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)

ANNOUNCEMENT ON 2012 INTERIM RESULTS

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 2012 (the "**Reporting Period**") together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June 2012 (Unaudited)	2011 (Unaudited)
Revenue	4	**66,562,297**	48,000,067
Cost of sales	7	**(61,108,881)**	(44,080,246)
Gross profit		**5,453,416**	3,919,821
Other income	5	**106,726**	58,793
Distribution and selling expenses	7	**(1,770,915)**	(1,317,404)
General and administrative expenses	7	**(1,209,688)**	(839,391)
Operating profit		**2,579,539**	1,821,819
Other (losses)/gains – net	6	**(9,033)**	69,431
Finance income		**54,104**	47,448
Finance costs		**(674,175)**	(391,561)
Finance costs – net	9	**(620,071)**	(344,113)
Share of post-tax profits of associates		**65,486**	45,193
Profit before income tax		**2,015,921**	1,592,330
Income tax expense	10	**(486,675)**	(389,120)
Profit for the period		**1,529,246**	1,203,210
Attributable to:			
– Shareholders of the Company		**959,121**	784,469
– Non-controlling interests		**570,125**	418,741
		1,529,246	1,203,210
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)			
– Basic and fully diluted	11	**0.40**	0.34
Dividends	12	**456,499**	363,082

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Profit for the period	**1,529,246**	1,203,210
Other comprehensive income:		
Revaluation for available-for-sale financial assets	**3,574**	(5,778)
Remeasurement on post-employment benefit obligation	**(1,015)**	–
Currency translation differences	**293**	(445)
Other comprehensive income for the period, net of tax	**2,852**	(6,223)
Total comprehensive income for the period	**1,532,098**	1,196,987
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**961,225**	781,481
– Non-controlling interests	**570,873**	415,506
	1,532,098	1,196,987

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**As at 30 June 2012 (Unaudited)**	As at 31 December 2011 (Audited)
ASSETS			
Non-current assets			
Land use rights		**1,002,649**	932,511
Investment properties		**151,370**	154,069
Property, plant and equipment		**4,714,044**	4,430,655
Intangible assets		**5,359,939**	4,642,436
Investments in associates		**656,110**	670,829
Available-for-sale financial assets		**200,050**	58,036
Deferred income tax assets		**292,338**	283,977
Other non-current assets		**198,100**	222,278
Total non-current assets		**12,574,600**	11,394,791
Current assets			
Inventories		**11,489,862**	12,214,060
Trade receivables	*13*	**36,295,716**	26,591,821
Prepayments and other receivables		**3,409,169**	3,136,486
Available-for-sale financial assets		**1,163**	1,163
Pledged bank deposits		**1,460,328**	1,198,519
Cash and cash equivalents		**10,284,522**	13,091,012
Total current assets		**62,940,760**	56,233,061
Total assets		**75,515,360**	67,627,852
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**2,402,625**	2,402,625
Reserves		**13,785,865**	13,271,224
		16,188,490	15,673,849
Non-controlling interests		**5,339,853**	4,714,237
Total equity		**21,528,343**	20,388,086

	Note	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**5,228,735**	5,182,353
Deferred income tax liabilities		**582,903**	517,551
Post-employment benefit obligations		**419,945**	435,451
Other non-current liabilities		**726,184**	812,851
Total non-current liabilities		**6,957,767**	6,948,206
Current liabilities			
Trade payables	*14*	**32,492,625**	27,053,995
Accruals and other payables		**4,511,622**	4,269,641
Dividends payable		**533,994**	12,106
Current income tax liabilities		**267,454**	289,033
Borrowings		**9,223,555**	8,666,785
Total current liabilities		**47,029,250**	40,291,560
Total liabilities		**53,987,017**	47,239,766
Total equity and liabilities		**75,515,360**	67,627,852
Net current assets		**15,911,510**	15,941,501
Total assets less current liabilities		**28,486,110**	27,336,292

Notes:

(All amounts in Renminbi thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

The 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 22 August 2012.

This condensed consolidated interim financial information has not been audited.

Key events

During the six month period ended 30 June 2012, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB803,606 thousands. Further details are given in Note 15.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

(i) 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 condensed consolidated interim financial statements.

