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SINOPHARM GROUP CO. LTD.*

國藥控股股份有限公司

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

(Stock Code: 01099)

2011 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Sinopharm Group Co. Ltd. (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2011 (the “**Reporting Period**”) together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

		As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Land use rights		911,378	665,499
Investment properties		147,996	149,545
Property, plant and equipment		4,015,718	3,330,750
Intangible assets		4,498,732	1,591,588
Investments in associates		492,087	486,412
Available-for-sale financial assets		50,792	55,576
Deferred income tax assets		227,070	234,084
Other non-current assets		53,556	637,726
Total non-current assets		10,397,329	7,151,180
Current assets			
Inventories		8,881,954	7,530,376
Trade receivables	4	25,390,934	17,751,877
Prepayments and other receivables		2,281,373	1,373,261
Available-for-sale financial assets		1,418	990
Pledged bank deposits		1,039,534	732,098
Cash and cash equivalents		10,172,452	7,474,698
Total current assets		47,767,665	34,863,300
Total assets		58,164,994	42,014,480
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		2,402,625	2,264,568
Reserves		12,564,670	9,446,570
		14,967,295	11,711,138
Non-controlling interests		4,163,180	3,007,942
Total equity		19,130,475	14,719,080

		As at 30 June 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		2,181,953	90,900
Deferred income tax liabilities		517,887	265,651
Post-employment benefit obligations		380,388	368,712
Other non-current liabilities		947,073	816,061
Total non-current liabilities		4,027,301	1,541,324
Current liabilities			
Trade payables	5	24,647,721	19,831,205
Accruals and other payables		3,795,910	2,332,509
Dividends payable		446,286	13,575
Current income tax liabilities		217,758	232,605
Borrowings		5,899,543	3,344,182
Total current liabilities		35,007,218	25,754,076
Total liabilities		39,034,519	27,295,400
Total equity and liabilities		58,164,994	42,014,480
Net current assets		12,760,447	9,109,224
Total assets less current liabilities		23,157,776	16,260,404

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited, as restated note 2(i))
Revenue	6	48,000,067	32,355,619
Cost of sales	9	<u>(44,080,246)</u>	<u>(29,675,963)</u>
Gross profit		3,919,821	2,679,656
Other income	7	58,793	37,284
Distribution and selling expenses	9	(1,317,404)	(860,657)
General and administrative expenses	9	<u>(839,391)</u>	<u>(606,966)</u>
Operating profit		1,821,819	1,249,317
Other gains — net	8	69,431	35,263
Finance income		47,448	51,051
Finance costs		(391,561)	(155,955)
Finance costs — net	11	(344,113)	(104,904)
Share of post-tax profits of associates		<u>45,193</u>	<u>42,721</u>
Profit before income tax		1,592,330	1,222,397
Income tax expense	12	<u>(389,120)</u>	<u>(293,020)</u>
Profit for the period		<u>1,203,210</u>	<u>929,377</u>
Attributable to:			
— Shareholders of the Company		784,469	638,123
— Non-controlling interests		<u>418,741</u>	<u>291,254</u>
		<u>1,203,210</u>	<u>929,377</u>
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)			
— Basic and fully diluted	13	<u>0.34</u>	<u>0.28</u>
Dividends	14	<u>363,082</u>	<u>22,872</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited, as restated note 2(i))
Profit for the period	1,203,210	929,377
Other comprehensive income:		
Revaluation for available-for-sale financial assets		
— Gross	(7,705)	(9,207)
— Tax	1,927	2,302
Currency translation differences	(445)	(364)
Total comprehensive income for the period	1,196,987	922,108
Total comprehensive income for the period attributable to:		
— Shareholders of the Company	781,481	634,714
— Non-controlling interests	415,506	287,394
	1,196,987	922,108

Notes:

1 General information

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

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

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”) thousands, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 24 August 2011.

This condensed consolidated interim financial information has not been audited.

Key events

In May 2011, the Company issued additional 138,056,825 H shares at HK\$25.00 per share, raising a net proceeds of HK\$3,386,786 thousands (equivalent to RMB2,834,740 thousands).

In May 2011, the Company issued 20,000,000 bonds at a total par value of RMB2,000,000 thousands.

During the six month period ended 30 June 2011, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB3,002,334 thousands. Further details are given in Note 15.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with HKFRSs.

(i) Business combination under common control

In November 2010, the Group acquired 52.61% equity interest in Sinopharm Holding Shenzhen Chinese Herbal Co., Ltd. and in December 2010, the Group also acquired the medicine distribution business of two subsidiaries of CNPGC. These transactions have been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, “Merger Accounting for Common Control Combinations” issued by HKICPA. The condensed consolidated financial information for the six months period ended 30 June 2010 have been restated to incorporate the financial statements of these entities and business in which the common control combination occurs as if they had been combined from the date when they first came under control of CNPGC.

(ii) *Going-concern basis*

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's merchandise and products; and (b) the availability of bank and capital market finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim consolidated financial statements.

