



深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

二〇一一年半年度报告

Semi-Annual Report 2011

August 2011

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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. All directors attend the 2nd Meeting of 6th Session of the Board on auditing the semi-annual report.
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

Major accounting data and financial indexes

	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(RMB)	6,968,069,535.70	6,306,793,005.81	6,306,793,005.81	10.49%
Total equity attributable to equity holders of the Company (RMB)	1,184,758,825.37	1,052,370,309.53	1,052,370,309.53	12.58%
Share capital(Share)	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)	4.11	3.65	3.65	12.60%
	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
Sales (RMB)	7,195,372,417.76	6,216,124,135.23	6,236,827,518.97	15.37%
Operating profit (RMB)	202,919,619.93	159,064,173.16	156,424,281.18	29.72%
Total profit(RMB)	217,717,835.44	166,519,142.54	164,285,250.56	32.52%
Net profit attributable to shareholders of the listed company(RMB)	165,136,443.84	121,620,988.36	119,387,096.38	38.32%
Net profit attributable to equity holders of the Company after deducting non-recurring gains and losses(RMB)	151,667,708.17	113,266,697.99	113,266,697.99	33.90%
Basic earnings per share (RMB/Share)	0.57	0.42	0.41	39.02%
Diluted earnings per share (RMB/Share)	0.57	0.42	0.41	39.02%
Weighted average ROE (%)	14.55%	13.77%	13.16%	1.39%
Weighted average ROE after deducting non-recurring gains/losses (%)	13.36%	12.82%	12.49%	0.87%
Net cash flow arising from operating activities(RMB)	107,677,081.76	216,358,926.82	210,160,566.50	-48.76%
Net cash flow per share arising from operating activities (RMB/Share)	0.37	0.75	0.73	-49.32%

[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	631,360.46	

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	6,984,323.81	
Reversal of impairment provision of account receivable that impairment testing individually	3,398,226.89	
Other non-operating income and expenditure beside for the aforementioned items	6,775,621.56	
Impact on income tax	-3,272,949.78	
Influenced amount of minority shareholders' equity	-1,047,847.27	
Total	13,468,735.67	-

(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 equity holders of the Company	165,136,443.84	165,136,443.84
Total equity attributable to equity holders of the Company	1,184,758,825.37	1,184,758,825.37

[Note]: There remained no differences in net profit attributable to the equity holders of the 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 ROE (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	14.55%	0.57	0.57
Net profit attributable to common shareholders of the Company deducting non-recurring gains and losses	13.36%	0.53	0.53

[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 (2010 Revised) of Regulations on the Information Disclosure of Companies Publicly Issuing Shares released by CSRC.

Section III. Changes in Share Capital and Shareholdings of Major Shareholders

I. Particulars about change in share capital

1. In the report period, the Company's total shares remained unchanged.
2. Statement of changes in shares :None.

II. Particular about shareholders

1. Ended June 30, 2011, the Company had totally 17,012 shareholders, including 12,132 shareholders of A-share and 4,880 shareholders of B-share.

2. Particulars about shares held by the top ten shareholders (ended as June 30, 2011)

Unit: Share

Total shareholder	17,012				
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
ICBC—GF Jufeng Stock Securities Investment Fund	Domestic non-state-owned legal person	3.77%	10,861,558	0	
ICBC—Harvest Theme New Engine Stock Securities Investment Fund	Domestic non-state-owned legal person	3.57%	10,290,292	0	
ABC—Greatwall Anxin Return Mixed Fund	Domestic non-state-owned legal person	2.78%	8,000,000	0	
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Oversea legal person	2.44%	7,032,720	0	
ICBC—GF Strategy Selected Mixed Fund	Domestic non-state-owned legal person	1.46%	4,207,399	0	
ICBC—Harvest Strategy Growth Mixed Fund	Domestic non-state-owned legal person	1.44%	4,158,959	0	
ICBC—Universal Health Care Stock Securities Investment Fund	Domestic non-state-owned legal person	1.20%	3,454,500	0	
ICBC—Bank of China Keep Growing Stock Securities Investment Fund	Domestic non-state-owned legal person	1.20%	3,443,546	0	
CCB--Greatwall Consumption Value-added Stock Securities Investment Fund	Domestic non-state-owned legal person	1.14%	3,292,879	0	

