (a Shenzhen Stock Exchange-listed company, stock code: 000766) from March 2000 to September 2001. He served as director, general manager of BMP (a Nasdaq-listed company, stock code: BJGP) from September 2001 to December 2005. He served as director, general manager of BioPro Pharmaceutical Inc. from December 2005 to December 2011. He has been serving as director of BioPro Pharmaceutical Inc. and project consultant of Principle Capital since December 2011, and has been serving as an external director of China National Pharmaceutical Group Corporation since May 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. Deng Jindong, aged 53, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director since then. He has over 29 years of working experience, over 24 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 from October 2004 to May 2017, and has served as its vice general manager since May 2017. 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.

Mr. Li Dongjiu, aged 52, non-executive Director, joined the Group on 18 October 2013, and has been a nonexecutive Director since then. Mr. Li is a professor-level senior engineer and Doctor of Engineering, has over 29 years of working experience in the pharmaceutical industry, over 24 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 vice president of China Nonprescription Medicines Association (CNMA), China Association of Pharmaceutical Commerce and Shanghai 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 47, 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 20 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 48, 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 56, 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 34 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 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. 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. He has served as an independent non-executive director of China NT Pharma Group Company Limited since June 2017. Mr. Yu currently is a Charted 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 62, independent non-executive Director, has served as a non-executive Director since 21 September 2014 and has more than 39 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 Group from April 1984 to June 2002. 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 47, 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 23 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 worked at 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 National Excellent Lawyer, Shanghai Excellent Non-litigation Lawyer and Shanghai Leading Talent. Currently, Mr. Liu currently serves as deputy to the Shanghai 14th People's Congress, member of standing committee of Shanghai Changning District 15th People's Congress, standing director of the National Lawyers Association, 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, etc. Mr. Liu also serves as arbitrators of China International Economic and Trade Arbitration Commission (CIETA), Shanghai International economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC), adjunct professor of East China University of Political Science and Law, parttime 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. Zhuo Fumin, aged 66, independent non-executive Director, Mr. Zhuo has been an independent nonexecutive Director since March 2016. Mr. Zhuo has more than 41 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 currently serves as chairman and managing partner of V Star Capital. 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 managing director and chief executive officer of Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 363) and the chairman of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo has served as 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), founder and chairman of Shanghai Kexing Investment Co., Ltd. and managing partner of GGV Capital, a venture capital fund since 2002. Mr. Zhuo has served as a director of Grandhope Biotech Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300238). Mr. Zhuo is also 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 nonexecutive 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).

Supervisors

Mr. Yao Fang, aged 48, the chief Supervisor, has served as the Supervisor of the Company since 7 January 2011. 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. Between 1993 and 2009, Mr. Yao served as assistant general manager of the international business department of Shanghai Wanguo Securities Co., Ltd. (currently known as Shenyin & Wanguo Securities Co., Ltd.), general manager of Shanghai Shang Shi Assets Operation and Management Co., Ltd. and Shang Shi Management (Shanghai) Co., Ltd., managing director of Shanghai Industrial Pharmaceutical Investment Co., Ltd. (delisted on 12 February 2010), the chairman of Shanghai Overseas Co., Ltd., non-executive director of Lianhua Supermarket Holdings Co., Ltd. (stock code 0980), and executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on the Hong Kong Stock Exchange. 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 24 January 2011 to 13 March 2014. Mr. Yao served in Shanghai Fosun Pharmaceutical (Group) Co., Ltd. since April 2010. He currently serves as the executive director and co-president.

Mr. Tao Wuping, aged 62, Supervisor, has been a Supervisor since June 2015, was an independent nonexecutive 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 51, 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 CNPGC 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 41, Supervisor. Ms. Li has over 15 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 CNPGC from August 2010 to April 2014. Ms. Li currently is the director of auditing department of CNPGC.

Ms. Jin Yi, aged 42, 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 18 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.

Company Secretaries

Mr. Liu Yong, 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. Liu'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.

Biographies of Directors, Supervisors and Senior Management

Senior Management

Mr. Li Zhiming, is currently an executive Director, Chairman and the President and the Secretary of Party Committee of the Company. Please refer to the section headed "Directors" above for Mr. Li's biography.

Mr. Lu Jun, aged 59, 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 42 years of working experience, over 19 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 in December 2009. Mr. Lu was qualified as a senior economist. Mr. Lu taught at the Second Military Medical University from March 1980 to August 1998, and was previously the general manager of Sinopharm Group Shanghai Likang Medicine Co., Ltd. and Sinopharm Holding Guoda Drug Stores Co., Ltd. from August 1998 to June 2008. Mr. Lu is currently the director of Sinopharm Group Shanxi Co., Ltd. and Sinopharm-CICC (Shanghai) Medical & Healthcare Investment Management Co., Ltd., the executive director of Sinopharm Group Shanghai Likang Medicine Co., Ltd. and Shanghai Merro Pharmaceutical Co., Ltd., and chairman of Sichuan Pharmaceutical Group Co., Ltd. of CNPGC, 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., Sinopharm Holding Wenzhou Co., Ltd., Sinopharm Group Chemical Reagent Co., Ltd, Sinopharm Holding Medical Management (Shanghai) Co., Ltd., Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd., Sinopharm Holding Donghong Pharmaceutical (Shanghai) Co., Ltd. and Sinopharm Holding Hutchison Whampoa Pharmaceutical (Shanghai) Co., Ltd.

Mr. Liu Yong, aged 48, 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, secretary to the Board and the chief legal advisor of the Company. He has over 24 years of working experience, over 21 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, a master's degree in business administration from Fudan University in January 2000 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University in June 2016. 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 director of China National Accord Medicines Co., Ltd., the executive director of Sinopharm Holding Distribution Co., Ltd. and chairman of Sinopharm Holding Beijing Tianxingpuxin BioMed Co., Ltd., Sinopharm Holding Guizhou Co., Ltd., Sinopharm Holding Yunnan Co., Ltd., Sinopharm Holding Beijing Huahong Co., Ltd., Sinopharm Online Co., Ltd., Sinopharm Lerentang Pharmaceutical Co., Ltd., Sinopharm Holding Shandong Co., Ltd. and China National Medicines Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 53, 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 30 years of working experience, over 19 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 48, joined the Company in May 2003, and has been the vice president of the Company since September 2010. He was the secretary to the Board and one of the joint company secretaries from March 2012 to October 2016. He was the chief legal advisor of the Company from May 2011 to October 2012. Mr. Ma has over 26 years of working experience, over 19 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 the executive director of Sinopharm Pharmaceutical Logistics Co., Ltd. He is also the chairman of China National Accord Medicines Co., Ltd., Sinopharm Holding Henan Co., Ltd., Sinopharm Xingsha Pharmaceutical (Xiamen) Co., Ltd., Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd., Sinopharm Bio-pharmaceutical Co., Ltd., Sinopharm Holding Hainan Co., Ltd., Sinopharm Holding Medical Investment Management Co., Ltd., Sinopharm Holding Dalian Hecheng Co., Ltd., Sinopharm Holding Heilongjiang Co., Ltd., Sinopharm Holding Jilin Co., Ltd., Sinopharm Holding Shenyang Co., Ltd. and Sinopharm Holding Guoda Drug Stores Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Xu Shuangjun, aged 49, 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 man-ager 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.

