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SINOPHARM GROUP CO. LTD.*
國 藥 控 股 股 份 有 限 公 司

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

(Stock Code: 01099)

ANNOUNCEMENT ON 2015 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 2015 (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 2015 (Unaudited)	2014 (Unaudited)
Revenue	*4*	**111,057,454**	94,835,673
Cost of sales and other operating costs	*7*	**(101,918,222)**	(86,978,874)
Gross profit		**9,139,232**	7,856,799
Other income	*5*	**83,906**	91,609
Distribution and selling expenses	*7*	**(2,848,637)**	(2,385,387)
General and administrative expenses	*7*	**(1,752,660)**	(1,641,152)
Operating profit		**4,621,841**	3,921,869
Other gains – net	*6*	**67,665**	11,818
Finance income		**123,664**	126,062
Finance costs		**(1,150,543)**	(1,132,220)
Finance costs – net	*9*	**(1,026,879)**	(1,006,158)
Share of profit of investments accounted for using the equity method		**90,877**	76,637
Profit before income tax		**3,753,504**	3,004,166
Income tax expense	*10*	**(864,978)**	(696,041)
Profit for the period		**2,888,526**	2,308,125
Attributable to:			
– Shareholders of the Company		**1,913,845**	1,465,462
– Non-controlling interests		**974,681**	842,663
		2,888,526	2,308,125
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*	**0.69**	0.57
Dividends	*12*	**–**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit for the period	**2,888,526**	2,308,125
Other comprehensive income/(losses):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**263**	(17,196)
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets, net of tax	**31,722**	2,560
Currency translation differences	**(101)**	753
Total items that may be reclassified subsequently to profit or loss	**31,621**	3,313
Other comprehensive income/(losses) for the period, net of tax	**31,884**	(13,883)
Total comprehensive income for the period	**2,920,410**	2,294,242
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**1,928,602**	1,454,094
– Non-controlling interests	**991,808**	840,148
	2,920,410	2,294,242

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**As at 30 June 2015 (Unaudited)**	As at 31 December 2014 (Audited)
ASSETS			
Non-current assets			
Land use rights		**1,440,184**	1,445,698
Investment properties		**353,518**	361,354
Property, plant and equipment		**7,321,122**	7,102,276
Intangible assets		**6,716,391**	6,348,010
Investments accounted for using the equity method		**949,092**	930,179
Available-for-sale financial assets		**395,767**	348,396
Deferred income tax assets		**571,429**	565,472
Other non-current assets		**1,462,297**	1,281,890
Total non-current assets		**19,209,800**	18,383,275
Current assets			
Inventories		**19,910,920**	20,308,570
Trade receivables	*13*	**74,386,253**	66,098,233
Prepayments and other receivables		**4,628,993**	4,481,383
Available-for-sale financial assets		**728**	728
Bank deposits and restricted cash		**4,123,499**	4,151,194
Cash and cash equivalents		**14,060,526**	15,232,356
Total current assets		**117,110,919**	110,272,464
Total assets		**136,320,719**	128,655,739
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**2,767,095**	2,767,095
Reserves		**25,483,868**	24,614,772
		28,250,963	27,381,867
Non-controlling interests		**9,683,550**	8,907,762
Total equity		**37,934,513**	36,289,629

	Note	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**154,629**	4,222,597
Deferred income tax liabilities		**658,645**	632,801
Post-employment benefit obligations		**494,656**	516,272
Other non-current liabilities		**896,422**	974,615
Total non-current liabilities		**2,204,352**	6,346,285
Current liabilities			
Trade payables	*14*	**57,749,760**	54,723,653
Accruals and other payables		**5,563,101**	5,419,051
Dividends payable		**857,799**	86,462
Current income tax liabilities		**489,930**	557,805
Borrowings		**31,521,264**	25,232,854
Total current liabilities		**96,181,854**	86,019,825
Total liabilities		**98,386,206**	92,366,110
Total equity and liabilities		**136,320,719**	128,655,739
Net current assets		**20,929,065**	24,252,639
Total assets less current liabilities		**40,138,865**	42,635,914

NOTES:
(All amounts in Renminbi thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

The 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 21 August 2015.

