国药集团
SINOPHARM

國藥控股股份有限公司
SINOPHARM GROUP CO. LTD.*

(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 2017 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 2017 (the "**Reporting Period**") together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Renminbi thousands unless otherwise stated)

		Six months ended 30 June	
	Notes	**2017**	2016
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*5*	**137,767,540**	126,798,950
Cost of sales	*8*	**(126,875,479)**	(116,525,312)
Gross profit		**10,892,061**	10,273,638
Other income	*6*	**211,681**	76,484
Selling and distribution expenses	*8*	**(3,311,234)**	(3,146,393)
Administrative expenses	*8*	**(1,906,842)**	(1,980,268)
Operating profit		**5,885,666**	5,223,461
Other gains – net	*7*	**29,566**	426,512
Finance income		**152,326**	108,792
Finance costs		**(1,150,449)**	(1,002,580)
Finance costs – net	*10*	**(998,123)**	(893,788)
Share of profits and losses of:			
Associates		**238,460**	104,839
A joint venture		**1,735**	-
		240,195	104,839
Profit before tax		**5,157,304**	4,861,024
Income tax expense	*11*	**(1,125,467)**	(1,106,467)
Profit for the period		**4,031,837**	3,754,557
Attributable to:			
Owners of the parent		**2,764,650**	2,535,507
Non-controlling interests		**1,267,187**	1,219,050
		4,031,837	3,754,557
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic	*12*	**1.00**	0.92
– Diluted	*12*	**1.00**	0.92

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**4,031,837**	3,754,557
Other comprehensive income/(loss):		
Other comprehensive income/(loss) not be reclassified to profit or loss in subsequent periods		
Remeasurements of post-employment benefit obligations	**9,003**	(1,310)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments:		
Change in fair value, net of tax	**(12,326)**	(15,421)
Exchange differences	**7,205**	(11,008)
Share of other comprehensive income of associates	**2,843**	-
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(2,278)**	(26,429)
Other comprehensive income/(loss) for the period, net of tax	**6,725**	(27,739)
Total comprehensive income for the period	**4,038,562**	3,726,818
Attributable to:		
Owners of the parent	**2,775,619**	2,519,037
Non-controlling interests	**1,262,943**	1,207,781
	4,038,562	3,726,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
ASSETS			
Non-current assets			
Prepaid land lease payments		**1,312,912**	1,328,555
Investment properties		**403,434**	407,552
Property, plant and equipment		**7,408,208**	6,752,464
Intangible assets		**6,588,146**	6,282,772
Investment in a joint venture		**4,675**	2,940
Investments in associates		**3,500,364**	3,327,990
Available-for-sale investments		**505,178**	461,980
Finance lease receivables		**5,832,322**	3,788,098
Deferred tax assets		**744,372**	791,208
Other non-current assets		**2,156,764**	1,808,312
Total non-current assets		**28,456,375**	24,951,871
Current assets			
Inventories		**24,338,257**	25,759,525
Trade receivables	*14*	**87,532,908**	69,245,421
Prepayments and other receivables		**6,367,630**	5,677,916
Available-for-sale investments		**929**	5,468
Finance lease receivables		**2,482,849**	1,480,990
Pledged deposits and restricted cash		**4,409,803**	5,017,640
Cash and cash equivalents		**20,070,920**	25,572,759
Total current assets		**145,203,296**	132,759,719
Total assets		**173,659,671**	157,711,590
Current liabilities			
Trade payables	*15*	**69,311,128**	66,745,815
Accruals and other payables		**8,824,535**	9,679,585
Dividends payable		**1,418,395**	93,770
Tax payable		**642,645**	855,611
Interest-bearing bank and other borrowings		**34,917,539**	22,362,578
Total current liabilities		**115,114,242**	99,737,359
Net current assets		**30,089,054**	33,022,360
Total assets less current liabilities		**58,545,429**	57,974,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Non-current liabilities		
Interest-bearing bank and other borrowings	**8,430,170**	11,135,299
Deferred tax liabilities	**591,546**	601,328
Post-employment benefit obligations	**459,981**	518,353
Other non-current liabilities	**1,196,903**	1,186,815
Total non-current liabilities	**10,678,600**	13,441,795
Net Assets	**47,866,829**	44,532,436
EQUITY		
Equity attributable to owners of the parent		
Share capital	**2,767,095**	2,767,095
Treasury shares held for share incentive scheme	**(200,005)**	-
Reserves	**30,324,944**	29,043,833
	32,892,034	31,810,928
Non-controlling interests	**14,974,795**	12,721,508
Total equity	**47,866,829**	44,532,436

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 registered share capital and reserves as at 30 September 2007 with the proportion of 1:0.8699 into 1,637,037,451 shares 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) the distribution of medicines, medical device and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics, (2) the operation of pharmaceutical chain stores, and (3) the distribution of laboratory supplies, manufacture and distribution of chemical reagents.

