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 2013 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 2013 (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 2013 (Unaudited)	2012 (Unaudited, as restated)
Revenue	*4*	**80,066,362**	66,562,297
Cost of sales	*7*	**(73,742,215)**	(61,108,881)
Gross profit		**6,324,147**	5,453,416
Other income	*5*	**84,401**	106,726
Distribution and selling expenses	*7*	**(2,064,657)**	(1,770,915)
General and administrative expenses	*7*	**(1,346,594)**	(1,211,233)
Operating profit		**2,997,297**	2,577,994
Other gains/(losses) – net	*6*	**23,483**	(9,033)
Finance income		**71,003**	55,453
Finance costs		**(847,527)**	(674,175)
Finance costs – net	*9*	**(776,524)**	(618,722)
Share of results of associates		**64,022**	65,486
Profit before income tax		**2,308,278**	2,015,725
Income tax expense	*10*	**(512,113)**	(486,690)
Profit for the period		**1,796,165**	1,529,035
Attributable to:			
– Shareholders of the Company		**1,151,729**	958,910
– Non-controlling interests		**644,436**	570,125
		1,796,165	1,529,035
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*	**0.46**	0.40
Dividends	*12*	**642,073**	456,499

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited, as restated)
Profit for the period	**1,796,165**	1,529,035
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**(5,932)**	(1,015)
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets, net of tax	**748**	3,574
Currency translation differences	**(1,251)**	293
Total items that may be reclassified subsequently to profit or loss	**(503)**	3,867
Other comprehensive income for the period, net of tax	**(6,435)**	2,852
Total comprehensive income for the period	**1,789,730**	1,531,887
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**1,147,061**	961,014
– Non-controlling interests	**642,669**	570,873
	1,789,730	1,531,887

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited, as restated)
ASSETS			
Non-current assets			
Land use rights		**1,234,584**	1,017,029
Investment properties		**165,809**	175,588
Property, plant and equipment		**5,840,487**	5,412,037
Intangible assets		**5,591,944**	5,550,612
Investments in associates		**528,680**	689,324
Available-for-sale financial assets		**268,907**	205,408
Deferred income tax assets		**373,190**	339,713
Other non-current assets		**870,290**	471,772
Total non-current assets		**14,873,891**	13,861,483
Current assets			
Inventories		**14,447,822**	13,864,730
Trade receivables	*13*	**48,058,024**	38,187,200
Prepayments and other receivables		**4,081,158**	3,803,354
Available-for-sale financial assets		**1,559**	1,559
Pledged bank deposits		**2,428,748**	1,607,395
Cash and cash equivalents		**13,496,082**	9,801,502
Total current assets		**82,513,393**	67,265,740
Total assets		**97,387,284**	81,127,223
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**2,568,293**	2,402,625
Reserves		**18,214,320**	14,881,120
		20,782,613	17,283,745
Non-controlling interests		**6,299,856**	5,664,910
Total equity		**27,082,469**	22,948,655

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONT'D)
(All amounts in Renminbi thousands unless otherwise stated)

	Note	**As at 30 June 2013 (Unaudited)**	As at 31 December 2012 (Audited, as restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**7,201,789**	5,191,580
Deferred income tax liabilities		**610,580**	591,899
Post-employment benefit obligations benefits and		**449,550**	449,933
Other non-current liabilities		**825,949**	790,026
Total non-current liabilities		**9,087,868**	7,023,438
Current liabilities			
Trade payables	*14*	**41,237,425**	35,255,162
Accruals and other payables		**4,383,212**	4,598,411
Dividends payable		**825,315**	15,655
Current income tax liabilities		**322,533**	337,699
Borrowings		**14,448,462**	10,948,203
Total current liabilities		**61,216,947**	51,155,130
Total liabilities		**70,304,815**	58,178,568
Total equity and liabilities		**97,387,284**	81,127,223
Net current assets		**21,296,446**	16,110,610
Total assets less current liabilities		**36,170,337**	29,972,093

Notes:

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 parent company of the Company is Sinopharm Industrial Investment Co., Ltd. ("**Sinopharm Investment**"). The ultimate holding company of the Company is China National Pharmaceutical Group Corporation ("**CNPGC**").

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 23 August 2013.

This condensed consolidated interim financial information has not been audited.

Key events

In April 2013, the Company issued additional 165,668,190 H shares at HK$24.60 per share, raising a net proceeds of HK$4,004,187 thousands (equivalent to RMB3,226,173 thousands).

In March 2013, the Company issued 40,000,000 corporate bonds at a total par value of RMB4,000,000 thousands in the PRC.

In June 2013, the Group acquired 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. from Sinopharm Industrial Investment Co., Ltd. The condensed consolidated interim financial information incorporate the financial statements of this entity in which the common control combination occurs as if it had been combined from the date when it first came under the control of Sinopharm Industrial Investment Co., Ltd. As a result, comparatives have been restated accordingly. Further details are given in Note 15(a).

During the six month period ended 30 June 2013, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB122,981 thousands. Further details are given in Note 15 (b).

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with HKFRSs.

(i) Business combination under common control

In June 2013, the Group acquired 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. The transaction has 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 2013 have been restated to incorporate the financial statements of the entity and business in which the common control combination occurs as if it had been combined from the date when they first came under control of Sinopharm Industrial Investment Co., Ltd.