Changes of Directors and Supervisors

On 24 March 2017, Mr. Wei Yulin tendered his resignation as a director of the Company and related committee members. As considered and approved by the fourteenth meeting of the third session of board of directors of the Company, Mr. Li Zhiming was appointed as chairman of the third session of board of directors of the Company as well as chairmen of nomination committee and strategy and investment committee, which took effect on 24 March 2017.

For detailed information, please refer to the announcements of the Company dated 24 March 2017.

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 2017, 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
Mr. Li Zhiming	H shares	Beneficial owner	260,000	0.01	0.02	Long position
Ms. Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

Save as disclosed above, as at 30 June 2017, 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.

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

As at 30 June 2017, 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	–

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
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	56.79	99.83	–
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 9)	81,553,704	2.95	6.84	Long position
			600,000	0.02	0.05	Short position
JPMorgan Chase & Co.	H shares	Beneficial owner, Investment manager, Custodian/approved lending agent (Note 10)	226,651,455 1,518,883 191,509,604	8.19 0.05 6.92	19.00 0.12 16.05	Long position Short position Shares available for lending
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	107,400,800	3.88	9.00	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	132,738,800	4.80	11.13	Long position

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 37.75% 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.

Other Information

(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 71.65% 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 81,553,704 and short positions of 600,000 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 226,651,455 H shares (of which 191,509,604 are H shares available for lending) and short positions of 1,518,883H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2017, 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.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017, except that the trustee of the share award scheme effective on 18 October 2016 (the "**Scheme**"), pursuant to the rules of the Scheme, purchased on the open market a total of 6,570,000 shares of the Company at a total consideration of approximately RMB203.29 million.

Dividends

Pursuant to the relevant resolution passed at the 2016 annual general meeting of the Company convened on 30 June 2017, the Company will pay the final dividend for the year ended 31 December 2016 to the shareholders of the Company on 31 August 2017, totaling approximately RMB1,383,548,000.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

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

Disclosure of Information

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

Report on Review of Interim Condensed Consolidated Financial Statements

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TO THE SHAREHOLDERS OF SINOPHARM GROUP CO. LTD.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 33 to 80, which comprise the condensed consolidated statement of financial position of Sinopharm Group Co. Ltd. (the "**Company**") and its subsidiaries as at 30 June 2017, and the related condensed consolidated statement of profit or loss, 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements 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 these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

25 August 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

		For the six months ended 30 June	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Revenue	6	137,767,540	126,798,950
Cost of sales	9	(126,875,479)	(116,525,312)
Gross profit		10,892,061	10,273,638
Other income	7	211,681	76,484
Selling and distribution expenses	9	(3,311,234)	(3,146,393)
Administrative expenses	9	(1,906,842)	(1,980,268)
Operating profit		5,885,666	5,223,461
Other gains – net	8	29,566	426,512
Finance income		152,326	108,792
Finance costs		(1,150,449)	(1,002,580)
Finance costs – net	11	(998,123)	(893,788)
Share of profits and losses of:			
Associates		238,460	104,839
A joint venture		1,735	–
		240,195	104,839
Profit before tax		5,157,304	4,861,024
Income tax expense	12	(1,125,467)	(1,106,467)
Profit for the period		4,031,837	3,754,557
Attributable to:			
Owners of the parent		2,764,650	2,535,507
Non-controlling interests		1,267,187	1,219,050
		4,031,837	3,754,557
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic	13	1.00	0.92
– Diluted	13	1.00	0.92

The notes on pages 40 to 80 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**4,031,837**	3,754,557
Other comprehensive income/(loss):		
Other comprehensive income/(loss) not be reclassified to profit or loss in subsequent periods		
Remeasurements of post-employment benefit obligations	**9,003**	(1,310)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments:		
Changes in fair value, net of tax	**(12,326)**	(15,421)
Exchange differences	**7,205**	(11,008)
Share of other comprehensive income of associates	**2,843**	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(2,278)**	(26,429)
Other comprehensive income/(loss) for the period, net of tax	**6,725**	(27,739)
Total comprehensive income for the period	**4,038,562**	3,726,818
Attributable to:		
Owners of the parent	**2,775,619**	2,519,037
Non-controlling interests	**1,262,943**	1,207,781
	4,038,562	3,726,818

The notes on pages 40 to 80 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Prepaid land lease payments	15	**1,312,912**	1,328,555
Investment properties	15	**403,434**	407,552
Property, plant and equipment	15	**7,408,208**	6,752,464
Intangible assets	15	**6,588,146**	6,282,772
Investment in a joint venture		**4,675**	2,940
Investments in associates	16	**3,500,364**	3,327,990
Available-for-sale investments		**505,178**	461,980
Finance lease receivables	17	**5,832,322**	3,788,098
Deferred tax assets	21	**744,372**	791,208
Other non-current assets		**2,156,764**	1,808,312
Total non-current assets		**28,456,375**	24,951,871
Current assets			
Inventories		**24,338,257**	25,759,525
Trade receivables	18	**87,532,908**	69,245,421
Prepayments and other receivables		**6,367,630**	5,677,916
Available-for-sale investments		**929**	5,468
Finance lease receivables	17	**2,482,849**	1,480,990
Pledged deposits and restricted cash		**4,409,803**	5,017,640
Cash and cash equivalents		**20,070,920**	25,572,759
Total current assets		**145,203,296**	132,759,719
Total assets		**173,659,671**	157,711,590
Current liabilities			
Trade payables	24	**69,311,128**	66,745,815
Accruals and other payables		**8,824,535**	9,679,585
Dividends payable		**1,418,395**	93,770
Tax payable		**642,645**	855,611
Interest-bearing bank and other borrowings	20	**34,917,539**	22,362,578
Total current liabilities		**115,114,242**	99,737,359
Net current assets		**30,089,054**	33,022,360
Total assets less current liabilities		**58,545,429**	57,974,231

The notes on pages 40 to 80 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank and other borrowings	20	8,430,170	11,135,299
Deferred tax liabilities	21	591,546	601,328
Post-employment benefit obligations	22	459,981	518,353
Other non-current liabilities	23	1,196,903	1,186,815
Total non-current liabilities		10,678,600	13,441,795
Net assets		47,866,829	44,532,436
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	2,767,095	2,767,095
Treasury shares held for share incentive scheme	29	(200,005)	–
Reserves		30,324,944	29,043,833
		32,892,034	31,810,928
Non-controlling interests		14,974,795	12,721,508
Total equity		47,866,829	44,532,436

The notes on pages 40 to 80 form an integral part of the interim condensed consolidated financial statements.

