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 2014 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 2014 (the "**Reporting Period**") together with the comparative figures for the corresponding period of last year as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Revenue	*4*	**94,835,673**	80,066,362
Cost of sales and other operating costs	*7*	**(86,978,874)**	(73,742,215)
Gross profit		**7,856,799**	6,324,147
Other income	*5*	**91,609**	84,401
Distribution and selling expenses	*7*	**(2,385,387)**	(2,064,657)
General and administrative expenses	*7*	**(1,641,152)**	(1,346,594)
Operating profit		**3,921,869**	2,997,297
Other gains – net	*6*	**11,818**	23,483
Finance income		**126,062**	71,003
Finance costs		**(1,132,220)**	(847,527)
Finance costs – net	*9*	**(1,006,158)**	(776,524)
Share of profit of investments accounted for using the equity method		**76,637**	64,022
Profit before income tax		**3,004,166**	2,308,278
Income tax expense	*10*	**(696,041)**	(512,113)
Profit for the period		**2,308,125**	1,796,165
Attributable to:			
– Shareholders of the Company		**1,465,462**	1,151,729
– Non-controlling interests		**842,663**	644,436
		2,308,125	1,796,165
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*	**0.57**	0.46
Dividends	*12*	**–**	–

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Profit for the period	**2,308,125**	1,796,165
Other comprehensive losses:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**(17,196)**	(5,932)
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets, net of tax	**2,560**	748
Currency translation differences	**753**	(1,251)
Total items that may be reclassified subsequently to profit or loss	**3,313**	(503)
Other comprehensive losses for the period, net of tax	**(13,883)**	(6,435)
Total comprehensive income for the period	**2,294,242**	1,789,730
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**1,454,094**	1,147,061
– Non-controlling interests	**840,148**	642,669
	2,294,242	1,789,730

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**As at 30 June 2014 (Unaudited)**	As at 31 December 2013 (Audited)
ASSETS			
Non-current assets			
Land use rights		**1,292,272**	1,277,436
Investment properties		**162,916**	159,509
Property, plant and equipment		**6,491,978**	6,310,547
Intangible assets		**5,824,547**	5,603,289
Investments accounted for using the equity method		**816,501**	730,739
Available-for-sale financial assets		**293,114**	274,701
Deferred income tax assets		**498,907**	455,519
Other non-current assets		**1,164,950**	927,994
Total non-current assets		**16,545,185**	15,739,734
Current assets			
Inventories		**17,044,649**	16,702,338
Trade receivables	*13*	**59,304,786**	51,824,730
Prepayments and other receivables		**4,517,925**	4,141,332
Available-for-sale financial assets		**1,122**	1,122
Pledged bank deposits		**3,330,995**	3,041,892
Cash and cash equivalents		**12,426,898**	14,001,962
Total current assets		**96,626,375**	89,713,376
Total assets		**113,171,560**	105,453,110
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**2,568,293**	2,568,293
Reserves		**19,335,038**	19,247,253
		21,903,331	21,815,546
Non-controlling interests		**8,124,134**	6,795,804
Total equity		**30,027,465**	28,611,350

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**4,322,900**	4,134,067
Deferred income tax liabilities		**573,756**	596,282
Post-employment benefit obligations		**513,687**	498,749
Other non-current liabilities		**864,113**	771,483
Total non-current liabilities		**6,274,456**	6,000,581
Current liabilities			
Trade payables	*14*	**48,601,002**	44,188,111
Accruals and other payables		**5,033,891**	5,183,535
Dividends payable		**699,255**	36,613
Current income tax liabilities		**432,401**	425,644
Borrowings		**22,103,090**	21,007,276
Total current liabilities		**76,869,639**	70,841,179
Total liabilities		**83,144,095**	76,841,760
Total equity and liabilities		**113,171,560**	105,453,110
Net current assets		**19,756,736**	18,872,197
Total assets less current liabilities		**36,301,921**	34,611,931

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 RMB 1 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 on 22 August 2014.

This condensed consolidated interim financial information has been reviewed by PricewaterhouseCoopers, not audited.

Key events

China National Accord Medicines Corporation Ltd. ("**Sinopharm Accord**"), a non wholly-owned 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 RMB 1,941,759,896.01 (the subscription price is RMB 26.07 per new A share). On 12 September 2013, such transaction was approved by the general meeting of Sinopharm Accord. On 7 March 2014, such transaction was approved by China Securities Regulatory Commission. As at 21 March 2014, all the conditions precedent to the aforesaid share subscription agreement have been fulfilled and the new A shares subscribed for by the Company were listed on the Shenzhen Stock Exchange, subject to a lock-up period of 36 months. The shareholding of the Company in Sinopharm Accord increased from 38.33% to 51%.