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 – operation of pharmaceutical chain stores; and

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

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

During the six-month period ended 30 June 2012, certain pharmaceutical distribution operations that were closely related to retail pharmacy operations were managed and reported under the pharmaceutical distribution segment. In line with the internal operating reports, these operations were then subsequently managed and reported under the retail pharmacy segment in 2012. Certain comparative figures have been reclassified to conform with the current period's presentation.

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 2013 and 2012

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
Six months ended 30 June 2013 (Unaudited)					
Segment results					
External segment revenue	**75,853,682**	**2,274,685**	**1,937,995**	**–**	**80,066,362**
Inter-segment revenue	**441,102**	**–**	**122,508**	**(563,610)**	**–**
Revenue	**76,294,784**	**2,274,685**	**2,060,503**	**(563,610)**	**80,066,362**
Operating profit	**2,692,639**	**91,302**	**215,775**	**(2,419)**	**2,997,297**
Other gains/(losses)	**46,547**	**1,525**	**(24,589)**	**–**	**23,483**
Share of results of associates	**227**	**443**	**63,352**	**–**	**64,022**
	2,739,413	**93,270**	**254,538**	**(2,419)**	**3,084,802**
Finance costs – net					**(776,524)**
Profit before income tax					**2,308,278**
Income tax expense					**(512,113)**
Profit for the period					**1,796,165**
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	**93,816**	**790**	**356**		**94,962**
Provision for impairment of inventories	**16,720**	**63**	**675**		**17,458**
Amortisation of land use rights	**12,326**	**123**	**3,357**		**15,806**
Depreciation of property, plant and equipment	**163,038**	**21,240**	**48,414**		**232,692**
Depreciation of investment properties	**–**	**–**	**6,641**		**6,641**
Amortisation of intangible assets	**70,534**	**483**	**2,517**		**73,534**
Capital expenditures	**532,404**	**27,209**	**466,560**		**1,026,173**
Six months ended 30 June 2012 (Unaudited, as restated)					
Segment results					
External segment revenue	62,716,351	1,941,820	1,904,126	–	66,562,297
Inter-segment revenue	482,165	–	108,020	(590,185)	–
Revenue	63,198,516	1,941,820	2,012,146	(590,185)	66,562,297
Operating profit	2,237,099	85,099	259,059	(3,263)	2,577,994
Other gains/(losses)	4,094	608	(13,735)	–	(9,033)
Share of results of associates	3,347	666	61,473	–	65,486
	2,244,540	86,373	306,797	(3,263)	2,634,447
Finance costs – net					(618,722)
Profit before income tax					2,015,725
Income tax expense					(486,690)
Profit for the period					1,529,035
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	122,711	26,369	38,209		187,289
Depreciation of investment properties	–	–	5,037		5,037
Amortisation of intangible assets	51,600	754	12,404		64,758
Capital expenditures	1,297,941	25,052	45,608		1,368,601

(ii) As at 30 June 2013 and 31 December 2012

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	The Group
As at 30 June 2013 (Unaudited)					
Segment assets and liabilities					
Segment assets	**90,862,100**	**2,493,218**	**5,701,021**	**(2,042,245)**	**97,014,094**
Segment assets include:					
Investments in associates	**4,470**	**8,863**	**515,347**	**–**	**528,680**
Unallocated assets – Deferred income tax assets					**373,190**
Total assets					**97,387,284**
Segment liabilities	**45,988,236**	**1,497,494**	**2,041,236**	**(1,482,982)**	**48,043,984**
Unallocated liabilities – Borrowings and deferred income tax liabilities					**22,260,831**
Total liabilities					**70,304,815**
As at 31 December 2012 (Audited, as restated)					
Segment assets and liabilities					
Segment assets	75,770,161	1,575,065	5,454,114	(2,011,830)	80,787,510
Segment assets include:					
Investments in associates	3,624	10,533	675,167	–	689,324
Unallocated assets – Deferred income tax assets					339,713
Total assets					81,127,223
Segment liabilities	39,956,787	885,886	1,745,159	(1,140,946)	41,446,886
Unallocated liabilities – Borrowings and deferred income tax liabilities					16,731,682
Total liabilities					58,178,568

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

4 REVENUE

	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Sales of goods	**79,933,011**	66,449,670
Rental income	**35,955**	31,111
Franchise fees and other service fee from medicine chain stores	**16,516**	13,404
Consulting income	**56,428**	41,828
Import and export agency income	**12,868**	19,200
Others	**11,584**	7,084
	80,066,362	66,562,297

5 OTHER INCOME

	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Government grants *(Note)*	**84,401**	106,726

Note –

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

6 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Gain on disposal of subsidiaries	**–**	6,793
Gain on disposal of land use rights and property, plant and equipment	**15,715**	2,198
Foreign exchange loss – net	**(2,540)**	(8,292)
Write-back of certain liabilities	**11,171**	267
Compensation *(Note)*	**(22,040)**	(17,600)
Dividend from a subsidiary prior to acquisition	**15,878**	–
Others – net	**5,299**	7,601
	23,483	(9,033)

Note –

In March 2010, one subsidiary of the Group signed a "Real estate transfer and corporation agreement" with a Real Estate Development Company (the "**counterparty**"). In June 2012, the subsidiary determined to terminate the agreement due to its long-term development, and made compensation provision amounting to RMB17,600 thousands accordingly. In April 2013, the counterparty did not receive full compensation as scheduled and sued the subsidiary for additional compensation of RMB22,040 thousands. The decision of the court went in the counterparty's favour at the first instance and the subsidiary made additional compensation provision amounting to RMB22,040 thousands during the period ended 30 June 2013. The subsidiary also has initiated the second instance proceeding.