Li Zhiming
Director

Tan Wee Seng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

		Unaudited					
		Attributable to owners of the parent					
	Notes	Share capital RMB'000	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017		**2,767,095**	**–**	**29,043,833**	**31,810,928**	**12,721,508**	**44,532,436**
Total comprehensive income		**–**	**–**	**2,775,619**	**2,775,619**	**1,262,943**	**4,038,562**
Effects of transaction with non-controlling interests	25	**–**	**–**	**(124,214)**	**(124,214)**	**(187,634)**	**(311,848)**
Capital injection from non-controlling shareholders of subsidiaries		**–**	**–**	**–**	**–**	**1,415,514**	**1,415,514**
Acquisition of subsidiaries	26	**–**	**–**	**–**	**–**	**64,436**	**64,436**
Purchase of shares for share incentive scheme		**–**	**(203,290)**	**–**	**(203,290)**	**–**	**(203,290)**
Dividend on shares held by share incentive scheme		**–**	**3,285**	**–**	**3,285**	**–**	**3,285**
Equity-settled share incentive scheme		**–**	**–**	**13,254**	**13,254**	**1,882**	**15,136**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**(303,854)**	**(303,854)**
Dividend declared		**–**	**–**	**(1,383,548)**	**(1,383,548)**	**–**	**(1,383,548)**
As at 30 June 2017		**2,767,095**	**(200,005)**	**30,324,944**	**32,892,034**	**14,974,795**	**47,866,829**

	Unaudited					
	Attributable to owners of the parent					
	Share capital RMB'000	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016						
As previously reported	2,767,095	–	27,284,531	30,051,626	10,604,079	40,655,705
Business combinations under common control	–	–	58,684	58,684	164,288	222,972
As at 1 January 2016 (Restated)	2,767,095	–	27,343,215	30,110,310	10,768,367	40,878,677
Total comprehensive income	–	–	2,519,037	2,519,037	1,207,781	3,726,818
Effects of transaction with non-controlling interests	–	–	(136,977)	(136,977)	(47,826)	(184,803)
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	98,090	98,090
Acquisition of subsidiaries	–	–	–	–	4,304	4,304
Dividend declared	–	–	(1,134,509)	(1,134,509)	(256,119)	(1,390,628)
As at 30 June 2016 (Restated)	2,767,095	–	28,590,766	31,357,861	11,774,597	43,132,458

The notes on pages 40 to 80 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Cash flows from operating activities:			
Cash (used in)/generated from operations		**(9,772,694)**	2,460,689
Income tax paid		**(1,332,233)**	(1,060,865)
Net cash (used in)/generated from operating activities		**(11,104,927)**	1,399,824
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		**386**	2,952
Proceeds from disposal of property, plant and equipment		**25,846**	223,398
Proceeds from disposal of available-for-sale investments		**6,712**	–
Interest received from long-term deposits		**31,769**	17,928
Disposal of subsidiaries, net of cash disposed of		**–**	121,085
Dividends received from associates		**64,726**	37,690
Dividends received from available-for-sale investments		**8,592**	228
Payments of prepaid land lease payments		**(3,897)**	(10,505)
Purchase of property, plant and equipment		**(1,190,737)**	(583,737)
Purchase of intangible assets		**(48,677)**	(108,801)
Purchase of investment properties		**(1,409)**	–
(Increase)/decrease in long-term deposits		**(141,597)**	117,761
Acquisition of industry investment funds		**(195,000)**	–
Acquisition of available-for-sale investments		**(550)**	–
Acquisition of subsidiaries, net of cash acquired	26	**(130,332)**	(19,155)
Consideration paid for prior year acquisition of subsidiaries		**(236,413)**	(63,934)
Acquisition of associates		**(36,750)**	(45,000)
Decrease in restricted cash		**607,837**	194,942
Net cash used in investing activities		**(1,239,494)**	(115,148)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Cash flows from financing activities:			
Proceeds from borrowings from banks		**25,613,585**	14,556,898
Proceeds from borrowings from related parties		**54,000**	–
Proceeds from borrowings from other financial institution		**480,000**	321,500
Repayments of borrowings from banks		**(15,346,220)**	(13,937,650)
Repayments of borrowings from related parties		**(23,965)**	(40,000)
Repayments of borrowings from other financial institution		**(390,000)**	(425,000)
Repayments of bonds		**(6,000,000)**	(9,000,000)
Proceeds from issue of bonds		**2,996,341**	11,977,584
Capital injections from non-controlling shareholders of subsidiaries		**1,355,358**	98,090
Dividends paid to non-controlling shareholders of subsidiaries		**(364,847)**	(227,305)
Acquisition of non-controlling interests		**(183,578)**	(184,803)
Advance from employees for purchase of shares under share incentive scheme		**103,018**	–
Purchase of shares under share incentive scheme		**(203,290)**	–
Interest paid		**(1,255,025)**	(799,221)
Net cash from financing activities		**6,835,377**	2,340,093
(Decrease)/increase in cash and cash equivalents		**(5,509,044)**	3,624,769
Cash and cash equivalents at beginning of period		**25,572,759**	19,966,052
Effect of foreign exchange rate changes, net		**7,205**	2,356
Cash and cash equivalents at end of period		**20,070,920**	23,593,177

The notes on pages 40 to 80 form an integral part of the interim condensed consolidated financial statements.

1. General information

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

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

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

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

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

These interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") thousand, unless otherwise stated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved for issue by the Board of Directors on 25 August 2017.

2. Basis of preparation and changes in accounting policies

(1) Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with HKAS 34 *Interim financial reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. 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 interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong King Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountant.

Restatement of prior period's condensed consolidated financial statements due to business combinations involving entity under common control

On 31 October 2016, the Group obtained a 51% equity interest in Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd. ("**Southern Pharmaceutical**") from China National Pharmaceutical Foreign Trade Corporation ("**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 business combination under common control was accounted for in accordance with *Accounting Guideline 5 – Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants. In applying merger accounting, financial statement items of the combining entity for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

By applying the principles of merger accounting, the interim condensed consolidated financial statements of the Group also included the financial position, profit or loss and other comprehensive income and cash flows of Southern Pharmaceutical as if it had been combined with the Group throughout the six months ended 30 June 2016, and from the earliest date presented. Comparative figures as at 30 June 2016 and for the six months ended 30 June 2016 have been restated as a result of such. All intragroup transactions and balances have been eliminated on consolidation.

2. Basis of preparation and changes in accounting policies (continued)

(1) Basis of preparation (continued)

The quantitative impact on the financial statements is summarised below:

(i) The condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016

	The Group as previously reported RMB'000	Southern Pharmaceutical RMB'000	Adjustments RMB'000	The Group as restated RMB'000
Revenue	125,888,196	1,129,268	(218,514)	126,798,950
Profit for the period	3,730,306	24,251	–	3,754,557
Total comprehensive income for the period	3,702,567	24,251	–	3,726,818

(ii) The condensed consolidated statement of financial position as at 30 June 2016

	The Group as previously reported RMB'000	Southern Pharmaceutical RMB'000	Adjustments RMB'000	The Group as restated RMB'000
Net assets	42,885,235	244,469	2,754	43,132,458
Share capital	2,767,095	30,000	(30,000)	2,767,095
Other reserves	17,096,507	16,622	(5,744)	17,107,385
Retained earnings	11,429,268	197,847	(143,734)	11,483,381
Non-controlling interests	11,592,365	–	182,232	11,774,597
	42,885,235	244,469	2,754	43,132,458

2. Basis of preparation and changes in accounting policies (continued)

(1) Basis of preparation (continued)

(iii) The condensed consolidated statement of cash flows for the six months ended 30 June 2016

	The Group as previously reported RMB'000	Southern Pharmaceutical RMB'000	Adjustments RMB'000	The Group as restated RMB'000
Cash and cash equivalents at beginning of period	19,919,154	46,898	–	19,966,052
Net cash flows from operating activities	1,346,797	53,027	–	1,399,824
Net cash flows used in investing activities	(399,691)	284,543	–	(115,148)
Net cash flows from financing activities	2,637,943	(297,850)	–	2,340,093
Effect of foreign exchange rate changes on cash and cash equivalents	2,485	(129)	–	2,356
Cash and cash equivalents at end of period	23,506,688	86,489	–	23,593,177

(2) Changes in 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 2016, except for the adoption of the revised standards effective on 1 January 2017, set out below:

(i) Revised standards adopted by the Group

The Group has adopted the following revised HKFRSs for the first time for the financial year beginning on 1 January 2017.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

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

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

(ii) Issued but not yet 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but 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.