On 12 May 2014, bonds at a total par value of RMB 2,000,000 thousands matured and were repaid by the Company.

During the six month period ended 30 June 2014, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB 27,850 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 2014 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 2013, which have been prepared in accordance with HKFRSs.

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 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, investments accounted for using the equity method, 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 ended 30 June 2014 and 2013

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	Group
Six months ended 30 June 2014 (Unaudited)					
Segment results					
External segment revenue	89,985,270	2,798,089	2,052,314	–	94,835,673
Inter-segment revenue	595,362	–	133,027	(728,389)	–
Revenue	90,580,632	2,798,089	2,185,341	(728,389)	94,835,673
Operating profit	3,552,751	115,239	261,989	(8,110)	3,921,869
Other gains/(losses)	(2,685)	(294)	14,797	–	11,818
Share of profit of investments accounted for using the equity method	105	296	76,236	–	76,637
	3,550,171	115,241	353,022	(8,110)	4,010,324
Finance costs – net					(1,006,158)
Profit before income tax					3,004,166
Income tax expense					(696,041)
Profit for the period					2,308,125
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	122,417	105	937		123,459
Write-back of impairment of inventories	(2,674)	(17)	(682)		(3,373)
Amortisation of land use rights	13,152	26	3,599		16,777
Depreciation of property, plant and equipment	192,485	24,104	56,371		272,960
Depreciation of investment properties	–	–	5,287		5,287
Amortisation of intangible assets	85,893	483	4,994		91,370
Capital expenditures	770,617	36,102	42,890		849,609

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	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 profit of investments accounted for using the equity method	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

(ii) **As at 30 June 2014 and 31 December 2013**

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	Group
As at 30 June 2014 (Unaudited)					
Segment assets and liabilities					
Segment assets	**105,231,404**	**2,905,446**	**6,522,462**	**(1,986,659)**	**112,672,653**
Segment assets include:					
Investments accounted for using the equity method	**65,196**	**13,506**	**737,799**	**–**	**816,501**
Unallocated assets – Deferred income tax assets					**498,907**
Total assets					**113,171,560**
Segment liabilities	**54,423,425**	**1,717,662**	**1,989,921**	**(1,986,659)**	**56,144,349**
Unallocated liabilities – Borrowings and deferred income tax liabilities					**26,999,746**
Total liabilities					**83,144,095**
As at 31 December 2013 (Audited)					
Segment assets and liabilities					
Segment assets	98,208,962	2,498,393	6,437,415	(2,147,179)	104,997,591
Segment assets include:					
Investments accounted for using the equity method	4,206	13,865	712,668	–	730,739
Unallocated assets – Deferred income tax assets					455,519
Total assets					105,453,110
Segment liabilities	49,747,602	1,417,916	2,072,464	(2,133,847)	51,104,135
Unallocated liabilities – Borrowings and deferred income tax liabilities					25,737,625
Total liabilities					76,841,760

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

4 REVENUE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Sales of goods	**94,605,904**	79,933,011
Rental income	**44,699**	35,955
Franchise fees and other service fee from medicine chain stores	**58,722**	16,516
Consulting income	**83,076**	56,428
Import and export agency income	**6,195**	12,868
Others	**37,077**	11,584
	94,835,673	80,066,362

5 OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**91,609**	84,401

Note –

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

6 OTHER GAINS – NET

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Gain on disposal of land use rights, intangibles assets and property, plant and equipment	**975**	15,715
Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	**7,602**	–
Foreign exchange loss – net	**(19,038)**	(2,540)
Write-back of certain liabilities	**11,139**	11,171
Compensation write-back/(charge) *(Note)*	**11,020**	(22,040)
Dividend from a subsidiary prior to acquisition	**–**	15,878
Others – net	**120**	5,299
	11,818	23,483

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 plan, and made compensation provision amounting to RMB17,600 thousands accordingly. The subsidiary paid compensation of RMB4,980 thousands in 2012 but didn't pay the remaining part. In April 2013, the counterparty sued the subsidiary for the remaining compensation of RMB11,020 thousands, additional compensation of RMB11,020 thousands and overdue penalty of RMB11,020 thousands. In May 2013, the court went in the counterparty's favour at the first instance and the subsidiary made additional provision amounting to RMB22,040 thousands. In the first half of year 2014, the higher court dismissed the counterparty's claim of overdue penalty and only supported the remaining compensation and additional compensation at the second instance. The subsidiary wrote back the overdue penalty of RMB11,020 thousands during the six months ended 30 June 2014.

