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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 2016 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 2016 (the "**Reporting Period**") together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Six months ended 30 June	
	Note	**2016**	2015
		(Unaudited)	(Unaudited)
Revenue	*4*	**125,888,196**	111,057,454
Cost of sales and other operating costs	*7*	**(115,664,769)**	(101,918,222)
Gross profit		**10,223,427**	9,139,232
Other income	*5*	**76,484**	83,906
Distribution and selling expenses	*7*	**(3,135,150)**	(2,848,637)
General and administrative expenses	*7*	**(1,976,613)**	(1,752,660)
Operating profit		**5,188,148**	4,621,841
Other gains – net	*6*	**426,633**	67,665
Finance income		**108,588**	123,664
Finance costs		**(999,342)**	(1,150,543)
Finance costs – net	*9*	**(890,754)**	(1,026,879)
Share of profit of investments accounted for using the equity method		**104,839**	90,877
Profit before tax		**4,828,866**	3,753,504
Income tax expense	*10*	**(1,098,560)**	(864,978)
Profit for the period		**3,730,306**	2,888,526
Attributable to:			
– Owners of the parent		**2,529,200**	1,913,845
– Non-controlling interests		**1,201,106**	974,681
		3,730,306	2,888,526
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share) – Basic and fully diluted	*11*	**0.91**	0.69

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit for the period	**3,730,306**	2,888,526
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		
Remeasurements of post-employment benefit obligations	**(1,310)**	263
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	**(15,421)**	31,722
Exchange differences on translation of financial statements of overseas subsidiaries	**(11,008)**	(101)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(26,429)**	31,621
Other comprehensive (loss)/income for the period, net of tax	**(27,739)**	31,884
Total comprehensive income for the period	**3,702,567**	2,920,410
Attributable to:		
– Owners of parent	**2,512,730**	1,928,602
– Non-controlling interests	**1,189,837**	991,808
	3,702,567	2,920,410

CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**30 June 2016**	31 December 2015
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Land use rights		**1,474,427**	1,489,897
Investment properties		**390,650**	393,872
Property, plant and equipment		**7,603,735**	7,641,039
Intangible assets		**6,597,923**	6,719,969
Investments accounted for using the equity method		**1,318,292**	1,133,444
Available-for-sale financial assets		**299,796**	322,247
Finance lease receivables		**2,189,234**	1,550,131
Deferred tax assets		**608,114**	640,669
Other non-current assets		**1,544,584**	1,623,692
Total non-current assets		**22,026,755**	21,514,960
Current assets			
Inventories		**22,391,402**	22,348,576
Trade and bills receivables	*13*	**74,201,048**	64,623,618
Prepayments and other receivables		**5,149,985**	5,059,231
Available-for-sale financial assets		**1,004**	2,069
Finance lease receivables		**906,258**	349,720
Bank deposits and restricted cash		**4,355,453**	4,449,700
Cash and cash equivalents		**23,506,688**	19,919,154
Total current assets		**130,511,838**	116,752,068
Total assets		**152,538,593**	138,267,028
Current liabilities			
Trade and bills payables	*14*	**65,223,448**	59,037,872
Accruals and other payables		**6,299,333**	6,783,632
Dividends payable		**1,236,345**	73,022
Current income tax liabilities		**671,846**	583,550
Borrowings		**24,821,068**	28,203,994
Total current liabilities		**98,252,040**	94,682,070
Net current assets		**32,259,798**	22,069,998
Total assets less current liabilities		**54,286,553**	43,584,958

	Note	**30 June 2016**	31 December 2015
		(Unaudited)	(Audited)
Non-current liabilities			
Borrowings		**9,310,136**	608,195
Deferred tax liabilities		**644,934**	692,619
Post-employment benefit obligations		**545,727**	553,912
Other non-current liabilities		**900,521**	1,074,527
Total non-current liabilities		**11,401,318**	2,929,253
Net Assets		**42,885,235**	40,655,705
EQUITY			
Equity attributable to the owners of the parent			
Share capital		**2,767,095**	2,767,095
Reserves		**28,525,775**	27,284,531
		31,292,870	30,051,626
Non-controlling interests		**11,592,365**	10,604,079
Total equity		**42,885,235**	40,655,705

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 each. 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 has been reviewed by Ernst & Young, not audited.

2 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim financial reporting and the disclosure requirements of the Rules Governing the listing of securities on the Stock Exchange.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 19 August 2016.

