



深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

二〇一〇年半年度报告

Semi-Annual Report 2010

August 2010

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Section I. Important Notes

1. Board of Directors and the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives, hereby assures that there are no false records, misleading statements or significant omissions in this report, and it would shoulder any individual as well as joint responsibility concerning to the authenticity, accuracy and completeness of the contents.
2. This report has been compiled in both Chinese and English. Should be any ambiguity arise about the contents of the two versions, the Chinese version shall prevail.
3. No director, supervisor and senior executive would claim that he or she could not guarantee the authenticity, accuracy or completeness of the semi-annual report's contents or that he or she holds different opinions.
4. Independent Director Ms. He Zhiyi did not attend the 18th meeting of 5th Board of Directors on auditing the Semi-Annual Report but entrusted Independent Director Ms. Peng Juan to vote on his behalf. Director Mr. Wei Yulin did not attend the meeting due to business, but he entrusted Director Wu Aimin to attend and vote on his behalf. Director Ms. Fu Mingzhong did not attend the meeting due to business, but she entrusted Director Shi Jinming to attend and vote on her behalf.
5. The Semi-Annual Financial Report of the Company has not been audited.
6. Chairman of the Company Mr. Shi Jinming, General Manager Mr. Yan Zhigang, Chief Financial Officer Mr. Wei Pingxiao and Financial Manager Mr. Chi Guoguang hereby declare that they would assure the authenticity and completeness of the Financial Accounting Report in this Semi-Annual Report.

Section II. Company Profile

I. Company information

(1) Legal Name of the Company

In Chinese: 深圳一致药业股份有限公司

In English: Shenzhen Accord Pharmaceutical Co., Ltd.

Abbr. of English name: Accord Pharm.

(2) Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: Accord Pharm. /Accord Pharm. B

Stock Code: 000028/200028

(3) Registered Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province

Office Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province

Post Code: 518029

The Company's Internet Website: <http://www.szaccord.com.cn>

E-mail: 0028@szaccord.com.cn

(4) Legal Representative: Shi Jinming

General Manager: Yan Zhigang

(5) Secretary of the Board: Chen Changbing

Contact Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province

Tel.: + (86) 755 25875195

Fax: + (86) 755 25875147

E-mail: investor@szaccord.com.cn

(6) Newspapers Chosen for Disclosing the Information of the Company: Securities Times and Hong Kong Commercial Daily

Internet Website Appointed by CSRC: <http://www.szse.cn>

<http://www.cninfo.com.cn>

The Place Where the Semi-Annual Report Is Prepared: Secretariat of the Board of Directors

II. Major financial data and indexes

(I) Major accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the period-end of last year		Increase/decrease at the end of this report period compared with that in period-end of last year (%)
		Before adjustment	After adjustment	After adjustment
Total assets	5,741,019,273.10	5,233,489,407.09	5,233,489,407.09	9.70%

Owners' equity attributable to shareholders of the listed company	915,472,186.04	822,666,137.68	822,666,137.68	11.28%
Share capital	288,149,400.00	288,149,400.00	288,149,400.00	0.00%
Net assets per share attributable to shareholders of the listed company(RMB/Share)	3.177	2.855	2.855	11.28%
	This report period (Jan. to Jun.)	The same period of last year		Increase/decrease in this report period year-on-year (%)
		Before adjustment	After adjustment	After adjustment
Total operating income	6,216,124,135.23	5,038,480,670.21	5,047,344,974.65	23.16%
Operating profit	159,064,173.16	135,395,010.28	135,249,627.55	17.61%
Total profit	166,519,142.54	137,410,012.64	137,292,595.55	21.29%
Net profit attributable to shareholders of the listed company	121,620,988.36	98,783,895.04	98,664,296.15	23.27%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	113,266,697.99	95,269,012.77	95,269,012.77	18.89%
Basic earnings per share (RMB/Share)	0.422	0.343	0.342	23.39%
Diluted earnings per share (RMB/Share)	0.422	0.343	0.342	23.39%
Return on equity (%)	13.77%	13.42%	13.92%	-0.15%
Net cash flow arising from operating activities	216,358,926.82	151,069,889.91	151,029,033.06	43.26%
Net cash flow per share arising from operating activities (RMB/Share)	0.751	0.524	0.524	43.32%

[Note]Items of non-recurring gains and losses and the relevant amount:

Unit: RMB

Items of non-recurring gains and losses	Amount	Note(If applicable)
Gains and losses from the disposal of non-current asset	1,817,154.83	
Governmental subsidy calculated into current gains and losses, while closely related with the business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard	5,239,721.55	
Reversal of impairment provision of account receivable that impairment testing individually	4,145,110.09	
Other non-operating income and expenditure beside for the aforementioned items	-7,491.30	
Impact on income tax	-735,584.40	
Influenced amount of minority shareholders' gains/losses	-2,104,620.40	
Total	8,354,290.37	-

(II) Explanation on the differences in the net profit and net asset stated in domestic financial statement and overseas financial statement

Unit: RMB

Items	CAS	IAS
Net profit attributable to the owners of parent company	121,620,988.36	121,620,988.36
Equities attributable to the owners of parent company	915,472,186.04	915,472,186.04

[Note]: There remained no differences in net profit attributable to the owners of parent company in this period and equities attributable to the owners of parent company at the end of this period calculated based on the Accounting System for Business Enterprises and the International Accounting

Standards.

(III) Supplemental profit statement

Profit in the report period	Weighted average Return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	13.77%	0.422	0.422
Net profit attributable to common shareholders of the Company deducting non-recurring gains and losses	12.82%	0.393	0.393

[Note]The data of profit listed in supplemental statement of profit are calculated according to the requirements of No. 9---- Return on Equity and Earnings per Share (Revision in 2010) of Regulations on the Information Disclosure of Companies Publicly Issuing Shares released by CSRC.

Section III. Changes in Share Capital and Particulars about Shares held by Main Shareholders

I. Particulars about change in share capital

1. In the report period, the Company's total shares remained unchanged.
2. Statement of change in share capital

Unit: Share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Amount	Proportion	New shares offering	Bonus share	Capitalization of Public reserve	Other	Sub-total	Amount	Proportion
I. Restricted shares	6,286	0.00%				-1,572	-1,572	4,714	0.00%
1. State-owned shares									
2. State-owned legal person's shares									
3. Other domestic shares									
Including: Domestic non-state-owned legal person's shares									
Domestic natural person's shares									
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	6,286	0.00%				-1,572	-1,572	4,714	0.00%
II. Unrestricted shares	288,143,114	100.00%				1,572	1,572	288,144,686	100.00%
1. RMB Ordinary shares	233,257,514	80.95%				-55,572,576	-55,572,576	177,684,938	61.66%
2. Domestically listed foreign shares	54,885,600	19.05%				55,574,148	55,574,148	110,459,748	38.33%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	288,149,400	100.00%						288,149,400	100.00%

Explanation on the change of share capital: In the report period, the change was brought by the shares held by senior executives have been decreased.

II. About shareholders

1. Ended June 30, 2010, the Company had totally 10,782 shareholders, including 6,020 shareholders of A-share and 4,762 shareholders of B-share.

2. Particulars about shares held by the top ten shareholders (ended as June 30, 2010)

Unit: Share

Total shareholder	Unit: Shares 10,782				
Particulars about shares held by the top ten shareholders					
Full Name of shareholder	Nature of shareholders	Proportion of shares held	Total amount of shares held	Amount of restricted shares held	Amount of shares pledged or frozen
SINOPHARM GROUP CO., LTD.	State-owned legal person	38.33%	110,459,748	0	0
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Oversea legal person	2.44%	7,032,720		
Agricultural Bank of China—Greatwall Anxin Return Mixed Fund	Domestic non-state-owned legal person	2.43%	7,000,000		
Industrial and Commercial Bank of China—Zhongyin Sustainable Growth Stock Securities Investment Fund	Domestic non-state-owned legal person	2.05%	5,911,810		
CHINA INDUSTRIAL AND COMMERCIAL BANK—GUANGFA JUFENG STOCK FUND	Domestic non-state-owned legal person	1.90%	5,479,011		
Bank of China—Jiashi Steady Open Securities Investment Fund	Domestic non-state-owned legal person	1.86%	5,349,588		
Industrial and Commercial Bank of China—Boshi Selected Stock Securities Investment Fund	Domestic non-state-owned legal person	1.72%	4,963,365		
Bank of Communications—Hua'an Strategy Optimum Stock Securities Investment Fund	Domestic non-state-owned legal person	1.39%	4,002,783		
Bank of China—Franklin Guohai Potential Mix Stock Securities Investment Fund	Domestic non-state-owned legal person	1.33%	3,827,202		
Industrial and Commercial Bank of China—E-Fund Value Growth Mix Securities Investment Fund	Domestic non-state-owned legal person	1.28%	3,677,799		

Particulars about the shares held by the top ten unrestricted shareholders		
Full Name of shareholder	Amount of unrestricted shares held	Type of shares
SINOPHARM MEDICINE HOLDING CO., LTD.	110,459,748	RMB common share
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	7,032,720	Domestically listed foreign shares
Agricultural Bank of China—Great wall Anxin Return Mix Securities Investment Fund	7,000,000	RMB common share
Industrial and Commercial Bank of China—Zhongyin Sustainable Growth Stock Securities Investment Fund	5,911,810	RMB common share
INDUSTRIAL AND COMMERCIAL BANK of CHINA—GUANGFA JUFENG STOCK FUND	5,479,011	RMB common share
Bank of China—Jiashi Steady Open Securities Investment Fund	5,349,588	RMB common share
Industrial and Commercial Bank of China—Boshi Selected Stock Securities Investment Fund	4,963,365	RMB common share
Bank of Communications—Hua'an Strategy Optimum Stock Securities Investment Fund	4,002,783	RMB common share
Bank of China—Franklin Guohai Potential Mix Stock Securities Investment Fund	3,827,202	RMB common share
Industrial and Commercial Bank of China—E-Fund Value Growth Mix Securities Investment Fund	3,677,799	RMB common share
Explanation on associated relationship or accordant action among the aforesaid shareholders	There has no associated relationship between the large shareholder of the Company and other shareholders. It is unknown that there exists no associated relationship or belongs to the consistent actionist among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.	

3. In the report period, the controlling shareholder of the Company remained unchanged. The Company's controlling shareholder is Sinopharm Medicine Holding Co., Ltd., while the actual controller is China National Pharmaceutical Group Corporation.

Section IV. Particulars about Directors, Supervisors and Senior Executives

I. Changes in shares held by Directors, Supervisors and Senior Executives in report period:

Name	Title	Shares held at year-begin	Increased shares held in this period	Decreased shares held in this period	Shares held at period-end	Including : Amount of restricted shares held	Amount of stock option held at period-end	Reasons for change
Chen Changbing	Secretary of the Board	6,286	0	1,572	4,714	4,714		Legitimate Reduction

II. Alteration in directors, supervisors and senior executives of the Company in the report period:

On 20 March 2010, the 15th Meeting of 5th Board of Directors approved that Mr. Jiang Ning no longer in the position of Directors of the Company and nominated Ms. Tian Werxing as the candidate of

Director of 5th Board of Directors, submitted to Shareholders General Meeting 2009 held on 16 April 2010 for election and have been approved.

On 20 March 2010, the Board of Directors received a written resignation report from independent director—Mr. Liao Li. Due to the busy works, Mr. Liao Li no longer in the position of independent director of the Company. Board of Directors has accepted the resigned application.

On 11 June 2010, the 17th Meeting of 5th Board of Directors agreed to nominate Mr. He Zhiyi as the candidate of independent directors of 5th Board of Directors and submitted to the 2nd Extraordinary Shareholders' General Meeting of 2010 held on 28 June 2010 for election and have been approved.

On 11 June 2010, the 15th Meeting of 5th Board of Directors received a notice from the larger shareholders of the Company—SINOPHARM GROUP CO., LTD. that Mr. Song Tingfeng no longer in the position of supervisory committee's convener and supervisor of the Company. By the recommendation from large shareholder, Mr. Jiang Xiuchang was agreed to be newly added into the supervisor candidate of 5th Supervisory Committee and submitted to 2nd Extraordinary Shareholders' General Meeting of 2010 held on 28 June 2010 for election and have been approved.

Section V. Discussion and Analysis of the Management

I. Overall operation and management of the Company in the report period

2010 was the last year of Eleventh Five-Year Plan that the Company has been in implementing. Under the correctness leadership of Board of the Directors and operational team of the Company, surrounded the annual theme of "seized opportunity, enlarge the industrial platform with perfected the distribution network and promoted the rapidly development of Accord Pharm", seizing the opportunity from industry integration and medical reform actively, continually promoted the unification of management-controlling, distributed operation and industrial chain, distribution break the bottleneck of increased sales and hindrance of market expansion, emphasized the termination sales; concerning the industrial, promoted the supporting of industrial chain, cooperation between upstream and downstream, adjustment of product structure and development of third termination. Greatly finished each operational indexes, the Company has a rapidly and steady trend towards booming.

The various key works accomplished in the first half year:

(I) Pharmaceutical industry surrounding the "industrial chain, production line, product quality and product technical", perfecting the various works of current operational and future development

1. Implemented the function of R&D center, promoted the R&D integration of Accord Pharm. In first half year, focus on clinic trial promotion on gastric drug—Revanex. Jointly organized relevant specialists with CRO for research and discussion, make out a scientific and reasonable plan of clinic trial. Recently, the work of clinic trial has fully in progress.

2. Perfected the system of industrial operation management, promoted the industrial affiliated work. (1) perfected the system of data-transition and analysts strengthen the monitor in operating, correction in timely ensured the accomplishment of predicted indexes; (2) Improving the communication between various industrial enterprise, coordinated the business connection between industrial enterprises for promoting the industrial affiliates.

3. Organized a team for industrial construction and technical reform of the Accord Pharm. Planning and promoting the construction of Pingshan Base under the name of Accord Pharm, Zhijun Pharmaceutical Phase-In and Zhijun Wangqing Phase-III totally. Relevant plans and prophase preparation are in smoothly progress.

(II) Industry integration of medical distribution sustainable being promoted. Rapidly the process of unification of marketing operational consolidated and expended the area of distribution market,

improving the market quota and market position.

1. Perfected the distribution network, speed up the layout in Guangdong and Guangxi. (1) Purchase Zhanjiang Tianfeng Pharmaceutical Co., Ltd. successfully and changed the name to SINOPHARM Medicine Holding Zhanjiang Co., Ltd.; (2) Attempts the newly expansion mode of distribution business, purchase the medicine business of Nanning Medicine Company successfully; (3) Restructuring the Yanfeng Medicine, consolidate and expansion the market quota and position in Shenzhen step more; (4) Purchase Meizhou Xinte Medicine Co., Ltd. and established SINOPHARM Medicine Holding Meizhou Co., Ltd. for completing the layout in eastern of Guangdong; (5) Promoted the communication and negotiation between every target enterprise in prefectural-level cities. Every project is being in smoothly progress.
2. Rapid up the integration of Guangxi distribution, the purchase and functional management realized unified management. At present, Guangxi distribution has been exceed the counterpart enterprise in Nanning Medicine market, and probably to be the leading enterprise in Guangxi.
3. Sustainable optimized the structure of industry; strengthen in promoting the hospital sale-only business. The hospital sale-only business occupied over 50% of the business in Company first time, sales scale reached at RMB 3128 million.
4. Deal with the pressure and risk from the changes of commercial market environment actively, accomplished the integration of commercial expansion and Shenzhen commercial, promoted the varieties resource sharing between Guangzhou and Shenzhen, realized unified operation and controlling, effectively lower the potential operational risk.

(III) Medical logistic focus on “fine management, deepening service, innovated development and network operation” and has a greatly effects

1. Constructed logistic site on time: Shenzhen Logistic has been moved and on-line on 5 July. Every business has been in progress recently; Nanning Logistic finished many bidding work of steel structure etc, and expected in construction in August; Liuzhou Logistic is in the plan of site-choose; Dongguan and Zhanjiang Logistic are in the smoothly promotion in transformation.
2. “One storage” pattern has been approved by the Provincial Bureau, and then Guangzhou, Shenzhen and Foshan have been qualified for the third-party logistics operation.

(IV) We exert the control and management functions as managements of operation, financing, human resources and administration; provide expertise, excellent and effective support and service to promote the business the orderly and effective business development.

1. As for operation management, we take the fine projects management as the priority, and standardize the operation unity.
2. As for financial management, we focus on the “ever optimization and thorough elevation” to promote all control and management in accounting.
 - (1) We rationally schedule the bank grantee credit sum to satisfy the corporate development.
 - (2) We accomplish the Company’s NC system upgrade and project acceptance. By the implementation of NC financial system of “Unified Plan and Schedule, Concentrated Control and Regulation”, we forcefully promote the management information of the financial group in Accord Pharmacy.
 - (3) We strengthen the cohesion between the Company’s business integration and newly acquired company’s financial management to promote the new company to blend into the Accord Financial management.
3. As for the human resource management, we pay attention to the elevation of organizational competence in support of the fast and healthy business growth.
4. As for administrative management, we pay attention to the improvement of service quality and work efficiency, and the elevation of operation efficiency of administrative service platform to embody the service value.

II. Analysis on the main operating results and financial status

(I)The scope of main operations was R&D and production of pharmaceuticals, wholesales of Chinese and western patent medicine, Chinese traditional medicine, biological products, bio-chemical medicine, health care products and medical apparatus and instruments.

(II) Formation of income from main operations

1. Main operations classified according to industries and products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit ratio year-on-year (%)
Industry—medicine	77,257.57	57,416.75	25.68%	39.75%	39.01%	0.39%
Commerce — medicine wholesales	536,168.08	504,967.31	5.82%	27.72%	27.23%	0.36%
Commerce — medicine retail	1,730.34	1,504.23	13.07%	-93.26%	-92.85%	-4.92%
Non-medicine trade	1,015.61	608.64	40.07%	504.60%	65.94%	158.42%
Lease	443.87	153.99	65.31%	129.96%	334.51%	-16.33%
Total	616,615.47	564,650.92	8.43%	23.05%	22.84%	0.15%
Main operations classified according to products						
Respiratory antitussive medicines	7,099.05	1,399.87	80.28%	-3.75%	2.88%	-1.27%
Cef- series products	69,194.72	55,662.12	19.56%	75.28%	68.92%	3.03%
Including: the amount of related transaction	1,583.13	1,161.06	26.66%	-61.46%	-44.70%	-22.22%

Of which: In the report period, the total related transaction amount which the listed Company sold products and provided labor forces to the controlling shareholders and its subsidiaries totaled RMB 483,220,000.

2. Income from main operations classified according to areas

Unit: RMB'0000

Area	operating income	Increase/decrease in operating income year-on-year (%)
Domestic sales	616,226.96	23.09%
Oversea sales	388.51	-20.76%
Total	616,615.47	23.05%

(III)Operation of the main wholly-owned subsidiaries of the Company

1. Shenzhen Zhijun Pharmaceutical Co., Ltd.: wholly-owned subsidiary of the Company with registered capital amounting to RMB 200 million, and it mainly deals with the manufacturing, R & D and operation of chemical medicine. It mainly produced respiratory medicines and anti-infection medicines, possessing main products such as respiratory antitussive medicines and cef- series products, etc. Ended June 30, 2010, the total assets of the company amounted to RMB 822.2 million. It realized main business income of RMB 604.17million and net profit of RMB 54.95 million in the first half year of 2010.

2. SINOPHARM Medicine Holding (Guangzhou) Co., Ltd.: wholly-owned subsidiary of the

Company with registered capital amounting to RMB 400 million. It mainly deals with operation of Chinese patent medicine, chemical preparation, antibiotics, biochemical medicines, biological products, diagnosis drug, as well as therapy and diagnosis biological products. Ended June 30, 2010, the total assets of the company amounted to RMB 2781.38 million. It realized main business income of RMB 3286.14 million and net profit of RMB 56.87 million in the first half year of 2010.

3. SINOPHARM Medicine Holding (Nanning) Co., Ltd.: a wholly-owned subsidiary of the Company with registered capital of RMB 100 million. It mainly deals with operation of Chinese patent medicine, chemical preparation, diagnosis medicine, and biological products of diagnostic treatment, self-operation and various products agent together with import-export of technology. Ended 30 June 2010, total assets of the company amounted to RMB 479.77 million and realized main business income of RMB 537.32 million and net profit of RMB 8.07 million in first half year of 2010.

(IV) Brief analysis on financial status

1. Changes of main financial indexes in the report period

Unit: RMB

Items	Amount in the period	Amount in the same period of last year	Amount of increase/decreased	Change rate of increase/decrease
Income from main operations	6,166,154,739.81	5,011,062,539.67	1,155,092,200.14	23.05%
Profit from main operations	511,011,407.86	408,442,493.47	102,568,914.39	25.11%
Net profit attributable to owners of parent company	121,620,988.36	98,664,296.15	22,956,692.21	23.27%
Items	Amount at period-end	Amount at year-begin	Amount of increase/decreased	Change rate of increase/decrease
Total assets	5,741,019,273.10	5,233,489,407.09	507,529,866.01	9.70%
Owners' equity attributable to parent company	915,472,186.04	822,666,137.68	92,806,048.36	11.28%

[Notes]:

(1) Income from main operations: increased by RMB 1,155,092,200 and 23.05% year-on-year, mainly due to the harmony development of whole distribution, the production and selling have a busy status and the sale scale had a further expansion.

(2) Profit from main operations: increased by RMB 102,568,900 and 25.11% year-on-year, mainly due to the great increase of sales income year-on-year.

(3) Net profit attributable to owners of parent company: increased by RMB 22,956,700 and 23.27% year-on-year, mainly due to the Company did good in sales and controlled cost reasonably, which enhanced entire benefit.

(4) Total assets: increased by RMB 507,529,900 at period-end, 9.70% up compared to that of year-begin. On one hand mainly due to the assts' scale expansion from the favorable growing trend of sales and profit; on the other hand materially influenced by the purchase of Shenzhen Yanfeng Medical Co., Ltd.

(5) Owners' equity attributable to parent company: increased by RMB 92,806,000 at period-end, 11.28% up compared to that of year-begin. On one hand, the Company's profit made the owners' equity attributable to parent company increased RMB 121,621,000; on the other hand, the dividend distribution made RMB 28,814,900 decreased.

2. Change in profit constitution year-on-year

Unit: RMB

Item	Amount of this period	Amount for the same period of last year	Change in proportion
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	Amount (RMB)	Proportion taken in total profit	Amount (RMB)	Proportion taken in total profit	taken in total profit
Main business profit	511,011,407.86	306.88%	408,442,493.47	297.50%	9.38%
Other business profit	29,437,812.27	17.68%	23,253,207.56	16.94%	0.74%
Period expense	-375,365,885.79	-225.42%	-313,399,118.17	-228.27%	2.85%
Assets devaluation loss	-15,311,631.56	-9.20%	-6,302,775.23	-4.59%	-4.60%
Investment income	9,292,470.38	5.58%	23,255,819.92	16.94%	-11.36%
Net non-operating income and expenditure	7,454,969.38	4.48%	2,042,968.00	1.48%	3.00%
Total profit	166,519,142.54	100.00%	137,292,595.55	100.00%	0.00%

*items which help to increase total profit were listed with positive numbers, and items which help to decrease total profit were listed with negative numbers.

[Note]:

(1) Other business profit: Other business profit in Period is RMB 29.4378 million, a year-on-year increase of RMB 6.1846 million, a year-on-year increase of 0.74% accounting for total profit. The main reason for increase is the net return of RMB 2.974 million from the disposal of investment property by Zhijun Pharmaceutical – the Company's subsidiary as result of the increase of RMB 2.3514 million in property lease income.

(2) Period expense: Expenses in the Period are RMB 375.3659 million, a year-on-year increase of RMB 61.9668 million, a year-on-year decrease of 2.85% accounting for total profit. The expenses in the Period, is under the sound control, with little influence on the profit, and main factors for the absolute value are: the year-on-year increase of RMB 7,6283 million in human resources expenses due to the factors as increase in staff; the year-on-year increase of RMB 36.1169 million in the market development expenses with the further development of Zhijun Good Present Project of Zhijun Pharmacy and the deepening of the third terminal market exploration; the year-on-year increase of RMB 16.1215 million in the R&D expenses with forceful promotion of industrial products R&D and the technology innovation.

(3) Assets devaluation loss: the total of assets devaluation loss accrued in the Period is RMB15.3116 million, a year-on-year increase of 4.61% accounting for the total profit. The main reason for the increase is specific accrual provision for bad debts in Guangdong Liyuan Company in the Period.

(4) Investment income: Investment return: The total investment income obtained in the Period is RMB 9.2925 million, a year-on-year decrease of RMB 13.9633 million, a year-on-year decrease of 11.36% accounting for the total profit. The main influence factor is the disposal return of RMB 14.1955 million from the transfer of stock in Guangdong Accord Pharm Store Co., Ltd. and Guangxi Accord Medicine Chain Co., Ltd. and yet no substantive income from equity disposal in the Period.

(5) Net non-operating income and expenditure: the net non-operation income/expenditure obtained in the Period is RMB 7.455 million, a year-on-year increase of RMB 5.412 million, a year-on-year increase of 11.36% accounting for the total profit. The main influence factors are the technology reform capital of 2.75 million and old property disposal return of RMB 2.1613 million Zhijun

Pharmaceutical – the subsidiary in the Period.

(V) There was no other operation business which influenced greatly upon net profit in the report period

(VI) Main working plan for the later half year

(I) Pharmacy Industry: Deepen further the integration and platform construction, strengthen operation and planning management and improve the core corporate competition competence in the industry.