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**86,819,026**	73,732,687
Changes in inventories of finished goods and work in progress	**(6,882)**	(132,366)
Employee benefit expenses *(Note 8)*	**1,874,772**	1,507,608
Provision for impairment of trade receivables	**118,110**	93,177
Provision for impairment of other receivables	**5,349**	1,785
(Write-back)/provision for impairment of inventories	**(3,373)**	17,458
Operating leases in respect of leasehold land and buildings	**253,593**	222,142
Depreciation of property, plant and equipment	**272,960**	232,692
Depreciation of investment properties	**5,287**	6,641
Amortisation of intangible assets	**91,370**	73,534
Amortisation of land use rights	**16,777**	15,806
Auditors' remuneration	**11,027**	10,464
Consulting and other service fees	**36,592**	30,525
Transportation expenses	**388,196**	328,260
Travel expenses	**99,508**	106,607
Promotion and advertising expenses	**454,011**	486,712
Utilities	**64,004**	41,619
Others	**505,086**	378,115
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	**91,005,413**	77,153,466

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**1,458,920**	1,149,588
Contributions to pension plans *(i)*	**144,743**	121,415
Post-employment benefits	**19,463**	11,609
Housing benefits *(ii)*	**54,301**	44,450
Other benefits *(iii)*	**197,345**	180,546
	1,874,772	1,507,608

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 insurance 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	
	2014	2013
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**715,566**	522,496
– Discounting of notes receivable	**214,734**	135,962
– Discounting of accounts receivable	**151,363**	140,215
Gross interest expense	**1,081,663**	798,673
Bank charges	**64,210**	61,565
Less: capitalised interest expense	**(13,653)**	(12,711)
Finance costs	**1,132,220**	847,527
Finance income:		
– Interest income on deposits in bank or other financial institution	**(100,680)**	(71,003)
– Interest income on long-term deposits	**(25,382)**	–
Net finance costs	**1,006,158**	776,524

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Current PRC income tax	**753,522**	551,101
Deferred taxation	**(57,481)**	(38,988)
	696,041	512,113

During the six months ended June 2014, 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	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company *(RMB'000)*	**1,465,462**	1,151,729
Weighted average number of ordinary shares in issue *('000)*	**2,568,293**	2,477,679
Basic earnings per share *(RMB per share)*	**0.57**	0.46

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 2013 of RMB 0.26 per share (tax inclusive), amounting to RMB 667,756 thousands in total, was approved by the shareholders at the annual general meeting of the Company held on 19 June 2014 and was paid on 25 July 2014 to the shareholders whose names appeared on the register of members of the Company on 26 June 2014.

No interim dividend was proposed for the six-month period ended 30 June 2014.

13 TRADE RECEIVABLES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts receivable	**56,138,415**	47,481,041
Notes receivable	**3,801,508**	4,868,152
	59,939,923	52,349,193
Less: Provision for impairment	**(635,137)**	(524,463)
	59,304,786	51,824,730

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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Below 3 months	**39,047,550**	36,426,895
3 to 6 months	**14,504,097**	11,536,284
6 months to 1 year	**5,735,482**	4,025,438
1 to 2 years	**572,446**	262,888
Over 2 years	**80,348**	97,688
Total	**59,939,923**	52,349,193

The trade receivables are denominated in RMB.

14 TRADE PAYABLES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts payable	**38,516,371**	33,863,118
Notes payable	**10,084,631**	10,324,993
	48,601,002	44,188,111

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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Below 3 months	**40,809,634**	37,867,067
3 to 6 months	**5,313,047**	4,279,395
6 months to 1 year	**1,694,578**	1,378,044
1 to 2 years	**401,476**	401,810
Over 2 years	**382,267**	261,795
	48,601,002	44,188,111

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 classified as financing cash outflows.

During the six months ended 30 June 2014, accounts payable of RMB 2,017,382 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2014, bank borrowings of RMB 197,873 thousands arising from this program were not repaid.