Particulars about the shares held by the top ten unrestricted shareholders		
Full Name of shareholder	Amount of unrestricted shares held	Type of shares
SINOPHARM GROUP CO., LTD.	110,459,748	RMB common share
ICBC—GF Jufeng Stock Securities Investment Fund	10,861,558	RMB common share
ICBC—Harvest Theme New Engine Stock Securities Investment Fund	10,290,292	RMB common share
ABC—Greatwall Anxin Return Mixed Fund	8,000,000	RMB common share
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	7,032,720	Domestically listed foreign shares
ICBC—GF Strategy Selected Mixed Fund	4,207,399	RMB common share
ICBC—Harvest Strategy Growth Mixed Fund	4,158,959	RMB common share
ICBC—Universal Health Care Stock Securities Investment Fund	3,454,500	RMB common share
ICBC—Bank of China Keep Growing Stock Securities Investment Fund	3,443,546	RMB common share
CCB-- Greatwall Consumption Value-added Stock Securities Investment Fund	3,292,879	RMB common share
Explanation on associated relationship or accordant action among the aforesaid shareholders	ICBC—GF Jufeng Stock Securities Investment Fund and ICBC—GF Strategy Selected Mixed Fund shares the same fund manager—GF Fund Management Co., Ltd.; ICBC—Harvest Theme New Engine Stock Securities Investment Fund and ICBC—Harvest Strategy Growth Mixed Fund shares the same fund manager – Harvest Fund Management Co., Ltd. while ABC—Greatwall Anxin Return Mixed Fund and CCB-- Greatwall Consumption Value-added Stock Securities Investment Fund shares the same fund manager of Greatwall Fund Manager Co., Ltd. It is unknown whether associated relationship exists 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 Group 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:
Nil

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

1. On 18th March of 2011, the 23rd Meeting of 5th Session of the Board was deliberated and approved the "Proposal of Election at Expiration of Office Term for the Board". The General Shareholders' Meeting of 2010 was elected Shi Jinming, Lu Jun, Wu Aimin, Ma Wangjun, Jiang Xiuchang and Yan Zhigang as the directors of 6th Session of the Board while He Zhiyi, Xiong Chuxiong and Xiao Shengfang were elected as the independent directors of the 6th Session of the Board by accumulative votes dated 28th April 2011.

2. On 18th March of 2011, the 20th Meeting of 5th Session of the Board was deliberated and approved the "Proposal of Election at Expiration of Office Term for the Supervisory". The General Shareholders'

Meeting of 2010 was elected Tian Weixing and Guan Xiaohui as the supervisors of 6th Session of the Supervisory by accumulative votes dated 28th April 2011. Furthermore, Wang Huiqin was elected as the staff supervisor for 6th Session of Supervisory at joint meeting of staff representative's.

3. On 28th April of 2011, the 1st Extraordinary Meeting of 6th Session of the Board fulfilled the followed engagements for the Company as: Mr. Shi Jinming appointed as Chariman of 6th Session of the Board, Mr. Yan Zhigang appointed as Gneral Manager of the Company, Mr. Lin Zhaoxiong, Mr. Tan Guoshu, Ms. Liu Jun, Mr. Lin Min, Mr. Lin Xinyang and Mr. Deng Baojun was appointed as Deputy GM of the Company, Mr. Wei Pingxiao appointed as CFO of the Company while Mr. Chen Changbin appointed as Secretary of the Board for the Company.

4. On 28th April of 2011, the 1st Meeting of 6th Session of the Supervisory elected Ms. Tian Weixing as the convener of 6th Session of Supervisory.

Section V. Discussion and Analysis of the Management

I. Particular about general operating management of the Company in report period

Year of 2011 is the beginning of “Twelve Five-year” plan for the Company, and also is the integration year for chasing innovation, promiting transformation and adjusting structure. Health care reform continuously carried out by the state, supervise in industries comes more and more strict-ness. Operating group of the Company positively leads all staffs tackle with situations of unfavorable markets and industrial supervise by strictly surrounding annual operating theme of “innovation, scientific, health operating and development rapidly”. Under the indevorous of innovated operation mode, value-added service and technology standards and greatly promoted headquarters' function and management mode transformation, the Company organized a structure of headquarters with refining efficiency and business division with professional co-operation. Together with all staff's efforts, the Company continuously enlarges its leadership advantages and its influence which lay out a foundation for achieving every business indexes for all year and for realizing the ambitious goals for “welve Five-year” plan.

In the first half year, the Company realized main business income of RMB 7.163 billion, total profit of RMB 0.218 billion and basic earning per share of RMB 0.57. Here come the tasks accomplished by various departments in the first half year ended June 30th: pharmaceutical business department realized income in main business of RMB 0.945 billion, profit of RMB 0.108 billion and operational net cash flow of RMB88.69 million; distribution business department realized income in main business of RMB6.234 billion, total profit of RMB0.133 billion and operational net cash flow of RMB 21.73 million.

Main works that completed in first half year of 2011:

(I) Stick to new strategic orientation, the Company promoted function transformation for headquarters, highlight key function and core functions; strengthen function of strategy control, standard regulation and resources allocation for headquarters; continuously upgrade the service quality for headquarters in business development; achieving specialization and highly efficiency synergy by guiding business divisions efficiently and promoted general development for Company.

1. Prepared the sub-plan of “Twelve Five-year”, handling strategy targets efficiently.

2. Implemented the construction for internal control and self-evaluation, higher the ability of risk prevention.

3. Promoted function transformation and perfected the structure, strengthen core function of the headquarters.

In first hald year, around by new function orientation, the Company actively changed the mind of controlling in aspect of financial management, strengthen professional value for financial of headquarters through formulating rules and planning guildlins as a whole; conducting inspections in internal control and performance evaluation to lower the fiancial risks, promoting the

calculation-oriented type transfer to value creation-oriented.