1. Promote the “Two-center, Five-platform” construction, namely construct R&D center and marketing center, by the unification of planning, control and management, and brands, and focusing on the “Four-dimension”, construct the five platforms as chemical pharmaceuticals, raw medicine, biological medicine, OTC health products, and Chinese traditional medicine, to pave the way for the great industrial development.

2. Improve the R&D and the work. Comb the R&D current situations and needs in Yizhi Pharm, cooperate further with Shanghai Medical Industry Institute and the institute in Chuangkang; promote the international R&D development and take as the priority the promotion of cooperation with the Liuhan Institute in South Korea.

3. Perfect the industrial operation management system, strengthen the management and service in all industrial enterprises, and quicken up the industrial matching in Zhijun Pharmaceutical and Zhijun Wanqing.

4. Promote the “Three-base” project construction. (1) Accomplish the “Second Term” plan of Zhijun Pharmacy to make sure the start up before the Year-end; (2) Accomplish the Accord Pingshan Base plan and the prophase procedures to solve the relevant issues as the municipality planning of the industrial estate to strive for the start up before the Year-end; (3) Form the “Third-period” plan of Zhijun Wanqing, and quicken the project progress.

(II) Medicine distribution: Perfect the network of distribution step forward. Stabilized and broaden the area of distribution realizing the growth both in distribution scale and profitability

1. Quicken the network layout in the prefecture-level cities, and do well the second acquisition in the networked cities.

2. Take the purchase integrity as the priority in the second half, (1) Optimize the purchase organizational structure, unify the purchase structure and performance appraisal in Shenzhen and Guangzhou and clarify issues as that the purchase center deal with the problem products of all subsidiaries; (3) Promote the “One Storage” construction, make effective the “One-storage, Several-warehouse” function, unify the storage plan, unify the function of the delivery direction query; (3) Unify the purchase approval procedures and systems.

3. Allocated resources reasonably, speed up the growth-up of subsidiaries. (1) Enhance network allocation of human resource and logistics; (2) Take function of self-purchasing in dependency of products of the Company; (3) Boost financing ability of subsidiaries.

4. Conducted market research of variety of basic medicine, make integrated plan and comprehensively develop. In the second half year, with all the effort carry out well the distribution bidding, earnestly improve the market share of basic medicine, customer satisfaction rate, thus upgrade sales volume of basic medicine.

(III) Logistic: faced with significant change and reform of logistic environment, innovate work ideas, try new methods, constantly upgrade logistic network, stabilize basic service, fine the work management.

1. Optimize logistic network, fine network planning of inventory, standardize the operating procedures set by allocation center in various regions, make the solution of new sites of Dongguan and Meizhou as well as setting sites in central region.

2. Promote projects construction of Nanning logistic center and Liuzhou logistic on schedule, make sure a smooth processing of subsequent events after the removal of Shenzhen Logistic.

3. Formulate allocation strategy and method of inventory scientifically, improve function efficient of logistic; unify information platform of transportation scheduling and delivery tracking, realize overall implementation of self-carrying method and timely feedback of delivery information in Guangdong.

4. Attach importance to conduct work surrounding three aspects of “Feedback Management, Time Limit of Returning Goods, and Operational Transferring-Delivery Center”, combine fine management to further boost basic quality of service.

(IV) Concerning the management and controlling, involve service in management, deeply promote support and service function for operation management, financial management, human resource management and administration management.

1. In aspect of risk and operation management, pay attention to the Twelfth Fifth plan, progress the orderly, healthy development of operation business.

(1) Build leaders and work team of the Twelfth Fifth plan of Accord Pharmaceutical, in accordance with business plan formulate corresponding human resource, logistic, finance and IT planning, conscientiously promote the conduction of plan.

(2) In accordance with the Twelfth Fifth plan of Accord Pharmaceutical, organize to compile the operation plan report of 2011 Accord Pharmaceutical, complete editing work of over budget of the Company.

(3) Perfect organization function of risk management and control, establish standard of risk management and control, and through business management and control, rules and procedure, IT system, risk management and so on, conduct well risk management and control in all aspects.

2. Make overall planning well; comprehensively improve the financial management level

(1) Constantly normalize basic accounting, improve basic accounting level, lay emphasis on supervision of corporate enterprises, emphasize details of work, try our best to develop the weak section.

(2) Continuously perfect construction of finance system grouping, improve efficiency and accuracy of compiling of budget via the system.

(3) In accordance with external audit, intensify the internal audit function, organize Booklet of Internal Control, training of Internal Self-estimation, and for the first time conduct Self-estimation. Through optimization of internal control, conduct anti-risk in all aspects.

(4) Participate in purchase project of industry and distribution; establish resource reserve of finance management and efficient output mechanism, form replicable finance management system, effectively take resource output of financial management to subsidiaries.

3. Speed up the organizing ability, rapidly fuse, create integrated organization atmosphere

Build sustainable development plan of human resource, perfect talents allocation mechanism. According to sustainable development of corporation and change requirement of business adjustment, combining with the twelfth fifth plan, clear the ability goal and requirements of organization revise and perfect human resource plan.

4. Implement Frontier Management, Benchmarking Management, further boost efficiency of administration service platform, fine the administration affairs management for the operation and development of enterprise for better, organize and conduct Frontier Management, Benchmarking Management, turn the Preserve work into Promotion work, earnestly improve quality and level of administration service.

III. Investment of the Company

(I) Main equity investment

1. The Company signed Equity Transfer Contract with Shenzhen Kai Jiefeng Industrial Co., Ltd. concerning purchasing 51% equities of Shenzhen Yanfeng Pharmaceutical Co., Ltd. dated 6 April 2010. The transaction price was confirmed as RMB27, 848,500. The equity transfer was accomplished on 26 April 2010.

2. Subordinated of the Company –Shenzhen Zhijun Pharmaceutical Co., Ltd. signed Contract of

Property Transaction with Shenzhen Kingworld Industrial Co., Ltd. on 26 February 2010 concerning transferring 0.1759% equity of China Associated (Group) Co., Ltd. The transaction price was confirmed as RMB325,400. The equity transfer was accomplished on 26 April 2010.

(II) Application of raised proceeds

In the report period, the Company neither raised proceeds, nor did proceeds which were raised in previous periods last to use in this report period

Section VI. Significant Events

I. Corporation governance

In the report period, according to the requirements of Company Law, Securities Law and Governing Structure Principle of Listed Company and other relevant laws and regulations, the Company continuously perfected the governance structure, standardizes operation, strengthened management work of information disclosure and established modern enterprise system. At present, each governance system of the Company is basically perfect, operation is standard, and legal person governance structure is perfect, which accorded with the requirement of normal document on listed company issued by CSRC. In the report period, the Company made a completed and deep self-inspection of financial system according to the requirement of Notice on Fully and Deeply Carry out the Specific Activity on Basic Works of Financial Accounting of Listed Company in Shenzhen (SZJGSZ [2010] No.109). Through the self-inspection, the Company completely arranged financial institution setting, system establishment and usage of information system. The result showed that, the Company established a standard and perfect accounting calculation system according to national laws and relevant regulations.

II. Profit Distribution Plan and Its Implementation

Profit distribution plan 2009 was approved in the Shareholders' General Meeting of 2009 held on 16 April 2010: calculated based on the total shares of 288,149,400, the Company gave cash dividend RMB 1.00 each 10 shares to all shareholders (before tax). On 21 June 2010, the profit distribution was accomplished and cash dividends of RMB 28,814,940.00 were actually distributed.

III. Material Lawsuits and Arbitrations

In the report period, there existed neither significant lawsuits, arbitrations involved with the Company nor any material lawsuits, arbitrations occurred in previous periods and lasted into the report period.

IV. Daily related transactions

The related transaction occurred when the Company purchases and sells goods:

1. As to the subsidiaries where existed controlling relationship and which were brought into consolidated scope of accounting statements of the Company, the transactions between them and the ones occurred between parent company and subsidiary have been offset.

2. Purchasing goods from the related parties:

Name of related parties	Unit: RMB	
	Amount in this period	Amount in the same period of last year
Sinopharm Group	410,542,658.60	265,826,487.48
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	91,574,957.49	217,185,865.82
China National Medicines Co., Ltd.	66,174,479.55	53,010,106.57

Name of related parties	Amount in this period	Amount in the same period of last year
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	47,307,288.33	29,424,950.56
China National Pharmaceutical Foreign Trade Corporation	5,382.42	11,822,212.14
Guangdong East Uptodate & Special Medicines Co.Ltd	0.00	7,747,728.78
Union China National Medical Equipment Corp.	4,953,338.18	6,678,974.80
Shenzhen Wanle	2,040,268.75	2,506,758.77
Sinopharm Medicine Holding Suzhou Co., Ltd	1,036,020.40	1,806,047.49
Sinopharm Medicine Holding Hunan Co., Ltd.	0.00	474,645.81
China National Group Co. of Traditional & Herbal Medicine	0.00	469,476.92
Sinopharm Medicine Holding Shanghai Co., Ltd.	1,158,885.50	417,809.22
China National Pharmaceutical Industry Corporation	0.00	152,759.53
Sinopharm Shanghai Medical Equipment Co., Ltd	360,035.85	129,015.37
Sinopharm Group	19,748.37	97,531.81
Sinopharm Chemical Reagent Co., Ltd.	175,864.10	93,777.77
Sinopharm Chemical Reagent Suzhou Co., Ltd.	412,739.88	25,692.89
China National Pharmaceutical Industry Co., Ltd. Beijing Branch	3,297,802.44	21,162.82
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	546,489.34	13,530.47
Sinopharm Medicine Holding Shanghai Co., Ltd.	0.00	30.35
Accord Drugstore	480,111.43	0.00
Sinopharm Medicine Holding Beijing Kang chen Biological Pharmaceutical Co., Ltd.	214,358.97	0.00
Sichuan Jiangyou Zhongba Fuzi Technology Co., Ltd.	190,924.77	0.00
Chendu Rongsen Pharmaceutical co.,Ltd	69,743.59	0.00
Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	22,222.22	0.00
Guangdong Tianliang Medicine Co., Ltd.	-2,824.62	0.00
Sinopharm Medicine Baida Pharmaceutical Co., Ltd.	1,500,598.30	0.00
Shenzhen Chinese Medicine	796,197.09	-231.92
Sinopharm Medicine Holding Tianjing Co., Ltd.	0.00	-8,838.42
Total	632,877,290.95	597,895,495.03

[Note]: The purchasing price is confirmed according to the market price. Till Jun. 30, 2010, the total amount that the Company purchased from its related parties took 40.83% of the limits granted by the shareholders' general meeting held at year begin.

3. Goods sold to related parties:

Unit: RMB

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Medicine Holding Shenyang Co., Ltd.	76,992,166.31	128,254,395.95
Sinopharm Medicine Holding Hubei Co., Ltd.	45,165,657.00	43,925,158.98
Sinopharm Medicine Holding Hunan Co., Ltd.	39,832,046.00	39,167,791.58
Sinopharm Medicine Holding Tianjing Co., Ltd.	25,160,009.96	34,448,422.73
Sinopharm Medicine Holding Tianjing, Neimeng Affiliate	1,215,387.54	223,220.51
Sinopharm Medicine Holding Tianjin Co., Ltd. Tongliao Dongmeng Affiliate	0.00	-24,384.62
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	36,560,858.55	33,667,452.39
Sinopharm Medicine Holding Beijing Co., Ltd.	33,524,670.92	23,830,112.15
Sinopharm Medicine Holding Hubei Yibao Co., Ltd.	3,461,335.95	13,605,968.75
Sinopharm Medicine Holding Ningxia Co., Ltd.	4,810,646.30	8,019,553.91
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	11,400,406.00	7,894,944.68
Sinopharm Medicine Holding Henan Co., Ltd.	9,153,540.40	6,109,133.55
Tianjin East Bokang Medicine Trade Co., Ltd.	14,616,408.55	5,924,107.52
Sinopharm Group Co., Ltd.	10,482,002.59	5,809,967.15
Guangxi Guoda Drugstore Chain Co., Ltd.	0.00	5,201,274.94
Guangdong Tianliang Medicine Co., Ltd.	0.00	3,539,682.74
Sinopharm Medicine Holding Jiangsu Co., Ltd.	3,614,203.64	3,134,522.69
Sinopharm Medicine Holding Shanxi Co., Ltd.	4,117,163.65	2,750,136.22
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	0.00	1,517,425.64
Sinopharm Medicine Holding Anhui Co., Ltd.	2,187,163.80	1,346,222.52
China National Medicines Co., Ltd.	4,302,247.12	1,277,393.29
Guangdong East Uptodate & Special Medicines Co., Ltd.	5,023,571.69	1,256,350.10
Sinopharm Medicine Holding Zhenjiang Co., Ltd.	1,320,586.48	494,443.74
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	671,978.60	180,403.69
Ningxia Guoda Drugstore Chain Co., Ltd.	12,393.18	98,787.31
Guangxi Wuzhou Huawu Medicine Co., Ltd.	40,160.09	73,990.31
Shenzhen Chinese Medicine	7,384.07	955.75
Sinopharm Medicine Holding Suzhou Co., Ltd.	241,248.55	-7,402.14
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	0.00	-1,317,212.30
Accord Drugstore	49,493,288.14	0.00
Sinopharm Medicine Holding Hainan Co., Ltd.	17,435,235.51	0.00

Guangxi Accord Chain Drugstore Co., Ltd.	15,824,491.37	0.00
Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	14,469,474.54	0.00
Xinjiang Uotodate& Special Western Medicine Limited Liability Company	10,169,660.19	0.00
Sinopharm Holdings Yunnan Chinese Medicine Co., Ltd	9,694,300.25	0.00
Sinopharm Holdings Fujian Chinese Medicine Co., Ltd	8,798,711.08	0.00
Guangxi Guoda Drugstore Chain Co., Ltd.	6,035,750.12	0.00
Sinopharm Holdings Northwest Chinese Medicine Co., Ltd.	5,264,302.90	0.00
Sinopharm Holdings Shandong Chinese Medicine Co., Ltd.	3,389,699.08	0.00
Sinopharm Medicine Logistics Co., Ltd.	2,159,612.95	0.00
Sinopharm Medicine Holding Hebei Co., Ltd.	2,014,432.48	0.00
Shenzhen Accord Pharmaceutical Chain Co., Ltd	1,509,727.40	0.00
Guangdong South Pharmaceutical Foreign Trade Co.	787,588.06	0.00
China National Medicines Guorui Co., Ltd.	631,470.09	0.00
Sinopharm Medicine Holding Gansu Chinese Medicine Co., Ltd.	559,063.76	0.00
Sinopharm Medicine Holding Jiangxi Co., Ltd.	401,831.99	0.00
Tianjin East Bokang Medicine Trade Co., Ltd.	151,794.87	0.00
Sinopharm Medicine Holding Fuzhou Chinese Medicine Co., Ltd.	126,078.12	0.00
Sinopharm Medicine Holding Shenyang Co., Ltd. Changchun Affiliate	12,000.00	0.00
Total	482,841,749.841	370,402,819.73

[Note]: The selling price is confirmed according to the market price. Till Jun. 30, 2010, the total amount that the Company sold to its related parties took 38.63% of the limits granted by the shareholders' general meeting held at year begin.

V. Significant contract and its implementation

(I) significant contract

1. No external investment contract has been signed with wholly/partially un-implemented and relevant financial expenses.

2. No issuing contract with major amount has been signed with under-implemented or ready-implemented.

3. Equipment purchase contract with

major amount that has been signed with under-implemented or ready-implemented.

Zhijun Pharmaceutical—the subsidiary of the Company entered into a contract of equipment purchase, the detail account plans to paid are followed, the account belongs to the necessary expense of normal operating activity:

Period	Amount payable
Within 1 year	RMB 12,030,300

4. Leasing contract that has been signed with under-implemented or ready-implemented and its financial influence.

The property rented by subsidiary of the Company, payable accounts comply with the signed leasing contract is followed. The expenses belong to the necessary expense of normal operating activity:

Period	Amount of rent payable
Within 1 year	RMB13,543,450
1 to 2 years	RMB 5,324,400
2 to 3years	RMB5,256,300

Over 3 years	RMB 36,870,300
Total	<u>RMB60,994,500</u>

5. No merger agreement has been signed with under-implemented or ready-implemented.

6. No re-structure plan has been signed with under-implemented or ready-implemented.

7. Other significant financial commitment.

Particulars about pledged assets

Items	No. of pledged property right certificate	Location of pledge	Original book value of pledge	Loan amount of pledge	Pledge term
(1) Real estate pledge	SFD Zi No. 5000357449	Northwest side, Xianhu Road, Guanlan Street, Bao'an District	107,380,589.15	RMB30 million	2009.4.30-2011.7.21
(2) Land pledge			8,029,575.57		

8. Implementation of the previously commitment

All have been implemented according to the contract.

(II) Significant Guarantees

Unit: RMB'0000

Particulars about the external guarantee of the Company (excluding the guarantee for the subsidiaries)								
Name of the Company guaranteed	Related announcement date and No. of the guarantee amount	Amount of guarantee	Date of happening (Date of signing agreement)	Actually guarantee amount	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes or no)
Shenzhen Accord Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	37,500.00	21 June 2010	16,830.95	Guarantee	2010.06.21-2011.06.21	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	5,000.00	1 June 2010	440.85	Guarantee	2010.06.01-2011.06.01	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	5,000.00	18 December 2009	2,778.55	Guarantee	2009.12.18-2010.12.18	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	16,000.00	23 April 2010	1,323.94	Guarantee	2010.04.23-2010.12.31	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	10,000.00	30 December 2009	5,883.68	Guarantee	2009.12.30-2010.12.30	No	Yes
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	20 March 2010 No.:2010-07	2,040.00	10 July 2009	769.25	Guarantee	2009.07.10-2010.07.10	No	Yes
Total balance of approved external guarantee in the report period(A1)		58,500.00		Total actually balance of external guarantee in the report period(A2)		48,169.91		
Total balance of approved		75,540.00		Total actually balance of		28,027.22		

external guarantee at the end of the report period(A3)			external guarantee at the end of the report period(A4)					
Guarantee of the Company for its subsidiaries								
Name of the Company guaranteed	Related announcement date and No. of the guarantee amount	Amount of guarantee	Date of happening (Date of signing agreement)	Actually guarantee amount	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes or no)
Shenzhen Zhijun Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	6,000.00	21 August 2008	3,000.00	Guarantee \mortgage	2008.08.21-2011.08.21	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	5,000.00	1 June 2010	0.00	Guarantee	2010.06.01-2011.06.01	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	10,000.00	18 December 2009	4,625.58	Guarantee	2009.12.18-2010.12.18	No	Yes
SUZHOU ZHIJUN WANGQING PHARMACEUTICAL CO., LTD, Shenzhen Zhijun Pharmaceutical Co., Ltd., Sinopharm Medicine Holding Nanning Co., Ltd., and Sinopharm Medicine Holding Liuzhou Co., Ltd.	20 March 2010 No.:2010-07	25,000.00	30 June 2009	19,809.86	Guarantee	2009.12.30-2010.12.30	No	Yes
Sinopharm Medicine Holding Guangzhou Co., Ltd.	20 March 2010 No.:2010-07	65,000.00	13 March 2010	39,392.86	Guarantee	2010.03.13-2011.03.13	No	Yes
Sinopharm Medicine Holding Guangzhou Co., Ltd.	20 March 2010 No.:2010-07	22,500.00	13 April 2010	10,131.49	Guarantee	2010.04.13-2011.04.13	No	Yes
Guangdong Yuexing Pharmaceutical Co., Ltd.	20 March 2010 No.:2010-07	3,500.00	13 April 2010	214.14	Guarantee	2010.04.13-2011.04.13	No	Yes
Sinopharm Medicine Holding Guangzhou	20 March 2010 No.:2010-07	10,000.00	1 March 2010	8,500.00	Guarantee	2010.03.01-2011.03.01	No	Yes

Co., Ltd.								
Sinopharm Medicine Holding Guangzhou Co., Ltd.	20 March 2010 No.:2010-072010-07	10,000.00	29 July 2009	6,010.50	Guarantee	2009.07.29-2010.07.28	No	Yes
Sinopharm Medicine Holding Guangzhou Co., Ltd.	20 March 2010 No.:2010-07	18,000.00	18 June 2010	7,859.95	Guarantee	2010.06.18-2011.06.18	No	Yes
Sinopharm Medicine Holding Guangzhou Co., Ltd.	20 March 2010 No.:2010-07	5,000.00	5 November 2009	5,000.00	Guarantee	2009.11.05-2010.11.04	No	Yes
Sinopharm Medicine Holding Guangzhou Co., Ltd.	20 March 2010 No.:2010-07	10,000.00	30 April 2010	9,264.37	Guarantee	2010.04.30-2011.04.30	No	Yes
Sinopharm Medicine Holding Nanning Co., Ltd.	20 March 2010 No.:2010-07	6,000.00	13 January 2010	5,269.16	Guarantee	2010.01.13-2011.01.13	No	Yes

Note: External guarantee of the Company consists of guarantee to the Company from subsidiaries and guarantee between the subsidiaries

(III) Related financial claims and liabilities

Unit: RMB'0000

Affiliated parties	Funds offered to related parties		Funds offered to the listed company by related parties	
	Amount occurred	Balance	Amount occurred	Balance
Accounts receivable from affiliated units (debtor)	58,772.11	16,557.29		
Other accounts receivable from affiliated units (debtor)	67.69	121.50		
Accounts paid in advance by affiliated units (debtor)	3,203.98	274.26		
Accounts payable to affiliated units (lender)		0.00	146,949.14	17,242.80
Other accounts payable to affiliated units (lender)		0.00	262.19	614.43
Accounts received in advance from affiliated units (lender)		0.00	16.03	0.00
Total	62,043.78	22,441.26	147,227.36	43,249.90

(IV) Entrustment of cash assets management

In the report period, the Company did not entrust others with cash assets management, nor had it done so in previous periods and lasted into the report period.

(V) Other significant contract

There are no other significant contracts in this report period.

VI. Certified Public Accountants engaged by the Company

According to rules of Notice on Publishing Answers for Related Problems about Financial Account and Audit of Central Enterprises (State-owned Office Evaluation [2006] 23) issued by SAC and Notice on Work Rules of Financial Account and Audit of Central Enterprises (State-owned Office Evaluation [2004] 173), "The engagement limit time of the same accounting firm taking over financial account and audit of central enterprise couldn't exceed 5 years". Regarding that the Lixin Accounting Firm has worked for the Company for over 5 years, so the Company had to choose a new accounting firm instead.

On 16 August 2010, the 18th Meeting of the 5th Board of Directors of the Company decided to engage Price Water House Coopers CPA Co., Ltd. as the auditing institutions for the year 2010. The engagement change had been handed over to Shenzhen Securities Regulatory Bureau for record in accordance with related rules of Engagement System of Accounting Firm for Annual Auditing of Accord Pharmaceutical, and it will be submitted to Shareholders' General Meeting to be discussed and approved.

VII. Registration form for receiving research, communication and interview in the report period.

During the report period, the Company has never received interview from media.

VIII. The financial report of the semi-annual report of the Company is not audited.

IX. In the report period, neither the Company nor the Board or its directors, supervisory committee and supervisors have been inspected by the CSRC, nor have received any administrative punishments or circulating criticism, nor have them been publicly criticized by Shenzhen Stock Exchange.

X. Special explanation and independent opinion on capital occupation of related parties and external guarantee of the Company issued by independent directors

According to the Notice on Standardizing Current Account Between Listed Company and Related Parties and External Guarantee of Listed Company (ZJF No. 56 (2003)) issued by the CSRC, as the independent directors of Shenzhen Accord Pharmaceutical Co., Ltd., we made careful inspection on the Company's capital occupied by the controlling shareholders and related parties and the Company's external guarantee. There comes the following explanation:

Till now, no controlling shareholders or related parties occupied capital of the Company; the Company has not provided any guarantee for controlling shareholder and its related parties, joint stock company which the Company holds less than 50% equities and any non-legal person unit or individual; controlling shareholder and other related parties also have not forced the Company to offer guarantee for others.

XI. Particular about the shareholders who hold higher than 5% equities of the Company adding restricted shares commitment in 2010

There is no shareholder who hold higher than 5% equities of the Company adding restricted shares commitment in 2010.

XII. Index for information notice on significant events

In the report period, notices were disclosed on Securities Times, Hong Kong Commercial Daily, Shenzhen Stock Exchange website <http://www.szse.cn> and Juchao website <http://www.cninfo.com.cn>.