15 BUSINESS COMBINATIONS

Business combinations not under common control

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

Subsidiaries acquired	**Acquisition date**	**Acquired interests**
Sinopharm Holding Qiandongnan Medical Co., Ltd.	January, 2014	70%
Sinopharm Holding Chongqing Taimin Medical Co., Ltd.	January, 2014	60%
Sinopharm Holding Shantou Co., Ltd.	February, 2014	70%
Sinopharm Holding Rizhao Co., Ltd.	February, 2014	80%
Tianjin Bookcom Shengjia Drugstore Co., Ltd.	March, 2014	100%
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	March, 2014	70%

The acquisition dates are also the dates on which the Group effectively obtains the rights to control these entities.

The effects of the acquisitions during the period are summarised as follow:

Purchase consideration	
– Cash paid	21,407
– Consideration payable	5,243
– Contingent consideration *(Note (i))*	1,200
Total purchase consideration	27,850

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

	Fair values at acquisition date	**Acquirees' carrying amounts at acquisition date**
Cash and cash equivalents	15,552	15,552
Property, plant and equipment	4,476	4,476
Deferred income tax assets	668	668
Inventories	13,544	13,544
Trade and other receivables	59,355	59,355
Trade and other payables	(68,757)	(68,757)
Borrowings	(3,700)	(3,700)
Net assets	21,138	21,138
Non-controlling interest *(Note (ii))*	(6,571)	
Goodwill	13,283	
Net assets acquired	27,850	
Consideration for acquisitions settled in cash	21,407	
Prepayments for the acquisition in 2013	(2,247)	
Cash consideration paid in six-month period ended 30 June 2014	19,160	
Cash and cash equivalents in subsidiaries acquired	(15,552)	
Cash outflow on acquisition	3,608	

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 RMB 1,200 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB 1,200 thousands. As at 30 June 2014, 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 2014 are summarized as follows:

	From acquisition date to 30 June 2014 (Unaudited)
Revenue	**110,365**
Net profit attributable to shareholders of the Company	**620**

(iv) The related acquisition cost is immaterial.

16 MATERIAL SUBSEQUENT EVENTS

On 12 August 2014, the Company completed the issuance of the first tranche of the super commercial papers with an aggregate nominal value of RMB3,000,000 thousands. The super commercial papers will expire on 9 May 2015, for a period of 270 days commencing from the issue date of 12 August 2014.

On 30 July 2014 and 15 August 2014, the Company signed agreements with Sichuan Industrial Revitalization & Development Investment Fund Co., Ltd. and Sichuan Furun Corporate Restructuring & Investment Co., Ltd. on the acquisitions of 17.5% and 14% interests in Sichuan Medicine Co., Ltd., a non wholly-owned subsidiary of Sinopharm Sichuan Medicine Group Co., Ltd. and considerations for these acquisitions amounted to RMB253,113 thousands and 202,490 thousands, respectively.

On 18 August 2014, the Company signed an agreement with CNPGC on the acquisition of 66% interests in Sinopharm Sichuan Medicine Group Co., Ltd. and the consideration for the acquisition amounted to RMB472,000 thousands.

On 22 August 2014, bonds at a total par value of RMB3,000,000 thousands matured and were repaid by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

As China goes through a round of macroeconomic re-alignment and upgrading, a more gradualist growth trajectory is generally accepted. The new macro-economic program centers on "better utilization of market and optimization of industry structure". During the first half of 2014, despite challenges such as the continued sluggish overseas demand, domestic overcapacity and weak real estate market, the overall economy gradually rectified itself. Overall economy showed signs of recovery thanks to a series of micro-stimulation government policies, recording a year-on-year GDP growth rate of 7.5% in Q2, a slight improvement over Q1.

In the long run, the long-term growth of demand for medicine and medical resources in China will remain stable, driven by various factors including changes in population structure and lifestyle and increase in per capita income. Meanwhile, with rising health consciousness and improved medical conditions and technologies, the traditional medical industry focusing on "illness treatment" is transforming into a healthcare industry that focuses on "illness prevention and healthcare". The healthcare industry will develop into one of the pillar industries in Chinese economy.

During the first half of 2014, adhering to the basic principle of "maintaining basic coverage of medical insurance and healthcare services, enhancing primary healthcare services and establishing strong healthcare institutions", several policies were introduced to deepen the reform in China's healthcare system across multiple areas from different aspects, with significant impacts on market recalibration and institutional optimization.