The ultimate holding company of the Company is China National Pharmaceutical Group Corporation ("**CNPGC**"), which was incorporated in the PRC.

These interim condensed consolidated financial statements have 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 2017 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.

These 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 25 August 2017.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 BASIS OF PREPARATION (CONTINUED)

Restatement of prior period's condensed consolidated financial statements due to business combinations involving entity under common control

On 31 October 2016, the Group obtained a 51% equity interest in Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd. ("Southern Pharmaceutical") from China National Pharmaceutical Foreign Trade Corporation ("Pharmaceutical Foreign Trade"). Since both Southern Pharmaceutical and Pharmaceutical Foreign Trade are subsidiaries of CNPGC, the ultimate controlling shareholder of the Company, the acquisition was a business combination under common control. The business combination under common control was accounted for in accordance with Accounting Guideline 5 - Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants. In applying merger accounting, financial statement items of the combining entity for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

By applying the principles of merger accounting, the interim condensed consolidated financial statements of the Group also included the financial position, profit or loss and other comprehensive income and cash flows of Southern Pharmaceutical as if it had been combined with the Group throughout the six months ended 30 June 2016, and from the earliest date presented. Comparative figures as at 30 June 2016 and for the six months ended 30 June 2016 have been restated as a result of such. All intragroup transactions and balances have been eliminated on consolidation.

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those in the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the revised standards effective on 1 January 2017, set out below:

(i) Revised HKFRSs adopted by the Group

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of these revised HKFRSs had no significant financial effect on these financial statements.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HK(IFRIC) - Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) - Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[1]

[1]Effective for annual periods beginning on or after 1 January 2018
[2]Effective for annual periods beginning on or after 1 January 2019
[3]No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

4 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 – the distribution of medicines, medical instruments and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;

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

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

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 prepaid land lease payments, investment properties, property, plant and equipment, intangible assets, investments in associates and a joint venture, 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, deferred tax liabilities 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 prepaid land lease payments, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Intersegment 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 statement of profit or loss.

4 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the operating committee is as follows:

(i) For the six months ended 30 June 2017 and 2016

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Total
Six months ended 30 June 2017 (Unaudited)					
Segment results					
External segment revenue	**130,393,475**	**5,683,893**	**1,690,172**	**–**	**137,767,540**
Intersegment revenue	**1,306,757**	**17,012**	**110,212**	**(1,433,981)**	**–**
Revenue	**131,700,232**	**5,700,905**	**1,800,384**	**(1,433,981)**	**137,767,540**
Operating profit	**5,553,739**	**216,244**	**119,142**	**(3,459)**	**5,885,666**
Other gains – net	**8,069**	**4,942**	**16,555**	**–**	**29,566**
Share of profits and losses of associates and a joint venture	**5,229**	**1,550**	**233,416**	**–**	**240,195**
	5,567,037	**222,736**	**369,113**	**(3,459)**	**6,155,427**
Finance costs – net					**(998,123)**
Profit before tax					**5,157,304**
Income tax expense					**(1,125,467)**
Profit for the period					**4,031,837**
Other segment items included in the statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	**116,990**	**(162)**	**2,948**		**119,776**
Provision for impairment of inventories	**24,859**	**211**	**583**		**25,653**
Provision for impairment of finance lease receivables	**-**	**-**	**31,752**		**31,752**
Amortisation of prepaid land lease payments	**16,211**	**59**	**3,270**		**19,540**
Depreciation of property, plant and equipment	**278,759**	**42,911**	**33,098**		**354,768**
Depreciation of investment properties	**7,160**	**475**	**2,260**		**9,895**
Amortisation of intangible assets	**109,649**	**4,020**	**1,763**		**115,432**
Capital expenditures	**1,327,716**	**94,944**	**42,842**		**1,465,502**