3 Segment information

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

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

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

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

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

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

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

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

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

(i) *For the six months period ended 30 June 2011 and 2010*

	Pharmaceutical distribution <i>RMB'000</i>	Retail pharmacy operations <i>RMB'000</i>	Other business operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2011					
(Unaudited)					
Segment results					
External segment revenue	44,888,261	1,368,939	1,742,867	—	48,000,067
Inter-segment revenue	350,542	—	103,104	(453,646)	—
Revenue	<u>45,238,803</u>	<u>1,368,939</u>	<u>1,845,971</u>	<u>(453,646)</u>	<u>48,000,067</u>
Operating profit	1,621,887	34,823	166,015	(906)	1,821,819
Other gains	61,463	141	7,827	—	69,431
Share of post-tax profits of associates	38,948	—	6,245	—	45,193
	<u>1,722,298</u>	<u>34,964</u>	<u>180,087</u>	<u>(906)</u>	<u>1,936,443</u>
Finance costs — net					<u>(344,113)</u>
Profit before income tax					1,592,330
Income tax expense					<u>(389,120)</u>
Profit for the period					<u>1,203,210</u>
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	7,971	272	773		9,016
Provision for/(write-back of) impairment of inventories	2,621	3	(156)		2,468
Amortisation of land use rights	9,284	34	1,874		11,192
Depreciation of property, plant and equipment	89,346	24,308	32,689		146,343
Depreciation of investment properties	—	—	6,243		6,243
Amortisation of intangible assets	<u>43,397</u>	<u>1,881</u>	<u>12,981</u>		<u>58,259</u>
Capital expenditures	<u>4,044,918</u>	<u>36,719</u>	<u>56,217</u>		<u>4,137,854</u>

	Pharmaceutical distribution <i>RMB'000</i>	Retail pharmacy operations <i>RMB'000</i>	Other business operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2010					
(Unaudited, as restated note 2(i))					
Segment results					
External segment revenue	30,069,434	876,728	1,409,457	—	32,355,619
Inter-segment revenue	208,750	—	27,760	(236,510)	—
Revenue	<u>30,278,184</u>	<u>876,728</u>	<u>1,437,217</u>	<u>(236,510)</u>	<u>32,355,619</u>
Operating profit	1,126,984	21,035	103,055	(1,757)	1,249,317
Other gains/(losses)	29,707	(213)	5,769	—	35,263
Share of post-tax profits of associates	26,794	—	15,927	—	42,721
	<u>1,183,485</u>	<u>20,822</u>	<u>124,751</u>	<u>(1,757)</u>	<u>1,327,301</u>
Finance costs — net					(104,904)
Profit before income tax					1,222,397
Income tax expense					(293,020)
Profit for the period					<u>929,377</u>
Other segment items included in the income statement					
Provision for/(write-back of) impairment of trade and other receivables	11,238	(71)	803		11,970
(Write-back of)/Provision for impairment of inventories	(4,414)	78	3,363		(973)
Amortisation of land use rights	4,842	—	1,952		6,794
Depreciation of property, plant and equipment	79,786	4,527	27,167		111,480
Depreciation of investment properties	300	—	6,524		6,824
Amortisation of intangible assets	<u>23,176</u>	<u>159</u>	<u>6,575</u>		<u>29,910</u>
Capital expenditures	<u>1,803,015</u>	<u>15,799</u>	<u>187,350</u>		<u>2,006,164</u>

(ii) As at 30 June 2011 and 31 December 2010

	Pharmaceutical distribution RMB'000	Retail pharmacy operations RMB'000	Other business operations RMB'000	Elimination RMB'000	Group RMB'000
As at 30 June 2011 (Unaudited)					
Segment assets and liabilities					
Segment assets	53,830,920	1,748,727	3,579,470	(1,221,193)	57,937,924
Segment assets include:					
Investments in associates	241,198	1,841	249,048	—	492,087
Unallocated assets					
— Deferred income tax assets					227,070
Total assets					58,164,994
Segment liabilities	29,031,809	1,157,695	1,457,799	(1,212,167)	30,435,136
Unallocated liabilities					
— Borrowings and deferred income tax liabilities					8,599,383
Total liabilities					39,034,519
As at 31 December 2010 (Audited)					
Segment assets and liabilities					
Segment assets	37,920,786	946,633	3,367,206	(454,229)	41,780,396
Segment assets include:					
Investments in associates	481,806	—	4,606	—	486,412
Unallocated assets					
— Deferred income tax assets					234,084
Total assets					42,014,480
Segment liabilities	22,241,817	611,573	1,373,587	(632,310)	23,594,667
Unallocated liabilities					
— Borrowings and deferred income tax liabilities					3,700,733
Total liabilities					27,295,400

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

4 Trade receivables

	As at 30 June 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Accounts receivable	23,247,903	16,520,718
Notes receivable	2,431,049	1,511,315
	<u>25,678,952</u>	<u>18,032,033</u>
Less: Provision for impairment	(288,018)	(280,156)
	<u><u>25,390,934</u></u>	<u><u>17,751,877</u></u>

The fair values of trade receivables approximate 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 manufacture businesses, sales are made on credit terms ranging from 30 to 210 days. The ageing analysis of trade receivables (accounts receivable and notes receivable) is as follows:

	As at 30 June 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Below 3 months	19,212,756	14,597,296
3 to 6 months	5,323,893	2,945,861
6 months to 1 year	1,006,990	399,612
1 to 2 years	87,032	47,303
Over 2 years	48,281	41,961
	<u>25,678,952</u>	<u>18,032,033</u>
Total	<u><u>25,678,952</u></u>	<u><u>18,032,033</u></u>

The trade receivables are denominated in RMB.