- In May 2014, the General Office of the State Council issued a Notice on the Arrangement of Key Work for Deepening the Reform of Medical and Healthcare System in 2014. Together with two other sets of ordinances promulgated by the National Heath and Family Planning Commission, the National Development and Reform Commission and other authorities in March and April, namely Opinions on Promoting Comprehensive Reform of Public Hospitals at County Level and Notice on Issues Concerning the Adopting of Market-Regulated Pricing to Medical Services of Non-public Hospitals, these documents specify that the reform of public hospitals at county level shall be accelerated with the focus on public hospital reform, and the comprehensive reform of public hospitals at county level shall be carried out by adding another 700 counties to the first batch of 311 pilot counties. On the other hand, these documents set priorities on facilitating non-state participation in healthcare provision, relaxing market access conditions and optimizing investment environment, in order to increase supply and efficiency of medical services and promote orderly and healthy development in medical and healthcare sector.

- The Notice of the Medical Reform Office of the State Council on Accelerating Critical Illness Insurance Work for Urban and Rural Residents promulgated in February 2014 pushes forward a full launch of the pilot work on critical illness insurance work for urban and rural residents. The Notice on the Arrangement of Key Work for Deepening the Reform of Medical and Health Care System in 2014 promulgated in May further requires promoting the establishment of a general medical insurance system; and raises the medical insurance subsidy standard for rural credit cooperatives and urban residents by RMB40 to a new standard of RMB320 per person per year.

- In May 2014, National Development and Reform Commission issued the Notice on Issues concerning Improving the Price Control of Low-Price Drugs, which lifts the retail price ceiling for 530 drugs. In June 2014, and the National Heath and Family Planning Commission issued the Notice on Effectively Conducting the Work on Procurement Management of Common Low-price Drugs, which instructs local governments to handle procurement of low-price drugs in a proactive and cautious manner. Both ordinances are effective measures aimed at avoiding shortage of low-price drugs by way of motivating manufacturers and ensuring adequate supply of low-profit drugs.

During the first half of 2014, pharmaceutical distribution industry sustained a steady, although slower growth pace in sales and profit levels. Both industry concentration ratio and distribution efficiency improved as a result of industry structure adjustment. However, the whole industry was still facing different pressures in terms of longer receivable turnover days, increasing capital requirement and thinning profit margins.

The industry faces a complex policy environment and fierce competition structure. Deep-level tensions and future uncertainties manifest themselves in not only tough challenges but also transformative opportunities for upstream and downstream businesses, ranging from drug tendering, medical insurance fee control, medical investment and medical e-commerce activities. Meanwhile, a homogeneous market competition structure will force the pharmaceutical distribution industry into an era for comprehensive upgrading of soft power. New breakthroughs made by innovative businesses based on modern pharmaceutical logistics and internet technology will further optimize the development mode of pharmaceutical distribution industry, and even lead to fundamental industry transformation. These external dynamics are constantly pushing the Group to strengthen research and analysis of industry trends, policy movements and our own capacities, and to continuously explore new frontiers in strategic planning and execution. We believe that, only by constantly improving our talent pool, management practice and technological prowess while integrating our existing edges with market trends can we adapt to the dynamic of future development.

Business Review

During the first half of 2014, faced with the complex market environment, the Group strived to enhance both “scale” and “efficiency” in its operation and management based on its main strategy of “System Innovation, Efficiency Enhancement and Steady Development”. It changed its growth model, improved development quality, deepened resources integration and gradually unleashed the effects of economic scale. The Group also proactively pursued development opportunities, enhanced business innovations, and led the development of the industry as to increase Company’s value.

In respect of pharmaceuticals distribution, the Group has now in place an integrated pharmaceutical supply chain as well as an advanced supply chain management model. The Group purchases domestic and imported prescription drugs and over-the-counter medicines from manufacturers and suppliers, which are then distributed to hospitals, other distributors, retail drug stores and other customers. As at 30 June 2014, the distribution network under the Group covered 31 provinces, municipalities and autonomous regions across China. The Group’s direct customers included 12,142 hospitals (only referring to nationally-ranked hospitals, including 1,668 largest class-three hospitals with the highest rankings), 92,789 small end-customers (including primary health services institutions and others), 59,665 retail outlets and 7,370 other customers (such as pharmaceutical distributors).

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail distribution model, the Group has set up a network of retail chain pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 30 June 2014, the number of retail pharmacies was 1,944 (only referring to those owned by Sinopharm Holding Guoda Drug Store Co., Ltd.), among which 1,651 were directly operated by the Group and 293 were operated by franchisees.