The interim financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 SEGMENT INFORMATION

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

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

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

(3) Other business – 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 tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred 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 2016 and 2015

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Total
Six months ended 30 June 2016 (Unaudited)					
Segment results					
External segment revenue	118,673,910	4,873,410	2,340,876	–	125,888,196
Inter-segment revenue	1,105,525	35,886	120,178	(1,261,589)	–
Revenue	119,779,435	4,909,296	2,461,054	(1,261,589)	125,888,196
Operating profit	4,585,451	114,541	492,955	(4,799)	5,188,148
Other gains	126,578	4,210	295,845	–	426,633
Share of profits of investments accounted for using the equity method	5,716	739	98,384	–	104,839
	4,717,745	119,490	887,184	(4,799)	5,719,620
Finance costs – net					(890,754)
Profit before tax					4,828,866
Income tax expense					(1,098,560)
Profit for the period					3,730,306
Other segment items included in the income statement					
Provision for impairment of trade and other receivables, and long-term receivables	154,319	(189)	16,411		170,541
Provision for impairment of inventories	4,380	232	7,158		11,770

Amortisation of land use rights	**20,902**	**26**	**2,806**		**23,734**
Depreciation of property, plant and equipment	**273,235**	**36,471**	**66,673**		**376,379**
Depreciation of investment properties	**6,298**	**281**	**1,404**		**7,983**
Amortisation of intangible assets	**112,954**	**6,779**	**9,952**		**129,685**
Capital expenditures	**533,434**	**51,433**	**66,501**		**651,368**

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Total
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 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

(ii) At 30 June 2016 and 31 December 2015

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Total
As at 30 June 2016					
Segment assets and liabilities					
Segment assets	**137,500,561**	**5,775,276**	**12,704,720**	**(4,050,078)**	**151,930,479**
Segment assets include:					
Investments accounted for using the equity method	**138,287**	**17,049**	**1,162,956**	–	**1,318,292**
Unallocated assets – Deferred tax assets					**608,114**
Total assets					**152,538,593**
Segment liabilities	**72,086,909**	**3,187,780**	**3,647,809**	**(4,045,278)**	**74,877,220**
Unallocated liabilities – Borrowings and deferred tax liabilities					**34,776,138**
Total liabilities					**109,653,358**
As at 31 December 2015					
Segment assets and liabilities					
Segment assets	126,358,076	4,657,063	9,544,934	(2,933,714)	137,626,359
Segment assets include:					
Investments accounted for using the equity method	98,595	16,309	1,018,540	–	1,133,444
Unallocated assets – Deferred tax assets					640,669
Total assets					138,267,028
Segment liabilities	65,361,154	2,911,001	2,789,059	(2,954,699)	68,106,515
Unallocated liabilities – Borrowings and deferred tax liabilities					29,504,808
Total liabilities					97,611,323

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

4 REVENUE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Sales of goods	**125,414,240**	110,807,671
Rental income	**77,394**	55,846
Franchise fees and other service fee from medicine chain stores	**107,616**	71,936
Interest income from finance lease	**145,683**	-
Consulting income	**104,616**	85,783
Import and export agency income	**1,739**	16,466
Others	**36,908**	19,752
	125,888,196	111,057,454

5 OTHER INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Government grants	**76,484**	83,906

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	**176,215**	12,102
Relocation compensation	**136,393**	-
Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	**40,736**	2,603
Gain on disposal of subsidiaries	**82,518**	6,816
Foreign exchange (losses)/gains – net	**(11,811)**	21,366
Write-back of certain liabilities	**3,958**	9,127
Gain on disposal of available-for-sale financial assets	**-**	6,270
Donation	**(5,277)**	(2,231)
Others – net	**3,901**	11,612
	426,633	67,665

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**115,305,227**	101,831,362
Changes in inventories of finished goods and work in progress	**(68,460)**	(88,543)
Employee benefit expenses *(Note 8)*	**2,647,422**	2,178,457
Provision for impairment of trade receivables	**146,451**	124,259
Provision for impairment of long-term receivables	**15,241**	2,558
Provision for impairment of other receivables	**8,849**	9,342
Provision for impairment of inventories	**11,770**	24,823
Operating leases in respect of leasehold land and buildings	**409,662**	319,670
Depreciation of property, plant and equipment	**376,379**	331,142
Depreciation of investment properties	**7,983**	9,464
Amortisation of intangible assets	**129,685**	114,073
Amortisation of land use rights	**23,734**	20,142
Auditors' remuneration	**10,440**	11,150
Consulting and other service fees	**62,966**	31,661
Transportation expenses	**534,798**	461,175
Travel expenses	**112,048**	99,330
Promotion and advertising expenses	**389,907**	449,295
Utilities	**75,043**	70,094
Others	**577,387**	520,065
Total cost of sales and other operating costs, distribution and selling expenses and general and administrative expenses	**120,776,532**	106,519,519