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

Key events

During the six month period ended 30 June 2015, the Group acquired equity interests in certain subsidiaries from third parties with a total consideration amounting to approximately RMB756,816 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 2015 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 2014, 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 2015 and 2014

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	Group
Six months ended 30 June 2015 (Unaudited)					
Segment results					
External segment revenue	104,717,512	4,094,866	2,245,076	–	111,057,454
Inter-segment revenue	696,084	6,694	110,142	(812,920)	–
Revenue	105,413,596	4,101,560	2,355,218	(812,920)	111,057,454
Operating profit	4,246,498	129,494	272,366	(26,517)	4,621,841
Other gains	43,561	1,300	22,804	–	67,665
Share of profit of investments accounted for using the equity method	5,341	771	84,765	–	90,877
	4,295,400	131,565	379,935	(26,517)	4,780,383
Finance costs – net					(1,026,879)
Profit before income tax					3,753,504
Income tax expense					(864,978)
Profit for the period					2,888,526
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	127,330	169	6,102		133,601
Provision for impairment of inventories	24,530	56	237		24,823
Amortisation of land use rights	17,337	26	2,779		20,142
Depreciation of property, plant and equipment	218,826	35,182	77,134		331,142
Depreciation of investment properties	8,572	169	723		9,464
Amortisation of intangible assets	102,828	5,353	5,892		114,073
Capital expenditures	674,386	367,784	74,035		1,116,205

	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

(ii) As at 30 June 2015 and 31 December 2014

	Pharmaceutical distribution	Retail pharmacy	Other business operations	Elimination	Group
As at 30 June 2015 (Unaudited)					
Segment assets and liabilities					
Segment assets	**126,812,784**	**4,123,592**	**6,680,014**	**(1,867,100)**	**135,749,290**
Segment assets include:					
Investments accounted for using the equity method	**96,580**	**16,026**	**836,486**	**–**	**949,092**
Unallocated assets					
– Deferred income tax assets					**571,429**
Total assets					**136,320,719**
Segment liabilities	**63,360,035**	**2,450,336**	**2,085,805**	**(1,844,508)**	**66,051,668**
Unallocated liabilities – Borrowings and deferred income tax liabilities					**32,334,538**
Total liabilities					**98,386,206**
As at 31 December 2014 (Audited)					
Segment assets and liabilities					
Segment assets	120,166,345	3,206,254	6,435,604	(1,717,936)	128,090,267
Segment assets include:					
Investments accounted for using the equity method	84,355	14,283	831,541	–	930,179
Unallocated assets					
– Deferred income tax assets					565,472
Total assets					128,655,739
Segment liabilities	59,995,952	1,949,107	2,029,590	(1,696,791)	62,277,858
Unallocated liabilities – Borrowings and deferred income tax liabilities					30,088,252
Total liabilities					92,366,110

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

4 REVENUE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Sales of goods	**110,807,671**	94,605,904
Rental income	**55,846**	44,699
Franchise fees and other service fee from medicine chain stores	**71,936**	58,722
Consulting income	**85,783**	83,076
Import and export agency income	**16,466**	6,195
Others	**19,752**	37,077
	111,057,454	94,835,673

5 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**83,906**	91,609

Note –

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

6 OTHER GAINS – NET

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Gain on disposal of land use rights, intangibles assets and property, plant and equipment	**12,102**	975
Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	**2,603**	7,602
Gain on disposal of a subsidiary	**6,816**	–
Foreign exchange gains/(losses) – net	**21,366**	(19,038)
Write-back of certain liabilities	**9,127**	11,139
Compensation write-back	**–**	11,020
Gain on disposal of available-for-sale financial assets	**6,270**	–
Donation	**(2,231)**	(3,173)
Others – net	**11,612**	3,293
	67,665	11,818

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**101,831,362**	86,819,026
Changes in inventories of finished goods and work in progress	**(88,543)**	(6,882)
Employee benefit expenses *(Note 8)*	**2,178,457**	1,874,772
Provision for impairment of trade receivables	**124,259**	118,110
Provision for impairment of other receivables	**9,342**	5,349
Provision/(Write-back) for impairment of inventories	**24,823**	(3,373)
Operating leases in respect of leasehold land and buildings	**319,670**	253,593
Depreciation of property, plant and equipment	**331,142**	272,960
Depreciation of investment properties	**9,464**	5,287
Amortisation of intangible assets	**114,073**	91,370
Amortisation of land use rights	**20,142**	16,777
Auditors' remuneration	**11,150**	11,027
Consulting and other service fees	**31,661**	36,592
Transportation expenses	**461,175**	388,196
Travel expenses	**99,330**	99,508
Promotion and advertising expenses	**449,295**	454,011
Utilities	**70,094**	64,004
Others	**522,623**	505,086
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	**106,519,519**	91,005,413