Along the line of "focusing on core business while diversifying subsidiary business", the Group maintained stable profit growth in pharmaceutical production. In respect of medical devices, its network distribution has further expanded. Moreover, in June 2014, the Group and Shanghai Wu Mengchao Medical Science Foundation reached preliminary cooperation intention in respect of the Group's investment, for controlling interest, in Kunshan Eastern Greenland Hospital in the future, which, if put into effect, will mark our first investment in the healthcare service sector.

The Group continued its endeavors to establish a centralized procurement system at both state and provincial levels, as well as further promoted integrated operation. Meanwhile, the Group continued to strengthen the establishment of the integrated logistics platform in China. It has established 4 logistic hubs, 40 provincial logistic centers, 141 municipal level logistics networks with a sum of 185 logistic networks. The Group accelerated the establishment of cloud-based servicing platform of smart supply chain, aiming to provide safe, accessible, visible, and efficient logistic services. It also promoted the network operation on multiple-warehouses and temperature controlled transportation. It strived to establish a profession distribution logistics network and delivery logistics network comprised of logistic centers, delivery centers and delivery station networks, enabling in-depth coverage of the pharmaceutical logistics network across China. The Group has established the Sinopharm Logistic Standard and Technology Management Committee, which has published more than 50 logistics standards in total.

The Group is dedicated to becoming an internationally competitive pharmaceutical and healthcare service provider. Since the beginning of this year, leveraging on its market position and platform value, the Group proactively has reached the intent to cooperate with upper stream suppliers in respect of the marketing and promotion of mature products. Hence, the Group will be able to provide a more diversified range of services for its customers, create more benefits, and achieve a win-win outcome. This also marked a milestone of the transformation of our marketing operation.

In July 2014, the State-owned Assets Supervision and Administration Commission of the State Council announced that China National Pharmaceutical Group Corporation (CNPGC) became one of the pilot enterprises for mixed ownership reform. In turn, CNPGC selected the Company as the pilot entity for the implementation of this pilot project. This arrangement marks the further concrete implementation of important measures on deepening the reform of state-owned and state-controlled enterprises in China. It also provides additional impetus to a new stage of comprehensive supportive reforms of the Group. Grasping this great opportunity and fully leveraging on its existing advantages in terms of management, talents and businesses in accordance with relevant laws and regulations, the Group will further improve corporate governance, stimulate enthusiasm, enhance efficiency and increase corporate value.

Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB94,835.67 million, representing an increase of RMB14,769.31 million or 18.45% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB2,308.13 million, representing an increase of RMB511.96 million or 28.50% as compared with the corresponding period of last year; profit attributable to shareholders of the Company was RMB1,465.46 million, representing an increase of RMB313.73 million or 27.24% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.57, representing an increase of 23.91% as compared with the corresponding period of last year.

Unit: RMB million

	Six months ended 30 June 2014	Six months ended 30 June 2013	Change
Operating results:			
Revenue	**94,835.67**	80,066.36	14,769.31
Earnings before interest and tax	**4,010.32**	3,084.80	925.52
Profit attributable to shareholders of the Company	**1,465.46**	1,151.73	313.73
Profitability			
Gross margin	**8.28%**	7.90%	increased by 0.38 percentage point
Operating margin	**4.14%**	3.74%	increased by 0.40 percentage point
Net profit margin	**2.43%**	2.24%	increased by 0.19 percentage point
Earnings per share – Basic (RMB)	**0.57**	0.46	0.11
Key operational indicators			
Trade receivables turnover days	**107**	98	9
Inventory turnover days	**35**	34	1
Trade payables turnover days	**96**	93	3
Current ratio (multiples)	**1.26**	1.35	(0.09)

Unit: RMB million

	30 June 2014	31 December 2013	Change
Asset position			
Total assets	**113,171.56**	105,453.11	7,718.45
Equity attributable to shareholders of the Company	**21,903.33**	21,815.55	87.78
Gearing ratio	**73.47%**	72.87%	increased by 0.60 percentage point
Cash and cash equivalents	**12,426.90**	14,001.96	(1,575.06)

Revenue

During the Reporting Period, the Group recorded revenue of RMB94,835.67 million, representing an increase of 18.45% as compared with RMB80,066.36 million for the six months ended 30 June 2013. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business. The Group's revenue and market share grew much faster than the overall development of the pharmaceutical market in China, and outperformed industry average.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB90,580.63 million, representing an increase of 18.72% as compared with RMB76,294.78 million for the six months ended 30 June 2013, and accounting for 94.79% of the total revenue of the Group. Such increase was primarily due to the good performance of the pharmaceutical distribution business and further expansion of the distribution network of the Group.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB2,798.09 million, representing an increase of 23.01% as compared with RMB2,274.69 million for the six months ended 30 June 2013. This increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB2,185.34 million, representing an increase of 6.06% as compared with RMB2,060.50 million for the six months ended 30 June 2013. Such increase was primarily due to the increase in sales revenue from industrial manufacturing products of the Group.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB86,978.87 million, representing an increase of 17.95% as compared with RMB73,742.22 million for the six months ended 30 June 2013, 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 24.23% from RMB6,324.15 million for the six months ended 30 June 2013 to RMB7,856.80 million.