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited, as restated)
Raw materials and trading merchandise consumed	**73,732,687**	61,128,744
Changes in inventories of finished goods and work in progress	**(132,366)**	(107,894)
Employee benefit expenses *(Note 8)*	**1,507,608**	1,327,212
Provision for impairment of trade receivables	**93,177**	81,956
Provision for impairment of other receivables	**1,785**	1,942
Provision for impairment of inventories	**17,458**	9,420
Operating leases in respect of leasehold land and buildings	**222,142**	247,957
Depreciation of property, plant and equipment	**232,692**	187,289
Depreciation of investment properties	**6,641**	5,037
Amortisation of intangible assets	**73,534**	64,758
Amortisation of land use rights	**15,806**	12,201
Auditors' remuneration	**10,464**	11,440
Consulting and other service fees	**30,525**	35,482
Transportation expenses	**236,647**	217,354
Travel expenses	**106,607**	93,049
Promotion and advertising expenses	**486,712**	419,331
Utilities	**41,619**	46,755
Others	**469,728**	308,996
Total cost of sales, distribution and selling expenses and general and administrative expenses	**77,153,466**	64,091,029

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**1,149,588**	1,033,983
Contributions to pension plans *(i)*	**121,415**	96,444
Post-employment benefits	**11,609**	10,593
Housing benefits *(ii)*	**44,450**	33,604
Other benefits *(iii)*	**180,546**	152,588
	1,507,608	1,327,212

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	
	2013	2012
	(Unaudited)	(Unaudited, as restated)
Interest expense:		
– Borrowings	**522,496**	434,272
– Discounting of notes receivable	**135,962**	98,798
– Discounting of accounts receivable	**140,215**	101,047
Gross interest expense	**798,673**	634,117
Bank charges	**61,565**	52,735
Less: capitalised interest expense	**(12,711)**	(12,677)
Finance costs	**847,527**	674,175
Finance income:		
– Interest income on deposits in bank or other financial institution	**(71,003)**	(55,453)
Net finance costs	**776,524**	618,722

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited, as restated)
Current PRC income tax	**551,101**	508,374
Deferred taxation	**(38,988)**	(21,684)
	512,113	486,690

During the six months ended June 2013, enterprises incorporated in the PRC are normally subject to enterprise income tax ("**EIT**") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

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

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	
	2013	2012
	(Unaudited)	(Unaudited, as restated)
Profit attributable to shareholders of the Company *(RMB'000)*	**1,151,729**	958,910
Weighted average number of ordinary shares in issue *('000)*	**2,477,679**	2,402,625
Basic earnings per share *(RMB per share)*	**0.46**	0.40

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 2012 of RMB0.25 per share (tax inclusive), amounting to RMB642,073 thousands in total, was approved by the shareholders on 5 June 2013 and was paid on 12 July 2013 to the shareholders whose names appeared on the register of members of the Company on 12 June 2013.

No interim dividend was proposed for the six-month period ended 30 June 2013.

13 TRADE RECEIVABLES

	As at 30 June 2013	As at 31 December 2012
	(Unaudited)	(Audited, as restated)
Accounts receivable	**44,590,630**	35,362,351
Notes receivable	**3,923,682**	3,194,492
	48,514,312	38,556,843
Less: Provision for impairment	**(456,288)**	(369,643)
	48,058,024	38,187,200

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 2013 (Unaudited)	As at 31 December 2012 (Audited, as restated)
Below 3 months	**36,770,169**	29,546,453
3 to 6 months	**8,176,426**	5,751,788
6 months to 1 year	**3,088,602**	3,093,816
1 to 2 years	**414,987**	118,412
Over 2 years	**64,128**	46,374
Total	**48,514,312**	38,556,843

The trade receivables are denominated in RMB.

14 TRADE PAYABLES

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited, as restated)
Accounts payable	**31,532,905**	26,502,715
Notes payable	**9,704,520**	8,752,447
	41,237,425	35,255,162

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 2013 (Unaudited)	As at 31 December 2012 (Audited, as restated)
Below 3 months	**36,523,730**	30,325,135
3 to 6 months	**3,014,869**	1,973,194
6 months to 1 year	**1,107,175**	2,394,025
1 to 2 years	**286,024**	344,453
Over 2 years	**305,627**	218,355
	41,237,425	35,255,162

The Group has accounts payable financing program with certain banks whereby the bank repaid accounts payables on behalf of the Group with an equivalent sum drawn as borrowings. Such draw down of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows. During the six months ended 30 June 2013, accounts payable of RMB2,678,501 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2013, all bank borrowings arising from this program were repaid.