3 SEGMENT INFORMATION

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

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

(2) Retail pharmacy operations – operation of pharmaceutical chain stores; and

(3) Other business operations – distribution of laboratory supplies, manufacturing and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy 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 2012 and 2011

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
Six months ended 30 June 2012 (Unaudited)					
Segment results					
External segment revenue	**62,889,352**	**1,768,819**	**1,904,126**	**–**	**66,562,297**
Inter-segment revenue	**482,165**	**–**	**108,020**	**(590,185)**	**–**
Revenue	**63,371,517**	**1,768,819**	**2,012,146**	**(590,185)**	**66,562,297**
Operating profit	**2,241,239**	**82,504**	**259,059**	**(3,263)**	**2,579,539**
Other gains/(losses)	**4,094**	**608**	**(13,735)**	**–**	**(9,033)**
Share of post-tax profits of associates	**3,347**	**666**	**61,473**	**–**	**65,486**
	2,248,680	**83,778**	**306,797**	**(3,263)**	**2,635,992**
Finance costs – net					**(620,071)**
Profit before income tax					**2,015,921**
Income tax expense					**(486,675)**
Profit for the period					**1,529,246**
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	**81,844**	**177**	**1,877**		**83,898**
Provision for impairment of inventories	**9,215**	**30**	**175**		**9,420**
Amortisation of land use rights	**10,184**	**101**	**1,916**		**12,201**
Depreciation of property, plant and equipment	**122,710**	**26,369**	**38,209**		**187,288**
Depreciation of investment properties	**–**	**–**	**5,037**		**5,037**
Amortisation of intangible assets	**51,600**	**754**	**12,404**		**64,758**
Capital expenditures	**1,297,934**	**25,052**	**45,608**		**1,368,594**
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	45,238,803	1,368,939	1,845,971	(453,646)	48,000,067
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	3,144	2,189	39,860	–	45,193
	1,686,494	37,153	213,702	(906)	1,936,443
Finance costs – net					(344,113)
Profit before income tax					1,592,330
Income tax expense					(389,120)
Profit for the period					1,203,210
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	43,397	1,881	12,981		58,259
Capital expenditures	3,994,608	36,719	56,217		4,087,544

(ii) As at 30 June 2012 and 31 December 2011

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
As at 30 June 2012 (Unaudited)					
Segment assets and liabilities					
Segment assets	**72,046,600**	**1,564,114**	**4,278,004**	**(2,665,696)**	**75,223,022**
Segment assets include:					
Investments in associates	**3,302**	**8,986**	**643,822**	**–**	**656,110**
Unallocated assets – Deferred income tax assets					**292,338**
Total assets					**75,515,360**
Segment liabilities	**37,878,361**	**830,733**	**1,519,337**	**(1,276,607)**	**38,951,824**
Unallocated liabilities – Borrowings and deferred income tax liabilities					**15,035,193**
Total liabilities					**53,987,017**
As at 31 December 2011 (Audited)					
Segment assets and liabilities					
Segment assets	64,025,103	1,044,854	4,408,535	(2,134,617)	67,343,875
Segment assets include:					
Investments in associates	28,926	8,930	632,973	–	670,829
Unallocated assets – Deferred income tax assets					283,977
Total assets					67,627,852
Segment liabilities	31,902,135	808,773	1,506,441	(1,344,272)	32,873,077
Unallocated liabilities – Borrowings and deferred income tax liabilities					14,366,689
Total liabilities					47,239,766

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

4 REVENUE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Sales of goods	**66,456,754**	47,910,516
Rental income	**31,111**	36,954
Franchise fees from medicine chain stores	**13,404**	12,189
Consulting income	**41,828**	29,100
Import agency income	**19,200**	11,308
	66,562,297	48,000,067

5 OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Government grants *(note)*	**106,726**	58,793

Note –

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

6 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Gain on disposal of subsidiaries	**6,793**	–
Gain on disposal of land use rights and property, plant and equipment	**2,198**	58,546
Foreign exchange (loss)/gain – net	**(8,292)**	1,022
Write-back of certain liabilities	**267**	10,718
Gain on revaluation of contingent consideration	**7,532**	–
Compensation	**(17,600)**	–
Others – net	**69**	(855)
	(9,033)	69,431