The gross profit margin of the Group for the six months ended 30 June 2014 was 8.28%, whilst the gross profit margin for the same period in 2013 was 7.90%. This increase was primarily due to the adjustment of certain product portfolio and the optimization of business models made by the Group in 2014, and the lower gross profit margin for the same period in 2013 as a result of the drug price adjustment following the changes of governmental policies and market conditions in 2013.

Other Income

During the Reporting Period, other income of the Group was RMB91.61 million, representing an increase of 8.54% as compared with RMB84.40 million for the six months ended 30 June 2013. This increase was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group were RMB2,385.39 million, representing an increase of 15.53% as compared with RMB2,064.66 million for the six months ended 30 June 2013. 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, etc.

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB1,641.15 million, representing an increase of 21.87% as compared with RMB1,346.59 million for the six months ended 30 June 2013. The increase in general and administrative expenses was primarily attributable to an increase of 26.76% in impairment provision for accounts receivables due to the increase in the balance of accounts receivables and an increase of 37.39% in depreciation of newly purchased property, plant and equipment.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group for the Reporting Period was RMB3,921.87 million, representing an increase of 30.85% from RMB2,997.30 million for the six months ended 30 June 2013.

Other Gains – Net

The other gains of the Group less other losses dropped by RMB11.66 million from RMB23.48 million for the six months ended 30 June 2013 to RMB11.82 million for the Reporting Period. Such decrease was primarily due to the decrease in gains from profit distribution, disposal of land use rights, property, plant and equipment as well as the increase in foreign exchange loss.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB1,006.16 million, representing an increase of RMB229.64 million as compared with RMB776.52 million for the six months ended 30 June 2013. The increase was primarily due to the business growth of the Group and changes in financing structure.

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB76.64 million, representing an increase of 19.71% as compared with RMB64.02 million for the six months ended 30 June 2013.

Income Tax Expenses

The Group's income tax expenses increased by 35.92% from RMB512.11 million for the six months ended 30 June 2013 to RMB696.04 million for the Reporting Period. The increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group as well as the expiry of the preferential taxation policies enjoyed by certain subsidiaries. The Group's effective income tax rate increased from 22.19% for the six months ended 30 June 2013 to 23.17% for the six months ended 30 June 2014.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB2,308.13 million, representing an increase of 28.50% from RMB1,796.17 million for the six months ended 30 June 2013.

Profit Attributable to Shareholders of the Company

During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB1,465.46 million, representing an increase of 27.24%, or RMB313.73 million, from RMB1,151.73 million for the six months ended 30 June 2013. The Group's net profit margin for the Reporting Period and for the corresponding period of 2013 was 1.55% and 1.44%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB842.66 million, representing an increase of 30.76% from RMB644.44 million for the six months ended 30 June 2013.

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 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 RMB1,865.40 million, representing an increase of RMB991.25 million from RMB874.15 million for the six months ended 30 June 2013. The increase was primarily due to the Group's enhancement of the management and control of collections and payments of accounts receivables in its business operation, as well as the utilization of banking products such as factoring programs so as to reduce finance costs.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,305.42 million, representing a decrease of RMB1,173.27 million as compared with RMB2,478.69 million for the six months ended 30 June 2013. Such decrease was primarily due to the decrease in earnest money paid.

Net cash used in/generated from financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB2,149.32 million, whilst the net cash generated from financing activities of the Group for the six months ended 30 June 2013 was RMB5,338.95 million. This was primarily due to the repayment of due debts by the Company during the Reporting Period, while proceeds from equity financing raised in the same period of 2013.

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. After obtaining approval to issue the super commercial papers in the aggregate principal amount of not more than RMB15 billion, the Group had successfully issued the first tranche of RMB3 billion in August 2014 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as replenish working capital.

The Group's borrowings are mainly denominated in Renminbi. There are certain loans denominated in US dollars used for the payment of imported drugs. The Group's interest-bearing borrowings are all at fixed rates.