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**2,031,189**	1,694,001
Contributions to pension plans *(i)*	**241,632**	192,662
Post-employment benefits	**10,625**	3,409
Housing benefits *(ii)*	**84,232**	72,533
Other benefits *(iii)*	**279,744**	215,852
	2,647,422	2,178,457

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 certain percentage of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group also contributes based on certain percentage 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 certain rates 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	
	2016	2015
	(Unaudited)	(Unaudited)
Finance costs:		
Interest expense:		
– Borrowings	**580,302**	744,936
– Discounting of notes receivable	**182,115**	220,548
– Discounting of accounts receivable	**153,468**	125,122
– Net interests on net defined benefit liability	**8,069**	9,355
Gross interest expense	**923,954**	1,099,961
Bank charges	**83,606**	65,084
Less: capitalised interest expense	**(8,218)**	(14,502)
	999,342	1,150,543
Finance income:		
– Interest income on deposits in bank or other financial institution	**(90,660)**	(103,619)
– Interest income on long-term deposits	**(17,928)**	(20,045)
	(108,588)	(123,664)
Net finance costs	**890,754**	1,026,879

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Current PRC income tax	**1,141,519**	901,494
Deferred tax	**(42,959)**	(36,516)

	1,098,560	864,978

During the six months ended 30 June 2016, 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 owners of the parent for the reporting period and on the weighted average number of ordinary shares in issue during the reporting period.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to owners of the parent *(RMB'000)*	**2,529,200**	1,913,845
Weighted average number of ordinary shares in issue *('000)*	**2,767,095**	2,767,095
Basic earnings per share *(RMB per share)*	**0.91**	0.69

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 2015 of RMB0.41 per share (tax inclusive), amounting to RMB1,134,509 thousands in total, was approved by the shareholders at the annual general meeting of the Company held on 16 June 2016 and was paid on 15 August 2016 to the shareholders whose names appeared on the register of members of the Company on 28 June 2016.

No interim dividend was proposed for the six-month period ended 30 June 2016.

13 TRADE AND BILLS RECEIVABLES

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
Accounts receivable	**68,944,304**	58,860,366

Notes receivable	**6,157,327**	6,530,876
	75,101,631	65,391,242
Less: Provision for impairment	**(900,583)**	(767,624)
	74,201,048	64,623,618

The fair value of trade and bills receivables approximates 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 and bills receivables is as follows:

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
Within 1 year	**74,049,152**	64,847,238
1 to 2 years	**958,293**	461,290
Over 2 years	**94,186**	82,714
Total	**75,101,631**	65,391,242

The trade and bills receivables are denominated in RMB.

14 TRADE AND BILLS PAYABLES

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
Accounts payable	**50,497,141**	42,946,078
Notes payable	**14,726,307**	16,091,794
	65,223,448	59,037,872

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

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
Within 3 months	**48,906,712**	48,885,057
3 to 6 months	**11,942,280**	6,221,805
6 months to 1 year	**3,021,395**	2,860,549

1 to 2 years	**755,960**	565,547
Over 2 years	**597,101**	504,914
	65,223,448	59,037,872

The Group has accounts payable financing program with certain banks whereby the bank repaid accounts payable 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 2016, accounts payable of RMB926,980 thousands were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2016 and 31 December 2015, all bank borrowings related to this program were 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 Linqu Co., Ltd.	January 2016	80%
Taishan Sinopharm Holding Guoda Qunkang Pharmacy Chain Store Co., Ltd.	April 2016	70%
Beijing Yishang Juli Technology Co., Ltd.	April 2016	100%

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	23,900
– Contingent consideration *(Note (i))*	20,652
Total purchase consideration	44,552