15 BUSINESS COMBINATIONS

(a) Business combinations under common control

In June 2013, the Group acquired a 80% equity interest in China National Pharmaceutical Group Shanxi Co., Ltd. from Sinopharm Industrial Investment Co., Ltd..

The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of the above subsidiary on the consolidated balance sheets.

The consolidated balance sheet as at 31 December 2012:

	The Group, excluding China National Pharmaceutical Group Shanxi Co., Ltd.	China National Pharmaceutical Group Shanxi Co., Ltd.	Adjustments	Consolidated
Investment in China National Pharmaceutical Group Shanxi Co., Ltd.	–	–	–	–
Other assets – Net	22,743,201	205,454	–	22,948,655
Net assets	22,743,201	205,454	–	22,948,655
Share capital	2,402,625	200,000	(200,000)	2,402,625
Share premium	10,826,368	–	–	10,826,368
Statutory reserves	252,040	556	(556)	252,040
Revaluation of available-for-sale financial assets	9,716	–	–	9,716
Other reserves	(213,817)	–	200,000	(13,817)
Retained earnings	3,801,359	4,898	556	3,806,813
Non-controlling interests	5,664,910	–	–	5,664,910
	22,743,201	205,454	–	22,948,655

The consolidated balance sheet as at 30 June 2013:

	The Group, excluding China National Pharmaceutical Group Shanxi Co., Ltd.	**China National Pharmaceutical Group Shanxi Co., Ltd.**	**Adjustments**	**Consolidated**
Investment in China National Pharmaceutical Group Shanxi Co.,Ltd.	**819,600**	**–**	**(819,600)**	**–**
Other assets – Net	**26,055,995**	**1,026,474**	**–**	**27,082,469**
Net assets	**26,875,595**	**1,026,474**	**(819,600)**	**27,082,469**
Share capital	**2,568,293**	**1,000,000**	**(1,000,000)**	**2,568,293**
Share premium	**13,886,873**	**–**	**–**	**13,886,873**
Statutory reserves	**252,040**	**556**	**(556)**	**252,040**
Revaluation of available-for-sale financial assets	**10,464**	**–**	**–**	**10,464**
Other reserves	**(221,414)**	**–**	**(19,600)**	**(241,014)**
Retained earnings	**4,279,483**	**25,918**	**556**	**4,305,957**
Non-controlling interests	**6,099,856**	**–**	**200,000**	**6,299,856**
	26,875,595	**1,026,474**	**(819,600)**	**27,082,469**

(b) Business combinations not under common control

Acquisitions during the period comprise:

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

Subsidiaries acquired	**Acquisition date**	**Acquired interests**
Sinopharm Holding Dezhou Co., Ltd.	January, 2013	70%
Sinopharm Holding Liaocheng Co., Ltd.	January, 2013	70%
Sinopharm Holding Wencheng County Pharmaceutical Co., Ltd	January, 2013	58%
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd.	January, 2013	84%
Wuhu Sanyi Pharmaceutical Co., Ltd.	January, 2013	100%
Shanxi Zhengxiang Real Estate Development Co., Ltd.	June, 2013	100%

In addition, The Group effectively obtained the rights to control Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd. ("**Sinopharm Xingsha**") in April 2013, a then 60% equity interests owned entity without control. After the obtaining of control rights, Sinopharm Xingsha became a subsidiary of the Group.

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

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

Purchase consideration	
– Cash consideration	79,230
– Equity instruments	9,361
– Consideration payable	31,450
– Contingent consideration *(Note (i))*	2,940
Total purchase consideration	122,981
Fair value of previous stake at the dates of acquisitions	161,670
	284,651

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	30,161	30,161
Property, plant and equipment	211,659	150,143
Land use rights	67,196	17,746
Intangible assets		
– sales network	500	–
– trademarks and patent	21,035	205
– software and others	854	854
Deferred income tax assets	7,701	7,701
Inventories	47,408	47,408
Other non-current assets	1,708	1,708
Trade and other receivables	140,536	140,536
Trade and other payables	(142,699)	(142,699)
Deferred income tax liabilities	(33,500)	–
Borrowings	(24,000)	(24,000)
Net assets	328,559	229,763
Non-controlling interest *(Note (ii))*	(98,792)	
Goodwill	54,884	
Net assets acquired	284,651	
Consideration for acquisitions settled in cash	79,230	
Prepayments for the acquisition in 2012	(45,320)	
Cash consideration paid in six-month period ended 30 June 2013	33,910	
Cash and cash equivalents in subsidiaries acquired	(30,161)	
Cash outflow on acquisition	3,749	

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

Notes –

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB2,940 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB2,940 thousands. As at 30 June 2013, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interest

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

(iii) The revenue, net profit attributable to shareholders of the Company of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2013 are summarized as follows:

	From acquisition date to 30 June 2013 (Unaudited)
Revenue	193,809
Net profit attributable to shareholders of the Company	4,009

(iv) The related acquisition cost is immaterial.