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**1,694,001**	1,458,920
Contributions to pension plans *(i)*	**192,662**	144,743
Post-employment benefits	**3,409**	7,938
Housing benefits *(ii)*	**72,533**	54,301
Other benefits *(iii)*	**215,852**	208,870
	2,178,457	1,874,772

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	
	2015	2014
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**744,936**	704,041
– Discounting of notes receivable	**220,548**	214,734
– Discounting of accounts receivable	**125,122**	151,363
– Net interests on net defined benefit liability	**9,355**	11,525
Gross interest expense	**1,099,961**	1,081,663
Bank charges	**65,084**	64,210
Less: capitalised interest expense	**(14,502)**	(13,653)
Finance costs	**1,150,543**	1,132,220
Finance income:		
– Interest income on deposits in bank or other financial institution	**(103,619)**	(100,680)
– Interest income on long-term deposits	**(20,045)**	(25,382)
Net finance costs	**1,026,879**	1,006,158

10 INCOME TAX EXPENSE

	Six months ended 30 June 2015 (Unaudited)	2014 (Unaudited)
Current PRC income tax	**901,494**	753,522
Deferred taxation	**(36,516)**	(57,481)
	864,978	696,041

During the six months ended 30 June 2015, enterprises incorporated in the PRC are normally subject to enterprise income tax ("**EIT**") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

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

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 2015 (Unaudited)	2014 (Unaudited)
Profit attributable to shareholders of the Company *(RMB'000)*	**1,913,845**	1,465,462
Weighted average number of ordinary shares in issue *('000)*	**2,767,095**	2,568,293
Basic earnings per share *(RMB per share)*	**0.69**	0.57

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 2014 of RMB0.31 per share (tax inclusive), amounting to RMB857,799 thousands in total, was approved by the shareholders at the annual general meeting of the Company held on 18 June 2015 and was paid on 31 July 2015 to the shareholders whose names appeared on the register of members of the Company on 29 June 2015.

No interim dividend was proposed for the six-month period ended 30 June 2015.

13 TRADE RECEIVABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Accounts receivable	**71,226,687**	62,566,132
Notes receivable	**3,962,798**	4,199,915
	75,189,485	66,766,047
Less: Provision for impairment	**(803,232)**	(667,814)
	74,386,253	66,098,233

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 2015 (Unaudited)	As at 31 December 2014 (Audited)
Below 3 months	**46,075,116**	44,040,688
3 to 6 months	**18,166,713**	14,907,673
6 months to 1 year	**9,907,783**	7,379,806
1 to 2 years	**944,035**	342,139
Over 2 years	**95,838**	95,741
Total	**75,189,485**	66,766,047

The trade receivables are denominated in RMB.

14 TRADE PAYABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Accounts payable	**44,466,058**	40,690,701
Notes payable	**13,283,702**	14,032,952
	57,749,760	54,723,653

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 2015 (Unaudited)	As at 31 December 2014 (Audited)
Below 3 months	**48,257,559**	45,562,575
3 to 6 months	**6,237,026**	6,240,695
6 months to 1 year	**2,238,299**	1,920,892
1 to 2 years	**602,554**	590,099
Over 2 years	**414,322**	409,392
	57,749,760	54,723,653

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 2015, accounts payable of RMB2,623,242 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2015, bank borrowings of RMB459,354 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 Group Nanping NewPower Co., Ltd.	February 2015	80%
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd.	January 2015	97%
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd.	January 2015	92%
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	January 2015	53%
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	June 2015	100%
Sinopharm Medicine Holding Suzhou Kangmin Medicine Co., Ltd.	January 2015	80%
Wenzhou Haoxihao Medicines Retail Co., Ltd.	January 2015	75%
Sinopharm Holding Dalian Hecheng Co., Ltd.	May 2015	80%
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd.	April 2015	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	583,350
– Consideration payable	–
– Contingent consideration *(Note (i))*	173,466
Total purchase consideration	756,816