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	3,755	3,755
Property, plant and equipment	2,347	2,347
Intangible assets	4,878	69
Deferred tax assets	187	187
Inventories	23,463	23,463
Other non-current assets	4,300	4,300
Trade and other receivables	60,506	60,506
Trade and other payables	(64,795)	(64,795)
Borrowings	(11,600)	(11,600)
Deferred tax liabilities	(1,202)	–
Net assets	21,839	18,232
Non-controlling interest *(Note (ii))*	(4,304)	
Goodwill	27,017	
Net assets acquired	44,552	
Consideration for acquisitions settled in cash	23,900	
Available-for-sale financial assets	(990)	
Cash and cash equivalents in subsidiaries acquired	(3,755)	
Cash outflow on acquisition	19,155	

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 RMB20,652 thousands.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB20,652 thousands. As at 30 June 2016, 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 owners of parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2016 are summarised as follows:

	From acquisition date to 30 June 2016 (Unaudited)
Revenue	79,400
Net profit attributable to owners of parent	1,583

16 DISPOSAL OF SUBSIDIARIES

The Group disposed of equity interests in certain subsidiaries to independent third parties during the period as follows:

Subsidiaries disposed of	Disposed interests
Tianjin Yishengjiahe Health Consultancy Co., Ltd.	45%
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	67%

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

	Date of Disposal (Unaudited)
Net assets disposed of:	
Cash and cash equivalents	41,026
Property, plant and equipment	191,293
Land use rights	12,560
Intangible assets	37,640
Deferred tax assets	34,581
Inventories	54,402
Other non-current assets	412
Trade and other receivables	49,152
Trade and other payables	(118,067)
Borrowings	(177,949)
Deferred tax liabilities	(2,190)
Other non-current liabilities	(2,781)
Net assets	120,079
Gain on disposal of subsidiaries and gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	123,254

	243,333
Satisfied by:	
Cash	162,111
Investments accounted for using the equity method	81,222
	243,333

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Six months ended 30 June 2016 (Unaudited)
Cash consideration	162,111
Cash and cash equivalents in subsidiaries disposed of	(41,026)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	121,085

17 MATERIAL SUBSEQUENT EVENTS

On 20 July 2016, the Company, China National Medicines Corporation Ltd. ("**SINOPHARM (CNCM LTD)**")and certain other non-controlling shareholders entered into the Assets Transfer Agreements, pursuant to which the Company proposed to dispose 96% equity interest in Sinopharm Holding Beijing Co., Ltd., 51% equity interest in Sinopharm Holding Beijing Huahong Co., Ltd., 51% equity interest in Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. and 51% equity interest in Beijing Tianxinpuxin Bio-Medicine Co., Ltd. held by the Company (the "**Target Companies**"), to SINOPHARM (CNCM LTD) at an aggregate consideration of approximately RMB5,372.68 million, which will be satisfied by issuance of approximately 214,051,189 consideration shares in total at the issue price of RMB25.10 per consideration share by SINOPHARM (CNCM LTD) to the Company. While certain other non-controlling shareholders also agreed to transfer their corresponding equity interests in certain Target Companies to SINOPHARM (CNCM LTD) on equal conditions and obtain the consideration shares issued by SINOPHARM (CNCM LTD). Upon completion of all the transactions under the Assets Transfer Agreements, the Company's shareholding ratio in SINOPHARM (CNCM LTD) will be increased from 44.01% to 58.57% and SINOPHARM (CNCM LTD) will continue to be a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Continuous "new normal" economy

China's macro economy continued the "new normal" of development during the first half of 2016. Faced with complicated domestic and overseas situations and increasing downward pressure of economic growth, the government accelerated the advancement of structural reform of supply side while moderately expanding total demand, and actively pushed for mass start-up and mass innovation, the national economic development was stable as a whole and improving coupled with stability.

Improving industry prospect

According to data from the National Bureau of Statistics, the revenue growth of the pharmaceutical manufacturing industry reached 10.0% year-on-year during the first half of 2016, which was improving compared with that of last year. The pharmaceutical distribution industry where the Group stands also saw an improving sign in the first half of 2016, during which recorded an estimated year-on-year increase of approximately 12% in respect of the sales amount. The pharmaceutical retail business has entered a stage of merger, acquisition and expansion, highlighting the importance of economic scale and capital advantage.

Opportunities and challenges brought along with continuous deepening of healthcare reform

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

- The implementation of "two-invoice system" will significantly change the structure of the existing pharmaceutical distribution industry and accelerate the industry consolidation. The development of the industry will further conform to regulations, benefiting large distribution enterprises with compliant operations.

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

- Rigorous regulation has become the "new normal", large-scale distribution enterprises with compliant operations will win out. The concentration ratio of the industry is bound to increase in the future.