5 Trade payables

	As at 30 June 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Trade payables	17,919,117	13,725,945
Notes payable	6,728,604	6,105,260
	<u>24,647,721</u>	<u>19,831,205</u>

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

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Below 3 months	19,741,140	17,862,983
3 to 6 months	2,111,190	965,105
6 months to 1 year	2,355,533	569,968
1 to 2 years	168,164	174,166
Over 2 years	271,694	258,983
	<u>24,647,721</u>	<u>19,831,205</u>

The trade payables are denominated in RMB.

6 Revenue

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited, as restated note 2(i))
Sales of goods	47,910,516	32,268,111
Rental income	36,954	29,807
Franchise fees from medicine chain stores	12,189	6,234
Consulting income	29,100	31,900
Import agency income	11,308	19,567
	<u>48,000,067</u>	<u>32,355,619</u>

7 Other income

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited, as restated note 2(i))
Government grants (<i>note</i>)	<u>58,793</u>	<u>37,284</u>

note —

Government grants mainly represented subsidy income received by certain subsidiaries from government authorities.

8 Other gains, net

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited, as restated note 2(i))
Interest income on short-term loan receivable	—	14,159
Gain on disposal of land use rights and property, plant and equipment	58,546	6,815
Foreign exchange gain/(loss) — net	1,022	(14,930)
Write-back of certain liabilities (i)	10,718	—
Fair value gain of investment	—	29,341
Others — net	(855)	(122)
	<u>69,431</u>	<u>35,263</u>

- (i) In the six-month period ended 30 June 2011, the Group reviewed all the trade and other payables with aging over 3 years and wrote-back these unpayable long aging liabilities of RMB10,718 thousands.

9 Expenses by nature

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited, as restated note 2(i))
Raw materials and trading merchandise consumed	44,141,774	29,696,475
Changes in inventories of finished goods and work in progress	(141,357)	(51,713)
Employee benefit expenses (<i>Note 10</i>)	966,791	745,852
Provision for impairment of trade receivables	7,886	14,521
Provision for/(Write-back of) impairment of other receivables	1,130	(2,551)
Provision for/(Write-back of) impairment of inventories	2,468	(973)
Operating leases in respect of leasehold land and buildings	159,325	108,434
Depreciation of property, plant and equipment	146,343	111,480
Depreciation of investment properties	6,243	6,824
Amortisation of intangible assets	58,259	29,910
Amortisation of land use rights	11,192	6,794
Auditors' remuneration	5,071	3,058
Advisory and consulting fees	24,962	11,703
Transportation expenses	161,301	125,131
Travel expenses	74,399	49,669
Market development and business promotion expenses	288,945	125,581
Utilities	34,469	21,161
Others	287,840	142,230
	<u>287,840</u>	<u>142,230</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>46,237,041</u>	<u>31,143,586</u>

10 Employee benefit expenses

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited, as restated note 2(i))
Salaries, wages and bonuses	748,938	589,855
Contributions to pension plans (i)	78,705	37,432
Post-employment benefits	12,147	16,308
Housing benefits (ii)	28,945	22,420
Other benefits (iii)	98,056	79,837
	<u>966,791</u>	<u>745,852</u>

notes -

- (i) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 7% to 8% of the defined compensation (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 20% to 23% of such defined compensation and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.
- (ii) Housing benefits represent the government-supervised housing funds in Mainland China. The Group contributes to these funds 5% to 12% of its PRC employees' basic wages.
- (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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited, as restated note 2(i))
Interest expense:		
— Borrowings	176,679	52,046
— Discounting of notes receivable	125,460	71,838
— Discounting of accounts receivable	58,670	15,369
Gross interest expense	360,809	139,253
Bank charges	34,510	20,739
Less: capitalised interest expense	(3,758)	(4,037)
Finance costs	391,561	155,955
Finance income:		
— Interest income on bank deposits	(47,448)	(51,051)
Net finance costs	<u>344,113</u>	<u>104,904</u>

12 Income tax expense

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited, as restated note 2(i))
Current PRC income tax	390,828	288,558
Deferred taxation	(1,708)	4,462
	<u>389,120</u>	<u>293,020</u>

Effective from 1 January 2008, income tax rates for all PRC enterprises have been unified at 25%. For enterprises which were established before the issue of the new CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates, the new CIT rate will be gradually increased to 25% within 5 years. For enterprises that enjoy a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009 and 22% for 2010, and will be 24% for 2011 and 25% for 2012. For enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the reporting period.