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**61,128,744**	44,141,774
Changes in inventories of finished goods and work in progress	**(107,894)**	(141,357)
Employee benefit expenses *(Note 8)*	**1,327,212**	966,791
Provision for impairment of trade receivables	**81,956**	7,886
Provision for impairment of other receivables	**1,942**	1,130
Provision for impairment of inventories	**9,420**	2,468
Operating leases in respect of leasehold land and buildings	**247,957**	159,325
Depreciation of property, plant and equipment	**187,288**	146,343
Depreciation of investment properties	**5,037**	6,243
Amortisation of intangible assets	**64,758**	58,259
Amortisation of land use rights	**12,201**	11,192
Auditors' remuneration	**10,189**	5,071
Advisory and consulting fees	**35,482**	24,962
Transportation expenses	**217,354**	161,301
Travel expenses	**92,965**	74,399
Promotion and advertising expenses	**419,134**	288,945
Utilities	**46,755**	34,469
Others	**308,984**	287,840
Total cost of sales, distribution and selling expenses and general and administrative expenses	**64,089,484**	46,237,041

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**1,033,983**	748,938
Contributions to pension plans *(i)*	**96,444**	78,705
Post-employment benefits	**10,593**	12,147
Housing benefits *(ii)*	**33,604**	28,945
Other benefits *(iii)*	**152,588**	98,056
	1,327,212	966,791

Notes –

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

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

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

9 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**434,272**	176,679
– Discounting of notes receivable	**98,798**	125,460
– Discounting of accounts receivable	**101,047**	58,670
Gross interest expense	**634,117**	360,809
Bank charges	**52,735**	34,510
Less: capitalised interest expense	**(12,677)**	(3,758)
Finance costs	**674,175**	391,561
Finance income:		
– Interest income on bank deposits	**(54,104)**	(47,448)
Net finance costs	**620,071**	344,113

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Current PRC income tax	**508,359**	390,828
Deferred taxation	**(21,684)**	(1,708)
	486,675	389,120

Effective from 1 January 2008, income tax rates for all PRC enterprises have been unified at 25%. 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.

11 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	
	2012	2011
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company *(RMB'000)*	**959,121**	784,469
Weighted average number of ordinary shares in issue *('000)*	**2,402,625**	2,308,808
Basic earnings per share *(RMB per share)*	**0.40**	0.34

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

12 DIVIDENDS

The final dividend for Year 2011 of RMB0.19 per share (tax inclusive), amounting to RMB456,499 thousands in total, was approved by the shareholders on 5 June 2012 and was paid on 20 July 2012 to the shareholders whose names appeared on the register of members of the Company on 16 June 2012.

No interim dividend was proposed for the six-month period ended 30 June 2012.

13 TRADE RECEIVABLES

	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
Accounts receivable	**34,060,971**	24,463,832
Notes receivable	**2,606,051**	2,417,433
	36,667,022	26,881,265
Less: Provision for impairment	**(371,306)**	(289,444)
	36,295,716	26,591,821

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 2012 (Unaudited)	As at 31 December 2011 (Audited)
Below 3 months	**25,281,007**	20,482,995
3 to 6 months	**7,867,476**	4,094,860
6 months to 1 year	**3,278,436**	2,206,129
1 to 2 years	**200,103**	64,512
Over 2 years	**40,000**	32,769
Total	**36,667,022**	26,881,265

The trade receivables are denominated in RMB.

14 TRADE PAYABLES

	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
Trade payables	**25,767,791**	20,224,416
Notes payable	**6,724,834**	6,829,579
	32,492,625	27,053,995

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 2012 (Unaudited)	As at 31 December 2011 (Audited)
Below 3 months	**26,263,097**	23,076,124
3 to 6 months	**3,666,487**	1,886,778
6 months to 1 year	**2,110,331**	1,656,735
1 to 2 years	**258,499**	230,915
Over 2 years	**194,211**	203,443
	32,492,625	27,053,995

15 BUSINESS COMBINATIONS

Business combinations not under common control

Acquisitions during the period comprises:

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

Subsidiaries acquired	Acquired interests
Sinopharm Holding Nantong Co., Ltd.	80%
Sinopharm Holding Instrument (Beijing) Co., Ltd.	70%
Shanghai Meitai Medical Instruments Co., Ltd.	70%
Sinopharm Holding Wuhu Co., Ltd.	70%
Sinopharm Holding Liuan Co., Ltd.	60%
Sinopharm Holding Weihai Co., Ltd.	90%
Sinopharm Holding Jining Co., Ltd.	70%
Jiangmeng Guoda Jiyuantang Pharmacy Chain Store Co., Ltd.	65%
Sinopharm Jiankun (Beijing) Medical Co., Ltd.	51%
Sinopharm Holding Zhaoqing Co., Ltd.	100%
Sinopharm Holding Jiangmeng Renren Co., Ltd.	100%

The acquisition date is also the date on which the Group effectively obtains the rights to control these entities.