- 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 high 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, rise in household income and the wider coverage of medical insurance, we believe China's pharmaceutical industry will be 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 enterprises like us, with leading network advantages, compliant operations and superior corporate governance, will greatly benefit from such reforms.

Business Review

Faced with unfavorable macroeconomic and industry situation through the first half of 2016, the Group continued to adjust structure with efficiency orientation and push transformation with quality improvement and efficiency enhancement, achieving 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 sales growth, which further consolidated the leading position and edges of the Group.

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. As at 30 June 2016, the distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 13,841 hospitals (only referring to nationally-ranked hospitals, including 1,880 largest class-three hospitals with the highest rankings), 108,712 small end-customers (including primary health services institutions and others) and 71,051 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, 39 provincial logistic centers, 177 municipal level logistics outlets, 22 retail logistics outlets, with a sum of 242 logistics outlets.

Rapid growth of the retail business

In respect of retail pharmacy, aiming to establish an integrated wholesale-retail distribution model, the Group strived for the development in the pharmaceutical retail business and strengthened its leading advantages. 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 2016, the number of retail pharmacies was 3,268 (only referring to those operated by Sinopharm Holding Guoda Drug Store Co., Ltd.), covering 18 provinces and cities across the country, among which 2,309 were directly operated by the Group and 959 were operated by franchisees. The Group witnessed a rapid increase in sales amount as compared with the corresponding period last year and sustained its industry leading position in respect of scale.

Further utilization of platform advantages

- The Group continued to advance marketing transformation and further explored innovative service models in marketing service capitalizing on the business platform advantages. Therefore, the Group achieved substantial growth in agent businesses.

- Through actively exploring the financial and capital market, and integrating the philosophy of "combination of industry and finance" into the process of corporate transformation, the Group forged stronger competitive edges in the industry chain. The financial leasing business grew rapidly.

- The medical equipment business achieved substantial growth with the establishment of department of medical equipment development, which further confirms the direction of future development.

- Adapting to the "Internet +" trend, the Group grabbed the developing opportunities of pharmaceutical e-commerce and promoted the combination of traditional businesses and the Internet. As a result, businesses such as B2C and O2O achieved substantial growth.

- The "Internet Interconnection" project which aimed at transforming traditional businesses into e-commerce progressed smoothly with the transaction value reaching RMB2.2 billion.

Further improvement in management and control
The Group improved its management and control in finance, human resources, diversified financing, operations management, informatisation and procurement, etc., which lowered the expense ratio, the balance of accounts receivable and its weight in income, as well as the gearing ratio. The capital efficiency was further improved, the operating risks further decreased, and the enterprise competitiveness further enhanced.

Future Plan

Further solidify distribution business and extend supply chain
The Group will further solidify the distribution business and continue to maintain the leading position in the industry. The Group will continue to push the extension of supply chain into hospital and provide more value-added services.

Vigorously promote retail business
The retail business still remains as a strategic sector for the structural adjustment of the Group. The Group will continue to vigorously promote the retail business to forge a pharmaceutical terminal retail network with national layout, vertical development, reasonable structure, integration of wholesale and retail, various profit growth drivers, risk defense, global perspective and overall leading position.

Vigorously advance innovative business
The Group will continue to vigorously advance innovative business such as pharmaceutical e-commerce, financial leasing, agent business, healthcare investment, third-party logistics, medical equipment and retail clinic so as to improve profit margin.

Control risk and enhance integration
The Group will endeavor to control operation risk through capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening. Besides, the Group will continue to enhance its internal management and control in finance, operation, capital, quality and human resources to further improve the overall profitability and operation efficiency.

Looking forward, the ever-changing market environment brings many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform and structural reform of supply side to strengthen reform determination and maintain innovation tenacity, will push tasks such as reform and development, transformation and innovation, quality improvement and efficiency enhancement, and compliant operation at full throttle, will continue to focus on the improvement of both efficiency and effectiveness, continuously advance “strategic rebalance”, continuously forging a healthcare service provider with international competence.

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 RMB125,888.20 million, representing an increase of RMB14,830.75 million or 13.35% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profit of RMB3,730.31 million, representing an increase of RMB841.78 million or 29.14% as compared with the corresponding period of last year; profit attributable to the shareholders of the Company was RMB2,529.20 million, representing an increase of RMB615.35 million or 32.15% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company were RMB0.91, representing an increase of 31.88% as compared with the corresponding period of last year.