3. 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.

Change in accounting estimates

China National Medicines Corporation Ltd. ("**National Medicines**"), one of the subsidiaries of the Company, further refined the categories of accounts receivable with similar credit risk characteristics and the corresponding ratio of provision for impairment according to the recoverability of accounts receivable and actual occurrence of impairment in recent years. According to the current customer risk attributes and the credit policy of National Medicines, accounts receivable are divided into three categories with similar credit risk characteristics, including receivables due from the companies within CNPGC group ("**CNPGC group companies**"), hospital customers and other third-party customers. For CNPGC group companies, the credit risk of accounts receivable is obviously different from that of accounts receivable due from third-party customers, and there's no history of actual impairment losses for such receivables, so National Medicines decided to change the provision ratio for impairment of accounts receivable due from CNPGC group companies with ageing of within 1 year from 5% to 0%. For accounts receivable due from CNPGC group companies with ageing of over 1 year, the provision ratio for impairment remained unchanged. For hospital customers, the creditability is generally good and there's no history of actual impairment losses, so National Medicines decided to change its provision ratio for impairment of those receivables with ageing within 1 year from 5% to 1%. For accounts receivable due from hospital customers with ageing of over 1 year, the provision ratio for impairment remained unchanged. The provision ratio for impairment of accounts receivable due from other customers also remained unchanged. The change in provision for impairment of accounts receivable is a change in accounting estimates and is applied prospectively without retrospective adjustment, therefore there will be no impact on the Group's financial positions and operating results for previous years.

The relevant change became effective from 30 June 2017. The above change in accounting estimates has resulted in an increase in profit before tax of the Group for approximately RMB74,771 thousand with a corresponding increase in the carrying values of these accounts receivable for the six months ended 30 June 2017. Save as disclosed above, the relevant changes in accounting estimates have no significant impact on the assets, liabilities, total comprehensive income and cash flows of the Group.

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 2016 except for the change disclosed above.

4. Financial risk management

(i) Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

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

(ii) Liquidity risk

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	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 2017 (Unaudited)					
Interest-bearing bank and other borrowings	**35,989,240**	**6,212,863**	**2,528,403**	**–**	**44,730,506**
Trade and other payables	**76,324,460**	**–**	**–**	**–**	**76,324,460**
Dividends payable	**1,418,395**	**–**	**–**	**–**	**1,418,395**
Other non-current liabilities	**–**	**341,246**	**–**	**–**	**341,246**
	113,732,095	**6,554,109**	**2,528,403**	**–**	**122,814,607**
As at 31 December 2016 (Audited)					
Interest-bearing bank and other borrowings	23,221,521	5,476,312	6,026,970	–	34,724,803
Trade and other payables	74,359,360	–	–	–	74,359,360
Dividends payable	93,770	–	–	–	93,770
Other non-current liabilities	–	313,672	19,617	–	333,289
	97,674,651	5,789,984	6,046,587	–	109,511,222

4. Financial risk management (continued)

(iii) Fair value estimation

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

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

The table below presents the Group's assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2017 (Unaudited)				
Assets				
Available-for-sale investments	**53,026**	**4,570**	**213,476**	**271,072**
As at 31 December 2016 (Audited)				
Assets				
Available-for-sale investments	74,000	4,570	148,821	227,391

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.

4. Financial risk management (continued)

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

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

	Carrying amount		Fair value	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Borrowings from banks and other financial institutions (Note 20)	**4,438,407**	3,145,383	**4,475,641**	3,200,474
Bonds (Note 20)	**3,991,763**	7,989,916	**3,872,000**	8,522,623

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

- Financial lease receivables
- Long-term deposits
- Continuing involvement assets
- Trade receivables
- Other receivables
- Pledged deposits and restricted cash
- Cash and cash equivalents
- Current borrowings
- Trade payables
- Accruals and other payables
- Dividends payable
- Continuing involvement liabilities
- Long-term financial lease payables

5. Segment Information

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

(1) Pharmaceutical distribution – the distribution of medicines, medical instruments and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;
(2) Retail pharmacy – the operation of pharmaceutical chain stores; and
(3) Other business – the distribution of laboratory supplies, manufacturing 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 HKFRS 8 *Operating segments*, management has concluded that this segment should be reported, as it is closely monitored by the operating committee as a potential growth segment and is expected to materially contribute to group revenue in the future.

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

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.

Intersegment 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 statement of profit or loss.

5. Segment Information (continued)

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

(i) For the six months ended 30 June 2017 and 2016

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2017 (Unaudited)					
Segment results					
External segment revenue	130,393,475	5,683,893	1,690,172	–	137,767,540
Intersegment revenue	1,306,757	17,012	110,212	(1,433,981)	–
Revenue	131,700,232	5,700,905	1,800,384	(1,433,981)	137,767,540
Operating profit	5,553,739	216,244	119,142	(3,459)	5,885,666
Other gains – net	8,069	4,942	16,555	–	29,566
Share of profits and losses of associates and a joint venture	5,229	1,550	233,416	–	240,195
	5,567,037	222,736	369,113	(3,459)	6,155,427
Finance costs – net					(998,123)
Profit before tax					5,157,304
Income tax expense					(1,125,467)
Profit for the period					4,031,837
Other segment items included in the statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	116,990	(162)	2,948		119,776
Provision for impairment of inventories	24,859	211	583		25,653
Provision for impairment of finance lease receivables	–	–	31,752		31,752
Amortisation of prepaid land lease payments	16,211	59	3,270		19,540
Depreciation of property, plant and equipment	278,759	42,911	33,098		354,768
Depreciation of investment properties	7,160	475	2,260		9,895
Amortisation of intangible assets	109,649	4,020	1,763		115,432
Capital expenditures	1,327,716	94,944	42,842		1,465,502

5. Segment Information (continued)

(i) For the six months ended 30 June 2017 and 2016 (continued)

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2016 (Unaudited) (Restated)					
Segment results					
External segment revenue	119,584,664	4,873,410	2,340,876	–	126,798,950
Intersegment revenue	1,133,721	35,886	120,178	(1,289,785)	–
Revenue	120,718,385	4,909,296	2,461,054	(1,289,785)	126,798,950
Operating profit	4,620,764	114,541	492,955	(4,799)	5,223,461
Other gains – net	126,457	4,210	295,845	–	426,512
Share of profits and losses of associates	5,716	739	98,384	–	104,839
	4,752,937	119,490	887,184	(4,799)	5,754,812
Finance costs – net					(893,788)
Profit before tax					4,861,024
Income tax expense					(1,106,467)
Profit for the period					3,754,557
Other segment items included in the statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	149,155	(189)	1,170		150,136
Provision for impairment of inventories	4,380	232	7,158		11,770
Provision for impairment of finance lease receivables	–	–	15,241		15,241
Amortisation of prepaid land lease payments	20,902	26	2,806		23,734
Depreciation of property, plant and equipment	273,548	36,471	66,673		376,692
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	535,409	51,433	66,501		653,343

5. Segment Information (continued)

(ii) At 30 June 2017 and 31 December 2016

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
As at 30 June 2017 (Unaudited)					
Segment assets and liabilities					
Segment assets	150,986,885	6,153,485	18,440,054	(2,665,125)	172,915,299
Segment assets include:					
Investments in associates and a joint venture	172,646	19,946	3,312,447	–	3,505,039
Unallocated assets – Deferred tax assets					744,372
Total assets					173,659,671
Segment liabilities	77,877,422	4,241,721	2,434,679	(2,700,235)	81,853,587
Unallocated liabilities – Deferred tax liabilities and borrowings					43,939,255
Total liabilities					125,792,842
As at 31 December 2016 (Audited)					
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

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

6. 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 period.