As at 30 June 2014, 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 2014, among the Group's total borrowings, RMB22,103.09 million will be due within one year and RMB4,322.90 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 2014, the Group's gearing ratio was 73.47% (31 December 2013: 72.87%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 30 June 2014.

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 2014, the Group's certain bank borrowings were secured by land use rights with book value of RMB34.55 million (unaudited), bank deposits with book value of RMB245.66 million (unaudited), properties, plant and equipment with book value of RMB187.89 million (unaudited) and trade receivables with book value of RMB2,366.56 million (unaudited).

Capital Expenditure

The Group's capital expenditures primarily include purchase 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 RMB849.61 million, whilst the amount for the corresponding period of last year was RMB1,026.17 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 expenditures. The Group's ability to obtain additional funding is subject to a variety of uncertain factors, including the future operating results, financial condition and cash flows of the Group, economic, political and other conditions in China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

Use of Proceeds Raised from the Placing

The Company completed the placing of 165,668,190 H shares at the placing price of HK$24.60 per H share on 10 April 2013. The net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) amounted to approximately HK$4 billion. As disclosed in the Company's placing announcement and the supplemental announcement dated 28 March 2013 and 1 April 2013, respectively, the proceeds from the placing were intended to be used for the expansion of pharmaceutical distribution and retail network and replenishment of liquidity after the expansion.

As of 30 June 2014, the actual use of proceeds raised from the above-mentioned placing was as follows: approximately HK$1.1 billion was used for the repayment of bank loans while the remaining balance of approximately HK$2.9 billion was used for the payment of procurement.

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 2014, the Group had a total of 47,132 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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 2014, 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 2014, 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	–
		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	–
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 3)*	61.19	99.83	–
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 4)*	61.19	99.83	–
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 5)*	61.19	99.83	–
Fosun Holdings	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 International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 7)*	61.19	99.83	–
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 8)*	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 9)*	91,534,780	3.56	9.21	Long position
			47,200	0.0018	0.0047	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,	113,600,146	4.42	11.43	Long position
		Investment manager,	106,800	0.0042	0.01	Short position
		Custodian corporation/ approved lending agent *(Note 10)*	94,090,232	3.66	9.47	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	60,560,800	2.36	6.09	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	90,124,800	3.51	9.07	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	100,503,000	3.91	10.11	Long position

Notes:

(1) Such 1,571,555,953 domestic shares are 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 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purpose of the SFO).

(3) Fosun Pharma is the beneficial owner of the 49% equity interest in Sinopharm Investment, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.

(4) Fosun High Technology is the beneficial owner of the 39.83% equity interest in Fosun Pharma, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.

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

(6) Fosun Holdings is the beneficial owner of the 79.60% equity interest in Fosun Company, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.

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

(8) Mr. Guo Guangchang is the beneficial owner of the 58% equity interest in Fosun International Holdings and the 0.005% equity interest in Fosun Pharma, and therefore is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purpose of the SFO.

(9) BlackRock, Inc. is indirectly interested in the long positions of 91,534,780 H shares and the short positions of 47,200 H shares of the Company through a series of controlled corporations.

(10) JPMorgan Chase & Co. is indirectly interested in the long positions of 113,600,146 H shares of the Company (including shares available for lending of 94,090,232 H shares) and the short positions of 106,800 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 2014, 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 2014, 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 2013 annual general meeting of the Company convened on 19 June 2014, the Company paid the final dividend for the year ended 31 December 2013 to the shareholders on 25 July 2014, totalling approximately RMB667,756,307.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2014.

Subsequent Events

Details of the relevant events that occurred since the end of the Reporting Period are set out in Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements contained in this announcement.

Audit Committee

As at the date of this announcement, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Xie Rong (Chairman), Mr. Tao Wuping and Mr. Zhou Bajun, and two non-executive Directors, namely Mr. Deng Jindong and Mr. Li Dongjiu. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 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 2014 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.
Wei Yulin
Chairman

Shanghai, the PRC
22 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Wei Yulin and Mr. Li Zhiming; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Wang Fucheng, Mr. Zhou Bin, Mr. Deng Jindong, Mr. Li Dongjiu and Mr. Liu Hailiang; and the independent non-executive directors of the Company are Mr. Wang Fanghua, Mr. Xie Rong, Mr. Tao Wuping, Mr. Zhou Bajun and Ms. Li Ling.

* *The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name "Sinopharm Group Co. Ltd."*