4 SEGMENT INFORMATION (CONTINUED)

(i) For the six months ended 30 June 2017 and 2016 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Total
Six months ended 30 June 2016 (Unaudited) (Restated)					
Segment results					
External segment revenue	119,584,664	4,873,410	2,340,876	–	126,798,950
Intersegment revenue	1,133,721	35,886	120,178	(1,289,785)	–
Revenue	120,718,385	4,909,296	2,461,054	(1,289,785)	126,798,950
Operating profit	4,620,764	114,541	492,955	(4,799)	5,223,461
Other gains – net	126,457	4,210	295,845	–	426,512
Share of profits and losses of associates	5,716	739	98,384	–	104,839
	4,752,937	119,490	887,184	(4,799)	5,754,812
Finance costs – net					(893,788)
Profit before tax					4,861,024
Income tax expense					(1,106,467)
Profit for the period					3,754,557
Other segment items included in the statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	149,155	(189)	1,170		150,136
Provision for impairment of inventories	4,380	232	7,158		11,770
Provision for impairment of finance lease receivables	-	-	15,241		15,241
Amortisation of prepaid land lease payments	20,902	26	2,806		23,734
Depreciation of property, plant and equipment	273,548	36,471	66,673		376,692
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	535,409	51,433	66,501		653,343

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2017 and 31 December 2016

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Total
As at 30 June 2017 (Unaudited)					
Segment assets and liabilities					
Segment assets	**150,986,885**	**6,153,485**	**18,440,054**	**(2,665,125)**	**172,915,299**
Segment assets include:					
Investments in associates and a joint venture	**172,646**	**19,946**	**3,312,447**	**–**	**3,505,039**
Unallocated assets – Deferred tax assets					**744,372**
Total assets					**173,659,671**
Segment liabilities	**77,877,422**	**4,241,721**	**2,434,679**	**(2,700,235)**	**81,853,587**
Unallocated liabilities – Deferred tax liabilities and borrowings					**43,939,255**
Total liabilities					**125,792,842**
As at 31 December 2016 (Audited)					
Segment assets and liabilities					
Segment assets	140,062,386	5,726,403	13,296,519	(2,164,926)	156,920,382
Segment assets include:					
Investments in associates and a joint venture	162,214	17,846	3,150,870	–	3,330,930
Unallocated assets – Deferred tax assets					791,208
Total assets					157,711,590
Segment liabilities	73,847,155	3,960,703	3,288,010	(2,015,919)	79,079,949
Unallocated liabilities – Deferred tax liabilities and borrowings					34,099,205
Total liabilities					113,179,154

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

5 REVENUE

Revenue mainly represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the period.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Sales of goods	**137,013,514**	126,249,078
Operating lease income	**71,750**	77,394
Franchise fees and other service fee from medicine chain stores	**115,498**	107,616
Interest income from finance lease	**284,760**	145,683
Revenue from logistics service	**116,914**	75,916
Consulting income	**118,027**	104,616
Import agency income	**7,340**	1,739
Others	**39,737**	36,908
	137,767,540	126,798,950

6 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Government grants	**211,681**	76,484

Government grants mainly represent subsidy income received from various government authorities as incentives to certain members of the Group.

7 OTHER GAINS – NET

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Gain on disposal of prepaid land lease payments, property, plant and equipment and intangible assets	**1,722**	312,608
Gain on fair value re-measurement of existing equity in a subsidiary disposed of	**-**	40,736
Gain on fair value re-measurement of previously held equity interest in the acquires	**34,933**	-
Gain on disposal of subsidiaries	**-**	82,518
Foreign exchange loss – net	**(7,321)**	(11,940)
Write-back of certain liabilities	**15,257**	3,958
Loss on disposal of available-for-sale investments	**(200)**	-
Donation	**(6,683)**	(5,277)
Dividend from available-for-sale investments	**8,592**	228
Others – net	**(16,734)**	3,681
	29,566	426,512

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**126,480,071**	116,165,770
Changes in inventories of finished goods and work in progress	**17,987**	(68,460)
Employee benefit expenses *(Note 9)*	**2,746,186**	2,653,549
Provision for impairment of trade receivables	**111,756**	141,287
Provision for impairment of other receivables	**8,020**	8,849
Provision for impairment of inventories	**25,653**	11,770
Provision for impairment of finance lease receivables	**31,752**	15,241
Operating lease rental in respect of land and buildings	**445,026**	410,102
Depreciation of property, plant and equipment	**354,768**	376,692
Depreciation of investment properties	**9,895**	7,983
Amortisation of intangible assets	**115,432**	129,685
Amortisation of prepaid land lease payments	**19,540**	23,734
Auditors' remuneration	**10,440**	10,440
Advisory and consulting fees	**74,033**	63,336
Transportation expenses	**516,259**	542,637
Travel expenses	**118,445**	113,229
Market development and business promotion expenses	**415,130**	390,546
Utilities	**56,449**	75,098
Others	**536,713**	580,485
Total cost of sales, selling and distribution expenses, and administrative expenses	**132,093,555**	121,651,973