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods	**137,013,514**	126,249,078
Operating lease income	**71,750**	77,394
Franchise fees and other service fee from medicine chain stores	**115,498**	107,616
Interest income from finance leases	**284,760**	145,683
Revenue from logistics service	**116,914**	75,916
Consulting income	**118,027**	104,616
Import agency income	**7,340**	1,739
Others	**39,737**	36,908
	137,767,540	126,798,950

7. Other income

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	**211,681**	76,484

Government grants mainly represent subsidy income received from various government authorities as incentives to certain members of the Group.

8. Other gains – net

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of prepaid land lease payments, property, plant and equipment and intangible assets	**1,722**	312,608
Gain on fair value remeasurement of existing equity in a subsidiary disposed of	**–**	40,736
Gain on fair value remeasurement of previously held equity interest in the acquirees	**34,933**	–
Gain on disposal of subsidiaries	**–**	82,518
Foreign exchange loss – net	**(7,321)**	(11,940)
Write-back of certain liabilities	**15,257**	3,958
Loss on disposal of available-for-sale investments	**(200)**	–
Donation	**(6,683)**	(5,277)
Dividend from available-for-sale investments	**8,592**	228
Others – net	**(16,734)**	3,681
	29,566	426,512

9. Expenses by nature

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**126,480,071**	116,165,770
Changes in inventories of finished goods and work in progress	**17,987**	(68,460)
Employee benefit expenses (Note 10)	**2,746,186**	2,653,549
Provision for impairment of trade receivables	**111,756**	141,287
Provision for impairment of other receivables	**8,020**	8,849
Provision for impairment of inventories	**25,653**	11,770
Provision for impairment of finance lease receivables	**31,752**	15,241
Operating lease rental in respect of land and buildings	**445,026**	410,102
Depreciation of property, plant and equipment (Note 15)	**354,768**	376,692
Depreciation of investment properties (Note 15)	**9,895**	7,983
Amortisation of intangible assets (Note 15)	**115,432**	129,685
Amortisation of prepaid land lease payments (Note 15)	**19,540**	23,734
Auditors' remuneration	**10,440**	10,440
Advisory and consulting fees	**74,033**	63,336
Transportation expenses	**516,259**	542,637
Travel expenses	**118,445**	113,229
Market development and business promotion expenses	**415,130**	390,546
Utilities	**56,449**	75,098
Others	**536,713**	580,485
Total cost of sales, selling and distribution expenses, and administrative expenses	**132,093,555**	121,651,973

10. Employee benefit expenses

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages, allowance and bonuses	**2,108,340**	2,035,192
Contributions to pension plans (i)	**244,589**	242,051
Post-employment benefits (Note 22)	**(22,335)**	10,625
Housing benefits (ii)	**96,800**	84,762
Share incentive expenses (Note 29)	**13,725**	–
Other benefits (iii)	**305,067**	280,919
	2,746,186	2,653,549

Notes:

(i) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions 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 makes contributions of 20% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

(ii) Housing benefits represent 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.

11. Finance income and costs

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**620,415**	583,081
– Discounting of notes receivable	**163,984**	182,115
– Factoring of accounts receivable	**249,114**	153,468
– Net interests on net defined benefit liability	**8,133**	8,069
Gross interest expense	**1,041,646**	926,733
Bank charges	**113,476**	84,065
Less: capitalised interest expense	**(4,673)**	(8,218)
Finance costs	**1,150,449**	1,002,580
Finance income:		
– Interest income on deposits in bank or other financial institutions	**(120,557)**	(90,864)
– Interest income on long-term deposits	**(31,769)**	(17,928)
Net finance costs	**998,123**	893,788

12. Taxation

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	**1,119,268**	1,148,135
Deferred income tax (Note 21)	**6,199**	(41,668)
	1,125,467	1,106,467

During the six months ended 30 June 2017, 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.

13. Earnings per share

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividend attributable to the shareholders of restricted shares expected to be unlocked in the future at the end of the reporting period and the weighted average number of ordinary shares of 2,767,095 thousand (30 June 2016: 2,767,095 thousand) in issue excluding restricted shares during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. 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 period, 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:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,764,650**	2,535,507
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(3,285)**	–
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**2,761,365**	2,535,507
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	**2,760,525**	2,767,095
Effect of dilution – restricted shares ('000)	**6,570**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	**2,767,095**	2,767,095
Basic earnings per share (RMB per share)	**1.00**	0.92
Diluted earnings per share (RMB per share)	**1.00**	0.92

14. Dividends

The final dividend for year 2016 of RMB0.5 per share (tax inclusive), amounting to RMB1,383,548 thousand in total, was approved by the shareholders at the annual general meeting of the Company held on 30 June 2017 ("**2016 AGM**"). Pursuant to the relevant resolution passed at 2016 AGM, the final dividend for year 2016 will be paid on 31 August 2017 to the shareholders whose names appeared on the register of members of the Company on 11 July 2017.

No interim dividend was proposed for the six-month period ended 30 June 2017.

15. Prepaid land lease payments, Investment properties, Property, plant and equipment and Intangible assets

	Prepaid land lease payments RMB'000	Investment properties RMB'000	Property, plant and equipment RMB'000	Intangible assets RMB'000
For the six months ended 30 June 2017 (Unaudited)				
Net carrying amount as at 1 January 2017	**1,328,555**	**407,552**	**6,752,464**	**6,282,772**
Additions	**3,897**	**1,409**	**1,053,692**	**35,691**
Acquisition of subsidiaries (Note 26)	**–**	**–**	**3,546**	**367,267**
Transfers	**–**	**4,368**	**(22,988)**	**18,620**
Disposals	**–**	**–**	**(23,738)**	**(772)**
Depreciation or amortisation (Note 9)	**(19,540)**	**(9,895)**	**(354,768)**	**(115,432)**
Net carrying amount as at 30 June 2017	**1,312,912**	**403,434**	**7,408,208**	**6,588,146**
For the six months ended 30 June 2016 (Unaudited)				
Net carrying amount as at 1 January 2016 (Restated)	1,489,897	393,872	7,642,496	6,722,725
Additions	19,194	–	589,471	10,437
Acquisition of subsidiaries	–	–	2,347	31,895
Transfers	1,861	4,761	(12,521)	5,899
Disposals	(231)	–	(46,953)	(2,952)
Disposal of a subsidiary	(12,560)	–	(191,293)	(37,640)
Depreciation or amortisation (Note 9)	(23,734)	(7,983)	(376,692)	(129,685)
Net carrying amount as at 30 June 2016 (Restated)	1,474,427	390,650	7,606,855	6,600,679

16. Investments in associates

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Share of net assets	3,474,031	3,301,657
Goodwill	26,333	26,333
	3,500,364	3,327,990

	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
At 1 January	3,327,990	1,133,444
Additions	36,750	45,000
Reclassification from investments in subsidiaries upon cessation of control	–	81,222
Share of results	238,460	104,839
Unrealised profit on transactions with associates	9,764	–
Share of other comprehensive income	2,843	–
Dividends declared by associates attributable to the Group	(104,570)	(46,213)
Reclassification to investments in subsidiaries upon transfer of control to the Group	(10,873)	–
At 30 June	3,500,364	1,318,292

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of equity interest attributable to the Group 30 June 2017	Percentage of equity interest attributable to the Group 31 December 2016	Principal activities
Shanghai Modern Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	Shanghai, the PRC	18.57%(i)	18.57%(i)	Pharmaceutical manufacturing

(i) The Group's investment in this associate is accounted for using the equity method because the Group has significant influence over it by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interests in it were lower than 20% for the six months ended 30 June 2017 and for the year ended 31 December 2016.