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	301,327	301,327
Property, plant and equipment	78,510	61,696
Intangible assets		
– sales network	73,270	–
– software and trademarks	162,403	2,268
Deferred income tax assets	393	393
Inventories	416,896	416,896
Available-for-sale financial assets	1,230	1,230
Other non-current assets	1,002	1,002
Trade and other receivables	731,087	731,087
Trade and other payables	(1,037,124)	(1,037,124)
Borrowings	(29,580)	(29,580)
Deferred income tax liabilities	(46,110)	–
Net assets	653,304	449,195
Non-controlling interest *(Note (ii))*	(130,476)	
Goodwill	233,988	
Net assets acquired	756,816	
Consideration for acquisitions settled in cash	583,350	
Prepayments for the acquisition in 2014	(124,310)	
Cash and cash equivalents in subsidiaries acquired	(301,327)	
Cash outflow on acquisition	157,713	

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 RMB173,466 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB173,466 thousands. As at 30 June 2015, 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 2015 are summarized as follows:

	From acquisition date to 30 June 2015 (Unaudited)
Revenue	1,723,710
Net profit attributable to shareholders of the Company	27,098

(iv) The related acquisition cost is immaterial.

16 MATERIAL SUBSEQUENT EVENTS

On 17 August 2015, the Company entered into an equity transfer agreement with Sinopharm Investment, in respect of the acquisition of 20% equity interest in Sinopharm Holding Medical Investment Management Co., Ltd. at a consideration of RMB100,000 thousands.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Increasing downward pressure with continuous new normal economy

China's macro economy was still undergoing the key stage of structural adjustment and growth model transformation in the first half of this year, and it continued the "new normal" of development. To improve the economic environment and further deepen the reforms, the government adopted a number of growth stabilizing measures. The central bank cut both interest rates and the reserve requirement ratio for three times, but GDP growth still further slowed down to 7.0%, and the total profits of industrial enterprises above designated size shrank by 0.7% as compared to the same period of last year, indicating accumulating obstacles arising from the structural adjustment and increasing downward pressure for economic growth. Despite the rather painful stage of current economic growth, new hopes of China's economy were fostered in such process and successful economic re-alignment will be achieved if the country adheres to the reforms.

Slowed industry growth but with good prospect

- In the backdrop of milder economic growth, growth in the pharmaceutical industry also showed a slowing trend. According to data from the National Bureau of Statistics, the revenue growth of the pharmaceutical manufacturing industry decreased to 8.8% in the first half of this year as compared to the same period of last year, yet still better than the overall macro economy trend.

- Affected by the slowdown in the growth of pharmaceutical manufacturing industry, the pharmaceutical distribution industry where the Group stands also saw a moderating trend. According to data from Ministry of Commerce, revenues in the pharmaceutical distribution industry grew by 12.4% in the first half of this year as compared to the same period of last year, still significantly better than the overall macro economy trend.

- With the listing of a number of pharmaceutical retailers, the pharmaceutical retail business has entered a stage of merger, acquisition and expansion, highlighting the importance of economics of scale.

Opportunities and challenges brought along with the release of various policies

- The industry was challenged by the drug price cut brought by the provincial tender, which facilitated the survival of the fittest and the speed of consolidation within the industry, where large scale enterprises with superior control and management will win out.

- An industry new normal of rigorous regulation has been forged with the introduction of new regulations for GSP and unannounced inspection for drugs and medical devices, which brought a huge challenge for many enterprises especially the small and medium-size ones, where large-scale distribution enterprises with compliant operations will win out. In the future, the concentration ratio of the industry is bound to increase.

- The public hospital reform will change the structure of the existing hospitals significantly, where the separation of medical treatment and drug sale will bring along enormous opportunities for the drug retail business.

- The newly-released guidance regarding the centralized drug procurement of public hospitals will facilitate the survival of the fittest in the industry. If the hospitals strictly abide by the payment schedule as set out in the guidance, the gearing ratio and financial expense ratio of pharmaceutical distribution enterprises will be greatly improved.

- With firm support from the government for the pharmaceutical e-commerce, traditional pharmaceutical firms appealed to the Internet for new growth drivers, where enterprises with strong platforms and offline resources edges will have huge potentials.