1. On 26 January 2010, Announcement of Purchase the Medical Business of Nanning Medical CO.,

- LTD. and Corresponding Assets and Liabilities and Announcement on holding the 1st Extraordinary Shareholders' General Meeting of 2010 were disclosed;
2. On 11 February 2010, Resolution Announcement on the 1st Extraordinary Shareholders' General Meeting of 2010 and Legal Opinion Letter of the 1st Extraordinary Shareholders' General Meeting of 2010 were disclosed;
3. On 23 March 2010, Resolution Announcement on the 15th Meeting of 5th Board of Directors, Resolution Announcement on the 13th Meeting of 5th Supervisory Committee, Enterprises' Social Responsibility Report of 2009, Annual Auditing Report of 2009, Summary of Annual Report 2009, Auditing Report of Capital Intercourse of Related Parties, Self-estimation Report of Internal Control of 2009, Annual Report of 2009, Independent Directors' Opinion on Directors Supplementation, Reporting Management System for External Enterprise, Responsibility Investigation System on Significant Errors in Annual Information Disclosure, Announcement on Independent Directors' Opinion, Work Report of Independent Directors in 2009, Announcement on 2010 Application of General Credit Limit and Guarantee Arrangement to the Bank, Announcement on Daily Related Transaction Between the Company/Subordinate and Related Parties, Announcement on External Investment, Accord Pharm: Announcement on Holding the Shareholders' General Meeting of 2009, Announcement on Resignation of Independent Directors and Announcement on 51% Equity Acquisition of Shenzhen Yanfeng Medical Co., Ltd. and Capital Increased were disclosed;
4. On 17 April 2010, Resolution Announcement on Shareholders' General Meeting of 2009 and Legal Opinion Letter of the 2009 Shareholders' General Meeting were disclosed;
5. On 27 April 2010, Full Text of First Quarterly Report of 2010 was disclosed;
6. On 5 June 2010, Announcement on Implementation of Profit Distribution 2009 was disclosed;
7. On 12 June 2010, Resolution Announcement on 17th Meeting of 5th Board of Directors, Resolution Announcement on 15th Meeting of 5th Supervisory Committee, Candidate Statement of Independent Director (HE ZHI YI), Nominator Statement of Independent Director and Announcement on Holding the 2nd Extraordinary Shareholders' General Meeting 2010 were disclosed;
8. On 29 June 2010, Article of Association, Resolution Announcement on 2nd Extraordinary Shareholders' General Meeting 2010 and Legal Opinion Letter of 2nd Extraordinary Shareholders' General Meeting 2010 were disclosed.

Section VII. Financial Report (Un-audited)

Balance sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

June 30, 2010

Unit: RMB

Items	June 30, 2010		December 31, 2009	
	Consolidated	Company	Consolidated	Company
Current assets:				
Cash at bank and in hand	593,620,718.33	118,507,341.56	579,471,913.48	125,541,203.80
Settlement provisions	-	-	-	-
Capital lent	-	-	-	-
Financial assets held for trading	-	-	-	-
Notes receivable	407,889,727.75	5,770,981.23	359,419,752.39	1,758,275.85
Accounts receivable	2,758,122,703.10	322,242,676.89	2,438,526,944.67	301,349,886.88
Advances to suppliers	100,402,178.71	661,275.44	85,646,539.08	1,042,226.64
Insurance receivable	-	-	-	-
Reinsurance receivables	-	-	-	-
Contract reserve of reinsurance receivable	-	-	-	-

Interest receivable	-	-	-	-
Dividends receivable	8,271,829.94	-	8,271,829.94	-
Other receivables	52,827,068.36	478,342,691.19	48,175,405.78	379,622,614.20
Purchase restituted finance assets	-	-	-	-
Inventories	944,397,948.26	92,524,902.20	903,934,387.58	96,332,120.70
Current portion of non-current assets	-	-	-	-
Other current assets	-	-	-	-
Total current assets	4,865,532,174.45	1,018,049,868.51	4,423,446,772.92	905,646,328.07
Non-current assets:				
Granted loans and advances	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
Long-term receivables	-	-	-	-
Long-term equity investments	89,366,527.35	1,228,517,011.06	80,399,471.97	642,597,981.98
Investment properties	70,640,184.82	7,130,881.19	57,973,532.97	7,572,670.36
Fixed assets	442,515,241.78	26,669,279.26	418,780,207.51	28,578,457.35
Construction in progress	39,191,273.10	253,886.24	46,146,183.50	253,886.24
Engineering materials	-	-	-	-
Fixed assets pending for disposal	-	-	-	-
Productive biological assets	-	-	-	-
Oil and gas assets	-	-	-	-
Intangible assets	124,800,102.49	29,055,015.55	116,232,435.65	29,653,420.36
Development costs	246,745.01	-	235,375.01	-
Goodwill	51,021,672.76	-	34,153,027.89	-
Long-term prepaid expenses	6,648,806.10	80,841.11	6,717,663.30	184,277.86
Deferred income tax assets	12,214,114.10	-	12,871,196.24	-
Other non-current assets	38,842,431.14	-	36,533,540.13	-
Total non-current assets	875,487,098.65	1,291,706,914.41	810,042,634.17	708,840,694.15
Total assets	5,741,019,273.10	2,309,756,782.92	5,233,489,407.09	1,614,487,022.22

Balance sheet (continued)

Items	June 30, 2010		December 31, 2009	
	Consolidated	Company	Consolidated	Company
Current liabilities:				
Short-term loans	1,240,992,606.99	450,150,855.59	944,189,604.46	347,023,220.37
Loan from central bank	-	-	-	-
Absorbing deposit and interbank deposit	-	-	-	-
Capital borrowed	-	-	-	-
Financial liabilities held for trading	-	-	-	-
Notes payable	1,048,909,494.09	131,202,678.98	1,104,950,330.28	167,985,468.09
Accounts payable	1,926,188,436.56	286,185,576.64	1,701,543,860.48	246,909,317.09
Advances from customers	31,408,102.46	678,016.57	81,860,595.37	7,015,577.03
Selling financial asset of repurchase	-	-	-	-
Commission charge and commission payable	-	-	-	-
Employee benefits payable	97,902,654.84	23,704,369.91	107,396,041.96	21,952,780.15
Taxes payable	48,810,807.10	3,459,024.08	36,327,948.81	122,667.32
Interests payable	321,489.00	-	589,050.00	361,845.00
Dividends payable	1,651,617.12	-	-	-
Other payables	247,642,230.49	671,195,632.56	244,895,882.94	263,570,295.56
Reinsurance payables	-	-	-	-
Insurance contract reserve	-	-	-	-
Security trading of agency	-	-	-	-
Security sales of agency	-	-	-	-
Current portion of non-current liabilities	-	-	30,000,000.00	-
Other current liabilities	-	-	-	-
Total current liabilities	4,643,827,438.65	1,566,576,154.33	4,251,753,314.30	1,054,941,170.61
Non-current liabilities:				
Long-term loans	30,000,000.00		30,000,000.00	
Debentures payable				
Long-term payables	43,398.60		46,019.40	
Special payable	2,555,000.00	1,320,000.00	2,555,000.00	1,320,000.00
Provisions				
Deferred income tax liabilities	24,120,811.82	3,773,319.00	25,525,421.76	3,773,319.00
Other non-current liabilities	45,455,791.61		45,478,550.21	
Total non-current liabilities	102,175,002.03	5,093,319.00	103,604,991.37	5,093,319.00
Total liabilities	4,746,002,440.68	1,571,669,473.33	4,355,358,305.67	1,060,034,489.61
Shareholders' equity:				
Share capital	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital surplus	5,030,338.57	13,828,726.93	5,030,338.57	13,828,726.93
Less: Treasury shares	-	-	-	-
Specific reserve				
Surplus reserve	17,573,057.11	17,573,057.11	17,573,057.11	17,573,057.11
General risk provision				
Retained earnings	604,719,390.36	418,536,125.55	511,913,342.00	234,901,348.57
Difference on translation of foreign currency financial statements	-	-	-	-
Total equity attributable to share holders of the Company	915,472,186.04	738,087,309.59	822,666,137.68	554,452,532.61
Minority interest	79,544,646.38	-	55,464,963.74	-
Total shareholders' equity	995,016,832.42	738,087,309.59	878,131,101.42	554,452,532.61
Total liabilities and shareholders' equity	5,741,019,273.10	2,309,756,782.92	5,233,489,407.09	1,614,487,022.22

Income statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.
Unit: RMB

The period from January 1, 2010 to June 30, 2010

Items	Six month ended 30 June, 2010		Six month ended 30 June, 2009	
	Consolidated	Company	Consolidated	Company
I. Total operating income	6,216,124,135.23	878,820,036.10	5,047,344,974.65	757,466,776.66
Including: Operating income	6,216,124,135.23	878,820,036.10	5,047,344,974.65	757,466,776.66
Interest income	-	-	-	-
Insurance gained	-	-	-	-
Commission charge and commission income	-	-	-	-
II. Total operating cost	6,066,352,432.45	893,063,499.98	4,935,351,167.02	762,308,233.99
Including: Operating cost	5,667,040,733.52	837,870,829.36	4,609,554,367.08	718,827,487.61
Interest expense	-	-	-	-
Commission charge and commission expense	-	-	-	-
Cash surrender value	-	-	-	-
Net amount of expense of compensation	-	-	-	-
Net amount of withdrawal of insurance contract reserve	-	-	-	-
Bonus expense of guarantee slip	-	-	-	-
Reinsurance expense	-	-	-	-
Taxes and surcharges	8,634,181.58	510,783.37	6,094,906.54	435,425.94
Selling and distribution expenses	197,065,351.52	24,267,048.59	180,665,640.22	22,428,701.92
Administration expenses	140,631,688.06	23,236,060.60	111,758,743.62	19,227,720.11
Financial expenses – net	37,668,846.21	9,264,750.17	20,974,734.33	615,973.65
Asset impairment losses	15,311,631.56	-2,085,972.11	6,302,775.23	772,924.76
Add: Profit arising from changes in fair value (Loss is listed with “-”)	-	-	-	-
Investment income (Loss is listed with “-”)	9,292,470.38	227,429,131.22	23,255,819.92	195,834,991.30
Including: Share of profit of associates and joint ventures	9,251,229.08	9,251,229.08	8,560,339.50	2,933,485.09
Exchange income (Loss is listed with “-”)	-	-	-	-
III. Operating profit (Loss is listed with “-”)	159,064,173.16	213,185,667.34	135,249,627.55	190,993,533.97
Add: Non-operating income	8,302,512.00	904,633.10	2,291,343.33	25,372.99
Less: Non-operating expenses	847,542.62	1,800.00	248,375.33	16,696.85
Including: Losses on disposal of non-current assets	471,610.41	-	179,478.97	6,568.35
IV. Total Profit (Loss is listed with “-”)	166,519,142.54	214,088,500.44	137,292,595.55	191,002,210.11
Less: Income tax expenses	41,320,797.05	1,638,783.46	34,025,006.74	-
V. Net profit (Net loss is listed with “-”)	125,198,345.49	212,449,716.98	103,267,588.81	191,002,210.11
Attributable to shareholders of the Company	121,620,988.36	212,449,716.98	98,664,296.15	191,002,210.11
Minority interest	3,577,357.13	-	4,603,292.66	-
VI. Earnings per share				
i. Basic earnings per share	0.422		0.342	
ii. Diluted earnings per share	0.422		0.342	
VII. Other comprehensive income	-	-	-	-
VIII. Total comprehensive income	125,198,345.49	212,449,716.98	103,267,588.81	191,002,210.11
Attributable to shareholders of the Company	121,620,988.36	212,449,716.98	98,664,296.15	191,002,210.11
Minority interest	3,577,357.13	-	4,603,292.66	-

Cash Flow Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

The period from January 1, 2010 to June 30, 2010

Unit: RMB

Items	Six month ended 30 June, 2010		Six month ended 30 June, 2009	
	Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services	6,228,666,031.09	950,771,563.38	5,062,055,683.88	851,316,918.82
Net increase of customer deposit and interbank deposit	-	-	-	-
Net increase of loan from central bank	-	-	-	-
Net increase of capital borrowed from other financial institution	-	-	-	-
Cash received from original insurance contract fee	-	-	-	-
Net cash received from reinsurance business	-	-	-	-
Net increase of insured savings and investment	-	-	-	-
Net increase of disposal of transaction financial asset	-	-	-	-
Cash received from interest, commission charge and commission	-	-	-	-
Net increase of capital borrowed	-	-	-	-
Net increase of returned business capital	-	-	-	-
Refund of taxes and surcharges	687,076.01	-	318,538.52	-
Cash received relating to other operating activities	93,876,588.71	19,063,545.41	80,945,381.43	9,309,029.97
Sub-total of cash inflows	6,323,229,695.81	969,835,108.79	5,143,319,603.83	860,625,948.79
Cash paid for goods and services	5,596,440,489.67	794,080,168.78	4,503,050,715.03	721,175,411.43
Net increase of customer loans and advances	-	-	-	-
Net increase of deposits in central bank and interbank	-	-	-	-
Cash paid for original insurance contract compensation	-	-	-	-
Cash paid for interest, commission charge and commission	-	-	-	-
Cash paid for bonus of guarantee slip	-	-	-	-
Cash paid to and on behalf of employees	185,675,698.18	16,118,524.94	177,856,455.27	18,350,407.15
Payments of taxes and surcharges	136,117,990.50	12,587,965.84	94,890,318.90	11,009,193.46
Cash paid relating to other operating activities	188,636,590.64	45,606,788.37	216,493,081.57	23,749,786.02
Sub-total of cash outflows	6,106,870,768.99	868,393,447.93	4,992,290,570.77	774,284,798.06
Net cash flows from operating activities	216,358,926.82	101,441,660.86	151,029,033.06	86,341,150.73

Cash Flow Statement (continued)

Items	Six month ended 30 June, 2010		Six month ended 30 June, 2009	
	Consolidated	Company	Consolidated	Company
II. Cash flows from investing activities:				
Cash received from disposal of investments	-	45,000,000.00	-	-
Cash received from returns on investments	-	32,048,822.01	-	77,532,274.50
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,434,321.08	800.00	5,370,470.44	5,172,565.12
Net cash received from disposal of subsidiaries and other business units	325,415.00	-	59,957,664.50	65,613,100.00
Other cash received relating to other investing activities	-	1,611,038.60	-	-
Sub-total of cash inflows	5,759,736.08	78,660,660.61	65,328,134.94	148,317,939.62
Cash paid to acquire fixed assets, intangible assets and other long-term assets	84,120,920.82	467,045.37	39,040,628.03	1,956,908.40
Cash paid to acquire investments	10,200,000.00	593,660,000.00	-	-
Net increase of mortgaged loans	-	-	-	-
Net cash paid to acquire subsidiaries and other business units	13,693,496.50	36,186,250.63	105,629,510.42	171,581,650.00
Cash paid relating to other investing activities	64,330,110.00	481,252.34	2,067,342.50	17,877,392.31
Sub-total of cash outflows	172,344,527.32	630,794,548.34	146,737,480.95	191,415,950.71
Net cash flows from investing activities	-166,584,791.24	-552,133,887.73	-81,409,346.01	-43,098,011.09
III. Cash flows from financing activities				
Cash received from capital contributions	-	-	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries	-	-	-	-
Cash received from loans	1,062,035,652.93	690,000,000.00	334,449,691.57	140,000,000.00
Cash received from issuance of debentures	-	-	-	-
Cash received relating to other financing activities	-	1,130,772,148.98	219,141,489.35	503,689,875.93
Sub-total of cash inflows	1,062,035,652.93	1,820,772,148.98	553,591,180.92	643,689,875.93
Cash repayments of loans	1,027,077,912.57	727,023,220.37	344,381,770.26	70,000,000.00
Cash payments for interest expenses and distribution of dividends or profits	56,018,809.98	39,053,285.95	62,586,461.96	30,950,376.85
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	-	-	-	-
Cash payments relating to other financing activities	14,562,551.78	611,035,671.52	99,263,914.42	565,286,399.72
Sub-total of cash outflows	1,097,659,274.33	1,377,112,177.84	506,232,146.64	666,236,776.57
Net cash flows from financing activities	-35,623,621.40	443,659,971.14	47,359,034.28	-22,546,900.64
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,709.33	-1,606.51	-28.64	-
V. Net increase in cash and cash equivalents	14,148,804.85	-7,033,862.24	116,978,692.69	20,696,239.00
Add: Cash and cash equivalents at beginning of the period	579,471,913.48	125,541,203.80	381,663,418.93	62,369,583.65
VI. Cash and cash equivalent at end of the period	593,620,718.33	118,507,341.56	498,642,111.62	83,065,822.65

Unit: RMB

[illegible]

to equity																				
3. Others												-26,568,683.87				-9,303,064.31		-4,497,799.33		-40,369,547.51
(IV) Appropriation							-28,814,940.00			-28,814,940.00						17,573,057.11		-46,401,076.97		-4,900,000.00-33,728,019.86
1. Transfer to surplus reserve																17,573,057.11		-17,573,057.11		
2. General risk provision																				
3. Dividends							-28,814,940.00			-28,814,940.00								-28,828,019.86		-4,900,000.00-33,728,019.86
4. Others																				
(V) Transfer within equity												-25,500.00						39,637,448.97		-24,500.0039,587,448.97
1. From capital surplus to share capital																				
2. From surplus reserve to share capital																				
3. From surplus reserve to retained earnings																				
4. Others												-25,500.00						39,637,448.97		-24,500.0039,587,448.97
(VI) Specific reserve																				
1. Accrual																				
2. Utilisation																				
IV. Balance at the end of the period/(year)	288,149,400.00	5,030,338.57			17,573,057.11	604,719,390.36	79,544,646.38	995,016,832.42	288,149,400.00	5,030,338.57				17,573,057.11		511,913,342.00		55,464,963.74	878,131,101.42	

Unit: RMB

[illegible]

to equity																
3. Others										11,319,956.99			-12,781,301.82		-16,085,415.12	-17,546,759.95
(IV) Appropriation							-28,814,940.00	-28,814,940.00					17,573,057.11		-46,401,076.97	-28,828,019.86
1. Transfer to surplus reserve													17,573,057.11		-17,573,057.11	
2. General risk provision																
3. Dividends							-28,814,940.00	-28,814,940.00							-28,828,019.86	-28,828,019.86
4. Others																
(V) Transfer within equity																
1. From capital surplus to share capital																
2. From surplus reserve to share capital																
3. From surplus reserve to retained earnings																
4. Others																
(VI) Specific reserve																
1. Accrual																
2. Utilisation																
IV. Balance at the end of the period/(year)	288,149,400.00	13,828,726.93			17,573,057.11		418,536,125.55	738,087,309.59	288,149,400.00	13,828,726.93			17,573,057.11		234,901,348.57	554,452,532.61

Breakdown of assets impairment

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

Unit: RMB

Item	As at December 31, 2009	Increases	Decreases		As at June 30, 2010
			Reversal	Write-off	
I. Provision for bad debts	47,709,543.35	19,463,511.61	4,350,162.26	3,522,731.89	59,300,160.81
II. Provision for declines in the value of inventories	9,003,148.08	5,707,791.09	4,142,744.12	49,527.81	10,518,667.24
III. Provision for impairment of financial assets available for sales					
IV. Provision for impairment of held-to-maturity investments					
V. Provision for impairment of long-term equity investments	7,689,226.69				7,689,226.69
VI. Provision for impairment of investing properties					
VII. provision for impairment of fixed assets	1,300,000.00				1,300,000.00
VIII. Provision for impairment of engineering materials					
IX. Provision for impairment of construction in progress					
X. Provision for impairment of productive biological assets					
Including: Provision for impairment of mature productive biological assets					
XI. Provision for impairment of oil assets					
XII. Provision for impairment of intangible assets					
XIII. Provision for impairment of goodwill					
XIV. Other					
Total	65,701,918.12	25,171,302.70	8,492,906.38	3,572,259.70	78,808,054.74

1. General information

Shenzhen Accord Pharmaceutical Co., Ltd. ('the Company'), formerly known as Shenzhen Health Mineral Water Co., Ltd., was approved by the People's Government of Shenzhen with SFBF (1993) No.356 document to establish on February 1, 1993 through stock restructure as a company limited by shares. In March 1993, with the approval from the Shenzhen Branch of the People's Bank of China, the Company issued 30 million A-shares (including 16.5 million public shares, 3.5 million employee shares and 10 million corporation shares) and 20 million B-shares. After this issuance, the Company's share capital was Rmb105 million. Through transfer of capital surplus to share capital and bonus issues for years, the share capital of the Company increased to Rmb288,149,400 up to December 31, 2004. The employee shares, domestic public shares and foreign public shares have all been listed on the Shenzhen Stock Exchange.

In November 2000, the Company entered into an Assets Exchange Agreement with Shenzhen Investment Management Company, the original main shareholder of the Company, to exchange all the assets and liabilities of the Company as of August 31, 2000 for Shenzhen Investment Management Company's 100% equity interests in 11 pharmaceutical companies and certain properties as well as 51% equity interests in Shenzhen Tefa Modern Computer Co., Ltd. On December 29, 2000, the above assets exchange proposal was approved by shareholder's voting in the second extraordinary general meeting in 2000. The transaction was completed on January 8, 2001. On June 18, 2001, the Company changed its name to Shenzhen Accord Pharmaceutical Co., Ltd., and belongs to the pharmaceutical manufacturing industry.

On February 18, 2004, the Company's original main shareholder, Shenzhen Investment Management Company, entered into a Stock Transfer Agreement with Sinopharm Group Co., Ltd. (formerly known as Sinopharm Group Medicine Holding Co., Ltd, hereinafter referred to as "Sinopharm Group") to transfer its 43.33% shares in the Company to Sinopharm Group. The legal procedures of the above equity transfer were completed on December 9, 2004. At the same time, as approved by GZCQ (2004) No.525 document from the State-owned Assets Supervision and Administration Commission of the State Council and ZJGSZ (2004) No.94 document from the China Securities Regulatory Commission, the nature of these shares was transferred from state-owned stock to state-owned legal entity stock and Sinopharm Group became the top shareholder of the Company.

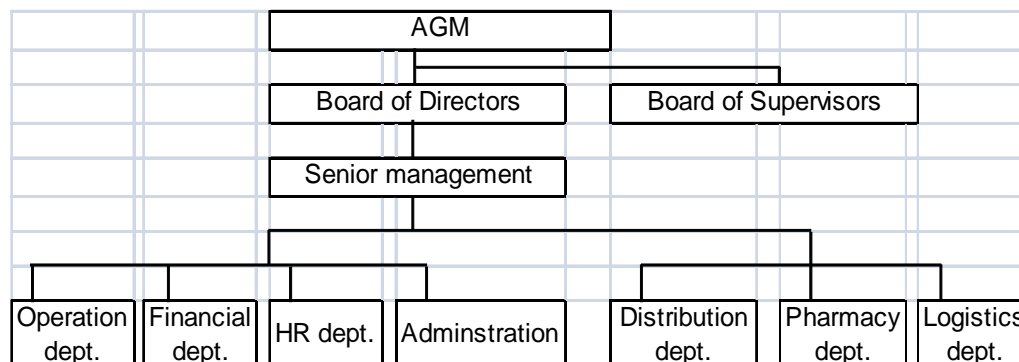
On April 14, 2006, the Company's proposal on reformation of segregated stocks was approved. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of April 27, 2006, the Company issued bonus shares on April 28, 2006 at the ratio of 3 shares to every 10 A-shares to liquidated A-share holders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of share holdings. As at June 30, 2010, there were 288,149,400 shares in total and all are shares without selling restriction.

The Company is registered with Shenzhen Administration for Industry & Commerce. Its business license number is 440301103040048 and the serial number of the license is N24657. The operation period of the Company is from August 2, 1986 to August 2, 2036. The registered capital of the Company is Rmb288,149,400. The legal representative of the Company is Shi Jinming.

The scope of business of the Company includes: wholesale of Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (including vaccines); trade of health food; research, development and consultation services of pharmaceutical packaging materials and pharmaceutical industry products; investment on setting up entities (application on projects separately); domestic trading and supplies (excluding solely licensed, solely controlled or monopolized products); category III disposable bacterial-free medical treatment instruments; equipments and instruments for operation units, emergency units and diagnosis units, medical macromolecule materials and products, clinical check up and analysis apparatus and diagnosis reagents, medical sutures and bonds, oral section materials, medical assay and basic equipments and instruments; category II medical electronic equipment, medical X-ray appurtenances and parts, medical ultrasonic instruments and relevant equipments, antiseptis and antibacterial equipments and instruments, medical sanitation materials and dressings; import and export business (excluding the items banned by

laws, administrative regulations, or the State Council. The restricted items can only be traded after obtaining a license).

The Company is incorporated in Shenzhen, China. The address of its registered office is Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong. The company's basic organizational structure is:



2 Summary of significant accounting policies and accounting estimates

2.1 Basis for the preparation

The Company adopted the Accounting Standards for Business Enterprises (comprising one basic standard and 38 specific standards) promulgated by the Ministry of Finance on 15 February 2006, the application guidance and interpretation to the Accounting Standards for Business Enterprises and other relative regulations subsequently promulgated by Ministry of Finance (here in after collectively as referred to the "CAS").

2.2 Statement of compliance with the Accounting Standards for Business Enterprises

The consolidated financial statements of the Company and its subsidiaries (the "Group") for the reporting period truly and completely present the financial position of the Group and the Company as of June 30, 2010 and the operating results and cash flows of the Group and the Company for the six months then ended in accordance with the CAS.

2.3 Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

2.4 Recording currency

The recording currency is Renminbi ("RMB").

2.5 Business combination

(a) Business combinations involving enterprises under common control

The assets and liabilities that the Company obtained in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the Company shall, including the expenses for audit,

assessment and legal services, be recorded into the profits and losses at the current period.

The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

Where the accounting policy adopted by the combined parties is different from that adopted by the Company, the Company, according to accounting policy it adopts, adjust the relevant items in the financial statements of the combined parties, and shall, pursuant to the CAS, recognize them on the basis of such adjustment.

(b) Business combinations involving enterprises not under common control

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The Company shall distribute the combination costs on the acquisition date.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. When the combination costs are less than the fair value of the identifiable net assets it obtains from the acquiree, the balance should be recorded into the profits and losses of the current period.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the Company and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value. As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations are likely to result in any out-flow of economic benefits from the Company, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall be separately recognized as liabilities and shall be measured in light of their fair values.