In addition, the Group acquired, in May 2012, an additional 45% equity interests in Shanghai Donghong Medical Co., Ltd. ("Shanghai Donghong"), a then existing 35% owned associate, from an third party. After the acquisition, the Group holds 80% equity interests in Shanghai Donghong which became a subsidiary of the Group.

The effect of the acquisitions during the period is summarised as follow:

Purchase consideration	
– Cash paid *(note (i))*	515,213
– Consideration payable	9,250
– Contingent consideration *(note (ii))*	279,143
Total purchase consideration	803,606
Fair value of previous stake at the dates of acquisitions	51,584
	855,190

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

	Fair values at acquisition date	**Acquirees' carrying amounts at acquisition date**
Cash and cash equivalents	138,206	138,206
Property, plant and equipment	57,951	56,883
Land use rights	13,891	13,891
Intangible assets	325,996	55
Deferred income tax assets	3,951	3,951
Inventories	288,219	288,219
Other non-current assets	3,442	3,442
Trade and other receivables	1,010,408	1,010,408
Trade and other payables	(1,104,080)	(1,104,080)
Deferred income tax liabilities	(81,752)	–
Other non-current liabilities	(457)	(457)
Borrowings	(97,083)	(97,083)
Net assets	558,692	313,435
Non-controlling interest *(Note (iii))*	(150,710)	
Goodwill	447,208	
Net assets acquired	855,190	
Purchase consideration settled in cash	515,213	
Cash and cash equivalents in subsidiaries acquired	(138,206)	
Cash outflow on acquisition	377,007	

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) Cash paid for acquisition

Cash paid for current period acquisition comprises the cash payment for these acquired entities in both 2012 and 2011.

(ii) 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 RMB279,143 thousands.

Based on the projected profit performance of the acquires, the fair value of the contingent consideration arrangement was estimated to be RMB279,143 thousands. As at 30 June 2012, there was no adjustment to the contingent consideration arrangement.

(iii) 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.

(iv) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2012 are summarized as follows:

	From the dates of acquisitions to 30 June 2012 (Unaudited)
Revenue	1,399,683
Net profit attributable to shareholders of the Company	23,245

16 SIGNIFICANT SUBSEQUENT EVENTS

Approved by shareholders on 3 August 2012, the Company will issue bonds at a total par value no more than RMB8,000,000 thousands in the PRC. As at the announcement date, the issuance has not been approved by China Securities Regulatory Commission.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

For the pharmaceutical industry in China, 2012 is not just a year for deepening reform of the pharmaceutical and healthcare systems and a crucial time for building upon the progress, it is also the first year of comprehensive implementation of the plan for reforming the pharmaceutical and healthcare systems during the Twelfth Five-Year Plan period. Looking back to the past three years, five key tasks of the new medical reform had achieved their three-year goals: the national basic medical insurance had covered approximately 95% of the population; the capacity of medical and healthcare service at the primary level had been significantly enhanced; the equalization of basic public healthcare services had gained a new step forward; the national system for essential medicines had been established; and pilot projects for reforming public hospitals had been pushed forward.

Starting from 2012, reform of the pharmaceutical and healthcare systems has reached a key stage. For the pharmaceutical distribution industry, although the deepening and strengthening of the reform will bring numerous challenges to the entire industry, it at the same time nurtures more opportunities:

1) Scientific development in the pharmaceutical distribution industry has been fostered by the support of industrial policies and the new pharmaceutical and healthcare reform. In 2011, the Ministry of Commerce issued the "Twelfth Five-Year Plan" for the pharmaceutical distribution industry, which gave the enterprises in the industry a clear direction of developments and putting efforts. After one year of implementation, it is not difficult to find that adjustment of the structure of the pharmaceutical distribution industry has achieved initial success; the development of modern pharmaceutical logistics has been speeded up; and the development model has constantly innovated.