Although the growth of the pharmaceutical industry decelerated due to the short-term economic re-alignment, medicine as an important part of consumption will play a more significant role once the transformation is completed. In the long run, with the promotion from the aging population, urbanization, increase in chronic diseases and household income, and the wider coverage of medical insurance, we believe China's pharmaceutical industry will become an industry filled with opportunities and featured with rapid growth. Fiercer competition and stricter regulations will accelerate the industry consolidation, and the sustained deepening of healthcare reforms will make China's healthcare system more complete and regulated. We believe that, with our leading network advantages, compliant operations and superior corporate governance, enterprises like us will greatly benefit from such reforms.

Business Review

Faced with unfavorable macroeconomic and industry situation in the first half of this year, the Group continued to advance the "scale to efficiency" transformation, explored the mixed-ownership reform, enhanced compliant operation awareness, strengthened risk management and control, accelerated the pace of transformation into innovative business mode, explored the financial capital markets and boosted the comprehensive management capabilities. The Group achieved further improvements in the development quality, further integration of platform resources and further benefits unleashed by the economic scale effect. The revenue growth of the Group continued to exceed the industry average, while profit growth continued to significantly surpass the revenue growth, which further consolidated the leading position and edges of the Group in the industry.

Sustained and consolidated leading position in the distribution business

In the pharmaceutical distribution sector, the Group has forged an integrated pharmaceutical supply chain, and an advanced supply chain management mode, achieved steady and appropriate adjustments in product structures, sustainably optimized customer structure, continually expanded and integrated national distribution network, further centered on retail terminal penetration and dug values deep in grassroots network. As of 30 June 2015, the distribution network of the Group covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 12,850 hospitals (only referring to nationally-ranked hospitals, including 1,752 largest class-three hospitals with the highest rankings), 100,803 small end-customers (including primary health services institutions and others) and 65,413 retail outlets.

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: the national pharmaceutical distribution logistics network includes 4 logistic hubs, 42 provincial logistic centers, approximately 100 municipal level logistics networks, with a sum of more than 240 logistics networks. The Group accelerated the establishment of cloud service platform of smart supply chain, aiming to provide safe, accessible, visible and efficient professional logistic services. It also promoted the network operation on multiple-warehouses and temperature controlled transportation. It strived to establish a professional distribution logistics network and delivery logistics network based on a two-and-a-half tiers network comprised of logistic centers, delivery centers and delivery station networks, enabling in-depth coverage of the pharmaceutical logistics network across China. The Group promoted the construction of a four-dimensional standardized system of national logistics techniques, management, services and operations and has published 48 logistics standards in total to build a regulated, integrated and standard logistics service brand.

High growth of the retail business

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail pharmaceutical distribution model, the Group strived for the development in the pharmaceutical retail business and strengthened its leading advantages. It 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 of 30 June 2015, the number of retail pharmacies was 2,932 covering 18 provinces and cities across the country, among which 2,036 were directly operated by the Group and 896 were operated by franchisees, sustaining industry leading position in sales amount. Besides, the distribution subsidiaries of the Group also had a good development momentum for setting up retail pharmacies, with 178 already opened, 45 of them being DTP pharmacies.

Further utilization of platform advantages

In the first half of this year, the Group adhered to the development strategy of "profession-focused, innovation-oriented, and multi-level promotion", continued to advance marketing transformation and further explored innovative service models in marketing service capitalizing on the business platform advantages. We achieved substantial growth in agent businesses for foreign pharmaceutical firms with an expansion in agent product types and boosted profitability.

Through actively exploring the financial and capital market, and integrating the "combination of industry and finance" philosophy into the process of corporate transformation, the Group forged stronger competitive edges in the industry chain. In the first half of this year, Sinopharm Holding (China) Finance Leasing Co., Ltd. entered formal operations and the pilot initialization work for the financing platform of the electronic supply chain was completed.

The medical equipment business obtained substantial growth in the first half of this year, which further indicated the platform advantage of the Group. Besides, the Group also achieved satisfactory results in businesses including third-party logistics and provision of supply chain services outsourcing for hospitals using solutions of the Internet of Things.