13 Earnings per share

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited; restated as described in Note 2(i))
Profit attributable to shareholders of the Company (RMB'000)	<u>784,469</u>	<u>638,123</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,308,808</u>	<u>2,264,568</u>
Basic earnings per share (RMB per share)	<u>0.34</u>	<u>0.28</u>

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

14 Dividends

The 2010 final dividend of RMB0.16 per share, amounting to RMB363,082 thousands in total, was approved by shareholders on 31 May 2011 and was paid before 24 August 2011 to registered shareholders of the Company on 30 May 2011, except for the holders of the 138,056,825 H shares of the Company which were allotted and issued by the Company by way of placement on 4 May 2011.

No interim dividend was proposed for the six-month period ended 30 June 2011.

(a) Business combinations not under common control

Acquisitions during the period comprises:

The Group acquired equity interests in certain subsidiaries from third parties, during the period as follows:

Subsidiaries acquired	Acquired interests %
Foshan City Nanhai Pharmaceutical Group Co., Ltd.	100%
Sinopharm Holding Wuxi Co., Ltd.	70%
Shanghai Bionuo Management Co., Ltd.	70%
Sinopharm Holding Lingyun Biological Medicine Co., Ltd.	55%
Sinopharm Holding Changzhou Co., Ltd.	65%
Sinopharm Holding Heilongjiang Co., Ltd.	65%
Sinopharm Holding Le Ren Tang Pharmaceutical Co., Ltd.	60%
Sinopharm Holding Tangshan(Xintiandi) Co., Ltd.	70%
Sinopharm Holding Pingdingshan Co., Ltd.	60%
Sinopharm Holding Lishui Co., Ltd.	89%
Sinopharm Holding Taizhou Co., Ltd.	75%
Sinopharm Holding Jinhua Co., Ltd.	90%
Sinopharm Suzhou Boai Pharmaceutical Co., Ltd.	70%
Sinopharm Holding Xinyu Co., Ltd.	70%
Sinopharm Holding Tianjin North Pharmaceutical Co., Ltd.	51%
Sinopharm Holding Handan Co., Ltd.	70%
Jiangsu Rundong Pharmaceutical Co., Ltd.	70%
Sinopharm Holding Putian Co., Ltd.	60%
Sinopharm Holding Longyan Co., Ltd.	60%
Fujian Huiyuan Pharmaceutical Co., Ltd.	60%
Sinopharm Holding Zhangzhou Co., Ltd.	60%
Sinopharm Holding Qingdao Co., Ltd.	100%
Liyang Guoda People Pharmacy Store Co., Ltd.	80%
Shanxi Wanmin Pharmacy Chain Store Co., Ltd.	51%
Hunan Guoda Minshengtang Pharmacy Chain Store Co., Ltd.	51%
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	51%
Henan Guoda Pharmacy Chain Store Co., Ltd.	51%

In addition, the Group acquired, in February 2011, an additional 68.7% equity interests in Sinopharm Holding Xinjiang Xinte Shenrong Pharmaceutical Co., Ltd. ("Xinjiang Shenrong"), a then existing 31.3% owned associate, from an third party. After the acquisition, the Group holds 100% equity interests in Xinjiang Shenrong which became a subsidiary of the Group.

The effect of the above acquisitions is summarised as follow:

	<i>RMB'000</i>
Purchase consideration	
— Cash paid	2,496,727
— Consideration payable	52,068
— Contingent consideration (<i>note (i)</i>)	453,539
Total purchase consideration	3,002,334

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

	Fair values at acquisition date RMB'000	Acquirees' carrying amounts at acquisition date RMB'000
Cash and cash equivalents	1,082,745	1,082,745
Property, plant and equipment	485,534	395,500
Land use rights	199,614	141,161
Investment properties	74	74
Intangible assets	947,339	719
Deferred income tax assets	11,161	11,161
Inventories	1,529,132	1,529,132
Investment in associates	7,329	7,329
Trade and other receivables	3,313,856	3,313,856
Trade and other payables	(4,608,622)	(4,608,622)
Deferred income tax liabilities	(274,046)	(269)
Other non-current liabilities	(4,094)	(4,094)
Borrowings	(1,118,835)	(1,118,835)
Net assets	1,571,187	749,857
Non-controlling interest (<i>Note (ii)</i>)	(573,578)	
Goodwill	2,004,725	
Net assets acquired	3,002,334	
Purchase consideration settled in cash	2,496,727	
Cash and cash equivalents in subsidiaries acquired	(1,082,745)	
Cash outflow on acquisition (<i>Note (iii)</i>)	1,413,982	

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

notes -

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB453,539 thousands.

Based on the projected profit performance of the acquires, the fair value of the contingent consideration arrangement was estimated to be RMB453,539 thousands. As at 30 June 2011, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interest

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

(iii) *Cash outflow on acquisition*

Cash outflow on acquisition comprises the cash payment for these acquired entities in 2010 and the six months period ended 30 June 2011.

(iv) *The revenue, net profit and cash flows of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2011 are summarized as follows:*

	From the dates of acquisitions to 30 June 2011 <i>RMB'000</i> (Unaudited)
Revenue	5,836,995
Net profit attributable to shareholders of the Company	91,451
Cash outflows from operating activities	(19,809)
Net cash outflows	<u>(52,368)</u>

16 Significant subsequent events

Subsequent to 30 June 2011, the Company acquired 3 subsidiaries, with total considerations amounting to RMB142,418 thousands.