9 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Salaries, wages, allowance and bonuses	**2,108,340**	2,035,192
Contributions to pension plans (i)	**244,589**	242,051
Post-employment benefits	**(22,335)**	10,625
Housing benefits (ii)	**96,800**	84,762
Share incentive expenses	**13,725**	-
Other benefits (iii)	**305,067**	280,919
	2,746,186	2,653,549

Notes:

(i) As stipulated by the related regulations in the PRC, the Group makes contributions to state- sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its 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 makes contributions of 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 to the retired employees.

(ii) Housing benefits represent contributions 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.

10 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**620,415**	583,081
– Discounting of notes receivable	**163,984**	182,115
– Factoring of accounts receivable	**249,114**	153,468
– Net interests on net defined benefit liability	**8,133**	8,069
Gross interest expense	**1,041,646**	926,733
Bank charges	**113,476**	84,065
Less: Capitalised interest expense	**(4,673)**	(8,218)
Finance costs	**1,150,449**	1,002,580
Finance income:		
– Interest income on deposits in bank or other financial institutions	**(120,557)**	(90,864)
– Interest income on long-term deposits	**(31,769)**	(17,928)
Net finance costs	**998,123**	893,788

11 TAXATION

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Current income tax	**1,119,268**	1,148,135
Deferred income tax	**6,199**	(41,668)
	1,125,467	1,106,467

During the six months ended 30 June 2017, 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.

12 EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future at the end of the reporting period and the weighted average number of ordinary shares of 2,767,095 thousand (30 June 2016: 2,767,095 thousand) in issue excluding restricted shares during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and included the number of restricted shares expected to be unlocked in the future.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,764,650**	2,535,507
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(3,285)**	-
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**2,761,365**	2,535,507
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *('000)*	**2,760,525**	2,767,095
Effect of dilution – restricted shares *('000)*	**6,570**	-
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *('000)*	**2,767,095**	2,767,095
Basic earnings per share (RMB per share)	**1.00**	0.92
Diluted earnings per share (RMB per share)	**1.00**	0.92

13 DIVIDENDS

The final dividend for year 2016 of RMB0.5 per share (tax inclusive), amounting to RMB1,383,548 thousand in total, was approved by the shareholders at the annual general meeting of the Company held on 30 June 2017 and will be paid on 31 August 2017 to the shareholders whose names appeared on the register of members of the Company on 11 July 2017.

No interim dividend was proposed for the six-month period ended 30 June 2017.

14 TRADE RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts receivable	**81,006,068**	60,688,999
Notes receivable	**7,448,326**	9,355,552
	88,454,394	70,044,551
Less: Provision for impairment	**(921,486)**	(799,130)
	87,532,908	69,245,421

The fair value of trade receivables approximates to 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 manufacturing businesses, sales are made on credit terms ranging from 30 to 210 days. The ageing analysis of trade receivables (accounts receivable and notes receivable), based on the invoice date and net of provisions, as at the end of the reporting period, is as follows:

	30 June 207 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**86,856,749**	68,910,172
1 to 2 years	**574,990**	268,232
Over 2 years	**101,169**	67,017
	87,532,908	69,245,421

15 TRADE PAYABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts payable	**55,900,477**	50,257,200
Notes payable	**13,410,651**	16,488,615
	69,311,128	66,745,815

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The fair value of trade payables approximates to their carrying amount.

The ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 3 months	**50,398,784**	49,532,985
3 to 6 months	**13,316,466**	12,878,192
6 months to 1 year	**3,870,328**	2,938,441
1 to 2 years	**1,011,896**	748,965
Over 2 years	**713,654**	647,232
	69,311,128	66,745,815

The Group has accounts payable financing program with certain banks whereby the banks repaid accounts payable on behalf of the Group with an equivalent sum drawn as borrowings. Such drawdown of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows.

During the six months ended 30 June 2017, accounts payable of RMB1,420,184 thousand were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2017 and 31 December 2016, all bank borrowings related to this program were repaid.