2.6 Preparation of consolidated financial statements

The scope of the Company's consolidated financial statements is determined based on control. All subsidiaries are included in the scope of consolidation.

The accounting policies, accounting period adopted by consolidated subsidiaries included in the scope of the consolidated financial statements are in line with those by the company. As a subsidiary adopted inconsistent accounting policies, accounting period with the Company, the necessary adjustments should be made based on the accounting policies, accounting period of the Company when preparing the consolidated financial statements.

The consolidated financial statements are prepared by the parent company based on the individual financial statements of the parent company as well as the subsidiaries included in the scope of consolidation, with reference made to other relevant information and after adjustment to the investments in subsidiaries under equity method.

During consolidation, influence of insider transactions took place between the Company and each subsidiary, and subsidiaries on consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity will be offset.

Where losses applicable to the minority exceed the minority interest in the beginning equity of the relevant subsidiary, the excess, deducts from owners' equity of the Company unless there is no requirement that the minority has a binding obligation to losses in the Company's Article or Agreement.

On the contrary, there is requirement that the minority has a binding obligation to losses in the Company's Article or Agreement, the excess deducts from minority shareholders' equity.

During the reporting period, where subsidiary increases in a business combination under the common control, the opening consolidated balance sheet should be adjusted. Income, expenses, profit, in the course of the beginning of the combination to the end of the reporting period, will be incorporated in the consolidated income statement. Cash flow statement in the corresponding period will be incorporated in the consolidated cash flow statement.

During the reporting period, where subsidiary increases in a business combination not under the common control, the opening consolidated balance sheet should not be adjusted. Income, expenses, profit, in the course of date of acquisition to the end of the reporting period, will be incorporated in the consolidated income statement. Cash flow in the corresponding period will be incorporated in the consolidated cash flow statement.

During the reporting period, where the Company disposes of a subsidiary, income, expenses, profit, in the course of the beginning of the period to the date of the disposal, will be incorporated in the consolidated income statement. Cash flow in the corresponding period will be incorporated in the consolidated cash flow statement.

2.7 Cash and cash equivalents

In preparing the cash flow statement, cash on hand and deposits that are available for payment at any time are confirmed as cash. The cash equivalents of the Company refers to short-term and highly liquid investments(it usually expires within three months from the purchase date) that are readily convertible to know amount of cash and which are subject to an insignificant risk of change in value.

2.8 Foreign currency translation

Foreign currency transactions are translated into RMB for recording purpose at the exchange rate on the first day of the period when the transaction occurs.

The balance of foreign currency accounts is translated in accordance with the exchange rate prevailing on the balance sheet date. The translation differences arising from those specific borrowings are to be capitalized. Translation differences arising from other accounts are accounted into current profit or loss. Value of non currency item recorded at historical cost by foreign currency is translated in accordance with the exchange rate prevailing on the date of transaction, without changes in the value of its recorded currency. Value of non currency item recorded at fair value by foreign currency is translated in accordance with the exchange rate prevailing on fair value confirm date, with the translation differences accounted into current profit or loss, or capital surplus.

2.9 Financial instruments

Financial instruments comprise financial assets, financial liabilities and equity instruments.

(a) Classification of financial instruments

Based on the purpose of obtaining the financial assets and assuming the liabilities, financial assets or financial liabilities may be classified into: the financial assets or financial liabilities that are calculated in the fair values and whose changes are accrued to current profit and loss, including the financial assets held for trading or financial liabilities (and financial assets, financial liabilities which are measured at their fair values and of which the variation is included in the current profits or losses); the held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

(b) Recognition and measurement of financial instruments

- (1) The financial assets or financial liabilities that are calculated in the fair values and whose changes are accrued to current profit and loss

The fair values (excluding cash dividends that have been declared but have not been distributed and bond interests that have exceeded the expiry dates but have not been drawn) are deemed as the initial confirmation amount on acquisition. Relevant transaction expenses are charged to profit and loss of the period.

The interests or cash dividends obtained during the holding period are recognized as investment income. Change of fair values is charged to profit and loss of the period at the year end.

Difference between the fair value and initial book value is recognized as investment income upon disposal. Adjustment is made to gain or loss from changes in fair values.

- (2) Held-to-maturity investments

The fair values (excluding bond interests that have exceeded the expiry dates and have not been drawn) and relevant transaction expenses are deemed as the initial recognition amount.

During the holding period, interest income is recognized as investment income based on the amortized cost and actual interest rate (if the difference between the actual interest rate and the nominal interest rate, calculation is based on the nominal interest rate). The actual interest rates are determined upon acquisition and remain unchanged during the expected holding period or a shorter period applicable.

Difference between the amount received and book value of the investment is charged to profit and loss of the period upon disposal.

- (3) Receivables

For the receivables from sales of goods or rendering of services and other debt instruments of other corporations except for those quoted in active market held by the Company, including: accounts receivable, other receivables, notes receivable, advances to suppliers, etc, the prices specified in the contracts or agreements with the purchasers are deemed as the initial recognition amount.

Difference between the amount received and book value of the receivables is charged to profit or loss of the period upon recovery or disposal.

- (4) Available-for-sale financial assets

The fair values (excluding cash dividends that have been declared but have not been distributed and bond interests that have exceeded the expiry dates but have not been drawn) and relevant transaction expenses are deemed as the initial recognition amount.

The interests and cash dividends generated during the holding period are recognized as investment income. At year end, available-for-sale financial assets are calculated in the fair values and the changes in fair values are recorded in the capital reserves (other capital reserves).

Difference between the amount received and the book value of the financial assets is recognized as investment gain or loss upon disposal. At the same time, the accumulated changes in fair value previously recognized in the owner's equity are transferred into investment gain or loss.

- (5) Other financial liabilities

The fair value and relevant transaction expenses are the initial recognition amount. The subsequent calculation adopts the amortized cost method.

- (c) **Recognition and measurement of transform of financial assets**

The Company should terminate recognizing these financial assets when the almost all risk and return of

the financial assets ownership have been transferred to the transferee; The Company should not terminate recognizing this financial assets if almost all risk and return of the financial assets ownership have been remained.

Substance is over form when judging whether the transform meets the requirements of the financial assets termination mentioned above. The Company divides the transform of financial assets into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following two items shall be recorded in the profit and loss of the current year:

- (1) The book value of the transferred financial asset;
- (2) The total consideration received from the transfer, and the accumulative amount of the changes in the fair values originally recorded in the owner's equities (in the case that the financial asset involved in the transfer is an available-for-sale financial asset).

(c) Recognition and measurement of transform of financial assets

For partial transfers of financial assets that meet the recognition conditions of termination in recognition, the book value of the whole financial assets are split into the terminated portion and the exterminated portion according to their respective relative fair values (under this situation, the retained service assets are deemed as a part of the exterminated financial assets), and the difference between the following two items shall be recorded in the profit and loss of the current year:

- (1) Book value of the terminated portion
- (2) The total consideration of the terminated portion and the accumulated changes in fair value previously recognized in the owner's equity related to the terminated portion (in the case that the assets transferred are available-for-sale financial assets)

For transfers of financial assets that do not meet the criterias of termination, the financial assets remain recognition and the consideration received is recognized as financial liabilities.

(d) Termination of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the the financial liability be derecognized in all or partly. Where an enterprise (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize the new financial liability.

Where an enterprise makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall derecognize the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where a financial liability is totally or partially derecognized, the enterprise concerned shall include into the profits and losses of the current period the differences between the carrying amount of the derecognized financial liability and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed should be charged to the income statement).

Where the Company repurchased part of its financial liabilities, it shall distribute, on the repo day, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the noncash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

(e) **Measurement on fair values of financial assets and financial liabilities**

For the active financial assets or financial liabilities in the market, the Company will use the quotations as their fair values.

(f) **Impairment loss on financial assets**

(1) **Impairment of available-for-sale financial assets:**

At the year end, when the fair values of the available-for-sale financial assets decline significantly, or the trend of the decline is expected to be non-temporary after consideration of all relevant factors, the assets are deemed impaired and impairment loss is recognized together with the amount transferred from the accumulated decreases in fair values previously recognized in the owner's equity.

(2) **Impairment of held-to-maturity financial assets:**

The treatment of impairment loss on held-to-maturity investments is in line with the impairment loss of the receivables.

2.10 Accounts receivable

(a) **Recognition and provision of bad debt provision on receivable accounts with significant amount**

Debtors with significant balance refer to those with individual amount over RMB5 million.

Individual impairment test will be performed. Differences between its future cash flow and carrying amount are charged to the income statement.

(b) **Recognition and providing of bad debt provisions on receivable accounts individually with insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic**

Debtors with insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic refer to those insignificant debtors aged over 3 years. The specific provision ratio refer to provision ratio of account receivables and other receivables with age of 3 years or above in aging analysis method.

(c) **Rate of bad debt provisions provided on account ageing basis**

Ageing	Rate for accounts receivables (%)	Rate for other receivables (%)
Within 1 year	-	-
1 to 2 years	5	5
2 to 3 years	10	10
More than 3 years	20	20

2.11 Inventories

(a) **Categories of inventories**

Inventories include raw materials, packaging materials, low-value consumption goods, consigned processing materials, work in progress, finished goods and goods in transit.

(b) **Costing method of inventories**

Inventories are recognized upon delivery at the end of each month, using weighted average method at the end of the month.

(c) Recognition basis of realizable net value of inventory and providing basis of inventory provision

At the end of the year, after overall check of the inventory, draw or adjust provision for inventory devaluation according to the lower of the cost of inventory and net realizable values of inventory.

In normal operation process, net realizable values of commodities inventories for direct sales including finished goods, commodities and materials for sales are determined by the estimated selling prices minus the estimated selling expenses and relevant taxes and fees; In normal operation process, net realizable values of materials that need further processing are determined by the estimated selling prices of the finished goods minus estimated cost to completion, estimated selling expenses and relevant taxes. For the inventory held to implement sales contract or work contract, its net realizable value is calculated on the basis of contract price. For the balance of inventory beyond the amount of the sales contract, its net realizable value is calculated on the basis of general selling price.

Provision for inventory devaluation is provided for based on individual inventory item at end of the year. For inventory that has large quantity and low unit price, the provision for inventory devaluation is provided for based on categories of the inventory. For inventory related to the products manufactured and sold in the same district, with same or similar use or purpose, and difficult to account for separately from other items, the provision for inventory devaluation is provided for on an combined basis.

When the factors that influence the decreased bookkeeping of inventory value have disappeared, switch back from the provision for inventory devaluation amount that previously appropriated and the amount that switched back is charged to profit and loss of current year.

(d) System of stock inventories

The perpetual inventory system is adopted.

(e) Amortizing basis of low-value consumable materials

Low-value consumables are amortized on one-off basis.

2.12 Long-term Equity Investment

(a) Initial Recognition

(1) Long-term equity investment caused by the enterprise merger

In case the long-term equity investment are made to obtain the equities of the enterprises under the same control and the Company pays the cash, transfers the non-cash assets or bears the liabilities as the consideration for the merger, the book value share on the merging date to obtain the owners' equities of the merging party will be deemed as the initial investment cost of long-term equity investment. The difference between the initial investment cost of long-term equity investment and paid cash, transferred non-cash assets and book values of liabilities will be supplemented by the capital reserve; in case the capital reserve is not enough, the remaining gains will be adjusted. All direct expenses related to the enterprise merger, including the auditing expense, evaluation expense, legal service expense, etc will be accrued to the current profit and loss.

(a) Initial Recognition (continued)

In case the long-term equity investment are made to obtain the equities of the merging enterprises which are not under the same control, the merger cost will be the paid assets, existing liabilities and fair values of the issued equity securities on the purchasing date to purchase the control right of such enterprises., and all the direct expenses related to the enterprise merger. In case the enterprise merger is realized through several steps of exchanges and transactions, the merger cost will be the sum total of the merger cost of every single transaction. In case the future events which may affecting the merger cost are agreed on in the merger agreement, the future events on the purchasing date, which will probably occur and whose influences on merger cost can reliably measured in value, shall be accrued

to the enterprise merger cost.

(2) Other long-term equity investments

In case the cash investment is made to obtain the long-term equity, the actual payment amount will be deemed as the initial investment cost.

The initial investment cost also includes the direct expenses related to the long-term equity investment, taxes and other necessary expenses.

In case the long-term equity investment is made by issuing the equity securities, the fair values of issued equity securities will be deemed as the initial investment cost.

For the long-term equity investment made by the investors, the values agreed in the investment contracts or agreements (with the already announced but not distributed cash dividend or profits deducted) will be deemed as the initial investment cost, except that the contracts or agreements provide that the values are not fair.

In case the long-term equity investment is made by exchanging the non-currency assets, and this exchange has the commercial substance and the fair values of said assets can be reliably calculated, the fair values of the out-coming assets will be deemed as the initial investment cost, unless there are solid evidences indicating the fair values of the incoming assets are more reliable; in case the non-currency asset exchange does not meet the above two premises, the book values of the assets and relevant taxes will be deemed as the initial investment cost of the incoming long-term equity investment.

In case the long-term equity investment is made by the mode of liability restructure, the fair values of the obtained equities will be deemed as the initial investment cost.

(b) Subsequent measurement and income recognition

(1) Subsequent measurement

The Company's long-term equity investments in subsidiaries are accounted for by the cost method and adjusted according to the equity method when preparing consolidated financial statements.

Long-term equity investment when the Company has neither joint control nor significant influence in the invested companies and there is no quotation available on the active market, and the fair value of which cannot be reliably measured are accounted for under the cost method.

Long-term equity investment which the Company has joint control or significant influence is recorded under the equity method. The difference of cost of initial investment in excess of the proportion of the fair value of the net identifiable assets in the invested companies is not adjusted against the initial cost of long-term equity investment. The difference of cost of initial investment in short of the proportion of the fair value of the net identifiable assets in the invested companies is charged into the current profit and loss statement.

(b) Subsequent measurement and income recognition (continued)

(1) Subsequent measurement (continued)

Treatment of other equity changes except for net profit or loss in the invested companies: For other equity changes except for net profit or loss in the invested companies, if the proportion of investments remain unchanged, the Company calculates the proportion it shall enjoy or bear and adjust book value of long-term equity investment, and increase or decrease capital surplus – other capital surplus at the same time.

(2) Income recognition

Under the cost method, in addition to the purchase price actually when acquiring investment or the profits or cash dividends declared to distribute in the payment, the Company shall, in accordance with the profits or cash dividends declared to distribute, recognize the investment profits or losses.

Recognition of share of losses of the invested companies under the equity method is treated in the following steps: First, reduce the book value of the long-term equity investment. Second, when the book value is insufficient to cover the share of losses, investment losses are recognized up to a limit of book values of other long-term equity which form net investment in substance by reducing the book value of long term receivables, etc. Finally, after all the above treatments, if the Company is still responsible for any additional liabilities in accordance with the provisions stipulated in the investment contracts or agreements, estimated liabilities are recognized and charged into current investment loss according to the liabilities estimated.

If the invested company achieve profit in subsequent periods, the treatment is in the reversed steps described above after deduction of any unrecognized investment losses, i.e., reduce book value of estimated liabilities recognized, restore book values of other long-term equity which form net investment in substance, and in long-term equity investment, and recognize investment income at the same time.

(c) Judgment criteria of joint control and significant influence in the invested companies

If, in accordance with provisions in the contracts, the Company enjoys joint control over certain economic activities only when taking part in significant financial and operational decisions with investors in need of share of control who unanimously agree, the Company is deemed to enjoy joint control with other parties over the invested companies. If the Company is authorized to take part in decision making with regard to the financial and operational policies, but is unable to control or control jointly with other parties over the invested company, the Company is deemed to be able to exercise significant influence over the invested companies.

(d) Impairment test method and provision method

Under significant influence, the long-term equity investments which are not quoted in the active market or whose fair values cannot be reliably calculated, the depreciation loss will be determined based on the difference between the book values and current values determined by the discounting of future cash flow in line with the current market return rate of similar financial assets.

For the other long-term equity investments in addition to goodwill in business combination, which has signs of possible impairment exist, in case the calculation results of receivable amounts indicate that the receivable amount of this long-term equity investment is less than their book values, the difference will be confirmed as the asset depreciation losses. Once the depreciation loss of long-term equity investment is confirmed, they will not be reversed.

Impairment tests are performed on goodwill arises from business combinations regardless of whether signs of possible impairment exist.

Once the depreciation loss of long-term equity investment is confirmed, they will not be reversed.

2.13 Investment properties

Investment properties are defined as the properties with the purpose to earn rent or capital appreciation or both, including rented land use rights, land use rights which are held and prepared for transfer after appreciation and rented buildings.

The Company adopts the cost model to value investment properties. For investment properties for lease accounted for under the cost model, the same depreciation policies as those of the Company's fixed assets are adopted. For land use rights for lease, the same amortization policies as those of the intangibles are adopted. For those suffer impairment losses, the Company estimates their recoverable value. If the recoverable value is lower than its book value, relevant impairment loss is recognized.

Once the asset impairment loss is recognized, it is not allowed to be reversed for the value recovered in the subsequent periods.

2.14 Fixed assets

(a) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes; they have useful lives over one fiscal year. And they shall be recognized only when both of the following conditions are satisfied:

- (1) It is probable that economic benefits associated with the assets will flow to the enterprise; and
- (2) The cost of the fixed assets can be measured reliably.

(b) Depreciation of fixed assets

Depreciation of fixed assets is provided for on a straight-line basis. The depreciation rate is determined in accordance with category, estimated useful lives and estimated residual values of fixed assets.

Fixed assets improvements expenses that meet the criteria of capitalization are depreciated on an individual basis over the interval of two renovations or remaining useful life of the fixed assets, whichever is shorter.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

Category	Estimated useful life (year)	Estimated net residual value rate (%)	Annual depreciation rate(%)
Buildings	20-35	5	2.71-4.75
Machinery equipment	10-14	5	6.79-9.5
Transportation equipment	5-10	5	9.5-19
Other equipment	5-10	5	9.5-19
Fixed assets improvements	Within 5	-	Above 20%

(c) Impairment test method and provision method of fixed assets

For fixed assets, the Company assesses whether signs of possible impairment exist at end of each year.

For fixed assets with signs of impairment, recoverable amounts are estimated. Recoverable amounts are determined as the fair value of the fixed assets after netting off costs of disposal, and the current value of projected future cash flows generated by the fixed assets, whichever is higher.

When the recoverable amount of a fixed asset is lower than the book value of the fixed asset, the book value of the fixed asset is reduced to its recoverable amount. The amount reduced is recognized as impairment loss on fixed assets in the current profit and loss statement, and provision for impairment loss on fixed assets is recorded at the same time.

Future depreciation of fixed assets is adjusted after recognition of impairment loss so that the adjusted book value of the fixed assets (after the deduction of estimated residual value) is amortized systematically over their remaining useful life.

Impairment loss on fixed assets shall not be reversed once recognized.

Where there is any evidence indicating a possible impairment of fixed assets, the Company shall, on the basis of single item fixed assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group fixed assets on the basis of the fixed asset group to which the fixed asset belongs.

(d) Finance lease

Where a lease agreement articles signed by the Company and a lessor satisfy one or more of the following criteria, it shall be recognized as a finance lease:

- (1) The ownership of the leased asset is transferred to the Company when the term of lease expires.
- (2) The Company has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable.
- (3) The lease term covers the major part of the use life of the leased asset.
- (4) In the case of the lessee, there is no significant difference between the present value of the minimum lease payments on the lease beginning date and the fair value of the leased asset on the lease beginning date.

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

2.15 Construction in progress

(a) Classification of construction in progress

The Construction in progress will be calculated based on the classification of proposed projects.

(b) Transfer standard and time of construction in progress to fixed assets

For the construction in progress, all expenses occurring before they are ready for the use will be the book values as the fixed assets. In case the construction in progress has been ready for use but the final accounts for completion have not been handled, from the date when such projects has been ready for use, the Company will evaluate the values and determine the costs based on the project budgets, prices or actual costs of projects, etc, and transfer them into fixed assets. The depreciation amount will also be withdrawn in accordance with the Company's depreciation policy of fixed assets. When the final accounts for completion are handled, the Company will adjust the originally evaluated values subject to the actual costs, but will not adjust the withdrawn depreciation amount.

(c) Impairment test method and provision method of construction in progress

For construction in progress, the Company assesses whether signs of possible impairment exist at end of each year.

For construction in progress with signs of impairment, recoverable amounts are estimated. Recoverable amounts are determined as the fair value of construction in progress after netting off costs of disposal, and the current value of projected future cash flows generated by construction in progress, whichever is higher.

When the recoverable amount of construction in progress is lower than the book value of construction in progress, the book value of construction in progress is reduced to its recoverable amount. The amount reduced is recognized as impairment loss on construction in progress in the current profit and loss statement, and provision for impairment loss on construction in progress is recorded at the same time.

Impairment loss on construction in progress shall not be reversed once recognized.

Where there is any evidence indicating a possible impairment of construction in progress, the

Company shall, on the basis of single item construction in progress, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group construction in progress on the basis of the construction in progress group to which the construction in progress belongs.

2.16 Loan expenses

(a) Principle of capitalization of loan expenses

In case the loan expenses occurring in the Company may directly be attributable to the construction and productions of assets complying with the capitalization conditions, they will be capitalized and accrued to the relevant capital costs; other loan expenses will be confirmed as the expenses based on the actual amount in the time of occurrence and accrued to the current profit and loss.

The assets complying with the capitalization conditions mean the assets such as fixed assets, real estates for investment and inventory, etc that need a long time of construction and production activities before being ready for use or for sales.

The loan expenses begin to be capitalized under the following circumstances:

- (1) The asset payments that have been made include the payments such as the paid cashes, transferred non-currency assets or borne liabilities with the interests to construct or produce the assets complying with the capitalization conditions;
- (2) The loan expenses have occurred;
- (3) The necessary construction or production activities to make the assets ready for use or sales have been launched.

(b) Capitalization period of loan expenses

The capitalization period refers to the time from the starting of the capitalization of loan expenses to the ending of the capitalization, excluding the time of suspension of capitalization.

The capitalization of loan expenses for the assets that have been constructed or produced and are ready for use or sales will be stopped.

In case some of the projects for the assets complying with the capitalization conditions have been completed and are ready for use separately, the capitalization of loan expenses for these projects will be stopped

Where each part of a asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

(c) Suspended of capitalization period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

(d) Calculation of capitalized loan expenses

For interests (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general

borrowing by multiplying the weighted average asset disbursement (average at the ending balance of every month) of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

2.17 Intangible assets

(a) Measurement of intangible assets

(1) Initial measurement at cost method

Intangible assets are recorded at the actual cost on acquisition.

The cost of intangible assets purchased includes purchase price, related tax, other expenses attributable to the assets that arise before the assets are completed and put into use. For those the price of intangible assets deferred paid exceed normal credit condition so substantively has financing character, the cost of intangible assets is confirmed on the basis of present value of purchasing price.

For intangible assets formed through obtaining them by the debtor paying for debt in debt restructure, recognize its recording value as fair value of the intangible assets, and record the difference between the carrying amounts of debt restructure and the intangible assets used for paying debt into profit and loss of the current year.

In the circumstance of the non monetary assets exchange has commercial nature and fair value of surrendered or received assets can be measured reliably, recording value of received assets should be recognized as fair value of surrendered assets unless there is clear evidence to indicate that fair value of received assets is more reliable; for non monetary assets exchange which doesn't meet the requirement of premise mentioned above, cost of received assets should be recognized as carrying amount and related tax expenses payable of surrendered assets and should not be recognized as profit and loss.

The book values of intangible assets to be obtained by the absorption merger from the enterprises which are under the same control will be determined based on the book values of merging party; the book values of intangible assets to be obtained by the absorption merger from the enterprises which are not under the same control will be determined based on their fair values.

The cost of intangible asset internal developed includes consumed materials, service expenses incurred, registered fees, amortization of patent and franchise, capitalize loan expenses and other direct expenditure incurred.

(2) Subsequent measurement

The Company should estimate the useful lives of the intangible assets when initially obtained.

An intangible asset with a finite useful life is amortized using the straight line method within the period during which they can bring economic benefits to enterprises; in case it's impossible to evaluate the period during which the intangible assets can bring economic benefits to enterprises, it will be deemed that the usage life of such intangible assets is uncertain and amortization is unavailable.

(b) Useful life and amortization of intangible assets

Category	Useful lives
Software	within 5 years
Trademarks	over beneficial period and within 5 years
Land use rights	The shorter between useful period stipulated in the certificate and operation period of the Company

Proprietary technology	useful period stipulated in the certificate and within 5 years
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At the end of each year, the Company will recheck the usage life of intangible assets with the limited usage life and amortization method will be rechecked.

After the rechecking, no changes have occurred to the usage life of intangible assets and amortization method.

(c) Determination basis of uncertain useful life of intangible assets

At the end of each year, the Company will recheck the usage life of intangible assets with no limited usage life and amortization method will be rechecked.

After the rechecking, the usage life of intangible assets is also uncertain.

(d) Impairment test on intangible assets and providing of impairment provision

Intangible assets with uncertain useful life are tested for impairment at each period end.

Intangible assets with finite useful life are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Once the asset impairment loss mentioned above is recognized, it is not allowed to be reversed for the value recovered in the subsequent periods. A provision for asset Impairment is determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined.

(e) Classification standard of research phase and development phase expenses for its internal research and development projects

Research phase: refers to the phase that the creative and planned investigation and research to acquire and understand new scientific or technological knowledge.

Development phase: refers to the phase that the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

The research expenditures for its internal research and development projects of an enterprise shall be recorded into the profit or loss for the current period.