16. Investments in associates (continued)

Shanghai Modern Pharmaceutical Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group mainly engaged in the manufacturing and distribution of pharmaceuticals.

The following table illustrates the summarised financial information of Shanghai Modern Pharmaceutical Co., Ltd. extracted from its financial statements, reconciled to the carrying amount in the interim condensed consolidated financial statements:

	30 June 2017 RMB'000
Current assets	6,716,087
Non-current assets	8,432,896
Current liabilities	(5,148,688)
Non-current liabilities	(2,735,701)
Non-controlling interests	(1,347,618)
Net assets	5,916,976
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	18.57%
Carrying amount of the investment	1,098,783
Revenue	4,579,661
Profit for the period	524,753
Total comprehensive income for the period	524,753
Dividend received	(26,819)

17. Finance lease receivables

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Finance lease receivables	**9,842,262**	6,260,183
Less: Unearned finance income	**(1,442,379)**	(938,135)
Net finance lease receivables	**8,399,883**	5,322,048
Less: Provision for impairment	**(84,712)**	(52,960)
	8,315,171	5,269,088
Less: Current portion	**(2,482,849)**	(1,480,990)
	5,832,322	3,788,098

The fair value 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Finance lease receivables		
Below 1 year	**7,646,391**	5,333,194
Between 1 and 2 years	**2,119,020**	926,989
Between 2 and 3 years	**76,851**	–
	9,842,262	6,260,183

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Net finance lease receivables		
Below 1 year	**6,520,358**	4,524,264
Between 1 and 2 years	**1,812,599**	797,784
Between 2 and 3 years	**66,926**	–
	8,399,883	5,322,048

17. 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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Finance lease receivables		
Below 1 year	**2,616,106**	1,538,871
1 to 2 years	**2,532,140**	1,550,036
2 to 3 years	**2,244,349**	1,412,125
Over 3 years	**2,449,667**	1,759,151
	9,842,262	6,260,183

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Net finance lease receivables		
Below 1 year	**2,508,264**	1,519,737
1 to 2 years	**2,235,004**	1,362,482
2 to 3 years	**1,816,389**	1,137,332
Over 3 years	**1,840,226**	1,302,497
	8,399,883	5,322,048

18. Trade receivables

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Accounts receivable	**81,006,068**	60,688,999
Notes receivable	**7,448,326**	9,355,552
	88,454,394	70,044,551
Less: Provision for impairment	**(921,486)**	(799,130)
Trade receivables – net	**87,532,908**	69,245,421

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 year	**86,856,749**	68,910,172
1 to 2 years	**574,990**	268,232
Over 2 years	**101,169**	67,017
	87,532,908	69,245,421

19. Share capital

	Number of shares '000	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 2017 and 30 June 2017	**2,767,095**	**1,574,284**	**1,192,811**	**2,767,095**
As at 1 January 2016 and 30 June 2016	2,767,095	1,574,284	1,192,811	2,767,095

20. Interest-bearing bank and other borrowings

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current		
Bank borrowings	**4,406,807**	3,145,383
Other borrowings	**31,600**	–
Bonds (i)	**3,991,763**	7,989,916
	8,430,170	11,135,299
Current		
Bank borrowings	**27,719,063**	16,244,130
Other borrowings	**201,987**	121,600
Bonds (i)	**6,996,489**	5,996,848
	34,917,539	22,362,578
Total borrowings	**43,347,709**	33,497,877

Note:

(i) During six months ended 30 June 2017, bonds at a total par value of RMB6,000,000 thousand matured and were repaid by the Company.

On 19 June 2017, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000 thousand. After deduction of the expenses of approximately RMB3,659 thousand in relation to the issuance, the total net proceeds were approximately RMB2,996,341 thousand. The bonds would mature 270 days from the issue date, and the annual interest rate is 4.77%.

20. Interest-bearing bank and other borrowings (continued)

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

	Bank and other borrowings		Bonds	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Within 1 year	**27,921,050**	16,365,730	**6,996,489**	5,996,848
Between 1 to 2 years	**1,995,007**	1,211,151	**–**	4,000,000
Between 2 to 5 years	**2,443,400**	1,934,232	**3,991,763**	3,989,916
	32,359,457	19,511,113	**10,988,252**	13,986,764

21. Deferred income tax

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Deferred tax assets	**744,372**	791,208
Deferred tax liabilities	**(591,546)**	(601,328)
	152,826	189,880

21. Deferred income tax (continued)

The gross movements in deferred tax assets and liabilities are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
At 1 January	**189,880**	(45,992)
Acquisition of subsidiaries (Note 26)	**(33,374)**	(1,015)
Disposal of subsidiaries	**–**	(32,391)
(Charged)/credited to consolidated statement of profit or loss (Note 12)	**(6,199)**	41,668
Credited to other comprehensive income	**1,108**	5,577
Credited to capital surplus	**1,411**	–
At 30 June	**152,826**	(32,153)

22. Post-employment benefit obligations

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

The amounts recognised in the consolidated statement of profit or loss are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current service cost	**2,890**	4,270
Past service cost	**(25,225)**	6,355
Interest expense	**8,133**	8,069
	(14,202)	18,694

22. Post-employment benefit obligations (continued)

The amounts recognised in the consolidated statement of financial position are analysed as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Present value of funded obligations	**11,945**	12,348
Fair value of plan assets	**(52,981)**	(46,527)
Surplus of funded plans	**(41,036)**	(34,179)
Present value of unfunded post-employment benefit obligations	**501,017**	552,532
Liability in the consolidated statement of financial position	**459,981**	518,353

The movements in the defined benefit liability during the period were as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
At 1 January	**518,353**	553,912
(Credited)/charged to consolidated statement of profit or loss	**(14,202)**	18,694
Remeasurements of post-employment benefit obligations recognised in the consolidated statement of other comprehensive income	**(12,005)**	1,747
Contributions by employers and benefit payments	**(32,165)**	(28,626)
At 30 June	**459,981**	545,727

23. Other non-current liabilities

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Medical reserve funds		
– general (i)	421,547	407,353
– for H1N1 vaccines	68,407	68,407
Government grants for construction of logistics centers (ii)	96,560	98,751
Government grants for products development	2,200	2,400
Deferred revenue	233,363	238,055
Long-term deposit	61,861	69,455
Continuing involvement liabilities (iii)	274,657	263,834
Others	38,308	38,560
	1,196,903	1,186,815

Notes:

(i) Certain medical reserve 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 received general medical reserve funds of RMB14,200 thousand during the six months ended 30 June 2017 from CNPGC.