16 SIGNIFICANT SUBSEQUENT EVENTS

China National Accord Medicines Corporation Ltd. ("**Sinopharm Accord**"), a subsidiary of the Company, is listed on the Shenzhen Stock Exchange in Mainland China. According to the relevant resolution passed at a meeting of the Board held on 19 July 2013, the Company entered into a share subscription agreement with Sinopharm Accord, pursuant to which the Company agreed to subscribe for 74,482,543 new A shares to be issued by Sinopharm Accord through non-public issuance at a consideration of RMB1,941,759,896.01 (the subscription price is RMB26.07 per new A share). As at the date of this announcement, such transaction is still subject to the approval of the general meeting of Sinopharm Accord, as well as the approval of China Securities Regulatory Commission.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

As Chinese economy and society recently enters a re-alignment and upgrading stage, the healthcare reform continues to evolve in depth, and the market is becoming more and more competitive, the overall growth rate of the pharmaceuticals industry has mildly slowed down compared to a decade ago. Meanwhile, the sector still sustains a strong growth momentum, not only because the national economy continues a robust growth pace in the context of a maturing macro-economic regulatory environment; but also because a deepening, policy-driven urbanization process among a massive aging population will ensure the inelastic demand for healthcare and pharmaceutical products and services.

In the first half of 2013, China's healthcare reform featured further elaboration of three themes, namely "medical insurances", "pharmaceuticals" and "medical services", which exerted noticeable influences on the overall pharmaceutical industry:

- The medical insurance system was further strengthened.

  During 2013, the standard medical insurance subsidies for urban residents and government subsidies of new rural cooperative medical system were further increased pursuant to "The Major Arrangements to Further Implement the Healthcare Reform in 2013" as promulgated by General Office of the State Council ("GOSC"). At the same time, contributions from individuals in urban and rural areas were increased accordingly. Moreover, the central government also actively promoted the development of protection on critical illnesses as well as the corresponding relief mechanisms. There was also additional legislation to implement critical illness protections for residents in the urban and rural areas on a trial basis. The expansion of coverage in medical insurance also facilitated the stable and sustainable development in the pharmaceutical industry. On the other hand, the government also sought to further improve and standardize the medical insurance system through "control over prescriptions and expenses".

- The Essential Drug System was further improved.

  In February 2013, General Office of the State Council promulgated "The Opinions of General Office of the State Council Concerning the Enhancement of the Essential Drug System and Implementation of New Mechanisms at the Low Tier Level", which specifically provided the requirement details on procurement, delivery, payment, operations and regulations of essential drugs. The 2012 edition of "National Essential Drug List" (referred to as EDL), which officially became effective on 1 May 2013, further enhanced the EDL from the aspects of "additional quantities, optimized mix, and standardized drug dosage forms and specifications". The EDL contributed to the development of social and medical benefits towards "lower tier" and "wider coverage" directions, and brought higher expectations towards the operation capability of pharmaceutical distributors at the low tier level.

- Industry standards were further streamlined and calibrated.

The revised edition of "Good Supply Practices for Pharmaceutical Products" (GSP) officially became effective on 1 June 2013, which required for substantial improvement in the quality on the management of pharmaceutical operations. This had been a challenge to pharmaceutical distribution enterprises, especially to small and mid-sized enterprises (SME) in the industry, resulting in some unqualified SMEs being eliminated. However, those leading pharmaceutical enterprises would have more advantages in the aspect of meeting the requirements of the new GSP. On the other hand, the new "Good Manufacturing Practice for Pharmaceutical Products" (GMP) considerably lifted the threshold in controlling the quality management of pharmaceuticals production that matched the standards at developed countries in Europe and US. The new standards are more stringent and require more investment. In general, the implementation of new GSP and GMP will further raise the entry barrier for the pharmaceutical manufacturing and distribution industry, standardize the operating environments, and promote consolidation within the industry.

- Adjustments in the pricing systems of pharmaceuticals and medical services.

  In the first half of 2013, the NDRC continued to implement drug price adjustment for two rounds at a relatively extensive scale. A number of provinces and municipalities began to implement new measures for drug tender. It is expected that these adjustments will exert a certain impact on sales revenue and profitability of the pharmaceutical distribution and production enterprises in the short term. In addition, public hospitals are undergoing further reforms, whilst medical institutions at certain provinces and areas also are implementing reform on consultation fees. In the middle-to-long term, the State will gradually streamline the pricing systems of medical services and pharmaceuticals, which will be beneficial to improve business environment for pharmaceutical enterprises and promoting healthy competition.

China's pharmaceutical industry stands at a new threshold of development. After ten years of rapid growth, we shall embrace a more complicated policy environment as well as an ever more intense competitive landscape. While the market is still with abundant opportunities, both upstream and downstream players shall be prepared for the difficulties and challenges brought by deep-rooted contradictions and uncertainties down the road.

Nevertheless, we believe that the age of industry restructuring provides also ample opportunities for more innovative and proactive players who will take full advantage of the rising demand for integrated pharmaceuticals services in a nation going through a fundamental modernization drive.

In 2013, China National Pharmaceutical Group Corporation, our ultimate holding company, became the first and only Chinese pharmaceutical enterprise that enters into the Fortune Global 500 enterprises list. The event is testimony to the continuous and fruitful upgrading and expansion efforts of industry players; as well as a catalyst for more profound impacts for the future growth of Sinopharm Group.