(f) Specific standard of research phase expenses eligible for capitalization

Expenditure on the development phase is capitalized only if all of the following conditions are satisfied:

- (1) it is technically feasible to complete the intangible asset so that it will be available for use;
- (2) management intends to complete the intangible asset and use or sell it;
- (3) it can be demonstrated how the intangible asset will generate economic benefits;
- (4) adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

2.18 Long-term prepaid expenses

(a) Amortization method

Long-term prepaid expenses are amortized evenly over the beneficial period.

(b) Amortization period

- (1) Prepaid rental of leasehold improvement for operation is amortized evenly over the period stipulated in the leasing contract;
- (2) Leasehold improvement for operation on leased property is amortized evenly over the remaining leasing period or the remaining useful life whichever is shorter.

2.19 Provisions

When the company involved in litigation, debt guarantees, loss of contracts, restructuring matters, in case it is likely to cause to deliver assets provide services and the amount of the obligation can be measured in a reliable way, the amount will be recognized as an estimated debt if it can be reliably measured.

(a) Recognition

The obligation pertinent to a Contingency shall be recognized as an estimated debt when the following conditions are satisfied simultaneously:

That obligation is a current obligation of the Company.

It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation.

The amount of the obligation can be measured in a reliable way.

(b) Measurement

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, the Company shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations, respectively:

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range.

If there is not a sequent range for the necessary expenses, or there is a sequent range for the necessary expenses but the likelihood of various outcomes are not the same, if the Contingencies concern a single item, it shall be determined in the light of the most likely outcome. If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

2.20 Revenue

(a) Income from sales of goods

Revenue from the sale of goods is recognized when the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods; the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be reliably measured; it is probable that the economic benefits associated with the transaction will flow to the enterprise; and the relevant costs that have already

occurred or are going to occur can be measured reliably.

(b) Income from transferring assets use rights

In case the economic benefits related to the transaction will probably flow into the enterprise and the income amounts can be reliably calculated, the Company will determine the income amount about use right of transferred assets by the following means:

- (1) The interest income amount will be calculated and determined based on the use time of currency capital from the Company by others and actual interest rate.
- (2) The income amount of use expenses will be calculated and determined subject to the charging time and method agreed in the relevant contracts and agreements.

2.21 Government subsidies

(a) Category

A government subsidy means the monetary or non-monetary assets obtained free by the Company from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

(b) Accounting treatment

The government subsidies pertinent to assets, such as fixed assets or intangible assets, etc, shall be recognized as deferred income and included in non-operating profit.

The government subsidies pertinent to incomes used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in non-operating profit during the period when the relevant expenses are recognized. Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in non-operating profit.

2.22 Deferred income tax assets and deferred income tax liabilities

(a) Deferred income tax assets

An enterprise shall recognize the deferred income tax assets from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference.

(b) Deferred income tax liabilities

An enterprise shall recognize the taxable temporary differences of the current period and prior periods as deferred income tax liabilities, excluding the taxable temporary differences comes from business reputation, transaction which is not business combination and the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected at the time of transaction.

2.23 Operating leases

Accounting Treatment of Operating lease

(1) The rents paid by the Company for leasing assets shall be amortized by using the straight-line method over each period of the lease term (does not deduct rent-free period) and recorded in the profits and losses of the current period. The initial direct costs incurred related to lease transactions shall be recognized as the profits and losses of the current period. If lessor of assets assumes expenses associated with the lease, which should be assumed by the Company, the cost shall be deducted from the total amount of rents. The Company shall amortize the rent after deducting the cost over the lease term and recognized as the profits and losses of the current period.

(2) The rents received by the Company for leasing assets shall be amortized by using the straight-line method over each period of the lease term (does not deduct rent-free period) and recorded

as leasing earning in the current period. The initial direct costs incurred related to lease transactions shall be recognized as the profits and losses of the current period. Where the amount is significant, it shall be capitalized and recorded in the profits of the current period on the same basis of recognizing lease earning.

If the Company assumes expenses associated with the lease, which should be assumed by lessee, the cost shall be deducted from the total amount of rents. The Company shall amortize the leasing earning after deducting the cost over the lease term and recognized as the profits and losses of the current period.

2.24 Changes in significant accounting policies and accounting estimations

There is no significant accounting policies and accounting estimations changes for the period ended June 30, 2010.

2.25 Correction of accounting errors

There is no correction of prior year accounting error.

3 Taxation

3.1 Main types and rates of taxes

Type	Taxable base	Tax rate
Value added tax	Sales revenue of the products	17%, 13%, 6%, 0%
Business tax	Leasing income, storage income etc.	5%
Business tax	Transportation and conveyance incomes	3%
Urban maintenance and construction tax	Amount of turnover tax	1% or 7%
Education surcharge	Amount of turnover tax	3% or 4%
Corporate Income tax	Taxable income	15%、22% or 25%

3.2 Tax reduction

In accordance with SKX [2008] No. 325 document, Shenzhen Zhijun Pharmaceutical Co., Ltd (hereinafter referred to as 'Zhijun Pharm'), a subsidiary of the Company, enjoys beneficial state tax policy of a reduced corporate income tax rate of 15%, for being granted the title of High-tech Company.

In accordance with TKZ[2009] No. 33 document, Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd (hereinafter referred to as 'Zhijun Wanqing'), a subsidiary of the Company, enjoys beneficial state tax policy of a reduced corporate income tax rate of 15%, for being granted the title of High-tech Company.

In accordance with GF [2007] No. 39 document, since January 1, 2008, enterprises which enjoy beneficial low tax policies shall be subject to the statutory tax rate five years after the implementation of the new tax law, among which: enterprises that enjoy a tax rate of 15% will be subject to 22% in 2010. Therefore, the Company and its subsidiaries, Shenzhen Zhijun Pharmaceutical Trade Co., Ltd(hereinafter referred to as 'Zhijun Trade'), Shenzhen Accord Pharmaceutical Material Co., Ltd(hereinafter referred to as 'Accord Material'), Shenzhen Jianmin Pharmaceutical Co., Ltd(hereinafter referred to as 'Jianmin Pharm'), Shenzhen Accord Pharmaceutical Logistics Co., Ltd(hereinafter referred to as 'Accord Logistics') and Shenzhen Yanfeng Medical Co., Ltd(hereinafter referred to as 'Yanfeng Medical'), are subject to a tax rate of 22%.

Guangdong Accord Pharmaceutical Vocational Skills Training Center (hereinafter referred to as 'Training Center') belongs to the education industry and tax applicable is calculated by 10% of income and then corporate income tax is subject to a tax rate of 25%.

4 Business combination and the consolidated financial statements
Figures in this section are in RMB '0000 unless otherwise stated.

4.1 Subsidiaries

(a) Subsidiaries acquired through business combination under the same control

Full name of subsidiaries	Enterprise Type	Registered place	Principal activities	Registered capital	Principal business	Period-End balance of investment	Other assets constitute investment in substance	Attributable equity interest (%)	Voting right (%)	Consolidated or not	Minority interest
Zhijun Pharm	Limited company	Shenzhen	Industry	20,000	Original chemical medicine manufacture, Chinese patent medicine processing, chemical raw material of medicine, the imports and exports business which transacted according to examined and approved certificate	23,706.17		100	100	Yes	
Jianmin Pharm	Limited company	Shenzhen	Commercial industry	500	Wholesale of chemical agent, antibiotics agent, chemical and biological agent, blood products, raw material of chemical product, Chinese medicine and diagnosis products	5,348.29		100	100	Yes	
Shenzhen Medicine Trade Co., Ltd.(1)	Limited company	Shenzhen	Commercial industry	188	Wholesale and retail of drugs and textiles	847.85		100	100	No	
Accord Material	Limited company	Shenzhen	Commercial industry	600	Chinese patent medicine, western medicine, medicine treatment apparatus	816.74		100	100	Yes	
Zhijun Trade	Limited company	Shenzhen	Commercial industry	189	Purchase and sale of Chinese traditional medicinal materials, Chinese patent medicine, chemical raw material for medical treatment, antibiotic preparation, chemical medicine preparation etc.	373.40		100	100	Yes	

Full name of subsidiaries	Enterprise Type	Registered place	Principal activities	Registered capital	Principal business	Period-End balance of investment	Other assets constitute investment in substance	Attributable equity interest (%)	Voting right (%)	Consolidated or not	Minority interest
Accord Logistics	Limited company	Shenzhen	Service industry	100	Storage service, convey, liquidation of cargo external package and common transportation of road	101.91		100	100	Yes	
Training Center	Limited company	Shenzhen	Service industry	3	Training	3.00		100	100	Yes	
Sinopharm Medicine Holding Guangzhou Co., Ltd. (Hereinafter refer to as "Sinopharm Guangzhou")	Limited company	Guangzhou	Commercial industry	40,000	Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalized packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills.	48,388.83		100	100	Yes	
Guangdong Accord Hengxing Pharmaceutical Co., Ltd. (Hereinafter refer to as "Guangdong Hengxing") (2)	Limited company	Guangzhou	Commercial industry	2,000	Drugs, medical apparatus sales	1,714.17		100	100	Yes	
Guangxi Accord Pharmaceutical Co., Ltd. (hereinafter refer to as "Guangxi Accord")	Limited company	Nanning	Commercial industry	500	Drug sales	498.79		100	100	Yes	

Full name of subsidiaries	Enterprise Type	Registered place	Principal activities	Registered capital	Principal business	Period-End balance of investment	Other assets constitute investment in substance	Attributable equity interest (%)	Voting right (%)	Consolidated or not	Minority interest
Sinopharm Medicine Holding Liuzhou Co., Ltd. (Hereinafter refer to as "Sinopharm Liuzhou")	Limited company	Liuzhou	Commercial industry	2,053.06	Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license)	2,220.58		51	51	Yes	2,214.50
Guangxi Accord Chinese Herbal Pieces Co., Ltd. (Hereinafter refer to as "Guangxi Chinese Herbal Pieces") (3)	Limited company	Liuzhou	Industry	200	Chinese herbal pieces	-		-	-	Yes	
Guangdong Huixin Investment Co., Ltd. (Hereinafter refer to as "Huixin Investment") (4)	Limited company	Guangzhou	Service industry	500	Project investment, property management and leasing, medical information consultancy, car park management	6,441.69		100	100	Yes	
Sinopharm Medicine Holding Foshan Co., Ltd. (Hereinafter refer to as "Sinopharm Foshan") (5)	Limited company	Guangzhou	Commercial industry	200	Drug sales	699.51		100	100	Yes	

Full name of subsidiaries	Enterprise Type	Registered place	Principal activities	Registered capital	Principal business	Period-End balance of investment	Other assets constitute investment in substance	Attributable equity interest (%)	Voting right (%)	Consolidated or not	Minority interest
Guangdong Yuexing Medicine Co., Ltd. (Hereinafter refer to as “Yuexing Medicine”) (4)	Limited company	Guangzhou	Commercial industry	3,000	Sales of medicine and medical treatment apparatus	4,345.93		100	100	Yes	
Guangdong Hengchang Logistics Co., Ltd. (Hereinafter refer to as “Hengchang Logistics”) (5)	Limited company	Guangzhou	Service industry	500	Storage loading and unloading	559.60		100	100	Yes	
Sinopharm Medicine Holding Nanning Co., Ltd. (Hereinafter refer to as “Sinopharm Nanning”)	Limited company	Nanning	Commercial industry	10,000	Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalized packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills.	10,404.90		100	100	Yes	
Guangxi Huiqin Investment Co., Ltd. (Hereinafter refer to as “Huiqin Investment”) (6)	Limited company	Nanning	Commercial industry	710.07	Project investment, property management and leasing, medical information consultancy, car park management					Yes	

Note 1: Shenzhen Medicine Co., Ltd ceased operation since 2003 and is not consolidated.

Note 2: Hengxing Pharm, formerly known as Sinopharm Guangdong Xinlong Co., Ltd, is held by the Company with 49% shares and Sinopharm Guangzhou with 51% shares

respectively. In 2009, the Company acquired 51% of the shares from Sinopharm Guangzhou. Since then, Hengxing Pharm became a wholly-owned subsidiary of the Company.

Note 3: Guangxi Chinese Herbal Pieces is a wholly-owned subsidiary of Sinopharm Liuzhou.

Notes 4: These companies were wholly-owned subsidiaries of Sinopharm Guangzhou formerly, which is a subordinate subsidiary of the Company. In 2009, the Company acquired 100% of the shares previously held by Sinopharm Guangzhou. Since then, these companies became wholly-owned subsidiaries of the Company.

Note 5: These companies were wholly-owned subsidiaries of Huixin Investment formerly, a subordinate subsidiary of the Company. In 2009, the Company acquired 100% of the shares previously held by Huixin Investment. Therefore, these companies became wholly-owned subsidiaries of the Company.

Note 6: Huixin Investment is a wholly-owned subsidiary of Sinopharm Nanning.

(b) Subsidiaries acquired through business combination under different control

Full name of subsidiaries	Enterprise Type	Registered place	Principal activities	Registered capital	Principal business	Period-End balance of investment	Other assets constitute investment in substance	Attributable equity interest (%)	Voting right (%)	Consolidated or not	Minority interest
Zhijun Wanqing	Limited company	Taichang	Industry	8,000	Production and sales of general raw materials of medicine, raw medicine and preparation of cephalosporin; do export business of production and technology of the Company	13,425		75	75	Yes	3,669.33
Dongguan Accord Pharmaceutical Co., Ltd. (Hereinafter refer to as "Dongguan Accord")	Limited company	Dongguan	Commercial	280	Wholesales of Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material; sales of daily general merchandise and health protection food	274.20		100	100	Yes	
Zhanjing Tianfeng Pharmaceutical Co., Ltd. (Hereinafter refer to as "Zhanjiang Tianfeng")	Limited company	Zhanjiang	Commercial	60	Wholesale of medicine	136.99		100	100	Yes	
Yanfeng Medicine	Limited company	Shenzhen	Commercial	3,000	Wholesales of Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material; sales of daily general merchandise and health protection food	3,820.78		51	51	Yes	2,070.63

4.2 Changes in consolidation scope during current period

1. The Company acquired Yanfeng Medicine in April 2010.
2. Since the Company acquired Huiqin investment through business combination under common control, the consolidation scope included Huiqing investment and its subsidiary Guangxi Guoda Drugstore Chain Co., Ltd.. when preparing the comparative financial statements of 2009.

4.3 Newly acquired subsidiaries during current period

Names of subsidiaries	Net assets at period end	Net profit in current period
Yanfeng Medicine	42,257,817.11	416,336.47

4.4 Subsidiaries acquired through business combination not under common control

Names of subsidiaries	Goodwill	Calculation of goodwill
Yanfeng Medicine	16,868,644.87	Goodwill is the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired in the business combination not under the common control.

5 Notes to financial reports

(Amounts expressed in RMB unless specific description.)

5.1 Cash at bank and in hand

Item	As at June 30, 2010	As at December 31, 2009
Cash in hand	52,001.33	332,939.70
Cash at bank	492,445,381.53	461,716,777.43
Other monetary funds	101,123,335.47	117,422,196.35
Total	593,620,718.33	579,471,913.48

Other monetary funds include:

Item	As at June 30, 2010	As at December 31, 2009
Deposits for bank acceptance notes	100,914,087.21	111,646,177.34
Other deposits	209,248.26	5,776,019.01
Total	101,123,335.47	117,422,196.35

5.2 Notes receivable

(a)

Item	As at June 30, 2010	As at December 31, 2009
Bank acceptance notes	188,960,132.35	198,146,148.04
Trade acceptance notes	218,929,595.40	161,273,604.35
Total	407,889,727.75	359,419,752.39

(c) Top five bills which have been endorsed to other parties but are not yet due at the end of the period:

Issuer	Amount	Issuing date	Expire date
AstraZeneca(wuxi)Andelslag Co.,Ltd	3,792,958.30	2010.04.27	2010.07.27
Guangdong Jointown Pharmaceutical Co.,Ltd	3,303,485.23	2010.04.29	2010.07.29
Guangdong Jointown Pharmaceutical Co.,Ltd	2,868,183.43	2010.05.27	2010.08.27
Siping Fine Chemicals Co.,Ltd	2,670,520.00	2010.02.01	2010.08.01
Jiangsu Hengrui medicine sale co.,Ltd	2,290,000.00	2010.06.24	2010.09.24

(c).As at June 30, 2010, notes receivable due from related parties amounted to Rmb54,882,069.25, which accounts for 13.466% of the total balance at the period-end.

5.3 Dividends receivable

Items	As at December 31, 2009	Increases	Decreases	As at June 30, 2010	Reason for unsettlement	Impairment
Within 1 year	8,271,829.94			8,271,829.94		
Including :Shenzhen Wanle	8,271,829.94			8,271,829.94	The company not yet paid	No

5.4 Accounts receivable

(a) Accounts receivable classified by nature

Category	As at June 30, 2010				As at December 31, 2009			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Debtors with significant balance	1,242,557,084.83	44.37	26,871,913.84	2.16	1,168,401,898.12	47.39	10,587,970.07	0.91
Debtors with insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic	9,807,688.59	0.35	9,771,717.60	99.63	0.00	0.00	0.00	0.00
Others with insignificant balance	1,548,122,199.43	55.28	5,720,638.31	0.37	1,297,095,614.08	52.61	16,382,597.46	1.26
Total	2,800,486,972.85	100.00	42,364,269.75		2,465,497,512.20	100.00	26,970,567.53	

(b) Details of insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic

Ageing	As at June 30, 2010			As at December 31, 2009		
	Book value		Bad debt provision	Book value		Bad debt provision
	Amount	Proportion%		Amount	Proportion%	
Over 3 year	9,807,688.59	100.00	9,771,717.60			
Total	9,807,688.59	100.00	9,771,717.60			

(c) The Company has written off the accounts receivable amounting to Rmb2,691,971.30 in the current period.

(d) As at June 30, 2010, accounts receivable due from shareholders with more than 5% (including 5%) of the Company's shares amounted to Rmb3,330,779.56.

Shareholder	As at June 30, 2010		As at December 31, 2009	
	Book value	Bad debt provision	Book value	Bad debt provision
Sinopharm Group	3,330,779.56		3,148,058.02	

(e) Top five accounts receivable

Name of the companies	Relationship with the Company	Amount	Ageing	Portion in total receivables
No. 3 Hospital Affiliated to Sun Yat-sen University	Non-related	41,089,828.69	within 1 year	1.47%
No. 1 Hospital Affiliated to Guangxi Medical University	Non-related	33,077,017.77	within 1 year	1.18%
Shenzhen People's Hospital	Non-related	31,166,514.19	within 1 year	1.11%
Guangdong People's Hospital	Non-related	30,548,047.50	within 1 year	1.09%
Guangdong Disease Control and prevention Center	Non-related	30,272,470.00	within 1 year	1.08%
Total		166,153,878.15		5.93%

(e) As at June 30, 2010, accounts receivable due from related parties amounted to Rmb165,572,995.38, which accounts for 5.91% of the total balance at the period-end.

5.5 Other receivables

(a) Other receivables classified by nature

Category	As at June 30, 2010				As at December 31, 2009			
	Book value		Bad debt provision		Book value		Book balance	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Debtors with significant balance	8,980,000.00	12.87	8,980,000.00	100.00	23,393,155.40	33.95	8,980,000.00	38.39
Debtors with insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic	150,900.00	0.22	7,545.00	5.00	20,229.50	0.03	4,045.90	20.00
Others with insignificant balance	60,632,059.42	86.91	7,948,346.06	13.11	45,500,996.70	66.02	11,754,929.92	25.83
Total	69,762,959.42	100.00	16,935,891.06		68,914,381.60	100.00	20,738,975.82	

(b) Details of bad debt provisions for the accounts receivable which are material or not material but having been specifically assessed for impairment

Company	Book value	Provision	Percentage	Reason for provision provided
Shenzhen Yinghai Technology investment	8,980,000.00	8,980,000.00	100.00	Uncertainty of recoverability

Co.,Ltd				
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(c) Details of insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic

Ageing	As at June 30, 2010			As at December 31, 2009		
	Book value		Bad debt provision	Book value		Bad debt provision
	Amount	Proportion%		Amount	Proportion%	
Over 3 years	150,900.00	100.00	7,545.00	20,229.50	100.00	4,045.90
Total	150,900.00	100.00	7,545.00	20,229.50	100.00	4,045.90

(d) Reversal of material provisions that had been provided in prior periods

Debtor	Amount recovered	Original provision	Reason for reversal	Basis and Reasonableness of original provision
Shenzhen Medicines And Health Products Imp.&exp Co, Ltd	3,004,579.90	2,704,121.91	Debtor has been collected	Long aged receivable

(e) The Company has written off the other receivables amounting to Rmb830,760.59 in the current period.

(e) As at June 30, 2010, other receivables due from shareholders with more than 5% (including 5%) of the Company's shares :

Shareholder	As at June 30, 2010		As at December 31, 2009	
	Book value	Bad debt provision	Book value	Bad debt provision
Sinopharm Group	-	-	731,846.06	-

(f) Top five other receivables

Company	Relationship with the Company	Amount	Ageing	Portion in total other receivables	Nature or Content
Shenzhen Yinghai Technology investment Co., Ltd.	Non-related	8,980,000.00	Over 3 years	12.87	Receivable from equity transaction
Guangdong JianHai Hvac&R Equipment Co., Ltd.	Non-related	3,750,000.00	Within 1 year	5.38	Advance for construction project
Beijing Materials Handing Research Institute	Non-related	3,480,000.00	Within 1 year	4.99	Advance for construction project
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Non-related	3,480,000.00	Within 1 year	4.99	Purchase rebate
Shenzhen Ke Leng Commercial Equipent co.,Ltd	Non-related	3,212,000.00	Within 1 year	4.60	Advance for construction project
Total		22,902,000.00		32.83	

(g) As at June 30, 2010, other receivables due from related parties amounted to Rmb1, 215,000.00, which accounted for 1.74% of the total other receivables at the period end.

5.6 Advances to suppliers

(a) Ageing of advances to suppliers

Ageing	As at June 30, 2010		As at December 31, 2009	
	Amount	Proportion%	Amount	Proportion%
Within 1 year	96,252,290.73	95.87	82,117,104.13	95.88
1-2 years	465,334.10	0.46	3,529,434.95	4.12
2-3 years	3,550,417.85	3.54		
Over 3 years	134,136.03	0.13		
Total	100,402,178.71	100.00	85,646,539.08	100.00

As at June 30, 2010, the balances of Rmb20,982.90 and Rmb134,136.03 aged between 2 to 3 years and aged over 3 years respectively resulted from the acquisition Yanfeng Pharm in April 2010.

(b) Top five advances to suppliers

Name of the companies	Relationship with the Company	Amount	Ageing	Reason for unsettlement
Tongzhou Jianzong Group Co.,Ltd	Non-related	6,460,000.00	Within 1 year	Advance for construction project
Haoke Shijiazhuang Pharmaceutical equipment Co.,Ltd	Non-related	3,980,594.00	Within 1 year	Advance for construction project
Baosheng Science Technology Innovation Co.,Ltd	Non-related	3,880,000.00	Within 1 year	Advance for construction project
Shanghai Ideal Sanitary System Engineering Co.,Ltd	Non-related	3,693,000.00	Within 1 year	Advance for construction project
Korea Liuhai Yanghang Corporation	Non-related	3,529,434.95	2-3 years	Advances for patent cooperation
Total		21,543,028.95		

(c) There is no prepayment due from shareholders that holds more than 5% (including 5%) shares of the Company.

5.7 Inventories

(a) Inventories classified by nature

Item	As at June 30, 2010			As at December 31, 2009		
	Book value	Provision for write-down	Net book value	Book value	Provision for write-down	Net book value
Raw materials	83,836,076.25	3,683,414.02	80,152,662.23	102,776,375.43	2,039,571.51	100,736,803.92
Packaging materials				41,400.21		41,400.21
Consigned processing materials	1,111,728.92		1,111,728.92	2,778,197.17		2,778,197.17
Work in progress	24,432,065.56		24,432,065.56	18,302,128.38		18,302,128.38
Finished goods	823,259,774.25	6,413,582.52	816,846,191.73	733,054,749.97	6,328,062.81	726,726,687.16
Goods in transit	21,713,730.20	421,670.70	21,292,059.50	55,570,869.33	635,513.76	54,935,355.57
Low-value consumption goods	563,240.32		563,240.32	413,815.17		413,815.17
Turnover materials						
Consuming biological assets						

Total	954,916,615.50	10,518,667.24	944,397,948.26	912,937,535.66	9,003,148.08	903,934,387.58
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(b) Provisions for declines in the value

Item	As at December 31, 2009	Increases	Decreases in this period		As at June 30, 2010
			Reverse	Write-off	
Raw materials	2,039,571.51	2,132,377.95	440,825.25	47,710.19	3,683,414.02
Finished goods	6,328,062.81	3,153,742.44	3,066,405.11	1,817.62	6,413,582.52
Goods in transit	635,513.76	421,670.70	635,513.76	-	421,670.70
Total	9,003,148.08	5,707,791.09	4,142,744.12	49,527.81	10,518,667.24

5.8 Investment in associate and joint ventures

Investee	Enterprise type	Reg. Add.	Legal representative	Business	Registered capital	Shares held by the Company (%)	Voting power of the Company in the entity (%)	Total assets at period end	Total liabilities at period end	Net asset at period end	Revenue in the current period	Net profit in the current period
Associates												
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd. (Hereinafter refer to as Shenzhen Chinese Medicine)	Domestic company	Shenzhen	Chen Changqing	Manufactory	50,000,000.00	47.39	47.39	56,915,450.00	10,307,063.83	46,608,386.17	21,506,756.02	-4,246,135.49
Shenzhen Wanle	Foreign-invested enterprise	Shenzhen	Yan Zhigang	Manufactory	26,277,832.33	35.195	35.195	404,202,997.39	208,884,440.05	195,318,557.34	210,540,901.72	35,563,994.17

5.9 Long-term equity investments

Investee	Accounting method	Initial costs	As at December 31, 2009	Increases/(Decreases)	As at June 30, 2010	Shares held by the Company (%)	Voting power of the Company in the entity (%)	Explanation on differences between the percentage of share holding and voting rights	Provision for impairment	Impairment charged in this period	Cash dividends in the current period
Shenzhen Chinese Medicine	Equity method	20,939,177.10	22,064,631.02	-2,012,243.51	20,052,387.51	47.39	47.39				
Shenzhen Wanle	Equity method	4,457,400.00	58,050,667.25	11,263,472.59	69,314,139.84	35.195	35.195				
Sub-total			80,115,298.27	9,251,229.08	89,366,527.35						
China Associate Co.,Ltd.	Cost method	284,173.70	284,173.70	-284,173.70	-						
Shenzhen Medicine Trade Co., Ltd. (Note)	Cost method	7,689,226.69	7,689,226.69		7,689,226.69	100.00	100.00		7,689,226.69		
Sub-total			7,973,400.39	-284,173.70	7,689,226.69				7,689,226.69		
Total			88,088,698.66	8,967,055.38	97,055,754.04				7,689,226.69		

Note: ShenZhen Medical Trade Co., Ltd has ceased operation for years and 100% provision had been provided.