2) National medical insurance system has stimulated the increase in demand for pharmaceutical products, and the overall scale of the pharmaceutical distribution industry has increased accordingly. Since the introduction of the new pharmaceutical and healthcare reform three years ago, the Chinese government has endeavored to extend the coverage of medical insurance, and has basically achieved the goal of the national medical insurance system through increasing the input of financial resources. Based on the aforesaid factors and through government subsidies, the standard of medical insurance has also been improved accordingly. In 2011, the government subsidies for the medical insurance for urban residents and the new rural cooperative medical care system were increased from the original minimum amount of RMB120 to RMB200 per person, and such subsidies were further increased to RMB240 per person in 2012. According to the plan of the government, such figure will be further increased to RMB360 per person in 2015. The stable improvement of the level of national medical insurance and security system has released the nation-wide demand for pharmaceutical products, healthcare products and medical services and the overall scale of the pharmaceutical distribution industry will also continue to expand consequently.

3) The concentration of the industry kept increasing, and has prompted large-scale enterprises to enhance the integration ability rapidly after mergers and acquisitions. Since the introduction of the new pharmaceutical and healthcare reform, national policies encouraged the industry to integrate and urged large-scale distribution enterprise to give full play to the effect of market mechanism in order to further intensify and increase the scale of operations. The management, control and integration of regional market resources after massive mergers and acquisitions and rapid expansions and the enhancement of competitiveness became severe challenges that large-scale pharmaceutical distribution enterprises have to tackle in order to achieve sustainable developments.

4) The facts that market competition has become more orderly and the authorities in the industry have tightened the regulation have both pushed pharmaceutical distribution enterprises to continuously develop advanced logistics techniques and information technology. With an aim to strive for higher profit margin and to operate in line with the market development trends, pharmaceutical distribution enterprises have to constantly develop and utilize advanced logistics techniques and information technology in the aspects of logistics, supply chain management, sales network management, product sales management and other related services.

Business Review

- **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 from manufacturers and suppliers to hospitals, other distributors, retail drug stores and other customers. As at 30 June 2012, by means of acquisitions and new establishments, the Group has expanded its distribution network to 50 distribution centers spanning 30 provinces, municipalities and autonomous regions in China. Apart from continuously consolidating its leading position in first-tier cities, the Group also exerted its effort to extend its coverage in second and third tier cities to achieve a total coverage of 178 cities in order to provide products and services to all customers in China in a timely and efficient manner. The Group's direct customers included 9,993 hospitals (including 1,312 largest and most highly-ranked class-three hospitals), accounting for approximately 74.01% of all hospitals in China (and approximately 93.78% of the class-three hospitals), and over 120,878 other customers, such as pharmaceutical distributors, retail pharmacies and other medical and healthcare institutions.

- **Retail pharmacy segment:** The Group has a network of retail pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 30 June 2012, the number of retail pharmacies of the Group was 1,801, among which 1,637 were directly operated by the Group and 164 were operated through franchises.

- **Other business operations segment:** The Group's other business operations include the production and sale of pharmaceutical products, healthcare products, chemical reagents, and laboratory supplies. For the six months ended 30 June 2012, revenue generating from other business operations accounted for 2.86% of the total revenue of the Group.

Financial Summary

The financial summary set out below is extracted from the unaudited interim results of the Group for the six months ended 30 June 2012 prepared in accordance with the Hong Kong Financial Reporting Standards:

During the Reporting Period, the Group recorded turnover of RMB66,562.30 million, representing an increase of RMB18,562.23 million, or 38.67%, as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB1,529.25 million, representing an increase of RMB326.04 million, or 27.10%, as compared with the corresponding period of last year. Profit attributable to equity holders was RMB959.12 million, representing an increase of RMB174.65 million, or 22.26%, as compared with the corresponding period of last year.

During the Reporting Period, the earnings per share of the Group was RMB0.40, representing an increase of 17.65% as compared with the corresponding period of last year.