On 23 August 2011, the Company issued 30,000,000 bonds at a total par value of RMB3,000,000 thousands.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Both opportunities and challenges coexisted for pharmaceutical distribution enterprises in China during the first half of 2011. The promulgation of “The Outline for the Development of Pharmaceutical Distribution Industry in 2011–2015” (“Outline for The Twelfth Five-Year Plan”) has laid a solid foundation for the reform and development of the industry. The government estimated a 23% growth in the pharmaceutical industry in 2011. According to the China Association of Pharmaceutical Commerce, the sales of pharmaceutical products in 2011 is expected to reach RMB860 billion. The concentration of pharmaceutical distribution market continued to intensify and the proportion of sales revenue of the top three enterprises in the pharmaceutical distribution industry increased continuously. However, the industry was still highly fragmented and there is plenty of room for improvement and integration.

In addition to grasping every development and integration opportunities, the Group also place emphasis on various challenges in its development, such as price reduction of medicines and change of pharmaceutical tender policies which will bring pressures to the rapid development of the industry.

As a leading enterprise in the pharmaceutical distribution industry in China, the Group seized every opportunity and dealt with every challenge. Through proactively implementing strategies and optimizing its organizational structure and continuously standardizing its management system, the Group expanded its network coverage and optimized its operating model, so as to remain and consolidate its position as the leading distributor of, and supply chain service provider for, pharmaceutical and healthcare products in China.

- **Pharmaceutical distribution segment:** The Group provides pharmaceutical supply chain management services for the distribution of domestic and imported prescribed medicines and over-the-counter medicines as well as medical equipments from manufacturers and suppliers to hospitals, other distributors, retail drug stores and other customers. As at 30 June 2011, the Group expanded its distribution network, which covers 30 provinces, municipalities and autonomous regions with 46 distribution centers (sub-distribution companies) through acquisitions and new establishments. In addition to consolidating its leading position in tier-1 cities, the Group also exerted its effort to extend its coverage in tier-2 and 3 cities. As at the end of June 2011, the Group’s business has already covered 159 cities above the prefectural level nationwide which is 133 by the end of 2010. Also the Group is able to provide products and services to all customers in China in a timely and cost effective manner. The Group’s direct customers included 7,802 hospitals (including 1,070 largest and most highly-ranked class-three hospitals), accounting for approximately 60.64% of all hospitals in China, (accounting for 86.78% of the class-three hospitals), and over 92,223 other customers, such as pharmaceutical distributors, retail pharmacies and other healthcare institutions. During the Reporting Period, revenue of the pharmaceutical distribution business accounted for 93.52% of the total revenue.

Despite of policies promulgated by the state, including addition of the essential drug list, reducing of drug prices and classification of management of antibiotics, during the Reporting Period, the sales of the existing subsidiaries of the Company remained its satisfactory growth. Furthermore, through sales growth contributed by the organic expansion and mergers and acquisitions, the overall sales and profit of the Company have increased as expected. Through continuously optimizing the structure of its core pharmaceutical distribution business, the proportion of pharmaceutical direct sales business of the Company increased steadily to 51.48%. The sales to community health centers and township hospitals increased continuously. The Group grasped the opportunities brought by the reformation of healthcare system of China.

- **Retail pharmacy segment:** According to “The Twelfth Five-Year Plan”, the annual sales of top 100 retail pharmacy enterprises will account for over 60% to the total sales of retail pharmacy enterprises by 2015. The number of chain drug stores will account for over 2/3 to the total retail drug stores. The Twelfth Five-Year Plan” in respect of retail pharmacy stated that the peak of the integration of retail pharmacy has approached. Leveraging their strategic perception, the management of the Company exerted more effort to integrate its retail pharmacy business and developed its retail pharmacy business based on GuoDa Pharmacy. The management also established a network of retail drug stores that are either directly operated by the Group or through franchises in major cities throughout China and expedited the merge and acquisition of other drug stores. As at 30 June 2011, the Group had 1,741 drug stores. The number of retail drug stores was 389 more as compared with the end of 2010. During the Reporting Period, revenue of the retail pharmacy business accounted for 2.85% of its total revenue.
- **Other business operations:** The Group’s other business operations are the production or sale of pharmaceutical products, healthcare products, chemical reagents and laboratory supplies. Its other business operations accounted for approximately 3.63% of its total revenue during the Reporting Period.

During the Reporting Period, the Group continued to grasp opportunities and integrated major resources in the market. The Group also continued to expand its nationwide network, which covers 30 provinces throughout China. The latest mergers and acquisitions of the Group showed an extension of its business to major cities and tier-2 and 3 cities and counties. The companies acquired and established in the first half of 2011 have has contributed sales revenue of approximately RMB 6,043 million and net profit attributable to equity holders of RMB 92 million to the Group, which helped to consolidate its leading position in the first-tier cities and increase its market shares in the second and third-tier cities:

- **Northeastern China:** The Group achieved a leading position in the region with the largest market share.