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

Acquisitions during the period are as follows:

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. The subsidiaries acquired by the Group during the period are as follows:

Subsidiaries acquired	**Acquisition date**	**Acquired interests**
Sinopharm Holding Zhuhai Co., Ltd.	January, 2017	90.00%
Sinopharm Holding Dalian Pengrun Co., Ltd.	March, 2017	53.71%
Sinopharm Group Changsha Co., Ltd.	March, 2017	80.00%
Maoming Yongsheng Pharmaceutical Co., Ltd.	May, 2017	100.00%

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Cash paid	169,889
– Consideration payable	109,161
– Contingent consideration *(Note (i))*	155,660
Total purchase consideration	434,710

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (CONTINUED)

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

	Fair values at acquisition date
Cash and cash equivalents	39,557
Property, plant and equipment	3,546
Intangible assets	147,010
Deferred tax assets	3,324
Inventories	206,185
Trade and other receivables	1,414,649
Trade and other payables	(1,203,913)
Dividends payable	(2,070)
Interest-bearing bank and other borrowings	(292,701)
Deferred tax liabilities	(36,698)
Net assets	278,889
Non-controlling interest *(Note (ii))*	(64,436)
Goodwill	220,257
	434,710
Total purchase consideration	434,710
Less: Contingent consideration *(i)*	(155,660)
	279,050
Less: Non-cash settled consideration	(109,161)
Cash consideration paid in the period	169,889
Cash and cash equivalents in subsidiaries acquired	(39,557)
Cash outflow on acquisition	130,332

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.

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (CONTINUED)

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 RMB155,660 thousand.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB155,660 thousand. As at 30 June 2017, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

The Group has elected to recognise non-controlling interests measured at the non-controlling interests in the acquirees' net assets excluding goodwill.

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2017 are summarised as follows:

	From acquisition date to 30 June 2017 (Unaudited)
Revenue	652,019
Net profit attributable to owners of parent	12,713

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Stable economy with upwards trend

During the first half of 2017, China's macro economy was running within a reasonable range. The economy showed signs of stability and an upwards trend accompanied by stable and patterned growth. The employment rate went up, prices became more stable, a good pattern of structural optimisation was shown, and the stability, coordination, and sustainability of economic development were enhanced.

Slowdown in growth of distribution industry

Due to the influence of industry policies, the growth of the distribution industry has slowed down year-over-year, however it has continued to exceed the macroeconomic growth level. As more pharmaceutical companies go public, the pharmaceutical distribution and retail industries have entered a stage of mergers, acquisitions and expansions, highlighting the importance of holding a scale advantage.

Opportunities and challenges co-existed

The industry was challenged by policies such as the "two-invoice system", drug tender and rigorous regulation of pharmaceutical distribution, contributing to the survival of the fittest environment and the push for quick consolidation within the industry, large-scale enterprises with superior control and management will win out. The concentration ratio of the industry is bound to increase in the future.

The separation of medical treatments and drug sales will bring along challenges for hospitals, but will bring along enormous opportunities for the drug retail businesses. With firm support from the government for the pharmaceutical e-commerce market, traditional pharmaceutical firms looked to the Internet for new growth drivers, where enterprises with strong online platforms and advantages in offline resources will have the highest potentials for growth.

In the long run, with contribution from factors such as the aging population, urbanisation, increase in chronic diseases, rise in household income and the wider coverage of medical insurance, we believe that China's healthcare industry will be filled with opportunities and featured with rapid growth.

Business Review

Facing an unfavourable industry situation through the first half of 2017, the Group took "new thought, new strategy, new momentum, new target" as a strategic guidance. The Group further integrated platform resources and unleashed scale effect, resulting in the revenue growth of the Group continuing to exceed the industry average, which further consolidated the leading position and advantages of the Group.

Solid leading position in the distribution business

In the pharmaceutical distribution industry, the Group has forged an integrated pharmaceutical supply chain and an advanced supply chain management system. The Group has achieved steady and appropriate adjustments in product structures, sustainably optimised customer structure, and continually expanded and integrated the national distribution network. As at 30 June 2017, the distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 14,279 hospitals (only referring to ranked hospitals, including 1,938 largest class-three hospitals with the highest rankings), 112,041 small end-customers (including primary health services institutions and others) and 74,108 retail outlets.