Unit: RMB million

	1st half of 2012	1st half of 2011	Increase/ (decrease)
Operating results			
Revenue	**66,562.30**	48,000.07	18,562.23
Earnings before interests and tax	**2,635.99**	1,936.44	699.55
Profit attributable to shareholders	**959.12**	784.47	174.65
Profitability			
Gross profit margin	**8.19%**	8.17%	0.02%
Operating profit margin	**3.88%**	3.80%	0.08%
Net profit margin	**2.30%**	2.51%	(0.21%)
Earnings per share – Basic	**0.40**	0.34	0.06
Asset position			
Total assets	**75,515.36**	58,164.99	17,350.37
Equity attributable to equity holders of the Group	**16,188.49**	14,967.30	1,221.19
Total gearing ratio	**71.49%**	67.11%	4.38%
Cash and cash equivalents	**10,284.52**	10,172.45	112.07
Key operational indicators			
Trade receivables turnover ratio *(days)*	**86**	82	4
Inventory turnover ratio *(days)*	**35**	34	1
Trade payables turnover ratio *(days)*	**89**	88	1
Current ratio	**1.34**	1.36	(0.02)

Revenue

The Group's revenue increased by 38.67% from RMB48,000.07 million for the six months ended 30 June 2011 to RMB66,562.30 million during the Reporting Period. The increase was 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 40.10% from RMB44,888.26 million for the six months ended 30 June 2011 to RMB62,889.35 million during the Reporting Period, accounting for 94.48% of its total revenue. The increase was primarily due to the further expansion of the pharmaceutical distribution network, the rapid growth of the existing distribution network and a remarkable growth of the industry.

- **Retail pharmacy segment:** The Group's revenue from retail pharmacy operations increased by 29.21% from RMB1,368.94 million for the six months ended 30 June 2011 to RMB1,768.82 million during the Reporting Period, accounting for 2.66% of its total revenue. The increase was mainly due to the business growth of existing pharmacies, the expansion of retail pharmacy network and the growth of sales stimulated by the acquisition of retail stores and companies in 2011.

- **Other business operations segment:** The Group's revenue from other business operations increased by 9.25% from RMB1,742.87 million for the six months ended 30 June 2011 to RMB1,904.13 million during the Reporting Period, accounting for 2.86% of its total revenue. The increase was mainly due to the growth of pharmaceutical manufacturing operations, chemical reagent operations and laboratory supplies business of the Group.

Cost of Sales

The Group's cost of sales increased by 38.63% from RMB44,080.25 million for the six months ended 30 June 2011 to RMB61,108.88 million during the Reporting Period, which was primarily due to the increase in the revenue from sales which led to the increase in cost of sales.

Gross Profit

As a result of the foregoing, the Group's gross profit increased by 39.12% from RMB3,919.82 million for the six months ended 30 June 2011 to RMB5,453.42 million during the Reporting Period.

The Group's gross profit margins were 8.19% and 8.17% for the six months ended 30 June 2012 and the corresponding period in 2011, respectively.

Other Income

Other income of the Group increased by 81.54% from RMB58.79 million for the six months ended 30 June 2011 to RMB106.73 million during the Reporting Period. The increase was primarily due to the increase in subsidies provided by the central and local governments to the Group.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by 34.43% from RMB1,317.40 million for the six months ended 30 June 2011 to RMB1,770.92 million during the Reporting Period. The increase in distribution and selling expenses was primarily due to the scale enlargement, business development, expansion of distribution network and further growth of the business of direct sales to hospitals of the Group.

General and Administrative Expenses

The Group's general and administrative expenses increased by 44.12% from RMB839.39 million for the six months ended 30 June 2011 to RMB1,209.69 million during the Reporting Period, of which, the increase in scale of sales and the surge in accounts receivable of the Group led to an increase in provision for bad debts of RMB74.88 million; other general and administrative expenses increased by RMB295.42 million, or 35.58%, as compared with the corresponding period of 2011.

Operating Profit

As a result of the foregoing, the Group's operating profit was RMB2,579.54 million during the Reporting Period, representing an increase of 41.59% from RMB1,821.82 million for the six months ended 30 June 2011.

Other Gains – Net

Other net gains of the Group decreased by 113.01% from RMB69.43 million for the six months ended 30 June 2011 to RMB-9.03 million during the Reporting Period, mainly due to the diminishing gains from the disposal of fixed assets of the Group.

Financial Costs – Net

The Group's financial costs increased by 80.20% from RMB344.11 million for the six months ended 30 June 2011 to RMB620.07 million during the Reporting Period. The increase was mainly due to the increase in interest expense resulting from the increase in interest bearing liabilities of the Group.

Share of Results of Associated Companies

The Group's share of results of associated companies increased by 44.92% from RMB45.19 million for the six months ended 30 June 2011 to RMB65.49 million during the Reporting Period.