5.10 Investment properties

Item	As at December 31, 2009	Increases	Decreases	As at June 30, 2010
I. Total cost	107,608,544.28	30,602,808.98	1,163,684.30	137,047,668.96
1. Buildings	104,031,242.27	24,327,238.15	1,163,684.30	127,194,796.12
2. Land use rights	3,577,302.01	6,275,570.83		9,852,872.84
II. Total accumulated depreciation and amortization	49,635,011.31	17,354,671.26	582,198.43	66,407,484.14
1. Buildings	49,127,409.74	16,370,180.48	582,198.43	64,915,391.79
2. Land use rights	507,601.57	984,490.78		1,492,092.35
III. Total book value	57,973,532.97			70,640,184.82
1. Buildings	54,903,832.53			62,279,404.33
2. Land use rights	3,069,700.44			8,360,780.49
IV. Total provision for impairment				
1. Buildings				
2. Land use rights				
V. Total net book value	57,973,532.97			70,640,184.82
1. Buildings	54,903,832.53			62,279,404.33
2. Land use rights	3,069,700.44			8,360,780.49

The depreciation and amortization charged in the period was Rmb17,354,671.26.

5.11 Fixed assets

Item	As at December 31, 2009	Increases	Decreases	As at June 30, 2010
I. Total of original book value	661,622,281.03	65,650,816.26	27,573,935.94	699,699,161.35
Buildings	303,588,009.41	10,981,994.16	25,446,859.40	289,123,144.17
Machinery equipments	199,108,251.32	25,203,098.43	426,563.56	223,884,786.19
Transportation equipments	38,982,624.03	11,948,141.36	1,164,230.00	49,766,535.39
Other equipments	104,983,111.62	7,098,001.65	536,282.98	111,544,830.29
Fixed assets improvements	14,960,284.65	10,419,580.66	-	25,379,865.31
II. Total of accumulated depreciation	241,542,073.52	28,148,633.08	13,806,787.03	255,883,919.57
Buildings	88,783,116.92	4,949,353.07	11,854,600.51	81,877,869.48
Machinery equipments	77,960,620.96	9,681,431.22	395,221.11	87,246,831.07
Transportation equipments	19,094,919.10	3,636,279.27	1,033,767.26	21,697,431.11
Other equipments	49,591,427.41	8,082,999.75	523,198.15	57,151,229.01
Fixed assets improvements	6,111,989.13	1,798,569.77		7,910,558.90
III. Total of net book value of fixed assets	420,080,207.51			443,815,241.78
Buildings	214,804,892.49			207,245,274.69
Machinery equipments	121,147,630.36			136,637,955.12
Transportation equipments	19,887,704.93			28,069,104.28
Other equipments	55,391,684.21			54,393,601.28
Fixed assets improvements	8,848,295.52			17,469,306.41
IV. Total of impairment provision	1,300,000.00			1,300,000.00
Buildings	1,300,000.00			1,300,000.00
Machinery equipments				
Transportation equipments				
Other equipments				
Fixed assets improvements				
V. Total of book value of fixed assets	418,780,207.51			442,515,241.78
Buildings	213,504,892.49			205,945,274.69
Machinery equipments	121,147,630.36			136,637,955.12
Transportation equipments	19,887,704.93			28,069,104.28
Other equipments	55,391,684.21			54,393,601.28
Fixed assets improvements	8,848,295.52			17,469,306.41

Depreciation charged in this period was Rmb26,801,954.31.

The original cost transferred from construction in progress to fixed assets was Rmb31,941,878.43.

As at June 30, 2010, fixed assets with net book value of Rmb107,380,589.15 had been pledged for bank borrowings.

5.12 Construction in progress

Item	As at June 30, 2010			As at December 31, 2009		
	Book value	Impairment provision	Net book value	Book value	Impairment provision	Net book value
Chepuo Project	6,915,595.20		6,915,595.20	6,750,695.20		6,750,695.20
Planting Project	253,886.24		253,886.24	253,886.24		253,886.24
Medicine R&D base phase II project	510,304.55		510,304.55	456,232.55		456,232.55
Boiler renovation project	449,149.00		449,149.00	449,149.00		449,149.00
Technical Innovation	-		-	28,734,111.57		28,734,111.57
Sterile cephalosporin API workshop and public works expansion reconstruction project	24,165,909.24		24,165,909.24	5,329,363.10		5,329,363.10
Pei-nan Project	5,168,427.08		5,168,427.08	4,084,005.74		4,084,005.74
Renovation of old buildings	-		-	19,812.00		19,812.00
Nanning logistic Centre project	1,659,073.69		1,659,073.69	-s		-
Others	68,928.10		68,928.10	68,928.10		68,928.10
Total	39,191,273.10		39,191,273.10	46,146,183.50		46,146,183.50

Changes of major construction projec

Item	Budget (million)	As of December 31, 2009	Increase	Transfer to fixed assets	Other decreases	Proportion of project input in budget (%)	Project progress	Accumulated capitalized interest expense	Including: capitalized interests in current period	Annual interest capitalization rate in current periodr (%)	Fund resources	As of June 30, 2010
Chepuo Project	11.81	6,750,695.20	164,900.00								Self funds	6,915,595.20
Planting Project	Nil	253,886.24									Fiscal appropriation	253,886.24
Medicine R&D base phase 2 project	Nil	456,232.55	54,072.00								Self funds	510,304.55
Boiler renovation project	0. 45	449,149.00									Self funds	449,149.00
Technical Innovation	58.11	28,734,111.57	3,187,954.86	31,922,066.43		84.49%	Completed	2,529,419.34	611,550.00		Self funds and loan from financial institution	
Sterile cephalosporin API workshop and public works expansion reconstruction project	90	5,329,363.10	19,252,546.14		416,000.00						Self funds	24,165,909.24
Pei-nan Project	30	4,084,005.74	1,084,421.34								Self funds	5,168,427.08
Renovation of old buildings	2.95	19,812.00		19,812.00							Self funds	
Nanning logistic Centre project	147.33		1,659,073.69									1,659,073.69
Others	Nil	68,928.10									Self funds	68,928.10
Total		46,146,183.50	25,402,968.03	31,,941,878.43	416,000.00			2,529,419.34	611,550.00			39,191,273.10

5.13 Intangible assets

(a) Details of intangible assets

Item	As at December 31, 2009	Increases	Decreases	As at June 30, 2010
I. Total cost	166,941,605.53	21,784,854.09	23,851,723.82	164,874,735.80
1.Land use rights	104,808,837.97	21,421,295.45	23,851,723.82	102,378,409.60
2.Softwares	9,651,984.23	313,558.64	-	9,965,542.87
3.Trademarks	196,850.00	-	-	196,850.00
4. Proprietary technology	52,283,933.33	50,000.00	-	52,333,933.33
II. Total accumulated amortization	50,709,169.88	7,776,305.87	18,410,842.44	40,074,633.31
1.Land use rights	23,755,277.42	934,282.90	18,410,842.44	6,278,717.88
2.Softwares	6,294,623.33	684,195.23	-	6,978,818.56
3.Trademarks	106,768.26	12,084.49	-	118,852.75
4. Proprietary technology	20,552,500.87	6,145,743.25	-	26,698,244.12
III. Total book value	116,232,435.65			124,800,102.49
1.Land use rights	81,053,560.55			96,099,691.72
2.Softwares	3,357,360.90			2,986,724.31
3.Trademarks	90,081.74			77,997.25
4. Proprietary technology	31,731,432.46			25,635,689.21
IV. Total provision for impairment	-	-	-	-
1.Land use rights	-	-	-	-
2.Softwares	-	-	-	-
3.Trademarks	-	-	-	-
4. Proprietary technology	-	-	-	-
V. Total net book value	116,232,435.65			124,800,102.49
1.Land use right	81,053,560.55			96,099,691.72
2.Softwares	3,357,360.90			2,986,724.31
3.Trademarks	90,081.74			77,997.25
4. Proprietary technology	31,731,432.46			25,635,689.21

The amortization charged in the period was Rmb7,776,305.87.

As at June 30, 2010, certain land use rights with net book value of Rmb8,029,575.57 had been pledged for bank borrowings.

As at June 30, 2010, a land use right with net book value of Rmb27,155,592.63 had obtained the land use right certificate in May 2006. It is under planning for further development.

(b) Development cost

Item	As at December 31, 2009	Increases	Decreases		As at June 30, 2010
			Charge into income statement	Capitalized as intangible assets	
R&D expenses	235,375.01	11,370.00	-	-	246,745.01

5.14 Goodwill

Investee	As at December 31, 2009	Increases	Decreases	As at June 30, 2010	Impairment
Zhijun Wanqin	33,869,393.32	-	-	33,869,393.32	-
Dongyuan Accord	1,499.02	-	-	1,499.02	-
Zhanjiang Tianfeng	282,135.55	-	-	282,135.55	-
Yanfeng Pharmacy	-	16,868,644.87	-	16,868,644.87	-
Total	34,153,027.89	16,868,644.87	-	51,021,672.76	-

The above goodwill arises in the acquisition not under common control. It is the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired.

Calculation of goodwill:

Investee	Cost of acquisition	The share of fair value of the identifiable net assets acquired at transaction date	Goodwill
Zhijun Wanqin	103,500,000.00	69,630,606.68	33,869,393.32
Dongyuan Accord	2,742,000.00	2,740,500.98	1,499.02
Zhanjiang Tianfeng	1,369,864.65	1,087,729.10	282,135.55
Yanfeng Pharmacy	38,207,800.00	21,339,155.13	16,868,644.87
Total	145,819,664.65	94,797,991.89	51,021,672.76

After impairment test, there is no indicator and no provision was accrued.

5.15 Long-term deferred expenses

Item	As at December 31, 2009	Increases	Amortization	Other decrease	As at June 30, 2010
Improvement on fixed assets	6,219,765.91	1,610,792.12	1,814,886.60	-	6,015,671.43
Others	497,897.39	358,993.07	223,755.79	-	633,134.67
Total	6,717,663.30	1,969,785.19	2,038,642.39	-	6,648,806.10

5.16 Deferred income tax assets and deferred income tax assets liabilities

(a) Deferred income tax assets and deferred income tax liabilities have not been offset.

(1) Breakdown of deferred income tax assets and deferred income tax liabilities

Item	As at June 30, 2010	As at December 31, 2009
Deferred income tax assets		
Bad debt provision for accounts receivable	3,837,152.81	1,577,809.81
Bad debt provision for other receivables	385,652.58	177,714.93
Provision for declines in the value of inventories	1,122,619.34	1,188,969.56
Provision for impairment of long-term equity investments	-	-
Provision for impairment loss of fixed assets	179,656.30	181,351.17
Accrual selling expenses	3,025,194.53	2,931,780.74
Employee benefits payable (unpaid)	3,535,821.31	6,540,926.89
Compensation for retired employees		141,212.11
Accrual early-retired expenditure	-	
Medical insurance for retired employees	-	-
Social management fees for retired employees	-	-
Deferred revenue	128,017.24	131,431.03
Sub-total	12,214,114.10	12,871,196.24
Deferred income tax liabilities		
Depreciation differences on asset revaluation	20,347,492.82	21,752,102.76
Differences on internal equity transfer	3,773,319.00	3,773,319.00
Sub-total	24,120,811.82	25,525,421.76

(2) Temporary differences for the deferred tax assets and liabilities

Item	Temporary differences
Deferred income tax assets	
Bad debt provision for accounts receivable	15,558,890.73
Bad debt provision for other receivables	2,270,193.88
Provision for declines in the value of inventories	6,691,648.21
Provision for impairment of long-term equity investments	-
Provision for impairment loss of fixed assets	718,625.20
Accrual selling expenses	18,167,963.53
Employee benefits payable (unpaid)	16,485,273.67
Compensation for retired employees	-
Accrual early-retired expenditure	-
Medical insurance for retired employees	-
Social management fees for retired employees	-
Deferred revenue	853,448.27
Sub-total	60,746,043.49
Deferred income tax liabilities	
Depreciation differences on asset revaluation	96,487,269.82
Differences on internal equity transfer	15,093,275.99
Sub-total	111,580,545.81

5.17 Assets impairment

Item	As at December 31, 2009	Increases	Decreases		As at June 30, 2010
			Reversal	Write off	
Provision for bad debts	47,709,543.35	19,463,511.61	4,350,162.26	3,522,731.89	59,300,160.81
Provision for declines in the value of inventories	9,003,148.08	5,707,791.09	4,142,744.12	49,527.81	10,518,667.24
Provision for impairment of long term equity investments	7,689,226.69				7,689,226.69
Provision for impairment of fixed assets	1,300,000.00				1,300,000.00
Total	65,701,918.12	25,171,302.70	8,492,906.38	3,572,259.70	78,808,054.74

5.18 Other non-current assets

Item	As at June 30, 2010	As at December 31, 2009
Specific reserved medicine	38,842,431.14	36,533,540.13

5.19 Short-term loans

Item	As at June 30, 2010	As at December 31, 2009
Entrusted loans	300,000,000.00	250,000,000.00
Guaranteed loans	634,172,093.46	272,264,397.43
Credit loans	16,500,000.00	50,000,000.00
Mortgage loans	3,059,874.44	-
Discounted bank acceptance notes	172,756,453.79	199,716,470.06
Discounted trade acceptance notes	114,504,185.30	172,208,736.97
Total	1,240,992,606.99	944,189,604.46

5.20 Notes payable

(a)

Category	As at June 30, 2010	As at December 31, 2009
Bank acceptance notes	719,699,895.06	756,090,155.83
Trade acceptance notes	329,209,599.03	348,860,174.45
Total	1,048,909,494.09	1,104,950,330.28

(b) As at June 30, 2010, notes payable due to related parties amounted to Rmb253,926,635.89.

5.21 Accounts payable

(a)

Item	As at June 30, 2010	As at December 31, 2009
Accounts payable	1,926,188,436.56	1,701,543,860.48

(b) As at June 30, 2010, accounts payable due to shareholder with more than 5% (including 5%) of the Company's shares

Shareholder	As at June 30, 2010	As at December 31, 2009
Sinopharm Group	120,974,230.58	88,316,715.03

(c) As at June 30, 2010, accounts payable due to related parties amounted to RMB172,427,946.80.

5.22 Advances from customers

(a)

Item	As at June 30, 2010	As at December 31, 2009
Advances from customers	31,408,102.46	81,860,595.37

(b) As at June 30, 2010, no advances were from the shareholder with more than 5% (including 5%) of the Company's shares.

5.23 Employee benefits payable

Item	As at December 31, 2009	Additions	Payment	As at June 30, 2010
1. Salary, bonus and allowance	84,341,431.30	141,389,831.87	151,599,230.84	74,132,032.33
2. Welfare expenses for staff	500,000.00	10,912,545.35	10,931,247.27	481,298.08
3. Social insurance fees	945,122.80	14,981,657.54	14,756,187.83	1,170,592.51
including: (1) Medical insurance	94,512.14	3,689,196.63	3,572,694.43	211,014.34
(2) Basic pensions	746,289.45	10,380,197.54	10,307,827.56	818,659.43
(3) Annuity payment				
(4) Unemployment insurance	36,660.21	395,790.64	370,223.04	62,227.81
(5) Work injury insurance	34,764.35	213,225.27	208,969.06	39,020.56
(6) Maternity insurance	32,896.65	303,247.46	296,473.74	39,670.37
4. Housing fund	508,311.23	3,444,605.80	3,116,234.44	836,682.59
5. Labor union funds and employee education funds	8,150,696.63	3,684,939.62	2,615,348.54	9,220,287.71
6. Non-monetary welfare		0.00	0.00	0.00
7. Compensation for the termination of employment	11,967,977.06	84,875.60	786,120.48	11,266,732.18
8. Staff welfare and incentive funds		0.00	0.00	0.00
9. Others	982,502.94	405,346.02	592,819.52	795,029.44
Total	107,396,041.96	174,903,801.80	184,397,188.92	97,902,654.84

5.24 Taxes payable

Item	As at June 30, 2010	As at December 31, 2009
Value-added tax	12,957,269.51	2,706,249.15
Business tax	1,237,269.64	1,455,787.73
City maintenance and construction tax	662,858.18	481,490.24
Income tax	26,741,102.73	24,756,367.71
Real estate tax	242,179.67	390,791.68
Stamp duty	429,976.11	669,629.79
Land use tax	189,448.22	189,448.22
Individual income tax	3,753,535.51	2,279,452.39
Education surcharge	361,391.57	361,979.65
River maintenance expenses	615.81	1,768,478.55
Flood prevention and security funds	2,216,245.50	148,805.72
Others	18,914.65	1,119,467.98

Item	As at June 30,2010	As at December 31,2009
Total	48,810,807.10	36,327,948.81

5.25 Interests payable

Item	As at June 30,2010	As at December 31,2009
Interests of short-term loans	321,489.00	589,050.00

5.26 Dividends payable

Name of investor	As at June 30,2010	As at December 31,2009	Reason for unpaid above 1 year
Shenzhen Kaijiefeng Co., Ltd.	1,651,617.12		

5.27 Other payables

Item	As at June 30,2010	As at December 31,2009
Other payables	247,642,230.49	244,895,882.94
Total	247,642,230.49	244,895,882.94

(a) As at June 30, 2010, other payables due to shareholder with more than 5% (including 5%) of the Company's shares

Shareholder	As at June 30,2010	As at December 31, 2009
Sinopharm Group	3,893,939.65	1,962,961.71

(b) As at June 30, 2010, other payables due to related parties amounted to RMB6,144,371.03.

(c) Significant other payables as at June 30, 2010

Item	Amount	Nature/Content
Selling expenses	149,294,363.37	Unpaid sales expenses
Huize investment Co., Ltd.	8,000,000.00	Deposit of Rmb3,000,000 and advances of Rmb5,000,000 for the sales of Chebei construction projects
Bidding commission fee	3,941,497.55	Bidding commission charges
Shenzhen Kaijiefeng Co., Ltd.	3,159,300.00	Accrual consideration for the acquisition of Yanfeng
Shenzhen Shatoujiao Trading Co., Ltd	2,700,000.00	Proceeds from the sale of a building

5.28 Current portion of non-current liabilities

(a)

Item	As at June 30,2010	As at December 31, 2009
Long-term loan due within one year	-	30,000,000.00

(b) Current portion of long-term loans

Item	As at June 30,2010	As at December 31, 2009
Guaranteed loan	-	30,000,000.00

5.29 Long-term loan

(a) Long-term loans classified by nature

Category of loan	As at June 30,2010	As at December 31, 2009
Mortgage loan	30,000,000.00	30,000,000.00
Guaranteed loan	-	-
Total	30,000,000.00	30,000,000.00

(b) Top five long-term loans

Lender	Commence date	Terminate date	Currency	Interest rates %	As at June 30,2010	As at December 31, 2009
Anlian Branch of China Merchants Bank	2009.4.30	2011.7.21	RMB	4.86	30,000,000.00	30,000,000.00

5.30 Long-term payables

Item	As at June 30,2010	As at December 31, 2009
Compensation to employees	43,398.60	46,019.40

5.31 Special payables

Item	As at December 31, 2009	Increases	Decreases	As at June 30,2010
Government grant	2,555,000.00			2,555,000.00

5.32 Other non-current liabilities

Item	As at June 30,2010	As at December 31, 2009
Central medicine reserve funds (a)	35,061,743.31	44,602,343.31
Deferred revenue (b)	853,448.30	876,206.90
Local medicine reserve funds	9,540,600.00	-
Total	45,455,791.61	45,478,550.21

Description of other non-current liabilities:

(a) Central medicine reserve funds refer to reserves occupied by the Central Medical Department for the medicine commitment.

(b) It represented the interest subsidy of Rmb880,000.00 granted to Zhijun Pharm in 2009 for the technical improvement project (domestic powder injection lines). The deferred revenue is amortized over the estimated useful lives of the technical improvement project.

5.33 Share capital

Items	As at December 31, 2009	Increases(+)or Decreases(-)					As at June 30,2010
		Issuance of new shares	Gift share	Shares transferred from public reserve fund	Other	Subtotal	
1. Shares with trading restriction							
(1) State-owned shares							
(2) State-owned legal entity shares							
(3) Other domestic shares							
Including:							
Shares held by non-state-owned legal entity							
Domestic natural person's shares							
(4) Foreign shares							
Including:							
Foreign legal entity shares							
Foreign natural person's shares							
Total shares with trade restriction							
2. Shares with no trade restriction							
(1) RMB ordinary shares	233,263,800.00						233,263,800.00
(2) Domestically listed foreign hares	54,885,600.00						54,885,600.00
(3) Overseas listed foreign shares							
(4) Others							
Total shares with no selling restriction	288,149,400.00						288,149,400.00
3. Total shares	288,149,400.00						288,149,400.00

5.34 Capital reserves

Item	As at December 31, 2009	Increases	Decreases	As at June 30, 2010
1. Capital surplus(share surplus)				
- Impact of business combination under common control				
Subtotal				
2. Other capital reserves				
- Share of the changes in equity other than profits and losses of investees	2,380,016.57			2,380,016.57
- Others	2,650,322.00			2,650,322.00
Subtotal	5,030,338.57			5,030,338.57
Total	5,030,338.57			5,030,338.57

5.35 Surplus reserve

Item	As at December 31, 2009	Increases	Decreases	As at June 30, 2010
Statutory Surplus Reserve	17,573,057.11			17,573,057.11

5.36 Retained earnings

Item	Amount	Proportion of extract and distribution
Undistributed profit at the beginning of the year before adjustment	511,913,342.00	
Adjustment of Undistributed profit at the beginning		
Undistributed profit at the beginning of the year after adjustment	511,913,342.00	
Plus: Net profit attributable to the parent company of current year	121,620,988.36	
Minus: Extract for statutory surplus reserves		
Common Stock dividends payable	28,814,940.00	
Plus: other transfers		
Undistributed profit at the end of the year	604,719,390.36	

5.37 Operating revenue and cost

(a) Operating revenue

Item	Current period	The same period of previous year
Principal business	6,166,154,739.81	5,011,062,539.67
Other business	49,969,395.42	36,282,434.98
Total	6,216,124,135.23	5,047,344,974.65

(b) Operating revenue and cost listed by category of principal business

Item	Current period		The same period of previous year	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Manufacturing of medicine	772,575,722.31	574,167,442.53	552,838,081.32	413,108,053.44
Wholesales of medicine	5,361,680,838.99	5,049,673,137.02	4,197,953,192.68	3,968,890,230.84
Retails of medicine	17,303,351.77	15,042,291.10	256,661,224.45	210,504,664.31
Non-medicine trading	10,156,106.84	6,086,418.27	1,679,832.32	3,667,821.32
Lease	4,438,719.90	1,539,861.45	1,930,208.90	354,369.75
Total	6,166,154,739.81	5,646,509,150.37	5,011,062,539.67	4,596,525,139.66

(c) Income from top five customers

Customer	Total revenue in principal business	Proportion in the revenue of principal business (%)
Guangdong People's Hospital	117,965,949.41	1.90
The First Affiliated Hospital of Guangxi Medical University	79,942,839.18	1.29
Sinopharm Medicine Holding Shenyang Co., Ltd.	76,992,166.34	1.24
Shenzhen People's Hospital	69,627,575.92	1.12
South Hospital	68,345,791.87	1.10

5.38 Taxes and surcharges

Item	Current period	The same period of previous year
Business taxes	2,596,413.49	3,125,124.10
City maintenance and construction tax	3,719,898.71	985,236.21
Education surcharge	2,152,810.54	1,334,386.49
Others	165,058.84	650,159.74
Total	8,634,181.58	6,094,906.54

5.39 Investment income

(a) Breakdown of investment income

Item	Current period	The same period of previous year
Share of profit of investees under equity method of accounting	9,251,229.08	8,560,339.50
Income from disposal of long-term equity investments	41,241.30	14,695,480.42
Total	9,292,470.38	23,255,819.92

(b) Income from long-term equity investment recognized with equity method includes

Investee	Current period	The same period of previous year
Shenzhen Chinese Medicine	-2,012,243.51	-806,693.16
Shenzhen Wanle	11,263,472.59	9,367,032.66
Total	9,251,229.08	8,560,339.50

(c) Income from disposal of long-term equity investments

Investee	Current period	The same period of previous year
Guangdong Accord Drugstore Co., Ltd.(Hereinafter refer to "Accord Drugstore") (including Shenzhen Accord Pharmaceutical Chain Co., Ltd and Guangzhou Accord Drugstore Chain Co., Ltd.)	-	8,247,542.74
Guangxi Accord Pharmaceutical Chain Co., Ltd.	-	5,947,938.68
Guangxi Guoda Drugstore Chain Co., Ltd.	-	499,999.00
China Associate (Group) Co., Ltd	41,241.30	-
Total	41,241.30	14,695,480.42

(d) The long-term investments of the Company are not subject to any restriction on conversion into cash and investment income remittance.