Active embrace of the Internet

The Group adapted to the "Internet +" trend, grabbed the pharmaceutical e-commerce opportunities, and promoted the merger of traditional businesses and the Internet. In the first half of this year, the promotion of e-commerce businesses progressed steadily. The "Internet Interconnection" project which aimed at transforming traditional businesses into e-commerce has started designs in technical levels and business segment levels. The consolidation work of the For Me Pharmacy's daoyao.com has been completed, and the vertically integrating e-commerce model has been under planning.

Further improvement in corporate management and control

The Group improved its management and control in finance, human resources, diversified financing, operations management, informatization, and procurement, etc., which lowered the selling, administrative and financial expenses, further indicating the scale advantages.

Future Plan

Further improvement of capital efficiency and operations risk control

In order to remove operations risks, the Group will endeavor to cut balance percentage of accounts receivable and the gearing ratio through capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening, to further improve capital efficiency and control the operations risks so as to achieve healthier and sustainable development.

Sustained promotion for the rapid development in the retail business

The retail business is a strategic sector for the structural adjustment of the Group. Through the sustained expansion of the retail businesses operated by Guoda Drugstore and distribution subsidiaries, the Group will forge a pharmaceutical retail network with national layout, vertical development, reasonable structure, integration of wholesale and retail, various growth drivers, risk defense, global perspective and leading position.

Transformation aided by the "Internet +"

The Group will continue to actively promote the progress in the e-commerce project, and take advantage of the solid resources base of China National Pharmaceutical Group including pharmaceutical manufacturing, distribution, medical services, retail pharmacy and research and development to create the largest vertical e-commerce service platform in China, integrating B2B, B2C, O2O and other services using technologies and products of Internet/Mobile Internet, to provide end customers with one-stop "healthcare + drug" services. Besides, the Group will continue to actively advance the progress of the "Internet Interconnection" project, to create a B2B platform based on internal transactions using both upstream and downstream resources to transform the traditional businesses into online ones.

Active exploration of mixed ownership reforms

The Group will take this reform as the opportunity to further promote reforms in areas such as nomination, remuneration and incentives of the management and corporate governance, in order to add dynamics to the Group and lay a solid foundation for sustainable future development.

Besides, the Group will continue to enhance the combination of industry and finance, and strengthen internal management and control to improve the overall profitability and operation efficiency.

Looking into the future, the ever-changing market environment brings many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform to continue to focus on the improvement of both efficiency and profit, proactively promote "transformation innovations and value creation", and continuously build a healthcare service provider with international competence, which adapts to the new normal, creates new values, and evolves from distinction to excellence.

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 RMB111,057.45 million, representing an increase of RMB16,221.78 million or 17.11% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB2,888.53 million, representing an increase of RMB580.40 million or 25.15% as compared with the corresponding period of last year; profit attributable to the shareholders of the Company was RMB1,913.85 million, representing an increase of RMB448.39 million or 30.60% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.69, representing an increase of 21.05% as compared with the corresponding period of last year.

Unit: RMB million

	Six months ended 30 June 2015	Six months ended 30 June 2014	Change
Operating results:			
Revenue	**111,057.45**	94,835.67	16,221.78
Earnings before interest and tax	**4,780.38**	4,010.32	770.06
Profit attributable to shareholders of the Company	**1,913.85**	1,465.46	448.39
Profitability			
Gross margin	**8.23%**	8.28%	decreased by 0.05 percentage point
Operating margin	**4.16%**	4.14%	increased by 0.02 percentage point
Net profit margin	**2.60%**	2.43%	increased by 0.17 percentage point
Earnings per share – Basic (RMB)	**0.69**	0.57	0.12
Key operational indicators			
Trade receivables turnover days	**115**	107	8
Inventory turnover days	**36**	35	1
Trade payables turnover days	**99**	96	3
Current ratio (multiples)	**1.22**	1.26	(0.04)

Unit: RMB million

	30 June 2015	31 December 2014	Change
Asset position			
Total assets	**136,320.72**	128,655.74	7,664.98
Equity attributable to shareholders of the Company	**28,250.96**	27,381.87	869.09
Gearing ratio	**72.17%**	71.79%	increased by 0.38 percentage point
Cash and cash equivalents	**14,060.53**	15,232.36	(1,171.83)