- **Northern China:** The Group completed the acquisition of Le Ren Tang Pharmaceutical Group Co., Ltd. in Hebei in the first half of 2011 and achieved a leading position in the region with the largest market share. In 2011, the Group became a leading enterprise in Inner Mongolia through acquiring and establishing Sinopharm Wulanchabu Co.,Ltd. and Sinopharm Baotou Co.,Ltd. The Group surpassed its main competitors in Beijing and ranked first in the market. The Group ranked first in Tianjin market with obvious competitive edges and achieved a leading position in Shanxi market.
- **Eastern China:** Leveraging its established provincial network, the Group expanded its network coverage in Jiangsu, Zhejiang, Fujian and Jiangxi, so as to extend the coverage in prefecture-level cities. The gap between the Group and the leading player of the regional market is minimizing. For example, in Jiangsu Province, as at 30 June 2011, the Group completed the establishment of networks in 9 cities out of 13 prefecture-level cities. In Shanghai, the market share of the Group has increased significantly upon its acquisitions of Shanghai Huyong Medicine Co., Ltd., Shanghai Peibaokang Pharmaceutical Co., Ltd. and Shanghai Linyun Pharmaceutical Co., Ltd..
- **Central China:** The market share of the Group ranked second in the market in Central China. The Group's network covered 10 prefecture-level cities out of 13 prefecture-level cities in Hubei and 9 prefecture-level cities out of 17 prefecture-level cities in Henan.
- **Southern China:** After the successful acquisition of Foshan City Nanhai Pharmaceutical Group Co., Ltd. in Guangdong in 2010, the market share of the Group currently ranks second in Guangdong market and the gap between the Group and the regional market leading player is minimizing. The Group achieved a leading position in Hainan market after the acquisition of Hainan Keyuanhongyi Pharma Co.,Ltd in the first half of 2011.
- **Northwestern China:** The Group is a leading enterprise in both Xinjiang and Ningxia and its business covered all prefecture-level cities in these two provinces. During the Reporting Period, the Group completed the establishment of networks in all provinces, except Tibet, after the establishment of Sinopharm Qinghai Co., Ltd. in Qinghai.

The Company has nearly completed the establishment of networks in all provinces throughout China. In this way, the Group is able to fully utilize its synergy effects and consolidate its competitiveness in the market in the future. The Board and management of the Group realize the importance of integration to the sound and sustainable development of the Group. Through integrating the management, operation, finance and corporate culture of existing and new subsidiaries, the Group has strengthened the implementation of sound operating strategies and expedited the growth of its existing subsidiaries, so as to consolidate its leading market position in the future.

Financial Summary

The financial summary set out below is extracted from the unaudited interim results of the Group prepared in accordance with the HKFRS during the Reporting Period:

During the Reporting Period, the Group recorded turnover of RMB48,000 million, representing an increase of RMB15,644 million, or 48.35%, as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB1,203 million, representing an increase of RMB274 million, or 29.49%, as compared with the corresponding period of last year. Profit attributable to equity holders was RMB784 million, representing an increase of RMB146 million, or 22.88%, as compared with the corresponding period of last year.

During the Reporting Period, the earnings per share of the Group was RMB0.34, representing an increase of 21.43% as compared with the corresponding period of last year.

	1st half of 2011	1st half of 2010	Increase/ (decrease)
Operating Results:			
Revenue	48,000	32,356	15,644
Earnings before interests and tax	1,936	1,327	609
Profit attributable to shareholders	784	638	146
Profitability:			
Gross profit margin	8.17%	8.28%	-0.11%
Operating profit margin	3.80%	3.86%	-0.06%
Net profit margin	2.51%	2.87%	-0.36%
Earnings per share — Basic*	0.34	0.28	0.06

Revenue

The Group's revenue increased by 48.35% from RMB32,356 million for the six months ended 30 June 2010 to RMB48,000 million during the Reporting Period. The increase was primarily due to significant increase in the revenues of pharmaceutical distribution, retail pharmacy and other business operations of the Group. The growth of the revenue and market share of the Group was apparently faster than the development of the PRC pharmaceutical market as well as the industry average.

- **Pharmaceutical distribution segment:** The Group's revenue from pharmaceutical distribution operations increased by 49.28% from RMB30,069 million for the six months ended 30 June 2010 to RMB44,888 million during the Reporting Period, accounting for 93.52% of its total revenue. The increase was primarily due to (1) increase in types and amount of products sold by existing customers and number of new customers of the Group; (2) expansion of distribution network of the Group through acquisition of the leading companies in China and in their respective regional markets and establishment of new companies and businesses and (3) extension of the Group's distribution network coverage to community clinics and other medical institutions.

- **Retail pharmacy segment:** The Group's revenue from retail pharmacy operations increased by 56.10% from RMB877 million for the six months ended 30 June 2010 to RMB1,369 million during the Reporting Period, accounting for 2.85% of its total revenue. The increase was mainly due to the contribution from acquired retail stores and chain retail stores during the reporting period.
- **Other business operations segment:** The Group's revenue from other business operations increased by 23.70% from RMB1,409 million for the six months ended 30 June 2010 to RMB1,743 million during the Reporting Period, accounting for 3.63% of its total revenue. The increase was mainly due to the growth of pharmaceutical manufacturing operations, chemical reagent operations, laboratory supplies business and healthcare products operations.