5.40 Assets impairment losses

Item	Current period	The same period of previous year
Bad debts	14,273,360.36	2,940,392.92
Inventory impairment losses	1,038,271.20	3,362,382.31
Total	15,311,631.56	6,302,775.23

5.41 Financial expenses

Item	Current period	The same period of previous year
Interest expenses	36,029,531.10	18,713,836.03
Less: Interest income	2,036,657.72	883,332.46
Exchange gain or loss	-32,170.23	-328,032.23
Others	3,708,143.06	3,472,262.99
Total	37,668,846.21	20,974,734.33

5.42 Non-operating income

(a)

Item	Current period	The same period of previous year
1. Income from disposal of non-current assets	2,247,523.93	44,010.30
Including: Income from disposal of fixed assets	2,247,523.93	44,010.30
2. Government grants	5,686,547.15	1,661,972.22
3. Others	368,440.92	585,360.81
Total	8,302,512.00	2,291,343.33

(b) Details of government grants

Item	Current period	The same period of previous year
Medicine reserve funds	-	572,590.20
Financial support for the R & D expenditure	-	500,000.00
Financial support to enterprise technical center	-	-
Industrial financial supports	50,000.00	-
Subsidies for new product developments	20,000.00	-
Funds for industrial improvement	2,750,000.00	570,000.00
Others	2,866,547.15	19,382.02
Total	5,686,547.15	1,661,972.22

5.43 Non-operating expenses

Item	Current period	The same period of previous year
Losses for disposals of non-current assets	471,610.41	179,478.97
Including: loss for disposal of fixed assets	471,610.41	179,478.97
Donation	268,786.00	-
Others	107,146.21	68,896.36
Total	847,542.62	248,375.33

5.44 Income tax expenses

Item	Current period	The same period of previous year
Current income tax	42,068,324.85	32,027,403.02
Deferred income tax	-747,527.80	1,997,603.72
Total	41,320,797.05	34,025,006.74

5.45 Calculation of basic and diluted earnings per share

(a) Basic earnings per share

(1) Basic earnings per share

$$= P0 \div S$$

$$= P0 \div (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk)$$

$$= 121,620,988.36 \div 288,149,400.00$$

$$= 0.422$$

(2) Basic earnings per share (after deducting non-recurring gain or loss)

$$= P0 \div S$$

$$= P0 \div (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk)$$

$$= 113,266,697.99 \div 288,149,400.00$$

$$= 0.393$$

Where: P0 is net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss; S is weighted average number of ordinary shares outstanding; S0 is the total number of shares at the beginning of the year; S1 is the number of increased shares as a result of capitalization of reserves or scrip dividend during the reporting period; Si is the number of increased shares as a result of new issuance of shares or conversion of debt instruments to stocks during the reporting period; Sj is the number of reduced shares as a result of stock repurchase; Sk is the number of consolidated shares in the reporting period; M0 is the number of months of the reporting period; Mi is the number of months from the next month that the number of shares is increased to the year end of the reporting period; Mj is the number of months from the next month that the number of shares is decreased to the year end of the reporting period.

(b) Diluted earnings per share

(1) Diluted earnings per share

$$= P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average number of increased ordinary shares arising from warrants, stock options and convertible debts})$$

$$= 121,620,988.36 \div 288,149,400.00$$

$$= 0.422$$

(2) Diluted earnings per share (after deducting non-recurring gain or loss)

$$= P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average number of increased ordinary shares arising from warrants, stock options and convertible debts})$$

$$= 113,266,697.99 \div 288,149,400.00$$

$$= 0.393$$

Where: P1 is net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss. In calculating the diluted earnings per share, the Company has taken into consideration the effects of all dilutive potential ordinary shares, until the diluted earnings per share reach the lowest amount.

5.46 Notes to cash flow statement

(a) Cash received relating to other operating activities

Item	Current period
Interest income	1,414,270.59
Government grants	5,686,547.15
Others	86,775,770.97
Total	93,876,588.71

(b) Cash paid related to other operating activities

Item	Current period
R&D expenses	24,766,067.19
Transportation expenses	19,210,348.64
Rentals	5,861,996.16
Advertisement expenses	5,316,852.15
Fee surcharges	5,054,175.24
Others	128,427,151.26
Total	188,636,590.64

(c) Cash paid related to other investment activities

Item	Current period
Investment on business combination of Nanning Medicine Co., Ltd.	64,330,100.00

(d) Cash paid related to other financing activities

Item	Current period
Repayment for loans due to Sinopharm Logistics Co., Ltd. Guangzhou Branch	800,000.00
Payments to previous shareholders	13,762,551.78
Total	14,562,551.78

5.47 Supplementary information of cash flow statement

Items	Current period	The same period of previous year
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	125,198,345.49	103,267,588.81
Add: Provisions for asset impairment	15,311,631.56	6,302,775.23
Depreciation of fixed assets and investment properties	44,156,625.57	14,937,680.35
Amortization of intangible assets	7,776,305.87	6,867,126.50
Amortization of long-term prepaid expenses	2,038,642.39	3,784,007.44
Loss from disposals of fixed assets, intangible assets and other long-term assets (income is listed with “- ”)	-4,763,820.79	139,917.06
Loss on discarding of fixed assets (income is listed with “- ”)	-15,406.07	-
Loss from changes in fair values (income is listed with “- ”)	-	-
Financial expenses (income is listed with “- ”)	25,199,474.08	18,713,836.03
Investment loss (income is listed with “- ”)	-9,292,470.38	-22,755,820.92
Decreases in deferred income tax assets (increase is listed with “- ”)	657,082.14	3,040,151.80
Increases in deferred income tax liabilities (decrease is listed with “- ”)	-1,404,609.94	6,383,179.25
Decreases in inventories (income is listed with “- ”)	-41,979,079.84	26,146,260.72
Decreases in operating receivables (increase is listed with “- ”)	-350,593,678.10	-348,496,221.00
Increases in operating payables (decrease is listed with “- ”)	404,069,884.84	332,698,551.79
Net cash flows from operating activities	216,358,926.82	151,029,033.06
2. Investing and financing activities that do not involve cash receipts and payments	-	-
Conversion of debt into capitals	-	-
Reclassification of current portion of convertible bonds to current liabilities	-	-
Fixed assets capitalized under finance leases	-	-
3. Net changes in cash and cash equivalents		
Cash at end of period	593,620,718.33	498,642,111.62
Less: cash at beginning of year	579,471,913.48	381,663,418.93
Add: cash equivalents at end of year	-	-
Less: cash equivalents at beginning of year	-	-
Net increases in cash and cash equivalents	14,148,804.85	116,978,692.69

(b) Details of cash and cash equivalents

Items	As at June 30, 2010	As at December 31, 2009
1. Cash	593,620,718.38	579,471,913.48
Including: Cash on hand	52,001.33	332,939.70
Bank deposits with high liquidation	492,445,381.53	461,716,777.43
Other monetary funds with high liquidation	101,123,335.47	117,422,196.35
Deposits in Central Bank ready for payment		
Due from banks		
Inter-bank offers		
2. Cash equivalents		
Including: bond investment maturing within three months		
3. Ending balance of cash and cash equivalents	593,620,718.38	579,471,913.48

Note: cash and cash equivalents exclude restricted cash and cash equivalents of the Company and its subsidiaries.

6 Related party and related party transactions

6.1 Parent company of the Company

Parent company	Relationship with the Company	Type of enterprise	Registered address	Legal representative	Principal business	Registered capital	Interest held (%)	Voting right (%)	Ultimate holding company	Organization bar code
Sinopharm Group	Controlling shareholder of the Company	Limited company	Shanghai	She Lulin	Commercial industry	163,704.00	38.33	38.33	China National Pharmaceutical Group Corporation	74618434-4

6.2 Subsidiaries of the Company are in Note 4.

6.3 Joint ventures and associates are in Note 5.

6.4 Other related parties

Name of company	Relationship with the Company
China National Pharmaceutical Industry Co., Ltd. Beijing Branch	Under the same ultimate controlling company
Sinopharm Baida Pharmaceutical Co., Ltd.	Under the same ultimate controlling company
Sinopharm Medicine Holding Industry Co., Ltd.	Under the same ultimate controlling company
Guangdong East Uptodate & Special Medicines Co., Ltd.	Under the same controlling company
Sinopharm Chemical Reagent Suzhou Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Beijing Kang chen Biological Pharmaceutical Co., Ltd.	Under the same controlling company
Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	Under the same controlling company
Xinjiang Uotodate& Special Western Medicine Limited Liability Company	Under the same controlling company
Sinopharm Medicine Holding Hainan Co., Ltd.	Under the same controlling company
Guangxi Accord Pharmaceutical Chain Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Fujian Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Ningxia Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Hubei Yibao Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Shandong Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Hebei Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Gansu Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Jiangxi Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Fuzhou Co., Ltd.	Under the same controlling company
China National Medicine Pharmaceutical Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Shenyang Co., Ltd. Changchun Affiliate	Under the same controlling company
Sinopharm Medicine Holding Tianjin Co., Ltd. Tongliao Dongmeng Affiliate	Under the same controlling company
Chendu Rongsen Pharmaceutical Co., Ltd.	Under the same ultimate controlling company
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	Under the same ultimate controlling company
Guangdong Tianliang Pharmaceutical Co., Ltd.	Under the same ultimate controlling company
Accord Drugstore	Under the same controlling company
Guangxi Guoda Drugstore Chain Co., Ltd.	Under the same controlling company
Guangxi Wuzhou Huawu Medicine Co., Ltd.	Under the same controlling company
Guangzhou Accord Drugstore Chain Co., Ltd.	Under the same controlling company
Sinopharm Beijing Medical Treatment Equipment Co.,	Under the same ultimate controlling

Name of company	Relationship with the Company
Ltd.	company
Sinopharm Chemical Reagent Co., Ltd.	Under the same controlling company
Union China National Medical Equipment Corp.	Under the same ultimate controlling company
Sinopharm Shanghai Medical Equipment Co., Ltd	Under the same ultimate controlling company
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	Under the same controlling company
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	Under the same controlling company
China National Medicines Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Shanghai Co., Ltd.	Under the same controlling company
Sinopharm Medicine Logistics Co., Ltd.	Under the same controlling company
Sinopharm Logistics Co., Ltd. Guangzhou Branch	Under the same controlling company
Sinopharm Medicine Holding Anhui Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Beijing Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Henan Co., Ltd	Under the same controlling company
Sinopharm Medicine Holding hubei Yibao Co.,Ltd	Under the same controlling company
Sinopharm Medicine Holding Hubei Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Hunan Co., Ltd	Under the same controlling company
Sinopharm Medicine Holding Jiangsu Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Shanxi Co., Ltd.	Under the same controlling company
Shenzhen Chinese Medicine	Under the same ultimate controlling company /Associate of the Company
Sinopharm Medicine Holding Shenyang Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Suzhou Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Tianjing Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding .Tianjing, Neimeng Affiliate	Under the same controlling company
Sinopharm Medicine Holding Yunnan Co., Ltd.	Under the same controlling company
Sinopharm Medicine Holding Zhejiang Co., Ltd.	Under the same controlling company
Ningxia Guoda Drugstore Chain Co., Ltd.	Under the same controlling company
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	Under the same controlling company
Shenzhen Accord Pharmaceutical Chain Co., Ltd	Under the same controlling

Name of company	Relationship with the Company
Shenzhen Wanle	Associate of the Company
Sichuan Jiangyou Zhongba Fuzi Technology Co., Ltd.	Under the same ultimate controlling company
Tianjin East Bokang Medicine Trade Co., Ltd.	Under the same controlling company
China National Group Co. of Traditional & Herbal Medicine	Under the same ultimate controlling company
China National Pharmaceutical Foreign Trade Corporation	Under the same ultimate controlling company
Guangxi Guoda Drugstore Chain Co., Ltd.	Under the same ultimate controlling company
China National Pharmaceutical Industry Corporation	Under the same ultimate controlling company
Sinopharm Wuhan Pharmaceutical Industry Design Institute	Under the same ultimate controlling company
Reed Sinopharm Exhibitions Co.,Ltd	Under the same ultimate controlling company
China National Pharmaceutical Shanghai Corporation	Under the same controlling company
Yang Qiaoming	Minority shareholder of a subsidiary of the Company

6.5 Related party transactions

6.5.1 Transactions within the Group have been eliminated.

6.5.2 Purchase of goods and service d from related parties

Name of company	Type of trade	Pricing policy	Current period Amount	Previous period Amount
Sinopharm Group	Purchase of goods	Market price	410,542,658.60	265,826,487.48
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	Purchase of goods	Market price	91,574,957.49	217,185,865.82
China National Medicines Co., Ltd.	Purchase of goods	Market price	66,174,479.55	53,010,106.57
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	Purchase of goods	Market price	47,307,288.33	29,424,950.56
China National Pharmaceutical Foreign Trade Corporation	Purchase of goods	Market price	5,382.42	11,822,212.14
Guangxi Guoda Drugstore Chain Co., Ltd.	Purchase of goods	Market price	0.00	7,747,728.78
Guangdong East Uptodate & Special Medicines Co.Ltd	Purchase of goods	Market price	4,953,338.18	6,678,974.80
Union China National Medical Equipment Corp.	Purchase of goods	Market price	2,040,268.75	2,506,758.77
Shenzhen Wanle	Purchase of goods	Market price	1,036,020.04	1,806,047.49
Sinopharm Medicine Holding Suzhou Co., Ltd	Purchase of goods	Market price	0.00	474,645.81
Sinopharm Medicine Holding Hunan Co., Ltd.	Purchase of goods	Market price	0.00	469,476.92
China National Group Co. of Traditional & Herbal Medicine	Purchase of goods	Market price	1,158,885.50	417,809.22
Sinopharm Medicine Holding Shanghai Co., Ltd.	Purchase of goods	Market price	0.00	152,759.53
China National Pharmaceutical	Purchase of	Market price	360,035.85	129,015.37

Industry Corporation	goods			
Sinopharm Shanghai Medical Equipment Co., Ltd	Purchase of goods	Market price	19,748.37	97,531.81
Sinopharm Chemical Reagent Co., Ltd.	Purchase of goods	Market price	175,864.10	93,777.77
Sinopharm Chemical Reagent Suzhou Co., Ltd.	Purchase of goods	Market price	412,739.88	25,692.89
China National Pharmaceutical Industry Co., Ltd. Beijing Branch	Purchase of goods	Market price	3,297,802.44	21,162.82
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	Purchase of goods	Market price	546,489.34	13,530.47
Sinopharm Medicine Holding Shanghai Co., Ltd.	Purchase of goods	Market price	0.00	30.35
Accord Drugstore	Purchase of goods	Market price	480,111.43	0.00
Sinopharm Medicine Holding Beijing Kang chen Biological Pharmaceutical Co., Ltd.	Purchase of goods	Market price	214,358.97	0.00
Sichuan Jiangyou Zhongba Fuzi Technology Co., Ltd.	Purchase of goods	Market price	190,924.77	0.00
Chendu Rongsen Pharmaceutical co.,Ltd	Purchase of goods	Market price	69,743.59	0.00
Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	Purchase of goods	Market price	22,222.22	0.00
Guangdong Tianliang Medicine Co., Ltd.	Purchase of goods	Market price	-2,824.62	0.00
Sinopharm Medicine Baida Pharmaceutical Co., Ltd.	Purchase of goods	Market price	1,500,598.30	0.00
Shenzhen Chinese Medicine	Purchase of goods	Market price	796,197.99	-231.92
Sinopharm Medicine Holding Tianjing Co., Ltd.	Purchase of goods	Market price	0.00	-8,838.42
Total			632,877,291.49	597,895,495.03

6.5.3 Sales of goods and provision of service to related parties

Name of company	Type of trade	Pricing policy	Current year	Previous year
			Amount	Amount
Sinopharm Medicine Holding Shenyang Co., Ltd.	Sales of goods	Market price	76,992,166.31	128,254,395.95
Sinopharm Medicine Holding Hubei Co., Ltd.	Sales of goods	Market price	45,165,657.00	43,925,158.98
Sinopharm Medicine Holding Hunan Co., Ltd.	Sales of goods	Market price	39,832,046.00	39,167,791.58
Sinopharm Medicine Holding Tianjing Co., Ltd.	Sales of goods	Market price	25,160,009.96	34,448,422.73
Sinopharm Medicine Holding Tianjing, Neimeng Affiliate	Sales of goods	Market price	1,215,387.54	223,220.51
Sinopharm Medicine Holding Tianjin Co., Ltd. Tongliao Dongmeng Affiliate	Sales of goods	Market price	0.00	-24,384.62
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	Sales of goods	Market price	36,560,858.55	33,667,452.39
Sinopharm Medicine Holding Beijing Co., Ltd.	Sales of goods	Market price	33,524,670.92	23,830,112.15
Sinopharm Medicine Holding Hubei Yibao Co., Ltd.	Sales of goods	Market price	3,461,335.95	13,605,968.75
Sinopharm Medicine Holding Ningxia Co., Ltd.	Sales of goods	Market price	4,810,646.30	8,019,553.91
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	Sales of goods	Market price	11,400,406.00	7,894,944.68
Sinopharm Medicine Holding Henan Co., Ltd.	Sales of goods	Market price	9,153,540.40	6,109,133.55
Tianjin East Bokang Medicine Trade Co., Ltd.	Sales of goods	Market price	14,616,408.55	5,924,107.52
Sinopharm Group Co., Ltd.	Sales of goods	Market price	10,482,002.59	5,809,967.15
Guangxi Guoda Drugstore Chain Co., Ltd.	Sales of goods	Market price	0.00	5,201,274.94
Guangdong Tianliang Medicine Co., Ltd.	Sales of goods	Market price	0.00	3,539,682.74
Sinopharm Medicine Holding Jiangsu Co., Ltd.	Sales of goods	Market price	3,614,203.64	3,134,522.69
Sinopharm Medicine Holding Shanxi Co., Ltd.	Sales of goods	Market price	4,117,163.65	2,750,136.22
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	Sales of goods	Market price	0.00	1,517,425.64
Sinopharm Medicine Holding Anhui Co., Ltd.	Sales of goods	Market price	2,187,163.80	1,346,222.52
China National Medicines Co., Ltd.	Sales of goods	Market price	4,302,247.12	1,277,393.29
Guangdong East Uptodate & Special Medicines Co.,Ltd	Sales of goods	Market price	5,023,571.69	1,256,350.10
Sinopharm Medicine Holding Zhenjiang Co., Ltd.	Sales of goods	Market price	1,320,586.48	494,443.74
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	Sales of goods	Market price	671,978.60	180,403.69
Ningxia Guoda Drugstore Chain Co., Ltd.	Sales of goods	Market price	12,393.18	98,787.31
Guangxi Wuzhou Huawu Medicine Co., Ltd.	Sales of goods	Market price	40,160.09	73,990.31
Shenzhen Chinese Medicine	Sales of goods	Market price	7,384.07	955.75

Name of company	Type of trade	Pricing policy	Current year	Previous year
			Amount	Amount
Sinopharm Medicine Holding Suzhou Co., Ltd.	Sales of goods	Market price	241,248.55	-7,402.14
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	Sales of goods	Market price	0.00	-1,317,212.30
Accord Drugstore	Sales of goods	Market price	49,493,288.14	0.00
Sinopharm Medicine Holding Hainan Co., Ltd.	Sales of goods	Market price	17,435,235.51	0.00
Guangxi Accord Chain Drugstore Co., Ltd.	Sales of goods	Market price	15,824,491.37	0.00
Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	Sales of goods	Market price	14,469,474.54	0.00
Xinjiang Uotodate& Special Western Medicine Limited Liability Company	Sales of goods	Market price	10,169,660.19	0.00
Sinopharm Holdings Yunnan Chinese Medicine Co., Ltd	Sales of goods	Market price	9,694,300.25	0.00
Sinopharm Holdings Fujian Chinese Medicine Co., Ltd	Sales of goods	Market price	8,798,711.08	0.00
Guangxi Guoda Drugstore Chain Co., Ltd.	Sales of goods	Market price	6,035,750.12	0.00
Sinopharm Holdings Northwest Chinese Medicine Co., Ltd.	Sales of goods	Market price	5,264,302.90	0.00
Sinopharm Holdings Shandong Chinese Medicine Co., Ltd.	Sales of goods	Market price	3,389,699.08	0.00
Sinopharm Medicine Logistics Co., Ltd.	Sales of goods	Market price	2,159,612.95	0.00
Sinopharm Medicine Holding Hebei Co., Ltd.	Sales of goods	Market price	2,014,432.48	0.00
Shenzhen Accord Pharmaceutical Chain Co., Ltd	Sales of goods	Market price	1,509,727.40	0.00
Guangdong South Pharmaceutical Foreign Trade Co.	Sales of goods	Market price	787,588.06	0.00
China National Medicines Guorui Co., Ltd.	Sales of goods	Market price	631,470.09	0.00
Sinopharm Medicine Holding Gansu Chinese Medicine Co., Ltd.	Sales of goods	Market price	559,063.76	0.00
Sinopharm Medicine Holding Jiangxi Co., Ltd.	Sales of goods	Market price	401,831.99	0.00
Tianjin East Bokang Medicine Trade Co., Ltd.	Sales of goods	Market price	151,794.87	0.00
Sinopharm Medicine Holding Fuzhou Chinese Medicine Co., Ltd.	Sales of goods	Market price	126,078.12	0.00
Sinopharm Medicine Holding Shenyang Co., Ltd. Changchun Affiliate	Sales of goods	Market price	12,000.00	0.00
Total			482,841,749.84	370,402,819.73

6.5.4 Other related party transactions

- (1) Details of guarantees provided to related parties are in Note7.
- (2) Sinopharm Guangzhou, a subsidiary, has accepted the discounted notes payable issued by the following subsidiaries and has born relevant discounted interests: China National Medicines Co., Ltd.Rmb128,900, Shanghai Sinopharm Wai Gao Qiao Co., Ltd. Rmb2,300,000, Sinopharm Group Rmb3,240,000.
- (3) Sinopharm Guangzhou, a subsidiary, has leased buildings from Sinopharm Medicine Logistics Co., Ltd. and the rental expenses in the current period amounted to Rmb7,290,000.
- (4) The Company has an entrusted loan due from Sinopharm Group through Shanghai Bank of Communication. The loan principal was Rmb15 million and the interest expenses for the current period were Rmb4,020,400.00.

Sinopharm Guangzhou, a subsidiary, has an entrusted loan due from Sinopharm Group through Shanghai Bank of Communication. The loan principal was Rmb15,000,000 and the interest expenses for the current period were Rmb3,000,000.

- (5) Sinopharm Liuzhou, a subsidiary, had a rental income of Rmb524,200 charged to Guangxi Accord Pharmaceutical Chain Co., Ltd. in the current period.
- (6) In the current period, the Company has rental income charged to Shenzhen Accord Pharmaceutical Chain Co., Ltd. and Guangdong Accord Drugstore Co., Ltd., amounting to Rmb228,300 and Rmb186,500 respectively.

In the current period, Huixin Investement, a subsidiary, had a rental income charged to Guangzhou Accord Drugstore Chain Co., Ltd. and Union China National Medical Equipment Corp., amounting to Rmb217,000 and Rmb87,600 respectively.

- (7) Accord Logistics, a subsidiary, has provided delivery and transportation services to Accord Drugstore, and charged the service fee of Rmb426,800 in the current period.

In the current period, Hengchang Logsitics, a subsidiary, has provided delivery and transportation services to Guangdong Accord Drugstore Co., Ltd., Sinopharm Medicine Logistics Co., Ltd. and Sinopharm Group and charged the service fee of Rmb1,330,000, Rmb2,160,000 and Rmb750,000 respectively.

- (8) Huiqin Investment, a subsidiary has charged rental income of Rmb80.2 thousand to both Guangxi Accord Pharmaceutical Chain Co., Ltd. and Guangdong Accord Drugstore Co., Ltd., respectively. It paid the design and production fee of Rmb220,000 to Sinopharm Wuhan Pharmaceutical Industry Design Institute for its logistic project.
- (9) In the current period, Zhijun Wanqin, a subsidiary, has paid the exhibition fee of Rmb22,800 and Rmb77,000 to Reed Sinopharm Exhibitions Co., Ltd. and China National Pharmaceutical Industry Corporation respectively.