Revenue

During the Reporting Period, the Group recorded revenue of RMB111,057.45 million, representing an increase of 17.11% as compared with RMB94,835.67 million for the six months ended 30 June 2014. 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 RMB105,413.60 million, representing an increase of 16.38% as compared with RMB90,580.63 million for the six months ended 30 June 2014, and accounting for 94.23% of the total revenue of the Group. Such increase was primarily due to the good development trend of the pharmaceutical distribution business and further expansion of the distribution network of the Group.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB4,101.56 million, representing an increase of 46.58% as compared with RMB2,798.09 million for the six months ended 30 June 2014, and accounting for 3.67% of the total revenue of the Group. Such increase was primarily due to acquisitions of new subsidiaries, 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 RMB2,355.22 million, representing an increase of 7.77% as compared with RMB2,185.34 million for the six months ended 30 June 2014. Such increase was primarily due to the increase in revenue from chemical reagents products of the Group.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB101,918.22 million, representing an increase of 17.18% as compared with RMB86,978.87 million for the six months ended 30 June 2014, which was comparable with the growth rate 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 16.32% from RMB7,856.80 million for the six months ended 30 June 2014 to RMB9,139.23 million.

The gross profit margin of the Group for the six months ended 30 June 2015 was 8.23%, whilst the gross profit margin for the same period in 2014 was 8.28%, the decrease in gross profit margin is mainly due to the decrease in gross profit margin of retail pharmacy and other business.

Other Income

During the Reporting Period, other income of the Group was RMB83.91 million, representing a decrease of 8.41% as compared with RMB91.61 million for the six months ended 30 June 2014. The decrease in other income was primarily due to the decrease 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 RMB2,848.64 million, representing an increase of 19.42% as compared with RMB2,385.39 million for the six months ended 30 June 2014. The increase in distribution and selling expenses was primarily attributable to the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group were RMB1,752.66 million, the percentage of the general and administrative expenses to revenue was 1.58%, representing a decrease of 0.15% as compared with the same period in 2014. The decrease was primarily attributable to the continued improving of the management and control in the general and administrative expenses by the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group for the Reporting Period was RMB4,621.84 million, representing an increase of 17.85% from RMB3,921.87 million for the six months ended 30 June 2014.

Other Gains – Net

The other net gains of the Group increased by RMB55.85 million from RMB11.82 million for the six months ended 30 June 2014 to RMB67.67 million for the Reporting Period. Such increase was primarily due to the increase in gains from disposal of intangible assets, property, plant and equipment as well as the increase in foreign exchange gains.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB1,026.88 million, representing an increase of RMB20.72 million as compared with RMB1,006.16 million for the six months ended 30 June 2014. The increase was primarily due to the business growth and changes in financing structure and cost of the Group.

Share of Results of Associates

During the Reporting Period, the Group's share of results of associates was RMB90.88 million, representing an increase of 18.58% as compared with RMB76.64 million for the six months ended 30 June 2014.

Income Tax Expenses

The Group's income tax expenses increased by 24.27% from RMB696.04 million for the six months ended 30 June 2014 to RMB864.98 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group. The Group's effective income tax rate decreased from 23.17% for the six months ended 30 June 2014 to 23.04% for the six months ended 30 June 2015.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB2,888.53 million, representing an increase of 25.15% from RMB2,308.13 million for the six months ended 30 June 2014.

Profit Attributable to Shareholders of the Company

During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB1,913.85 million, representing an increase of 30.60%, or RMB448.39 million, from RMB1,465.46 million for the six months ended 30 June 2014. The Group's net profit margin for the Reporting Period and for the corresponding period of 2014 was 1.72% and 1.55%, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB974.68 million, representing an increase of 15.67% from RMB842.66 million for the six months ended 30 June 2014.

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 RMB1,837.09 million, representing a decrease of RMB28.31 million from RMB1,865.40 million for the six months ended 30 June 2014.

Net cash used in investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB854.87 million, representing a decrease of RMB450.55 million as compared with RMB1,305.42 million for the six months ended 30 June 2014. Such decrease was primarily due to the decrease in expenses of acquisitions of external parties and the decrease in restricted cash.

Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB2,126.26 million, representing a decrease of RMB23.06 million as compared with RMB2,149.32 million used in financing activities for the six months ended 30 June 2014.