Notwithstanding challenges and difficulties, the management of Sinopharm Group remain optimistic and confident. The Company will commit its long-established market strengths and advantages to developing new growth opportunities brought by the new round of institutional reforms, with a view to consolidate its industry leadership through continuous endeavors at operational and strategic improvements.

Business Review

In the first half of 2013, despite the complex market environment, the Group continued to expand its operations steadily, proactively pursue development opportunities, enhance business innovations, carry on group-level vertical integration of operations, gradually unleash effects of economies of scale and lead the development of the industry, and therefore achieved a solid and steady growth in its operation results.

- **Pharmaceuticals distribution segment:**

  The Group provides pharmaceutical supply chain management services for the distribution of domestic and imported prescription drugs and over-the-counter medicines from manufacturers and suppliers to hospitals, other wholesalers, retail drug stores and other customers. As at 30 June 2013, the Group had an extensive distribution network formed by 51 distribution centers covering 30 provinces, municipalities and autonomous regions in China through acquisitions and establishments. The Group's direct customers included 10,692 hospitals (only referring to hospitals with ranking and including 1,332 of the class-three hospitals which are the largest and most highly-ranked hospitals), accounting for approximately 77% of all hospitals in China (and approximately 94% of all the class-three hospitals); 83,439 small end-customers (including primary health services institutions); 56,731 retail pharmacies; and 7,064 other customers (such as pharmaceutical distributors).

- **Retail pharmacy segment:**

  To support its integrated supply chain, 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 2013, the number of retail pharmacies was 1,762 (only referring to those owned by Sinopharm Holding Guoda Drug Store Co., Ltd.), among which 1,512 were directly operated by the Group and 250 were operated by franchisees.

- **Other business segment:**

  The Group's other businesses include the production of pharmaceuticals, chemical reagents and laboratory supplies.

  During the Reporting Period, the Group continued its endeavors to establish a centralized procurement system at both state and provincial levels. The Group recorded a significant increase in the purchase amount during the first half of 2013 as compared with the same period last year. Such system further realized the market value of the integrated operating network, forming an auxiliary differentiated management and service system.

  The Group continued to strengthen the building of the integrated logistics platform. Logistics centers were categorized into different layers, whilst the control being exercised at the headquarter level were enhanced. By capitalizing on early moving advantages of being the first third-party operator for logistics services in pharmaceutical distribution of China, the Group further expanded its business operation on multiple warehouses throughout the country. This laid on a solid foundation for the establishment of a professional cold chain logistics and logistics solution for equipment and devices.

  The Group has always been dedicated to becoming an internationally competitive pharmaceutical and health service provider. By actively participating in the communications with the elite companies in the pharmaceutical industry all over the world, the Group engaged broad intentions of cooperation with a number of overseas enterprises. The Group also achieved substantial progresses in providing value-added services for hospitals, supplying, processing and distributing (SPD) of medical supplies, sterile supply at regional level, as well as health care, which were aimed to create more benefits for customers and cooperation ventures for mutual benefits.

Financial Summary

The financial summary set out below is extracted from the unaudited interim results of the Group for the Reporting Period which were prepared in accordance with the Hong Kong Financial Reporting Standards:

During the Reporting Period, the Group recorded a revenue of RMB80,066.36 million, representing an increase of RMB13,504.06 million or 20.29% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB1,796.17 million, representing an increase of RMB267.13 million or 17.47% as compared with the corresponding period of last year. Profit attributable to equity holders of the Company was RMB1,151.73 million, representing an increase of RMB192.82 million or 20.11% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.46, representing an increase of 15.00% as compared with the corresponding period of last year.

Unit: RMB million

	Six months ended 30 June 2013	Six months ended 30 June 2012	Change
Operating results:			
Revenue	**80,066.36**	66,562.30	13,504.06
Earnings before interest and tax	**3,084.80**	2,634.45	450.35
Profit attributable to equity holders of the Company	**1,151.73**	958.91	192.82
Profitability			
Gross margin	**7.90%**	8.19%	decreased by 0.29 percentage point
Operating margin	**3.74%**	3.87%	decreased by 0.13 percentage point
Net profit margin	**2.24%**	2.30%	decreased by 0.06 percentage point
Earnings per share – Basic *(*RMB*)*	**0.46**	0.40	0.06
Key operational indicators			
Trade receivables turnover ratio *(*days*)*	**98**	86	12
Inventory turnover ratio *(*days*)*	**34**	35	(1)
Trade payables turnover ratio *(*days*)*	**93**	89	4
Current ratio (multiples)	**1.35**	1.34	0.01

Unit: RMB million

	30 June 2013	31 December 2012	Change
Asset position			
Total assets	**97,387.28**	81,127.22	16,260.06
Equity attributable to equity holders of the Company	**20,782.61**	17,283.75	3,498.86
Gearing ratio	**72.19%**	71.71%	increased by 0.48 percentage point
Cash and cash equivalents	**13,496.08**	9,801.50	3,694.58

Revenue

During the Reporting Period, the Group recorded a revenue of RMB80,066.36 million, representing an increase of 20.29% as compared with RMB66,562.30 million for the six months ended 30 June 2012. The increase in revenue of the Group was primarily due to the substantial increase in revenue from the Group's pharmaceutical distribution business and retail pharmacy business. The growth of the revenue and the market share of the Group is apparently faster than the overall development of the pharmaceutical market in China, and were higher than the average level in the industry.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB75,853.68 million, representing an increase of 20.95% as compared with RMB62,716.35 million for the six months ended 30 June 2012, which accounted for 94.74% of the total revenue of the Group. The increase was primarily due to the good momentum of growth in the pharmaceutical distribution business and further expansion of the pharmaceutical distribution network of the Group.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB2,274.69 million, representing an increase of 17.14% as compared with RMB1,941.82 million for the six months ended 30 June 2012, which accounted for 2.84% of the total revenue of the Group. The increase was primarily due to the retail pharmacy market growth and the network expansion of the Group's retail pharmacies.