6.5.5 Balance of receivable and payables of related parties

Item	Name of company	As at June 30, 2010(Rmb'0000)	As at December 31, 2009(Rmb'000 0)
Accounts receivable			
	Sinopharm Medicine Holding Shenyang Co., Ltd.	480.61	5,996.19
	Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	1,395.45	1,835.52
	Sinopharm Medicine Holding Beijing Co., Ltd.	1,729.14	1,738.06
	Sinopharm Medicine Holding Hubei Co., Ltd.	1,296.92	1,643.74
	Sinopharm Medicine Holding Hunan Co., Ltd.	1,548.62	1,633.59
	Accord Drugstore	2,531.21	1,254.23
	Shenzhen Accord Pharmaceutical Chain Co., Ltd.	1.57	963.68
	Guangxi Accord Pharmaceutical Chain Co., Ltd.	537.46	901.38
	Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	672.64	598.44
	Sinopharm Medicine Holding Tianjing Co., Ltd.	712.71	557.31
	Tianjin East Bokang Medicine Trade Co., Ltd.	535.77	379.01
	Sinopharm Medicine Holding Hubei Yibao Co., Ltd.	79.66	326.29
	Sinopham Group	333.08	314.80
	Sinopharm Medicine Holding Yunnan Co., Ltd.	254.70	271.53
	China National Medicines Co., Ltd.	119.27	253.53
	Sinopharm Medicine Holding Jiangsu Co., Ltd.	120.71	134.25
	Sinopharm Medicine Holding Shanxi Co., Ltd.	151.20	119.76
	Sinopharm Medicine Holding Henan Co., Ltd.	101.44	106.05
	Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	143.88	93.44
	Sinopharm Medicine Holding Anhui Co., Ltd.	-0.80	45.98
	Guangdong East Uptodate & Special Medicines Co., Ltd.	160.98	36.89
	Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	76.94	29.09
	Sinopharm Medicine Holding .Tianjing, Neimeng Affiliate	10.36	17.12
	Guangzhou Accord Drugstore Chain Co., Ltd.	103.76	9.62
	Sinopharm Medicine Holding Suzhou Co., Ltd.	6.19	9.36
	Sinopharm Medicine Holding Zhejiang Co., Ltd.	121.73	1.99
	Guangxi Accord Pharmaceutical Chain Co., Ltd.	271.30	1.61
	Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	592.53	0.00
	Xinjiang Uotodate& Special Western Medicine Limited Liability Company	408.19	0.00
	Ningxia Guoda Drugstore Chain Co., Ltd.	0.80	0.00
	China National Medicine Pharmaceutical Co., Ltd.	73.88	0.00
	Sinopharm Baida Pharmaceutical Co., Ltd	2.75	0.00
	Guangxi Wuzhou Huawu Medicine Co., Ltd.	2.27	0.00
	Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	25.14	0.00

Item	Name of company	As at June 30, 2010(Rmb'0000)	As at December 31, 2009(Rmb'000 0)
	Sinopharm Medicine Holding Shenyang Co., Ltd. Changchun affiliate	1.40	0.00
	Shenzhen Chinese Medicine	0.83	0.00
	Sinopharm Medicine Holding Shandong Co., Ltd.	353.61	0.00
	Sinopharm Medicine Holding Ningxia Co., Ltd.	296.97	0.00
	Sinopharm Medicine Holding Jiangxi Co., Ltd.	11.83	0.00
	Sinopharm Medicine Holding Hebei Co., Ltd.	158.48	0.00
	Sinopharm Medicine Holding Henan Co., Ltd.	559.97	0.00
	Sinopharm Medicine Holding Gansu Co., Ltd.	18.52	0.00
	Sinopharm Medicine Holding Fuzhou Co., Ltd.	13.39	0.00
	Sinopharm Medicine Holding Fujian Co., Ltd.	437.02	0.00
	Sinopharm Medicine Logistics Co., Ltd.	103.21	0.00
	Total	16,557.29	19,272.46
Advances from suppliers			
	Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	108.66	1,303.66
	Union China National Medical Equipment Corp.	131.22	15.69
	Sinopharm Chemical Reagent Co., Ltd.	1.80	0.00
	Sinopharm Chemical Reagent Suzhou Co., Ltd.	32.58	0.00
	Total	274.26	1,319.35
Other receivables			
	Sinopharm Medicine Logistics Co., Ltd.	121.50	121.50
	Sinopharm Group		73.18
	Accord Drugstore		0.17
	Yang Qiaoming		717.25
	Total	121.50	912.10
Accounts payable			
	Sinopharm Group	12,097.42	8,831.67
	Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	2,071.22	2,612.69
	China National Medicines Co., Ltd.	698.42	958.55
	China National Pharmaceutical Foreign Trade Corporation	0.09	299.68
	Guangdong South Pharmaceutical Foreign Trade Co.	1,035.50	283.82
	Guangdong East Uptodate & Special Medicines Co., Ltd.	109.63	91.05
	Sinopharm Medicine Logistics Co., Ltd.	2.88	45.85
	Sinopharm Medicine Holding Suzhou Co., Ltd.	0.00	45.30
	Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	0.00	41.03
	China National Pharmaceutical Industry Corporation	11.16	11.31
	Sinopharm Logistics Co., Ltd. Guangzhou Branch	0.00	9.64

Item	Name of company	As at June 30, 2010(Rmb'0000)	As at December 31, 2009(Rmb'000 0)
	China National Pharmaceutical Industry Co., Ltd. Beijing Branch	43.14	9.30
	Sichuan Jiangyou Zhongba Fuzi Technology Co., Ltd.	21.74	8.69
	Sinopharm Shanghai Medical Equipment Co., Ltd.	4.69	4.54
	Shenzhen Chinese Medicine	37.82	4.40
	Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	50.33	3.56
	China National Group Co. of Traditional & Herbal Medicine	121.38	2.95
	Sinopharm Medicine Holding Beijing Co., Ltd.	2.86	2.86
	Sinopharm Beijing Medical Treatment Equipment Co., Ltd.	0.88	0.88
	Guangdong Tianliang Pharmaceutical Co., Ltd.	1.70	0.87
	Sinopharm Medicine Holding Hubei Yibao Co., Ltd.	0.00	0.67
	Guangxi Wuzhou Huawu Medicine Co., Ltd.	0.28	0.28
	Accord Drugstore	47.35	0.04
	Union China National Medical Equipment Corp.	117.83	-52.44
	Sinopharm Baida Pharmaceutical Co., Ltd.	175.57	
	Xinjiang Uptodate & Special Medicines National Pharmaceutical Limited Liability Company	2.60	
	Sinopharm Medicine Holding Jiangsu Co., Ltd.	0.37	
	Shenzhen Wanle	403.92	
	China National Pharmaceutical Industry Corporation Beijing Branch	153.12	
	Sinopharm Chemical Reagent Co., Ltd.	2.98	
	Sinopharm Chemical Reagent Suzhou Co., Ltd.	27.71	
	Sinopharm Medicine Holding Industry Co., Ltd.	0.16	
	Guangdong Erbo Medical Equipment Co., Ltd.	0.05	
	Total	17,242.80	13,217.19
Other payables			
	Yang Qiaoming		1,664.23
	Sinopharm Group	389.39	196.30
	Sinopharm Medicine Holding Shanghai Co., Ltd.	166.04	166.04
	Sinopharm Medicine Logistics Co., Ltd. Guangzhou Branch		80.97
	Sinopharm Medicine Logistics Co., Ltd.	59.00	
	Total	614.43	2,107.54
Advances from customers			
	Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	-	4.55

7 Contingencies

As at June 30, 2010, guaranteed loans provided by the Company for related parties are as follows.

8 Commitments

Guarantor	Guarantee	Total Amount in guarantee contract	Amount utilised	Maturity date of guarantee contract	Financial impact to the Company	
the Company	Zhijun Pharm	60,000,000.00	30,000,000.00	2011.08.21	No impact	unfavorable
the Company	Zhijun Pharm	50,000,000.00	-	2011.06.01	No impact	unfavorable
the Company	Zhijun Pharm	100,000,000.00	46,255,849.24	2010.12.18	No impact	unfavorable
the Company	Zhijun Wanqin, Zhijun Pharm, Sinopharm Nanning, Sinopharm Liuzhou	250,000,000.00	198,098,598.34	2010.12.30	No impact	unfavorable
the Company	Sinopharm Guangzhou	650,000,000.00	393,928,598.24	2011.03.13	No impact	unfavorable
the Company	Sinopharm Guangzhou	225,000,000.00	101,314,911.21	2011.04.13	No impact	unfavorable
the Company	Yuxing Medicine	35,000,000.00	2,141,352.00	2011.04.13	No impact	unfavorable
the Company	Sinopharm Guangzhou	100,000,000.00	85,000,000.00	2011.03.01	No impact	unfavorable
the Company	Sinopharm Guangzhou	100,000,000.00	60,105,007.44	2010.07.28	No impact	unfavorable
the Company	Sinopharm Guangzhou	180,000,000.00	78,599,489.40	2011.06.18	No impact	unfavorable
the Company	Sinopharm Guangzhou	50,000,000.00	50,000,000.00	2010.11.04	No impact	unfavorable
the Company	Sinopharm Guangzhou	100,000,000.00	92,643,678.61	2011.04.30	No impact	unfavorable
the Company	Sinopharm Nanning	60,000,000.00	52,691,600.00	2011.01.13	No impact	unfavorable
the Company	Zhijun Wanqin	60,000,000.00	29,340,343.82	2010.10.22	No impact	unfavorable
the Company	Zhijun Wanqin	40,000,000.00	39,390,861.57	2011.04.22	No impact	unfavorable
Zhijun Pharm, Sinopharm Guangzhou	the Company	375,000,000.00	168,309,469.66	2011.06.21	No impact	unfavorable
Zhijun Pharm	the Company	50,000,000.00	4,408,509.66	2011.06.01	No impact	unfavorable
Zhijun Pharm	the Company	150,000,000.00	27,785,471.80	2010.12.18	No impact	unfavorable
Zhijun Pharm	the Company	160,000,000.00	13,239,386.37	2010.12.31	No impact	unfavorable
Zhijun Pharm	the Company	100,000,000.00	58,836,807.78	2010.12.30	No impact	unfavorable
Zhijun Pharm	Zhijun Trade	USD3,000,000.00	USD1,131,244.00	2010.07.10	No impact	unfavorable

8.1 Commitments

8.1.1 There are no investment contracts signed but not yet executed or not fully executed, and no related financial expenditure.

8.1.2 There are no significant outsourcing contracts signed and being or to be executed.

8.1.3 Significant equipment purchasing contracts signed and being or to be executed:

Capital expenditures contracted for at the balance sheet date but not recognized in balance sheet are analyzed as follows:

Period	As at June 30 ,2010 RMB'000
Within one year	12,030,30

8.1.4 Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

	As at June 30 ,2010 RMB'000
Within one year	13,543.50
1-2 years	5,324.40
2-3 years	5,256.30
Over 3 years	36,870.30
Total	60,994.50

8.1.5 There are no acquisition agreements signed and being or to be executed.

8.1.6 There are no restructuring plans signed and being or to be executed.

8.1.7 Other significant financial commitments:

Details of mortgaged properties

Item	Certification No. of property rights mortgaged	Location of mortgaged Property	Book value of mortgaged Property	Amount of mortgage loans (Rmb'000)	Term of mortgage loans
Real Estates			107,380,589.15		
Land use right	Shenfangdizidi No.5000357449	Northwest, xianhu road, guanlan street, bao'an district, Shenzhen	8,029,575.57	30,000	2009.4.30 to 2011.7.21

8.2 Execution of prior commitments:

The Group has fulfilled the commitments as of June 30, 2010 according to the relevant contracts.

9 Significant events after balance sheet date

There is no significant event after balance sheet date.

10 Other significant events

No other significant events need to be disclosed.

11 Notes to the main items of financial statement of parent company

11.1 Accounts receivable

(a) Accounts receivable classified by nature

Category	As at June 30, 2010				As at December 30, 2009			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Debtors with significant balance	199,314,852.73	60.96	1,389,140.29	0.70	156,719,739.14	51.40	1,389,140.29	0.89
Debtors with insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic								
Others with insignificant balance	127,667,296.11	39.04	3,350,331.66	2.62	148,200,533.76	48.60	2,181,245.73	1.47
Total	326,982,148.84	100.00	4,739,471.95		304,920,272.90	100.00	3,570,386.02	

(b) As at June 30, 2010, there is no accounts receivable due from shareholder holding 5% or over of the Company's shares.

(c) Top five receivable accounts

Name of the companies	Relation with the Company	Amount	Ageing	Portion in total receivables
Shenzhen People's Hospital	Non-related	25,956,829.03	within 1 year	7.94%
No. 2 Shenzhen People's Hospital	Non-related	21,174,549.09	within 1 year	6.48%
Accord Drugstore	Non-related	19,936,223.17	within 1 year	6.10%
Shenzhen Hospital Affiliated to Peking University	Non-related	17,504,351.13	within 1 year	5.35%
Shenzhen Medicine Hospital	Non-related	11,417,752.72	within 1 year	3.49%

(e) As at June 30, 2010, accounts receivable due from related parties amounted to Rmb20,363,461.19, which accounts for 6.23% of the total accounts receivable at the period-end.

11.2 Other receivables

(a) Other receivables classified by nature

Category	As at June 30, 2010				As at December 30, 2009			
	Book value		Bad debt provision		Book value		Book balance	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Debtors with significant balance	463,606,160.94	95.13	8,980,000.00	1.94	376,658,502.14	96.25	8,980,000.00	2.38
Debtors with insignificant balance but of higher credit risk when grouped with others with similar credit risk characteristic								
Others with insignificant	23,724,075.25	4.81	7,545.00	0.03	14,656,492.47	3.75	2,712,380.41	18.51

balance								
Total	487,330,236.19	100.00	8,987,545.00		391,314,994.61	100.00	11,692,380.41	

(b) Details of bad debt provisions for the other receivables which are material or not material but having been specifically assessed for impairment

Company	Book value	Provision	Percentage	Reason for provision provided
Shenzhen Yinghai Technology investment Co.,Ltd	8,980,000.00	8,980,000.00	100.00	Uncertainty of recoverability

(c) As at June 30, 2010, there are no other receivables due from shareholder that holds more than 5% (including 5%) shares of the Company.

(d) Top five other receivables

Company	Relation with the Company	Nature	Amount	Ageing	Portion in total other Receivables (%)
Yuxing Medicine	Subsidiary	Current account	114,710,116.42	Over 3 years	23.54
Guangdong Hengxing	Subsidiary	Current account	99,328,195.40	Within 1 year	20.38
Zhanjiang Tianfeng	Subsidiary	Current account	63,000,000.00	Within 1 year	12.93
Sinopharm Nanning	Subsidiary	Current account	38,500,000.00	Within 1 year	7.90
Dongguan Accord	Subsidiary	Current account	36,983,598.65	Within 1 year	7.59

(e) As at June 30, 2010, other receivables due from related parties amounted to Rmb458,865,424.55, which accounts for 94.16% of the total other receivables at the period-end.

11.3 Long-term equity investments

Name of invested companies	Accounting method	Initial investment cost	As at December 31, 2009	Changes	As at June 30, 2010	Shares in the registered capital of the invested unit(%)	The Company's voting share in invested unit of (%)	Explanation of the difference between voting shares and proportion of shareholding	Provision	Provision in current period	Cash dividend in current period
Shenzhen Chinese Medicine	Equity method	20,939,177.10	22,064,631.02	-2,012,243.51	20,052,387.51	47.39	47.39				
Shenzhen Wanle	Equity method	40,973,675.99	58,050,667.25	11,263,472.59	69,314,139.84	35.195	35.195				
Sub-total equity method			80,115,298.27	9,251,229.08	89,366,527.35						
Zhijun Pharm	Cost method	73,903,284.87	73,903,284.87	131,000,000.00	204,903,284.87	100.00	100.00				81,419,952.44
Jianmin Pharm	Cost method	45,054,911.04	45,054,911.04		45,054,911.04	100.00	100.00				191,951.01
Accord Material	Cost method	5,400,000.00	6,450,875.93		6,450,875.93	100.00	100.00				1,575,155.83
Accord Logistics	Cost method	900,000.00	1,019,062.68		1,019,062.68	100.00	100.00				65,083.22
Sinopharm Guangzhou	Cost method	58,283,114.68	85,440,323.63	350,000,000.00	435,440,323.63	100.00	100.00				120,225,327.94
Zhijun Trade	Cost method	3,006,866.42	3,006,866.42		3,006,866.42	100.00	100.00				892,821.17
Guangdong Hengxing	Cost method	8,421,544.08	15,763,288.00		15,763,288.00	100.00	100.00				0.00
Training Center	Cost method	30,000.00	30,000.00		30,000.00	100.00	100.00				0.00
Guangxi Accord	Cost method	4,987,919.71	4,987,919.71		4,987,919.71	100.00	100.00				42,072.13
Sinopharm Liuzhou	Cost method	21,407,965.79	21,407,965.79		21,407,965.79	51.00	51.00				0.00

Dongguan Accord	Cost method	2,742,000.00	2,742,000.00		2,742,000.00	100.00	100.00				25,480.41
Huixin Investment	Cost method	109,416,937.72	109,416,937.72	-45,000,000.00	64,416,937.72	100.00	100.00				3,997,155.94
Hengchang Logistics	Cost method	1,269,502.30	1,136,006.21	4,460,000.00	5,596,006.21	100.00	100.00				167,047.70
Yuexing Medicine	Cost method	16,459,326.27	16,459,326.27	27,000,000.00	43,459,326.27	100.00	100.00				6,098,357.24
Sinopharm Foshan	Cost method	6,995,065.51	6,995,065.51		6,995,065.51	100.00	100.00				34,849.82
Zhijun Wanqin	Cost method	134,250,000.00	134,250,000.00		134,250,000.00	75.00	75.00				0.00
Sinopharm Nanning	Cost method	33,048,985.28	33,048,985.28	71,000,000.00	104,048,985.28	100.00	100.00				3,442,647.29
Zhanjiang Tianfeng	Cost method	1,369,864.65	1,369,864.65		1,369,864.65	100.00	100.00				
Shenzhen Medicine Trade Co., Ltd.	Cost method	7,689,226.69	7,689,226.69		7,689,226.69				7,689,226.69		
Yanfeng Medicine	Cost method	38,207,806.00		38,207,800.00	38,207,800.00						
Sub-total cost method			570,171,910.40	576,667,800.00	1,146,839,710.40				7,689,226.69		218,177,902.14
Total			650,287,208.67	585,919,029.08	1,236,206,237.75				7,689,226.69		218,177,902.14

11.4 Operating revenue and cost

(a) Operating revenue

Item	Current period	The same period of previous year
Principal business	876,932,409.59	755,626,160.89
Other business	1,887,626.51	1,840,615.77
Total	837,870,829.36	718,827,487.61

(b) Operating revenue and cost listed by category of principal business

Item	Current period		The same period of previous year	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Wholesales of medicine	876,932,409.59	837,353,345.51	755,626,160.89	651,785,101.70

(c) Income from top five customers

Customer	Total revenue in principal business	Proportion in the revenue of principal business (%)
Shenzhen People's Hospital	51,812,841.91	5.90
Shenzhen No. 2 People's Hospital	50,447,784.50	5.74
Shenzhen Hospital Affiliated to Peking University	39,944,137.88	4.54
Accord Drugstore	37,900,560.26	4.31
Shenzhen Nanshan District People's Hospital	27,741,594.13	3.16

11.5 Investment income

(a) Breakdown of investment income

Item	Current period	The same period of previous year
Income from equity investments with cost method	218,177,902.14	177,066,870.99
Share of profit of investees under equity method of accounting	9,251,229.08	3,496,170.53
Income from disposal of long-term equity investments	0.00	15,271,949.88
Total	227,429,131.22	195,834,991.30

(b) Income from long-term equity investment recognized with cost method includes

Investee	Current period	The same period of previous year
Zhijun Pharm	81,419,952.44	85,812,844.28
Zhijun Trade	892,821.17	828,538.78
Jianmin Pharm	191,951.01	580,312.43
Accord Material	1,575,155.83	1,641,503.37
Accord Logistics	65,083.22	119,049.45
Sinopharm Guangzhou	120,225,327.94	66,867,908.99
Accord Drugstore	0.00	27,088.83
Dongguan Accord	25,480.41	0.00
Guangxi Accord	42,072.13	54,026.63
Sinopharm Liuzhou	0.00	5,100,000.00
Huixin Investment	3,997,155.94	11,035,034.81
Yuexing Medicine	6,098,357.24	4,756,630.35
Hengchang Logistics	167,047.70	128,507.18
Sinopharm Foshan	34,849.82	115,425.89
Sinopharm Nanning	3,442,647.29	0.00
Total	218,177,902.14	177,066,870.99

(c) Income from long-term equity investment recognized with equity method includes:

Investee	Current period	The same period of previous year
Shenzhen Chinese Medicine	-2,012,243.51	-806,693.16
Shenzhen Wanle	11,263,472.59	4,302,863.69
Total	9,251,229.08	3,496,170.53

(d) Income from disposal of long-term equity investment

Investee	Current period	The same period of previous year
Accord Drugstore	0.00	15,271,949.88

11.6 Supplementary information of cash flow statement

Item	Current period	The same period of previous year
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	212,449,716.98	191,002,210.11
Add: Provision for asset impairment	-2,085,972.11	-
Depreciation of fixed assets	2,893,418.84	2,788,534.15
Amortization of intangible assets	737,655.76	665,232.92
Amortization of long-term deferred expenses	16,515.36	16,515.36
Loss from disposals of fixed assets, intangible assets and other long-term assets (income is listed with “- ”)	800.00	26,362.97
Loss on discarding of fixed assets (income is listed with “- ”)	-	-
Loss from changes in fair values (income is listed with “- ”)	-	-
Financial expenses (income is listed with “- ”)	16,654,752.69	615,973.65
Investment loss (income is listed with “- ”)	-227,429,131.22	-195,834,991.30
Decreases in deferred income tax assets (increase is listed with “- ”)	-	-
Increases in deferred income tax liabilities (decrease is listed with “- ”)	-	-
Decreases in inventories (income is listed with “- ”)	4,357,441.13	5,351,947.20
Decreases in operating receivables (increase is listed with “- ”)	-41,879,871.99	-11,144,718.07
Increases in operating payables (decrease is listed with “- ”)	135,726,335.42	92,854,083.74
Others	-	-
Net cash flows from operating activities	101,441,660.86	86,341,150.73
2. Investing and financing activities that do not involve cash receipts and payments	-	-
Conversion of debt into capitals	-	-
Reclassification of current portion of convertible bonds to current liabilities	-	-
Fixed assets capitalized under finance leases	-	-
3. Net changes in cash and cash equivalents	-	-
Cash at end of period	118,507,341.56	83,065,822.65
Less: cash at beginning of year	125,541,203.80	62,369,583.65
Add: cash equivalents at end of year	-	-
Less: cash equivalents at beginning of year	-	-
Net increases in cash and cash equivalents	-7,033,862.24	20,696,239.00

12 Supplementary materials

12.1 Non-routine items

Item	Amount
Net gain on disposal of non-current assets	1,817,154.82
Tax refund and exemption without authorized approval or formal approval document	
Government grants	5,239,721.55
Fund possession cost reported in the current profit and loss and charged by non-financial enterprises	
The investment cost in the acquisition of subsidiaries and joint ventures is smaller than the amount of the profit and loss generated by the fair value of net identifiable assets of the invested units enjoyed by the Company	
Non-currency assets exchange profit and loss	
Profit and loss of assets entrusted for investment or management	
Accrual of provision for assets impairment of all kinds of irresistible factors, such as natural disasters	
Profit and loss of debt restructure	
Company recombination expenses, such as expenses for resettling employees, integration expenses and etc	
Profit and loss of the part created by obviously unfair transaction price over fair value	
Net profit and loss of subsidiary in the current year created by enterprise merger under the same control from beginning of the fiscal year to the date of the merger	
Profit and loss caused by contingencies borne no relation to the main operation of the company	
Except the effective hedge related to normal business operations, gains and losses arising from changes in the fair value of the tradable financial assets and liabilities held by the Company, as well as the return on investment during the disposal of tradable financial assets and liabilities, and financial assets available for sale	
Bad debt provision reversed by individual assessment	4,145,110.09
Profit and loss obtained in commissioned external loans	
Profit and loss arising from changes in the fair value of investment real estate which adopts the fair value model in the follow-up calculation	
Influences on current profit and loss of the one-time adjustment to the current profit and loss in accordance with the requirements of tax and accounting laws and regulations	
Trustee fee gained during entrusted operation	
Other non-operating income/(expenses), net	-7,491.30
Other items of profit and loss that meet the definition of non-recurring profit and loss	
Tax impact of above non-routine items	-2,104,620.40
Share of minority interests of above non-routine items after tax	-735,584.40
Total	8,354,290.37

12.2 Return on equity and earnings per share

	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Consolidated net profit attributable to shareholders of the Company	13.77	0.422	0.422
Consolidated net profit attributable to shareholders of the Company excluding non-routine items	12.82	0.393	0.393

13 Approval of financial statement

These financial statements were authorised for issue by the Board of Directors of the Company on August [16], 2010.

Shenzhen Accord Pharmaceutical Co., Ltd.
August 18, 2010

1. Accounting Statement carrying the signatures and seals of the legal representative, financial chief and person in charge of accounting;
2. Originals of all the documents and notifications of the Company ever disclosed in the report period in Securities Times and Hong Kong Commercial Daily designated by CSRC;
3. Original of the Semi-annual Report carrying the signature of the Chairman of the Board.
4. The Place Where the document placed: Office of Secretariat of the Board of Directors, Accord Pharm Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen;

Chairman of the Board: Shi Jinming
Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.
August 18, 2010