Cost of Sales

The Group's cost of sales increased by 48.54% from RMB29,676 million for the six months ended 30 June 2010 to RMB44,080 million during the Reporting Period. The increase was primarily due to an increase in the costs of sales in line with the increase in the revenue from sales.

Gross Profit

As a result of the foregoing, the Group's gross profit increased by 46.27% from RMB2,680 million for the six months ended 30 June 2010 to RMB3,920 million during the Reporting Period.

The Group's gross profit margins were 8.17% and 8.28% for the six months ended 30 June 2011 and the corresponding period in 2010, respectively. The slight decrease in gross profit margins was mainly due to the policies of reducing drug prices and local medical tender promulgated by Development and Reform Commission during the Reporting Period. However, the gross profit margins ranked a leading position in the industry.

Other Income

Other income of the Group increased by 59.46% from RMB37 million for the six months ended 30 June 2010 to RMB59 million during the Reporting Period. The increase was primarily due to an increase in the subsidies received from central and local governments by the Group.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by 53.08% from RMB861 million for the six months ended 30 June 2010 to RMB1,318 million during the Reporting Period. The increase in distribution and selling expenses was primarily due to the expansion of operating scale and the development of new businesses of the Group as well as the development of distribution network coverage through establishment and acquisition of new companies and businesses and the expansion of direct sales to hospitals.

General and Administrative Expenses

The Group's general and administrative expenses increased by 37.99% from RMB608 million for the six months ended 30 June 2010 to RMB839 million during the Reporting Period. The increase was mainly due to the expansion of the scale of the Group and the effects of major acquisitions during the Reporting Period. However, the increase in general and administrative expenses was slower than the increase in revenue.

Operating Profit

As a result of the foregoing, the Group's operating profit was RMB1,822 million during the Reporting Period, representing an increase of 45.88% from RMB1,249 million for the six months ended 30 June 2010.

Other Gains — Net

Other net gains of the Group increased by 97.14% from RMB35 million for the six months ended 30 June 2010 to RMB69 million during the Reporting Period. The increase was primarily due to the gain from the disposal of fixed assets during the Reporting Period.

Finance Costs — Net

The Group's finance costs increased by 227.62% from RMB105 million for the six months ended 30 June 2010 to RMB344 million during the Reporting Period. The increase was mainly due to (1) the significant decrease of bank borrowings due to the proceeds from the Global Offering of the Company during the six months ended 30 June 2010; (2) the significant increase in interest expenses and interest expenses discounted of borrowings as well as interest expenses discounted of accounts receivable resulting from the increase of borrowings, discounted notes and accounts receivable factoring business due to the business expansion during the Reporting Period; and (3) the increase in interest expenses and interest expenses discounted of borrowings as well as interest expenses discounted of accounts receivable resulting from the increase of Central Bank lending and discount interest rate.

Share of Results of Associated Companies

The Group's share of results of associated companies increased by 4.65% from RMB43 million for the six months ended 30 June 2010 to RMB45 million during the Reporting Period.

Income Tax Expenses

The Group's income tax expenses increased by 32.76% from RMB293 million for the six months ended 30 June 2010 to RMB389 million during the Reporting Period. The increase was mainly due to the increase of income tax expenses resulting from the growth of profit. The Group's effective income tax rate increased from 23.98% for the six months ended 30 June 2010 to 24.43% for the six months ended 30 June 2011.

Profit for the Reporting Period

As a result of the foregoing, the Group's profit increased by 29.49% from RMB929 million for the six months ended 30 June 2010 to RMB1,203 million during the Reporting Period.

Profit Attributable to Equity Holders of the Company

Profit or net profit attributable to equity holders of the Group increased by 22.88%, or RMB146 million, from RMB638 million for the six months ended 30 June 2010 to RMB784 million during the Reporting Period.

Minority Interests

The Group's minority interests increased by 43.99% from RMB291 million for the six months ended 30 June 2010 to RMB419 million during the Reporting Period.

Liquidity and Capital Resources

The Group has met its working capital mainly needs through cash generated from operations and various short-term and long-term bank borrowings, lines of credit, mid-term notes and net proceeds from the Global Offering and placement, of the Group. Taking into account the lines of credit available to the Group, cash flow generated from operations of the Group and net proceeds from the placing of the Group, the directors of the Company ("Directors") are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 30 June 2011, the Group had cash and cash equivalents of RMB10,172 million generated mainly from operational revenues as well as borrowed and raised capital by the Company.

Cash Flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repay interest and principal due on its indebtedness, finance acquisitions and provide funds for capital expenditures and growth and expansion of the Group's facilities and operations.

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from payments for the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business operations segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB1,367 million, as compared to net cash generated from operating activities of RMB698 million for the six months ended 30 June 2010. It was primarily due to (1) the increased pressure of sales collection and purchase payment resulting from the monetary-tightening macro environment in the first half of 2011; and (2) the increase of accounts receivable resulting from the increase of the proportion of sales to hospitals, the specific settlement and turnover of receivables of hospitals, due to the increase of the Company's direct sales.