Unit: RMB million

	Six months ended 30 June 2016	Six months ended 30 June 2015	Change
Operating results:			
Revenue	**125,888.20**	111,057.45	14,830.75
Earnings before interest and tax	**5,719.62**	4,780.38	939.24
Profit attributable to shareholders of the Company	**2,529.20**	1,913.85	615.35
Profitability			
Gross margin	**8.12%**	8.23%	decreased by 0.11 percentage point
Operating margin	**4.12%**	4.16%	decreased by 0.04 percentage point
Net profit margin	**2.96%**	2.60%	increased by 0.36 percentage point
Earnings per share – Basic (RMB)	**0.91**	0.69	0.22
Key operational indicators			
Trade receivables turnover days	**100**	115	-15
Inventory turnover days	**35**	36	-1
Trade payables turnover days	**97**	99	-2
Current ratio (multiples)	**1.33**	1.22	0.11

Unit: RMB million

	30 June 2016	31 December 2015	Change
Asset position			
Total assets	**152,538.59**	138,267.03	14,271.56
Equity attributable to shareholders of the Company	**31,292.87**	30,051.63	1,241.24
Gearing ratio	**71.89%**	70.60%	increased by 1.29 percentage point
Cash and cash equivalents	**23,506.69**	19,919.15	3,587.54

Revenue

During the Reporting Period, the Group recorded revenue of RMB125,888.20 million, representing an increase of 13.35% as compared with RMB111,057.45 million for the six months ended 30 June 2015. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business, and the Group's revenue growth outperformed industry average of the pharmaceutical market in China.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB119,779.44 million, representing an increase of 13.63% as compared with RMB105,413.60 million for the six months ended 30 June 2015, and accounting for 94.20% 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 RMB4,909.30 million, representing an increase of 19.69% as compared with RMB4,101.56 million for the six months ended 30 June 2015, and accounting for 3.86% 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 RMB2,461.05 million, representing an increase of 4.49% as compared with RMB2,355.22 million for the six months ended 30 June 2015.

Cost of Sales
During the Reporting Period, the cost of sales of the Group was RMB115,664.77 million, representing an increase of 13.49% as compared with RMB101,918.22 million for the six months ended 30 June 2015, which was comparable with the growth rate of the sales revenue.

Gross Profit
The gross profit of the Group for the Reporting Period increased by 11.86% from RMB9,139.23 million for the six months ended 30 June 2015 to RMB10,223.43 million.

The gross profit margin of the Group for the six months ended 30 June 2016 was 8.12%, whilst the gross profit margin for the same period in 2015 was 8.23%, the decrease in gross profit margin is mainly due to the decrease in gross profit margin of non-distribution business.

Other Income
During the Reporting Period, other income of the Group was RMB76.48 million, representing a decrease of 8.85% as compared with RMB83.91 million for the six months ended 30 June 2015. 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 RMB3,135.15 million, representing an increase of 10.06% as compared with RMB2,848.64 million for the six months ended 30 June 2015. 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 RMB1,976.61 million, the percentage of the general and administrative expenses to revenue was 1.57%, representing an increase of 12.78% as compared with the same period in 2015. The increase was primarily attributable to the increase in administrative expenses from expansion of the Group's network scale and business growth.

Operating Profit
The operating profit of the Group for the Reporting Period was RMB5,188.15 million, representing an increase of 12.25% from RMB4,621.84 million for the six months ended 30 June 2015.

Other Gains – Net
The other net gains of the Group increased by RMB358.96 million from RMB67.67 million for the six months ended 30 June 2015 to RMB426.63 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 relocation subsidy.

Finance Costs – Net
During the Reporting Period, the finance costs of the Group were RMB890.75 million, representing a decrease of RMB136.13 million as compared with RMB1,026.88 million for the six months ended 30 June 2015. The decrease was primarily due to the decrease in financing costs of the Group.

Share of Results of Associates
During the Reporting Period, the Group's share of results of associates was RMB104.84 million, representing an increase of 15.36% as compared with RMB90.88 million for the six months ended 30 June 2015.

Income Tax Expenses
The Group's income tax expenses increased by 27.00% from RMB864.98 million for the six months ended 30 June 2015 to RMB1,098.56 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 23.04% for the six months ended 30 June 2015 to 22.75% for the six months ended 30 June 2016.

Profit for the Reporting Period
As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB3,730.31 million, representing an increase of 29.14% from RMB2,888.53 million for the six months ended 30 June 2015.