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB1,937.99 million, representing an increase of 1.78% as compared with RMB1,904.13 million for the six months ended 30 June 2012, which accounted for 2.42% of the total revenue of the Group. The growth slowed down, which was primarily attributable to the adjustment of certain product mix made by the Group so as to tackle the adverse effect arising from the policies imposed on the pharmaceutical industry and ensure the profitability of this segment.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB73,742.22 million, representing an increase of 20.67% as compared with RMB61,108.88 million for the six months ended 30 June 2012, which was comparable with the growth of the sales revenue.

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group for the Reporting Period increased by 15.97% from RMB5,453.42 million for the six months ended 30 June 2012 to RMB6,324.15 million.

The gross profit margin of the Group for the six months ended 30 June 2013 was 7.90%, whilst the gross profit margin for the same period in 2012 was 8.19%. The fall in gross profit margin was primarily attributable to the impact of the adjustment of drug prices during the first half of 2013 according to the national policies and the market changes.

Other Income

During the Reporting Period, other income of the Group was RMB84.40 million, representing a decrease of 20.92% as compared with RMB106.73 million for the six months ended 30 June 2012. The decrease was primarily due to the decrease in subsidies obtained from the central and local governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB2,064.66 million, representing an increase of 16.59% as compared with RMB1,770.92 million for the six months ended 30 June 2012. The increase was primarily attributable to the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business.

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB1,346.59 million, representing an increase of 11.18% as compared with RMB1,211.23 million for the six months ended 30 June 2012. The increase in general and administrative expenses was primarily attributable to the increase in administrative expenses incurred by the expansion of the Group's network and its business growth.

During the Reporting Period, the proportion of the Group's general and administrative expenses to the total revenue of the Group decreased from 1.82% for the six months ended 30 June 2012 to 1.68%. The decrease reflected the economics of scale achieved by the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB2,997.30 million, representing an increase of 16.26% from RMB2,577.99 million for the six months ended 30 June 2012.

Other Gains – Net

The other gains of the Group less other losses increased by RMB32.51 million from RMB-9.03 million for the six months ended 30 June 2012 to RMB23.48 million for the Reporting Period. The increase was primarily due to the increase in gains from profit distribution, disposal of land use rights, property, plant and equipment and write-offs of liabilities by the Group.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB776.52 million, representing an increase of RMB157.80 million as compared with RMB618.72 million for the six months ended 30 June 2012. The increase was primarily due to the business growth and change in financing structure of the Group.

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB64.02 million, representing a decrease of 2.24% as compared with RMB65.49 million for the six months ended 30 June 2012.

Income Tax Expenses

The Group's income tax expenses increased by 5.22% from RMB486.69 million for the six months ended 30 June 2012 to RMB512.11 million for the Reporting Period. The increase was primarily due to the increase in profits of the Group led to an increase in income tax and the preferential taxation policies entitled by certain subsidiaries. The Company's effective income tax rate decreased from 24.14% for the six months ended 30 June 2012 to 22.19% for the six months ended 30 June 2013.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB1,796.17 million, representing an increase of 17.47% from RMB1,529.04 million for the six months ended 30 June 2012.

Profit Attributable to Equity Holders of the Company

During the Reporting Period, profit or net profit attributable to equity holders of the Company was RMB1,151.73 million, representing an increase of 20.11%, or RMB192.82 million, from RMB958.91 million for the six months ended 30 June 2012. The Group's net profit margin for the Reporting Period and for the corresponding period of 2012 were 1.44% and 1.44%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB644.44 million, representing an increase of 13.03% from RMB570.13 million for the six months ended 30 June 2012.

Cash Flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, the facilities of the Company and the business growth and expansion.

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB874.15 million, representing an increase of RMB297.42 million from RMB576.73 million for the six months ended 30 June 2012. The increase was primarily attributed to the consolidated efforts devoted by the Group in the collection of accounts receivables and the management and control over payment in the course of its operations, and the deployment of banking products such as factoring by the Group, aiming for the reduction in finance costs.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,657.33 million, representing an increase of RMB686.45 million as compared with RMB970.88 million for the six months ended 30 June 2012. The increase was primarily attributable to the increase in acquisitions from external parties and other investments.

Net cash generated from/used in financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB4,517.60 million, whilst the net cash used in financing activities of the Group for the six months ended 30 June 2012 was RMB2,351.96 million. The turnaround was primarily attributable to the issue of the corporate bonds and the increase in equity financing.