The Group continued its endeavours to promote integrated operation. Meanwhile, the Group continued to strengthen the construction of national integrated logistics platform: the national pharmaceutical distribution logistics network includes 4 logistic hubs, 38 provincial logistic centres, 185 municipal level logistics outlets, 24 retail logistics outlets, with a sum of 251 logistics outlets.

Leading position in the retail business
In respect of the retail pharmacy market, the Group is aiming to establish an integrated wholesale-retail distribution model. The Group strived for 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 2017, the number of retail pharmacies was 3,693 (only referring to those operated by Sinopharm Holding Guoda Drug Store Co., Ltd.), covering 18 provinces and cities across the country, among which 2,664 were directly operated by the Group and 1,029 were operated by franchisees. The sales amount grew rapidly year-over-year, and the industry leading position was sustained in respect of scale.

Strengthening of core competence and proactive promotion of innovative businesses

- Based on alignment of pharmaceutical and medical devices, hospital medical services such as cleaning, sterilisation and post-sale maintenance were actively promoted and achieved rapid growth in scale.

- Adapting to the "Internet +" trend, the Group grabbed the developing opportunities of the pharmaceutical e-commerce market and promoted the combination of traditional businesses and the Internet. Sinopharm Online completed series A financing, businesses such as B2C and O2O achieved substantial growth, and B2B business also achieved satisfactory progress.

- Capitalising on the policy opportunity to actively promote third-party logistics and national integrated cold-chain logistics service system, satisfactory progress was achieved.

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., the expense ratio was further lowered, profitability was further improved, the operating risks were further decreased, and the enterprise competitiveness was further enhanced.

Future Plan

Build smart service capability via technological innovation
The Group will utilise technological innovation to build a smart healthcare technology platform with "integrated wholesale-retail" as its core and advance the Group's transformation from traditional service-based enterprise to technology-based service enterprise, achieving its goals of stable industry position, significant management advantage, comprehensive business system and leading innovation capability.

Continue to solidify leading position in distribution business
The distribution business still remains as an important strategic sector of the Group. The Group will continue to advance the descending of distribution network and optimisation of the network layout, further utilising scale and network advantages and continuously solidifying the Group's industry leading position. The Group will further advance regional integration with the aim to build regional enterprise groups with integrated management and control, various services, synergy and versatility, and high operation efficiency, so as to lay a foundation for a national integration.

Continue to promote rapid growth of 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.

Continue to advance and foster innovative businesses

Innovative businesses based on the main business are critical for optimising the Group's revenue structure and profitability. The Group will continue to utilise current hospital resources to vigorously promote hospital medical services such as cleaning, sterilisation and post-sale maintenance. The Group will continue to actively advance progress of the e-commerce project with the aim to establish a vertical e-commerce service platform integrating B2B, B2C, O2O services. The Group will continue to promote third-party logistics and national integrated cold-chain logistics service system with the aim to build "smart logistics" + "cold-chain brand".

Further improve capital efficiency and control operation risk

The Group will further improve capital efficiency and control operation risk through measures such as capital management and control, low-efficiency businesses removal, investment strategy adjustment and assessment strengthening, so as to realise healthier sustainable development.

Looking forward, the industry is in a vastly volatile time with change and adjustment, bringing many challenges along with new opportunities. The Group will take advantage of the mixed ownership reform and supply side structural reform, take "new thought, new strategy, new momentum, new target" as strategic guidance, advance the "integrated wholesale-retail" strategy, strengthen technology application, promote transformation and innovation, with the aim to build a smart healthcare service ecosystem with international competence.

Financial Summary

The financial summary set out below is extracted from the unaudited financial statements of the Group for the Reporting Period which were prepared in accordance with the Hong Kong Accounting Standard 34 *Interim financial reporting*.

During the Reporting Period, the Group recorded revenue of RMB137,767.54 million, representing an increase of RMB10,968.59 million or 8.65% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,031.84 million, representing an increase of RMB277.28 million or 7.39% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB2,764.65 million, representing an increase of RMB229.14 million or 9.04% as compared with the corresponding period of last year.

During the Reporting Period, earnings per share of the Company amounted to RMB1.00, representing an increase of 8.70% as compared with the corresponding period of last year.