Profit Attributable to Shareholders of the Company
During the Reporting Period, profit or net profit attributable to shareholders of the Company was RMB2,529.20 million, representing an increase of 32.15%, or RMB615.35 million, from RMB1,913.85 million for the six months ended 30 June 2015. The Group's net profit margin for the Reporting Period and for the corresponding period of 2015 was 2.01% and 1.72%, respectively.

Profit Attributable to Non-controlling Interests
Profit attributable to non-controlling interests for the Reporting Period was RMB1,201.11 million, representing an increase of 23.23% from RMB974.68 million for the six months ended 30 June 2015.

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 RMB1,346.80 million, representing a decrease of RMB490.29 million from RMB1,837.09 million for the six months ended 30 June 2015.

Net cash used in investment activities
During the Reporting Period, the net cash used in investment activities of the Group was RMB399.69 million, representing a decrease of RMB455.18 million as compared with RMB854.87 million for the six months ended 30 June 2015. Such decrease was primarily due to the decrease in expenses of acquisitions of external parties and the decrease in restricted cash.

Net cash generated/ used in financing activities

During the Reporting Period, the net cash used from financing activities of the Group was RMB2,637.94 million. Such increase was primarily due to the increase in debt issuance. The net cash used in financing activities was RMB2,126.26 million for the six months ended 30 June 2015.

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 RMB12 billion in the first half of 2016 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 for settlement of payments for import of drugs. The Group's interest-bearing borrowings are all at fixed rates.

As of 30 June 2016, 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 2016, among the Group's total borrowings, RMB24,821.07 million will be due within one year and RMB9,310.14 million will be due after one year. On 31 December 2015, the corporate bonds with an aggregate nominal value of RMB4,000 million were reclassified as liability which will be due within one year 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 has been reclassified back as liability which will be due after one year 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 2016, the Group's gearing ratio was 71.89% (31 December 2015: 70.60%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2016.

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 circumstances, including 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 2016, the Group's certain bank borrowings and notes payable were secured by land use rights with book value of RMB46.47 million (unaudited), investment properties with book value of RMB19.51 million (unaudited), properties, plant and equipment with book value of RMB60.80 million (unaudited), bank deposits with book value of RMB10.93 million (unaudited), trade receivables with book value of RMB879.49 million (unaudited) and finance lease receivables with book value of RMB502.75 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 RMB651.37 million, whilst the amount for the corresponding period of last year was RMB1,116.21 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.

Contingent Liabilities and Material Litigations

As at 30 June 2016, the Group neither had any material contingent liabilities, nor had any material litigations.

Major Investment

During the Reporting Period, the Group did not make any major investment or have any plan for major investment or purchase of capital asset.

Major Acquisitions and Disposals

On 9 March 2016, the Board resolved to pass the resolutions in relation to the asset restructuring between the Group and certain subsidiaries of CNPGC and resolved to adjust the related transaction arrangement on 30 May 2016. Accordingly: (i) the Company has agreed to dispose 26% equity interest in Sinopharm Holding A-Think Pharmaceutical Co., Ltd. and 51% equity interest in China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd. to Shanghai Modern Pharmaceutical Co., Ltd. ("**Modern Pharmaceutical**") at a consideration of approximately RMB486.2098 million, which will be satisfied by the issuance of approximately 16.7312 million consideration shares in total at the issue price of RMB29.06 per consideration share by Modern Pharmaceutical to the Company; (ii) China National Accord Medicines Co., Ltd. ("**Sinopharm Accord**") has agreed to dispose 51% equity interest in Sinopharm Zhijun (Shenzhen) Pharmaceutical Co., Ltd., 51% equity interest in Shenzhen Zhijun Pharmaceutical Trade Co., Ltd., 51% equity interest in Sinopharm Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd. and Pingshan Base at a consideration of approximately RMB2,511.3225 million, which will be satisfied by the issuance of approximately 86.4185 million consideration shares in total at the issue price of RMB29.06 per consideration share by Modern Pharmaceutical to Sinopharm Accord; and (iii) Sinopharm Accord has agreed to acquire 51% equity interest in Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd. owned by China National Pharmaceutical Foreign Trade Corporation ("**Foreign Trade Corporation**"). The consideration will be satisfied by the issuance of approximately 5.3230 million consideration shares in total at the issue price of RMB53.50 per consideration share by Sinopharm Accord to Foreign Trade Corporation.