Capital Structure

Fiscal Resources

During the reporting period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The proceeds received by the Group from the placing of H shares of the Company amounted to approximately RMB3,200 million in the form of cash denominated in Hong Kong dollars. Through issue of the corporate bonds, the Group obtained approximately RMB4,000 million for the purpose of replenishing working capital, promoting the balance of the long and short term indebtedness mix of the Group and reducing financing costs.

The Group's borrowings are mainly denominated in Renminbi. There are certain loans denominated in US dollars for settlement of payments for import of drugs. The Group's interest-bearing borrowings are determined at fixed rates.

As at 30 June 2013, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong dollars and small amount denominated in US dollars and Euro.

Indebtedness

As at 30 June 2013, among the Group's total borrowings, RMB14,448.46 million will be due within one year and RMB7,201.79 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As at 30 June 2013, the Group's gearing ratio was 72.19% (31 December 2012: 71.71%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 30 June 2013. The increase in gearing ratio was primarily attributable to the issue of the corporate bonds and increase in bank loans.

Foreign Exchange Risks

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

Pledge of Assets

As at 30 June 2013, the Group's certain bank borrowings was secured by land use rights, properties, plant and equipment with book value of RMB 268.70 million (unaudited) and trade receivables with book value of RMB 1,308.22 million (unaudited).

Capital Expenditure

The Group's capital expenditures are primarily utilized for acquisition of property, plant and equipment, leasing of land, cost of acquiring land use rights, and the acquisition of intangible assets through merger or acquisition activities. The Group's capital expenditures for the Reporting Period amounted to RMB1,026.17 million, whilst the amount for the corresponding period of last year was RMB1,368.60 million.

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

Going Concern

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

Human Resources

As at 30 June 2013, the Group had a total of 42,634 employees. In order to meet the development needs and support and promote the implementation of its strategic objectives, the Group has adopted the model of reorganizing current human resources and innovating management systems in accordance with the requirements of professional operation and integrated management, optimized the management mechanism, actively advanced the organizational reform and increased its speed of nurturing and recruiting talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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 2013, none of the directors (the "**Directors**"), supervisors (the "**Supervisors**") and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code 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 2013, as known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors and 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	–
	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 2)*	61.19	99.83	–
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 *(Note 1 and 2)*	61.19	99.83	–
Qishen Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 3)*	61.19	99.83	–
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 4)*	61.19	99.83	–
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 5)*	61.19	99.83	–
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 6)*	61.19	99.83	–

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
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 7)*	61.19	99.83	–
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 8)*	61.19	99.83	–
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 9)*	61.19	99.83	–
Capital Research and Management Company	H shares	Investment manager	42,110,000	1.64	4.24	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation *(Note 10)*	78,520,030	3.06	7.90	Long position
			8,000	0.0003	0.0008	Short position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.58	4.09	Long position
JPMorgan Chase & Co.	H shares	Beneficial owner,	75,505,532	2.94	7.60	Long position
		Investment manager,	4,284,322	0.17	0.43	Short position
		Custodian corporation/ approved lending agent *(Note 11)*	58,362,789	2.27	5.87	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	66,286,800	2.58	6.67	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	90,124,800	3.51	9.07	Long position
OppenheimerFunds, Inc.	H shares	Investment manager	100,503,000	3.91	10.11	Long position

Notes:

The information in relation to the interests and short positions held by the substantial shareholders of H shares of the Company as set out above was disclosed based on the data available on the HKExnews website of the Stock Exchange (www.hkexnews.hk), while the respective percentage of the total issued share capital and total issued H shares of the Company was calculated by the number of the aforesaid interests or short positions divided by the enlarged total issued share capital and total issued H shares upon completion of the H share placing of the Company in April 2013, respectively.

(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 the long positions of 78,520,030 H shares and the short positions of 8,000 H shares of the Company through a series of controlled corporations.

(11) JPMorgan Chase & Co. is indirectly interested in the long positions of 75,505,532 H shares of the Company (including shares available for lending of 58, 362,789 H shares) and the short positions of 4,284,322 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 2013, no other person (other than the Directors, Supervisors and 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 of the Company

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Dividends

Pursuant to the relevant resolution passed at the 2012 annual general meeting of the Company convened on 5 June 2013, the Company has paid the final dividend for the year ended 31 December 2012 to the shareholders on 12 July 2013, totalling approximately RMB642,073,372.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2013.

Significant Subsequent Events

Sinopharm Accord, a subsidiary of the Company, is listed on the Shenzhen Stock Exchange in Mainland China. According to the relevant resolution passed at a meeting of the Board held on 19 July 2013, the Company entered into a share subscription agreement with Sinopharm Accord, pursuant to which the Company agreed to subscribe for 74,482,543 new A shares to be issued by Sinopharm Accord through non-public issuance at a consideration of RMB1,941,759,896.01 (the subscription price is RMB26.07 per new A share). As at the date of this announcement, such transaction is still subject to the approval of the general meeting of Sinopharm Accord, as well as the approval of China Securities Regulatory Commission.

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 two non-executive Directors, namely Mr. Deng Jindong 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 2013 and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

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

Disclosure of Information

This 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 2013 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
23 August 2013

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. 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, Mr. Zhou Bajun and Ms. Li Ling.

* *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."*