Income Tax Expenses

The Group's income tax expenses increased by 25.07% from RMB389.12 million for the six months ended 30 June 2011 to RMB486.68 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 decreased from 24.44% for the six months ended 30 June 2011 to 24.14% for the six months ended 30 June 2012.

Profit for the Reporting Period

As a result of the foregoing, the Group's profit increased by 27.10% from RMB1,203.21 million for the six months ended 30 June 2011 to RMB1,529.25 million for the Reporting Period.

Profit Attributable to Equity Holders of the Company

Net profit attributable to equity holders of the Company increased by 22.26%, or RMB174.65 million, from RMB784.47 million for the six months ended 30 June 2011 to RMB959.12 million during the Reporting Period. The net profit margins attributable to equity holders of the Company for the Reporting Period and corresponding period of 2011 were 1.44% and 1.63% respectively.

Minority Interests

The Company's minority interests increased by 36.15% from RMB418.74 million for the six months ended 30 June 2011 to RMB570.13 million during the Reporting Period.

Cash Flows

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

Net cash generated from/used in operating activities

The Group's cash inflow from operations primarily derives from payments for the sale of products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB516.35 million, as compared to the net cash used in operating activities of RMB1,366.81 million for the six months ended 30 June 2011, which was primarily due to the strengthening of the planning and balanced management of operational cash flow by the Group in the Reporting Period.

Net cash used in investing activities

The Group's net cash used in investing activities amounted to RMB970.88 million during the Reporting Period, representing a decrease of RMB562.78 million as compared to net cash used in investing activities of RMB1,533.66 million for the six months ended 30 June 2011, mainly due to the decrease in the scale of acquisition of the Group during the Reporting Period as compared with the same period last year.

Net cash used in/generated from financing activities

The Group's net cash used in financing activities amounted to RMB2,351.96 million during the Reporting Period, as compared to net cash generated from financing activities of RMB5,598.22 million for the six months ended 30 June 2011. The main reason is that the Group did not carry out large-scale financing activities during the Reporting Period.

Capital Structure

Indebtedness

Among the total borrowings of the Group as at 30 June 2012, RMB9,223.56 million was due within one year and RMB5,228.74 million was due after one year. During the Reporting Period, the Group did not experience any difficulty in renewing its bank loans with its lenders.

Gearing ratio

As at 30 June 2012, the Group's gearing ratio was 71.49% (30 June 2011: 67.11%), calculated as net liabilities divided by the aggregate of total assets and net liabilities as at 30 June 2012. Such increase was mainly due to the increase in liabilities of the Group.

Foreign Exchange Risk

The uncertainties of foreign currency exchange rate will not cause significant foreign currency exchange risks to the Group.

Charge on Assets

As at 30 June 2012, certain plants and equipment of the Group with book value of RMB92 million, notes receivable with book value of RMB66 million and trade receivables with book value of RMB2,597 million were pledged as collateral for part of the Group's bank borrowings.

Capital Expenditures

The capital expenditures of the Group primarily included purchases through business combination or acquisition activities and direct purchases of property, plant and equipment, leasing of land, obtaining of land use rights and intangible assets. The Group's capital expenditures amounted to RMB1,368.59 million and RMB4,087.54 million for the Reporting Period and the six months ended 30 June 2011, 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 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 cash flow 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.

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 "going concern" basis.

OTHER INFORMATION

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

As at 30 June 2012, none of the directors (the "**Directors**"), supervisors (the "**Supervisors**") and the chief executive of the Company and their respective associates 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or which were required to be kept in the register under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

As at 30 June 2012, 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) 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 of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	Long position/short position/shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 *(Note 2)*	0.11	0.17	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 2)*	65.41	99.83	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 *(Notes 1 and 2)*	65.41	99.83	Long position
Qishen Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 3)*	65.41	99.83	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 4)*	65.41	99.83	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 5)*	65.41	99.83	Long position
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 6)*	65.41	99.83	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 7)*	65.41	99.83	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 8)*	65.41	99.83	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Notes 1 and 9)*	65.41	99.83	Long position
National Social Security Fund	H shares	Beneficial owner	62,753,102	2.61	7.58	Long position