Unit: RMB million

	Six months ended 30 June 2017	Six months ended 30 June 2016 (Restated)	Change
Operating result			
Revenue	**137,767.54**	126,798.95	10,968.59
Earnings before interest and tax	**6,155.43**	5,754.81	400.62
Profit attributable to owners of the parent	**2,764.65**	2,535.51	229.14
Profitability			
Gross margin	**7.91%**	8.10%	decreased by 0.19 percentage point
Operating margin	**4.27%**	4.12%	increased by 0.15 percentage point
Net profit margin	**2.93%**	2.96%	decreased by 0.03 percentage point
Earnings per share – Basic (RMB)	**1.00**	0.92	0.08
Key operational indicators			
Trade receivables turnover ratio (days)	**104**	100	4
Inventory turnover ratio (days)	**36**	35	1
Trade payables turnover ratio (days)	**98**	97	1
Current ratio (times)	**1.26**	1.33	-0.07

Unit: RMB million

	30 June 2017	31 December 2016	Change
Asset position			
Total assets	**173,659.67**	157,711.59	15,948.08
Equity attributable to owners of the parent	**32,892.03**	31,810.93	1,081.10
Gearing ratio	**72.44%**	71.76%	increased by 0.68 percentage point
Cash and cash equivalents	**20,070.92**	25,572.76	-5,501.84

Revenue

During the Reporting Period, the Group recorded revenue of RMB137,767.54 million, representing an increase of 8.65% as compared with RMB126,798.95 million for the six months ended 30 June 2016. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB131,700.23 million, representing an increase of 9.10% as compared with RMB120,718.39 million for the six months ended 30 June 2016, and accounting for 94.61% 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 RMB5,700.91 million, representing an increase of 16.12% as compared with RMB4,909.30 million for the six months ended 30 June 2016, and accounting for 4.10% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB1,800.38 million, representing a decrease of 26.85% as compared with RMB2,461.05 million for the six months ended 30 June 2016, primarily due to the disposal of manufacturing assets.

Cost of Sales
During the Reporting Period, the cost of sales of the Group was RMB126,875.48 million, representing an increase of 8.88% as compared with RMB116,525.31 million for the six months ended 30 June 2016, 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 6.02% from RMB10,273.64 million for the six months ended 30 June 2016 to RMB10,892.06 million.

The gross profit margin of the Group for the six months ended 30 June 2017 was 7.91%, whilst the gross profit margin for the same period in 2016 was 8.10%, the decrease in gross profit margin is mainly due to the disposal of manufacturing subsidiaries.

Other Income
During the Reporting Period, other income of the Group was RMB211.68 million, representing an increase of 176.78% as compared with RMB76.48 million for the six months ended 30 June 2016. The increase in other income was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses
During the Reporting Period, the selling and distribution expenses of the Group were RMB3,311.23 million, representing an increase of 5.24% as compared with RMB3,146.39 million for the six months ended 30 June 2016. The increase in selling and distribution 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.

Administrative Expenses
During the Reporting Period, the administrative expenses of the Group were RMB1,906.84 million, representing a decrease of 3.71% from RMB1,980.27 million for the same period in 2016.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group decreased to 1.38% from 1.56% for the six months ended 30 June 2016, which was due to the implementation of cost control measures and the economies of scale of the Group.

Operating Profit
The operating profit of the Group for the Reporting Period was RMB5,885.67 million, representing an increase of 12.68% from RMB5,223.46 million for the six months ended 30 June 2016.

Other Gains – Net
The other net gains of the Group decreased by RMB396.94 million from RMB426.51 million for the six months ended 30 June 2016 to RMB29.57 million for the Reporting Period. Such decrease was primarily due to the decrease in gains from disposal of prepaid land lease payments, property, plant and equipment and intangible assets.

Finance Costs – Net
During the Reporting Period, the finance costs of the Group were RMB998.12 million, representing an increase of RMB104.33 million as compared with RMB893.79 million for the six months ended 30 June 2016. The increase was primarily due to the increase in interest expenses of the Group.

Share of Profits and Losses of Associates and a Joint Venture
During the Reporting Period, the Group's share of profits and losses of associates and a joint venture was RMB240.20 million, representing an increase of 129.11% as compared with RMB104.84 million for the six months ended 30 June 2016.

Income Tax Expense
The Group's income tax expense increased by 1.72% from RMB1,106.47 million for the six months ended 30 June 2016 to RMB1,125.47 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 22.76% for the six months ended 30 June 2016 to 21.82% for the six months ended 30 June 2017.

Profit for the Reporting Period
As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB4,031.84 million, representing an increase of 7.39% from RMB3,754.56 million for the six months ended 30 June 2016.