The Group will have to sell pharmaceutical products to specific customers at cost when there are any serious disasters, epidemic and other emergencies, 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. RMB6 thousand was used to offset trade receivables during the six months ended 30 June 2017 (No fund was used to offset trade receivables during the six months ended 30 June 2016). 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 use as mentioned above.

(ii) Certain of the Group's subsidiaries received funds from local governments as subsidies for construction of logistics centers. As at 30 June 2017, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

(iii) As at 30 June 2017, the Group was in continuing involvement of asset-backed securities. The Group recognised continuing involvement liabilities of RMB274,657 thousand (31 December 2016: RMB263,834 thousand).

24. Trade payables

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Accounts payable	55,900,477	50,257,200
Notes payable	13,410,651	16,488,615
	69,311,128	66,745,815

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The fair value of trade payables approximates to their carrying amount.

The ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Below 3 months	50,398,784	49,532,985
Between 3 to 6 months	13,316,466	12,878,192
Between 6 months to 1 year	3,870,328	2,938,441
Between 1 to 2 years	1,011,896	748,965
Over 2 years	713,654	647,232
	69,311,128	66,745,815

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

During the six months ended 30 June 2017, accounts payable of RMB1,420,184 thousand were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2017 and 31 December 2016, all bank borrowings related to this program were repaid.

25. Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

During the period, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Note	Equity interests acquired %	Cash consideration RMB'000
Sinopharm Group Southwest Medicine Co., Ltd.		15.00%	143,957
Sinopharm Holding Zhejiang Co., Ltd.		14.38%	48,484
Sinopharm Holding Suzhou Co., Ltd.		20.00%	104,377
Sinopharm Holding Dalian Co., Ltd.		5.00%	12,030
Sinopharm Holding Tieling Co., Ltd.		10.00%	3,000
China National Medicines Corporation Ltd.	(i)	11.42%	–
			311,848

Note:

(i) During the reporting period, the Company disposed 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 Beijing Kangchen Bio-medicine Co., Ltd. ("**Beijing Kangchen**") and 51% equity interest in Beijing Tianxingpuxin Bio-medicine Co., Ltd. held by the Company to China National Medicines Corporation Ltd. ("**National Medicines**") for an aggregate consideration of RMB5,339.69 million, which was satisfied by issuance of 214,445,565 consideration shares in total at the issue price of RMB24.90 per consideration share by National Medicines to the Company. While the other non-controlling shareholders also transferred 4% equity interest in Sinopharm Beijing, 9% equity interest in Beijing Huahong and 49% equity interest in Beijing Kangchen to National Medicines on equal conditions and obtained 32,322,681 consideration shares issued by National Medicines. National Medicines also issued 41,365,452 subscription shares by way of non-public offer to eight qualified designated investors at the issue price of RMB24.90 per subscription share to raise proceeds of approximately RMB1,030.00 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 following the asset transfer.

Upon the completion of the above transactions, the Company's shareholding ratio in National Medicines increased from 44.01% to 55.43% and National Medicines continued to be a subsidiary of the Company. The carrying amount of non-controlling interests increased by RMB955,544 thousand. The Group recognised an increase in equity attributable to owners of the parent of RMB63,340 thousand.

25. Transactions with non-controlling interests (continued)

(a) Acquisition of additional interests in subsidiaries (continued)

The effect of changes in the equity interests of these subsidiaries on the total equity attributable to owners of the parent during the period is summarised as follows:

	Effect on the total equity RMB'000
Carrying amount of non-controlling interests acquired	180,473
Consideration payable to non-controlling interests	311,848
Excess of consideration paid over the carrying amount acquired	131,375

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

During the reporting period, Sinopharm Holding Dalian Co., Ltd. obtained a capital injection from a non-controlling shareholder amounting to RMB60,155 thousand. The shareholding of the non-controlling interests in Sinopharm Holding Dalian Co., Ltd. increased by 20% and the carrying amount increased by RMB56,204 thousand. The Group recognised an increase in equity attributable to owners of the parent of RMB3,951 thousand.

During the reporting period, Sinopharm Holding (China) Financial Leasing Co., Ltd. obtained a capital injection from a non-controlling shareholder amounting to RMB110,679 thousand. The shareholding of the non-controlling interests in Sinopharm Holding (China) Financial Leasing Co., Ltd. increased by 10% and the carrying amount increased by RMB107,469 thousand. The Group recognised an increase in equity attributable to owners of the parent of RMB3,210 thousand.

(c) Effect of transactions with the non-controlling interests on the total equity for the six months ended 30 June 2017

	Effect on the total equity RMB'000
Changes in total equity arising from:	
– acquisition of additional interest in subsidiaries	131,375
– disposal of interests in subsidiaries without loss of control	(7,161)
Net effect for transactions with the non-controlling interests on equity attributable to owners of the parent	124,214

26. Business combinations not under common control

Acquisitions during the period are as follows:

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

Subsidiaries acquired	Acquisition date	Acquired interests
Sinopharm Holding Zhuhai Co., Ltd.	January, 2017	90.00%
Sinopharm Holding Dalian Pengrun Co., Ltd.	March, 2017	53.71%
Sinopharm Group Changsha Co., Ltd.	March, 2017	80.00%
Maoming Yongsheng Pharmaceutical Co., Ltd.	May, 2017	100.00%

The effect of the above acquisitions is summarised as follows:

	RMB'000
Purchase consideration	
– Cash paid	169,889
– Consideration payable	109,161
– Contingent consideration (Note (i))	155,660
Total purchase consideration	434,710

26. 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
Cash and cash equivalents	39,557
Property, plant and equipment (Note 15)	3,546
Intangible assets (Note 15)	147,010
Deferred tax assets (Note 21)	3,324
Inventories	206,185
Trade and other receivables	1,414,649
Trade and other payables	(1,203,913)
Dividends payable	(2,070)
Interest-bearing bank and other borrowings	(292,701)
Deferred tax liabilities (Note 21)	(36,698)
Net assets	278,889
Non-controlling interests (ii)	(64,436)
Goodwill (Note 15)	220,257
	434,710
Total purchase consideration	434,710
Less: Contingent consideration (i)	(155,660)
	279,050
Less: Non-cash settled consideration	(109,161)
Cash consideration paid during the period	169,889
Cash and cash equivalents in subsidiaries acquired	(39,557)
Cash outflow on acquisition	130,332

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.

26. 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 RMB155,660 thousand.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB155,660 thousand. As at 30 June 2017, 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 acquirees' net assets excluding goodwill.