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage of the total number of shares of the Company (%)	Approximate percentage of the relevant class of shares (%)	Long position/short position/shares available for lending
Capital Research and Management Company	H shares	Investment manager	42,110,000	1.75	5.08	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation *(Note 10)*	66,834,542	2.78	8.07	Long position
			4,581,051	0.19	0.55	Short position
Government of Singapore Investment Corporation Pte Ltd	H shares	Investment manager	50,604,400	2.11	6.11	Long position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.69	4.91	Long position
JPMorgan Chase & Co.	H shares	Beneficial owner,	59,873,541	2.49	7.23	Long position
		Investment manager,	3,939,200	0.16	0.48	Short position
		Custodian corporation/ approved lending agent *(Note 11)*	47,197,442	1.96	5.70	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	58,518,800	2.44	7.06	Long position
The Goldman Sachs Group, Inc.	H shares	Interest of controlled corporation *(Note 12)*	42,152,388	1.75	5.09	Long position
			33,949,941	1.41	4.10	Short position

Notes:

(1) Such 1,571,555,953 domestic shares belong to the same batch of shares.

(2) CNPGC is directly interested in 2,728,396 domestic shares and indirectly interested in 1,571,555,953 domestic shares through Sinopharm Investment (as CNPGC owns a 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) Qishen Company is the beneficial owner of the 49% equity interest in Sinopharm Investment and, therefore, Qishen Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(4) Fosun Pharma is the beneficial owner of 100% equity interest in Qishen Company and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(5) Fosun High Technology is the beneficial owner of the 49.03% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(6) Fosun Company is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore, Fosun Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(7) Fosun Holdings is the beneficial owner of the 78.24% equity interest in Fosun Company and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(8) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(9) Mr. Guo Guangchang is the beneficial owner of the 58% equity interest in Fosun International Holdings and the 0.006% equity interest in Fosun Pharma and, therefore, Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(10) BlackRock, Inc. is indirectly interested in long position of 66,834,542 H shares and short position of 4,581,051 H shares of the Company through a series of controlled corporations.

(11) JPMorgan Chase & Co. is the beneficial owner of long position of 11,723,299 H shares of the Company and short position of 3,930,000 H shares of the Company, and is also indirectly interested in long position of 48,150,242 H shares and short position of 9,200 H shares of the Company through a series of controlled corporations.

(12) The Goldman Sachs Group, Inc. is indirectly interested in long position of 42,152,388 H shares and short position of 33,949,941 H shares of the Company through a series of controlled corporations.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2012, no person (other than the Directors, Supervisors or the chief executive) had any interests or short positions in the shares and 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

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities.

Dividends

Pursuant to the relevant resolution passed by the shareholders of the Company at the 2011 annual general meeting convened on 5 June 2012, the Company has paid the final dividend for the year ended 31 December 2011 to the shareholders on 20 July 2012, totalling approximately RMB456,498,807.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

Subsequent Events

Pursuant to the relevant special resolution passed at the extraordinary general meeting of the Company convened on 3 August 2012, the Company will issue the corporate bonds with a principal amount not exceeding RMB8,000,000,000 in the PRC. As at the date of this results announcement, the issue of such corporate bonds has not been approved by the relevant regulatory authorities of the PRC. (For details please refer to the relevant announcements of the Company dated 7 June and 17 July 2012.)

The term of office of Mr. Zhou Bajun, an independent non-executive Director, expired on 18 August 2012. At the extraordinary general meeting of the Company convened on 3 August 2012, Mr. Zhou Bajun was re-elected as an independent non-executive Director of the Second Session of the Board, with a term commencing on 19 August 2012 and ending upon the expiry of the term of office of the Second Session of the Board. (For details please refer to the circular of the Company dated 19 July 2012.)

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 unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012 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, save as disclosed below, the Company had complied with the code provisions set out in the Code as well as the Code on Corporate Governance Practices which was in force before 1 April 2012.

According to the relevant amendments in the Code which took effect on 1 April 2012, the Board is currently considering the purchase of liability insurance for the Directors and will put it into effect as soon as possible.

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 throughout 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 Company's interim report for 2012 which contains all the information required under the Listing Rules will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange in due course.

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

Shanghai, the PRC
22 August 2012

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. Chen Wenhao, Mr. Zhou Bin, Mr. Chen Qiyu, Mr. Deng Jindong, Mr. Fan Banghan and Mr. Liu Hailiang; and the independent non-executive directors of the Company are Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong 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."*