Both Modern Pharmaceutical and Foreign Trade Corporation are subsidiaries and associates of CNPGC, the ultimate controlling shareholder of the Company, therefore Modern Pharmaceutical, Foreign Trade Corporation, and CNPGC are connected persons of the Group, and the each of the aforesaid transaction constitute a discloseable transaction and connected transaction exempt from the independent shareholders' approval requirement under Chapter 14 and under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), respectively. For details, please refer to announcements on the websites of the Company and the Stock Exchange dated 9 March 2016 and 30 May 2016.

Save as disclosed above, during the Reporting Period, the Company did not conduct any material acquisition and disposal of assets related to subsidiaries, associates and joint ventures.

Human Resources

As of 30 June 2016, the Group had a total of 55,869 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 2016, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") , Chapter 571 of the Laws of Hong Kong) 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 in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), 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 2016, 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 2016, 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)*	74,647,330	2.7	6.26	Long position
			212,000	0.07	0.02	Short position
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)*	238,488,061	8.62	19.99	Long position
			778,010	0.03	0.07	Short position
			195,946,156	7.08	16.43	Shares available for lending
Citigroup Inc.	H shares	Interest of controlled corporation, Custodian/approved lending agent *(Note 11)*	67,060,822	2.42	5.62	Long position
			29,600	0	0	Short position
			63,406,551	2.29	5.31	Shares available for lending
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	106,690,800	3.86	8.94	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	131,262,800	4.74	11.00	Long position

Notes:

The information was disclosed based on the data available on the HKExnews website of the Stock Exchange (www.hkexnews.hk).

(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 Industrial Investment Co., Ltd. ("**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) Shanghai Fosun Pharmaceutical (Group) Co.,Ltd. ("**Fosun Pharma**") is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(4) Fosun High Technology (Group) Co., Ltd. ("**Fosun High Technology**") is the beneficial owner of 39.91% equity interest in Fosun Pharma and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

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

(6) Fosun Holdings Ltd. ("**Fosun Holdings**") is the beneficial owner of 71.48% equity interest in Fosun Company and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(7) Fosun International Holdings Ltd. ("**Fosun International Holdings**") is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore it 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 64.45% 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 74,647,330 and short positions of 212,000 H shares of the Company indirectly through a series of controlled corporations.

(10) JPMorgan Chase & Co. is interested, as beneficial owner, investment manager, and custodian/approved lending agent, in an aggregate of long positions of 238,488,061 H shares (of which 195,946,156 are H shares available for lending) and short positions of 778,010 H shares of the Company.

(11) Citigroup Inc. is interested, as custodian/approved lending agent and indirectly through a series of controlled corporations, in an aggregate of long positions of 67,060,822 H shares (of which 63,406,551 are H shares available for lending) and short positions of 29,600 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2016, 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 2016, 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 2015 annual general meeting of the Company convened on 16 June 2016, the Company paid the final dividend for the year ended 31 December 2015 to the shareholders of the Company on 15 August 2016, totaling approximately RMB1,134,508,986.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2016.

Subsequent Events

Details of the relevant events that occurred since the end of the Reporting Period are set out in Note 17 to the Condensed Consolidated Interim Financial Information contained in this announcement.

Save for the above, as at the date of this announcement, the State-owned Assets Supervision and Administration Commission of the State Council has approved the implementation of the Company's restricted share incentive scheme in principal, and on 19 August 2016, the Board has resolved to propose the adoption of such restricted share incentive scheme. The restricted share incentive scheme is subject to the approval of shareholders of the Company in shareholders' general meeting. For details, please refer to the announcements of the Company published on the websites of the Company and the Stock Exchange dated 18 August 2016 and 19 August 2016.

Audit Committee

As at the date of this announcement, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Tan Wee Seng (Chairman), Mr. Liu Zhengdong and Mr. Zhuo Fumin, 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 2016 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. On 9 December 2015 Mr. Lyu Changjiang tendered his resignation as an independent non-executive Director and a member of Nomination Committee of the Board. As considered and approved by 2016 second extraordinary general meeting, Mr. Zhuo Fumin was appointed as an independent non-executive Director on 8 March 2016 and was elected as a member of Nomination Committee of the Board on the same day. Save as disclosed above, 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.ir.sinopharmgroup.com.cn) and the Stock Exchange (http://www.hkexnews.hk). The Company’s interim report for 2016 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
19 August 2016

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. Li Yuhua, Mr. Deng Jindong, Mr. Li Dongjiu, Mr. Lian Wanyong, and Mr. Wu Yijian; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong and Mr. Zhuo Fumin.