Net cash used in/generated from investing activities

The Group's net cash outflow from investing activities amounted to RMB1,534 million during the Reporting Period, as compared to cash inflow of RMB210 million for the six months ended 30 June 2010. It was mainly due to the increase of M&A which aims to expand its distribution network.

Net cash used in/generated from financing activities

The Group's net cash generated from financing activities amounted to RMB5,598 million during the Reporting Period, as compared to net cash used in financing activities of RMB614 million for the six months ended 30 June 2010. It was primarily due to the H share follow-on offering, the issue of mid-term notes and bank borrowing during the period.

Capital Structure

Indebtedness

Of the total borrowings of the Group as at 30 June 2011, RMB5,900 million was due within one year and RMB2,182 million was due beyond one year. During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2011, the Group's gearing ratio was 67% (31 December 2010: 65%), calculated as net liability divided by the total amount of assets plus net liabilities as at 30 June 2011. The increase was mainly due to the increase of liabilities.

Foreign exchange risk

The Group's exposure to fluctuations in foreign currencies was not substantial.

Charge on assets

As at 30 June 2011, certain plant and equipment of the Group with book value of RMB126 million, notes receivable with book value of RMB128 million and trade receivables with book value of RMB1,558 million were pledged as collateral for part of the Group's bank borrowings.

Capital Expenditure

The capital expenditures of the Group primarily included purchases of property, plant and equipment, the cost of leasing land and obtaining land use rights and purchases of intangible assets through business combinations or acquisition activities. The Group's capital expenditures amounted to RMB4,138 million and RMB2,006 million for the Reporting Period and the six months ended 30 June 2010, respectively.

The Group's proposed capital expenditures may change according to the progress in business plan, including changes in market conditions, competition and other factors. Additional capital expenditures may also be incurred in line with the continued expansion of the Group. The Group's ability to obtain additional funding is subject to a variety of uncertainties, including the future results of operations, financial condition and cashflow position of the Group, economic, political and other conditions in the PRC and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

Major Acquisitions and Disposals

During the Reporting Period, the purchase consideration (cash paid) in relation to acquisition activities of the Group amounted to approximately RMB2,497 million. Among which, the major acquisitions included the acquisition of 60% of equity interest in Le Ren Tang Pharmaceutical Group Co., Ltd. in Hebei, which operates in northern China market, with a consideration of RMB1,269 million.

The consideration of such acquisition was negotiated on arm's length basis and conformed with the fair market values conducted by a third party valuer or the audited asset values of the acquired target.

During the Reporting Period, the Group did not have any material disposals.

Ongoing 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 "ongoing concern" basis.

Purchase, Sale or Redemption of Listed Securities

As at 30 June 2011, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities.

Dividends

Pursuant to a resolution passed by the shareholders of the Company on 31 May 2011, the Company declared the audited distributable profits as at 31 December 2010 amounting to approximately RMB363,082 to all shareholders. The dividend was fully paid prior to 24 August 2011 by the internal cash resources of the Company.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

Audit Committee

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Xie Rong (Chairman), Mr. Wang Fanghua and Mr. Zhou Bajun, and three non-executive Directors, namely Mr. Deng Jindong, Mr. Chen Wenhao and Mr. Fan Banghan. The audit committee has reviewed the Company's unaudited condensed consolidated interim financial information for the Reporting Period and agrees with the accounting treatment adopted by the Company.

Code on Corporate Governance Practices

Pursuant to a resolution passed by the Board on 31 August 2009, the Company has adopted all the code provisions set out in the Code on Corporate Governance Practice (the "Code") contained under Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the Company's code. The Group had complied with all applicable code provisions set out in the Code at all times during the Reporting Period without deviation.

Model Code for Securities Transactions by Directors and Supervisors

Pursuant to a resolution passed by the Board on 31 August 2009, the Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' and Supervisors' transactions of the listed securities of the Company. After making specific enquiries with the Directors and Supervisors, all of them confirmed that they had complied with the requirements set out in the Model Code at all times during the Reporting Period.

Disclosure of Information

This results announcement will be published on the websites of the Company (<http://www.sinopharmgroup.com.cn>) and the Stock Exchange (<http://www.hkexnews.hk>). The interim report for 2011 which contains all the information required under the Listing Rules will be dispatched to shareholders and published on the websites of the Company and the Stock Exchange.

By order of the board of directors
Sinopharm Group Co. Ltd.
She Lulin
Chairman

Shanghai, the PRC

24 August 2011

As at the date of this announcement, the executive director of the Company is Mr. Wei Yulin; the non-executive directors of the Company are Mr. She Lulin, Mr. Wang Qunbin, Mr. Deng Jindong, Mr. Fan Banghan, Mr. Liu Hailiang, Mr. Chen Wenhao, Mr. Zhou Bin and Mr. Chen Qiyu,; and the independent non-executive directors of the Company are Mr. Wang Fanghua, Mr. Xie Rong, Mr. Tao Wuping and Mr. Zhou Bajun.

* The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Sinopharm Group Co. Ltd."