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued the bonds in an aggregate amount of RMB6 billion in the first half of the year 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 of 30 June 2015, 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 of 30 June 2015, among the Group's total borrowings, RMB31,521.26 million will be due within one year and RMB154.63 million will be due after one year. As of the end of the Reporting Period, the corporate bonds with an aggregate nominal value of RMB4,000 million were reclassified as current liability by the Company, since the holders of the corporate bonds have an early redemption right on 13 March 2016. Any unredeemed part of the corporate bonds will be reclassified back as non-current liability on 13 March 2016. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As of 30 June 2015, the Group's gearing ratio was 72.17% (31 December 2014: 71.79%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2015.

Foreign Exchange Risks

The Group's operations are mainly located in the PRC and most of its transactions are denominated and settled in RMB. However, the Group is exposed to foreign exchange risks on certain cash and cash equivalents, borrowings from banks and other financial institutions and trade payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group has no corresponding hedging arrangements.

Pledge of Assets

As of 30 June 2015, the Group's certain bank borrowings were secured by land use rights with book value of RMB51.41 million (unaudited), bank deposits with book value of RMB10.01 million (unaudited), properties, plant and equipment with book value of RMB95.53 million (unaudited) and trade receivables with book value of RMB2,227.53 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 RMB1,116.21 million, whilst the amount for the corresponding period of last year was RMB849.61 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 expand, it may incur additional capital expenditures. The Group's ability to obtain additional funding is subject to a variety of uncertain factors, including the future operating results, financial condition and cash flows of the Group, economic, political and other conditions in China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

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 of 30 June 2015, the Group had a total of 52,912 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 2015, the interests or short positions of the directors (the "**Directors**"), supervisors (the "**Supervisors**") and the chief executive of the Company 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**") were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the total number of H shares in issue of the Company (%)	Long position/ short position/ shares available for lending
Ms. Jin Yi	H shares	Beneficial owner	1, 200	0.00	0.00	Long position

Save as disclosed above, as at 30 June 2015, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code.

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

As at 30 June 2015, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 *(Note 2)*	0.10	0.17	–
	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 2)*	56.79	99.83	–
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 *(Note 1 and 2)*	56.79	99.83	–
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 3)*	56.79	99.83	–
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 4)*	56.79	99.83	–
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 5)*	56.79	99.83	–
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 6)*	56.79	99.83	–
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 7)*	56.79	99.83	–
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 8)*	56.79	99.83	–
Capital Research and Management Company	H shares	Investment manager	42,110,000	1.52	3.53	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation *(Note 9)*	66,417,672	2.40	5.57	Long position
			20,000	0.00	0.00	Short position

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.47	3.41	Long position
JPMorgan Chase & Co.	H shares	Beneficial owner, Investment manager, Custodian/ approved lending agent *(Note 10)*	119,310,386	4.31	10.00	Long position
			370,963	0.01	0.03	Short position
			90,218,082	3.26	7.56	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	71,601,200	2.59	6.00	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	101,621,200	3.67	8.52	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	119,092,000	4.30	9.98	Long position

Notes:

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

(2) CNPGC is interested in 2,728,396 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.

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

(4) Fosun High Technology is the beneficial owner of 39.83% 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.

(5) 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.

(6) Fosun Holdings is the beneficial owner of 71.29% 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.

(7) 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.

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

(9) BlackRock, Inc. is interested in long positions of 66,417,672 H shares of the Company and short positions of 20,000 H shares of the Company indirectly through a series of controlled corporations.

(10) JPMorgan Chase & Co. is interested, directly and indirectly through a series of controlled corporations, in an aggregate of long positions of 119,310,386 H shares (of which 90,218,082 are H shares available for lending) and short positions of 370,963 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2015, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2015, 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 2014 annual general meeting of the Company convened on 18 June 2015, the Company paid the final dividend for the year ended 31 December 2014 to the shareholders on 31 July 2015, totaling approximately RMB857,799,478.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2015.

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. Lyu Changjiang (Chairman), Mr. Tan Wee Seng and Mr. Liu Zhengdong, 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 2015 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 2015 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 of
Sinopharm Group Co. Ltd.
Wei Yulin
Chairman

Shanghai, the PRC
21 August 2015

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 Qi Yu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Li Yuhua, Mr. Zhou Bin, Mr. Deng Jindong, Mr. Li Dongjiu and Mr. Liu Hailiang; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong.

* *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."*