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2017 are summarised as follows:

	From acquisition date to 30 June 2017 RMB'000 (Unaudited)
Revenue	**652,019**
Net profit	**12,713**

27. Commitments

(a) Capital commitments

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Property, plant and equipment:		
– contracted but not provided for	**1,596,237**	308,685

27. Commitments (continued)

(b) Operating lease commitments

(i) The Group as lessee:

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 year	**688,269**	736,498
Later than 1 year and not later than 5 years	**1,713,873**	1,684,421
Later than 5 years	**835,566**	820,650
	3,237,708	3,241,569

(ii) The Group 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 year	**26,442**	18,649
Later than 1 year and not later than 5 years	**73,115**	41,764
Later than 5 years	**13,370**	13,322
	112,927	73,735

28. Significant related party transactions

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

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

(i) Significant transactions with related parties except for other PRC government-related entities

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
CNPGC and subsidiaries of CNPGC		
Sale of goods	**318,211**	309,433
Purchase of goods	**891,601**	836,423
Rental expenses	**4,170**	2,756
Interest expenses	**51,439**	21,804
Borrowings	**480,000**	319,000
Notes receivable discount	**790,793**	938,246
Associates of the Group		
Sale of goods	**324,828**	267,029
Purchase of goods	**1,116,019**	941,347
Interest expenses	**540**	–
Associates of CNPGC		
Sale of goods	**166**	1
Purchase of goods	**594,058**	582,951
The subsidiaries of entity which has significant influence over the Company		
Sale of goods	**69,238**	42,618
Purchase of goods	**689,076**	525,624

28. Significant related party transactions (continued)

(ii) Significant balances with related parties except for other PRC government-related entities

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
CNPGC and subsidiaries of CNPGC		
Cash in other financial institution	**319,945**	3,124,116
Trade receivables	**199,125**	165,138
Other receivables	**160,331**	244,161
Prepayments	**81,215**	53,891
Trade payables	**372,550**	235,327
Other payables	**54,856**	87,176
Advances from customers	**1,845**	1,690
Borrowings	**211,600**	121,600
Associates of the Group		
Trade receivables	**81,886**	103,668
Other receivables	**1,035**	2,202
Prepayments	**605**	301
Trade payables	**511,972**	415,590
Other payables	**204,026**	2,848
Advances from customers	**66**	37
Associates of CNPGC		
Trade receivables	**92**	68
Other receivables	**40**	7
Prepayments	**4,082**	7,115
Trade payables	**193,798**	121,073
Advances from customers	**–**	7,054
The subsidiaries of entity which has significant influence over the Company		
Trade receivables	**46,212**	41,712
Other receivables	**1,109**	1,132
Prepayments	**8,495**	17,001
Trade payables	**290,185**	197,678
Other payables	**19**	102
Advances from customers	**3**	6,189

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.

28. Significant related party transactions (continued)

(iii) Key management compensation

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

29. Share incentive scheme

The Company operates a share incentive scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme (the "**Scheme Participants**") include the Company's directors, senior management and mid-level management and other key technical and business staffs who, in the opinion of the Company, shall be awarded. The Scheme became effective on 18 October 2016 and, unless early termination is proposed by the Board of Directors and approved by the shareholders, will remain in force for 10 years from that date.

Pursuant to the Scheme, the Board of Directors (the "**Board**") shall select the Scheme Participants and determine the number of shares to be awarded (the "**Restricted Shares**"). An independent trustee appointed by the Board (the "**Trustee**") shall purchase from the market such number of H Shares to be awarded as specified by the Board. In each grant of such Restricted Shares to the Scheme Participants, the exercise price to be funded by each of the Scheme Participants shall be no less than 50% of the grant reference price and no less than the most recent audited net assets value per share of the Company, and the balance will be funded by the Company.

The maximum total number of Restricted Shares to be granted under the Scheme shall not exceed 10% of the total issued share capital of the Company as at the effective date of the Scheme. The number of Restricted Shares to be awarded to a Scheme Participant will be subject to the criteria specified in the rules of the Scheme. The total number of Restricted Shares granted or to be granted to any Scheme Participant shall not exceed 1% of the total issued share capital of the Company as at the effective date of the Scheme.

On 16 November 2016, the Board resolved to approve the initial grant of the Restricted Shares (the "**Initial Grant**") under the Scheme to the Scheme participants, pursuant to which Restricted Shares of 7.23 million, representing approximately 0.2613% of the issued share capital of the Company as at 16 November 2016, shall be granted to 190 selected Scheme Participants on 16 November 2016 at the grant reference price of HKD35.46 per Restricted Share (the "**Grant Reference Price**"). The exercise price under the Initial Grant is HKD17.73 per Restricted Share, being 50% of the Grant Reference Price and no less than the most recent audited net assets value per share of the Company. The exercise price shall be funded by the selected Scheme Participants at his/her own cost, and the remaining balance for purchasing each of the Restricted Shares under the Initial Grant will be funded by the Company.

175 out of 190 of the Scheme Participants have accepted and subscribed the Restricted Shares with their own funds under the Scheme. In June 2017, a total number of 6,570,000 H shares of the Company were purchased by the Trustee of the Scheme at a cost of RMB203,290 thousand from the market out of cash contributed by the Group and the Scheme Participants and be held in trust for the relevant Scheme Participants until such shares are vested with the Scheme Participants in accordance with the provisions of the Scheme. The Restricted Shares granted and held by the Trustee until vesting are referred to as the treasury shares held under share incentive scheme and each treasury share shall represent one ordinary share of the Company.

29. Share incentive scheme (continued)

Conditions for unlocking the Initial Grant

Pursuant to approval from the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"), unlocking of the Restricted Shares under the Initial Grant shall be conditional upon fulfilment of the following conditions by the Company and shall be carried out in accordance with the unlocking arrangement as stipulated in the scheme of the Initial Grant:

Unlocking Period	Performance Assessment Target	Proportion of unlocking shares
First unlocking period	The weighted average return on equity ("**ROE**") for 2017 shall be not lower than 12.7% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the net profit in 2015, the compound growth rate of net profit for 2017 shall be not lower than 12% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the economic value added ("**EVA**") in 2015, the compound growth rate of EVA for 2017 shall be not lower than the specified objectives determined by the Board.	33%
Second unlocking period	The weighted average ROE for 2018 shall be not lower than 12.7% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the net profit in 2015, the compound growth rate of net profit for 2018 shall be not lower than 12% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the EVA in 2015, the compound growth rate of EVA for 2018 shall be not lower than the specified objectives determined by the Board.	33%
Third unlocking period	The weighted average ROE for 2019 shall be not lower than 12.8% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the net profit in 2015, the compound growth rate of net profit for 2019 shall be not lower than 12% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the EVA in 2015, the compound growth rate of EVA for 2019 shall be not lower than the specified objectives determined by the Board.	34%

29. Share incentive scheme (continued)

Conditions for unlocking the Initial Grant (continued)

Particulars and movements in the share incentive scheme are as follows:

Date of grant	As at 1 January 2017	Granted	Vesting	Bonus issue	Forfeited	Lapsed/ expired	As at 30 June 2017
16 November 2016	7,230,000	–	–	–	–	(660,000)	6,570,000

During the six months ended 30 June 2017, 660,000 shares lapsed due to resignation of Scheme Participants.

The fair value of the Restricted Shares granted was calculated based on the market price of the Company's shares at the grant date. The Group recognised expenses relating to the Scheme of approximately RMB13,725 thousand in the consolidated statement of profit or loss during the period.

The fair value of the Restricted Shares granted was estimated as at the date of grant, using the Asian Options Model, taking into account the terms and conditions upon which the shares were granted. This value is inherently subjective and uncertain due to the assumptions made and the limitation of the valuation model used. The following table lists the inputs to the model:

Date of grant	16 November 2016				
Batch	1	1	2	3	4
	Mid-level management/ other employees	Senior management			
Share price at the date of grant (HKD)	35.45	35.45	35.45	35.45	35.45
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Historical volatility (%)	37.57%	37.57%	34.82%	34.51%	34.96%
Risk-free interest rate (%)	0.79%	0.79%	1.06%	1.10%	1.13%
Number of unlocking shares as at 30 June 2017 ('000)	5,680.00	222.50	222.50	222.50	222.50
Lock-up period (year)	2	2	3	4	5
Fair value at the date of grant (HKD)	13.5886	13.5886	13.1593	12.6182	12.0383

30. Approval of the financial statements

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2017.