Profit Attributable to Owners of the Parent
During the Reporting Period, Profit Attributable to Owners of the Parent was RMB2,764.65 million, representing an increase of 9.04%, or RMB229.14 million, from RMB2,535.51 million for the six months ended 30 June 2016. The Group's net profit margin for the Reporting Period and for the corresponding period of 2016 was 2.01% and 2.00%, respectively.

Profit Attributable to Non-controlling Interests
Profit attributable to non-controlling interests for the Reporting Period was RMB1,267.19 million, representing an increase of 3.95% from RMB1,219.05 million for the six months ended 30 June 2016.

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 used in operating activities
The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB11,104.93 million. The net cash generated from operating activities of the Group was RMB1,399.82 million for the six months ended 30 June 2016. The decrease was primarily attributed to the outflow of operating cash flow due to the expansion of the Group's subsidiary's financial leasing business and the slowing down in receipt of trade receivables.

Net cash used in investment activities
During the Reporting Period, the net cash used in investment activities of the Group was RMB1,239.49 million, representing an increase of RMB1,124.34 million as compared with RMB115.15 million for the six months ended 30 June 2016. Such increase was primarily due to the increase in acquisitions of property, plant and equipment and subsidiaries.

Net cash from financing activities
During the Reporting Period, the net cash from financing activities of the Group was RMB6,835.38 million, representing an increase of RMB4,495.29 million as compared with RMB2,340.09 million for the six months ended 30 June 2016. Such increase was primarily due to debt issuance.

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 RMB30 billion in the first half of 2017 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.

As of 30 June 2017, 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 2017, among the Group's total borrowings, RMB34,917.54 million will be due within one year and RMB8,430.17 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

Gearing ratio
As of 30 June 2017, the Group's gearing ratio was 72.44% (31 December 2016: 71.76%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2017.

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 2017, the Group's certain bank borrowings and notes payable were secured by prepaid land lease payments with book value of RMB36.64 million (unaudited), investment properties with book value of RMB18.55 million (unaudited), properties, plant and equipment with book value of RMB52.21 million (unaudited), bank deposits with book value of RMB68.97 million (unaudited), trade receivables with book value of RMB1,282.41 million (unaudited) and finance lease receivables with book value of RMB370.73 million (unaudited).

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improving of the level of informatization. The Group's capital expenditures for the Reporting Period amounted to RMB1,465.50 million, representing an increase of RMB812.16 million as compared with RMB653.34 million for the six months ended 30 June 2016, mainly due to the payment for the new office building.

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 2017, 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

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 2017, the Group had a total of 55,961 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 specialised 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 2017, 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
Mr. Li Zhiming	H shares	Beneficial owner	260,000	0.01	0.02	Long position
Ms. Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

Save as disclosed above, as at 30 June 2017, 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 2017, 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	–
BlackRock, Inc.	H shares	Interest of controlled corporation *(Note 9)*	81,553,704	2.95	6.84	Long position
			600,000	0.02	0.05	Short position
JPMorgan Chase & Co.	H shares	Beneficial owner,	226,651,455	8.19	19.00	Long position
		Investment manager,	1,518,883	0.05	0.12	Short position
		Custodian/approved lending agent *(Note 10)*	191,509,604	6.92	16.05	Shares available for lending
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	107,400,800	3.88	9.00	Long position
Oppenheimer Funds, Inc.	H shares	Investment manager	132,738,800	4.80	11.13	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 37.75% 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 71.65% 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 81,553,704 and short positions of 600,000 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 226,651,455 H shares (of which 191,509,604 are H shares available for lending) and short positions of 1,518,883 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2017, 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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017, except that the trustee of the share award scheme effective on 18 October 2016 (the "Scheme"), pursuant to the rules of the Scheme, purchased on the open market a total of 6,570,000 shares of the Company at a total consideration of approximately RMB203.29 million.

Dividends

Pursuant to the relevant resolution passed at the 2016 annual general meeting of the Company convened on 30 June 2017, the Company will pay the final dividend for the year ended 31 December 2016 to the shareholders of the Company on 31 August 2017, totaling approximately RMB1,383,548,000.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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.ir.sinopharmgroup.com.cn) and the Stock Exchange (http://www.hkexnews.hk). The Company's interim report for 2017 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.
Li Zhiming
Chairman

Shanghai, the PRC
25 August 2017

As at the date of this announcement, the executive director of the Company is Mr. Li Zhiming; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Ma Ping, 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.