In aspect of HR, the Company keep core responsibility of headquarters' in order, classified control access of the headquarters', furthermore, perfected the system construction for HR by means of comprehensive training and performance evaluation, and highlight the management for those core intelligence.

(II) Distribution division lay out the targets for chasing model enterprises. Emphasized the development project of integration for supplying chain, intergrated distribution and logistic projects efficiency; speed up net works' layout for creating more value-add services; perfected the mode of management and control in subsidiaries, promoted unification operating for higher the profitability and market's competitiveness.

1. Rapid the layout for distribution networks, intensified influence of the market. According to general deployment of Twelve Five-Year plan, rapid up mergers & acquisition, make sure that networks will coverage in all key zones at end of 2011.
2. Further promote the adjustment on structures, higher profitability. In order to seized the market opportunity bringing from health care reform, the Company changing concepts to adjust its business situation, variaties and client structure for seizing early opportunity.
3. Perfected organize structures, unified its operating mode, strengthen the management in subsidiaries.
4. Promoted the integration on supplying chains and project of value-add service, higher competitiveness in market.
5. Improved network construction for logistics, created the service standards for logistics.

(III) Pharmaceitial divisions actively changed their role orientation, implementd new-structureed operating modes, display function of supervise, co-ordination and control completely. The division effiency to integrated excellent resources, promoting the co-ordiantion and labor division between every enterprises, current operating and future development obtained a new breakthrough in the division.

1. Implementd new-structureed operating modes, industrial control system becoming more and more perfect.
2. Integrated R&D and marketing, the platform of dumbbell pharmacy was formulated initially. In aspect of R&D, put R&D resources into order, promoted labor division and co-operation within enterprises on the products' R&D. In aspect of marketing, promoted the implementation on re-forming for the marketing system of Shenzhen Chinese traditional medicine through integrated marketing resource and actively explore integrity mode for marketing of preparation products.
3. Industial chains' unification has a new development stage. For purpose of make use of the advantage of industrial chain and deppen unification works on industrial chain, pharmaceutical division set an annual target of 80% average matching rate for key varieties. Under the means of improving products' quality, enlargeing the capacity and perfecting management on supplying chain, improved the internal matching rates for those key varieties.
4. Globalizaiton achieved a breakthrough progress. After 3 years of delicated preparation, the warehouse of cephalosporin power of Zhijun Pharmaceutical was passed the EU Certification in May of 2011, the first preparation produced enterprise of cephalosporin power that passed the EU Certification with self-brand registration in China.
5. Speed up basic construction for production and lay out a foundation for future development. Under the order organization from pharmaceutical division, three major constructions are in an order progress. Guanlan Phase II of Zhijun Pharmaceutical completed the bidding for stereoscopic warehouse and finished the planning of capacity expansion for solic warehouse 2# while comprehensive buildings were promoted smoothly; Accord Pingshan project completed the EIA projects and preparing the report of EIA. Furthermore, Chongqing Medicine Desine Institution was organized for planning design; Zhijun Phase III project achieved a general planning idea basically while follow-up technology reformation and matching works of phase II were promoted.

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	92,576.01	65,175.22	29.60%	16.70%	11.80%	3.09%
Commerce medicine wholesales	618,848.99	581,906.09	5.97%	15.42%	15.24%	0.15%
Commerce medicine retail	3,329.91	2,938.25	11.76%	92.44%	95.33%	-1.31%
Non-medicine trade	1,078.23	793.53	26.40%	6.17%	30.38%	-13.67%
Lease	514.20	174.19	66.12%	15.84%	13.12%	0.82%
Total	716,347.34	650,987.28	9.12%	15.79%	15.11%	0.53%
Main operations classified according to products						
Respiratory antitussive medicines	12,400.05	2,849.17	77.02%	39.21%	36.78%	0.41%
Cef-series products	80,048.84	58,579.99	26.82%	15.69%	5.24%	7.26%
Including: the amount of related transaction	5,774.22	4,543.72	21.31%	173.36%	254.96%	-18.09%

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	715,874.32	15.78%
Oversea sales	473.02	21.75%
Total	716,347.34	15.79%

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

1. Shenzhen Zhijun Pharmaceutical Co., Ltd(Zhijun Pharm): 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, 2011, the total assets of the company amounted to RMB 965.91 million. It realized

main business income of RMB 758.31million and net profit of RMB 87.32 million in the first half year of 2011.

2. Sinopharm Medicine Holding Guangzhou Co., Ltd. (Sinopharm Guangzhou): 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, 2011, the total assets of the company amounted to RMB 3137.41 million. It realized main business income of RMB 3780.89 million and net profit of RMB 56.36 million in the first half year of 2011.

3. S Sinopharm Medicine Holding Nanning Co., Ltd. (Sinopharm Nanning):: wholly-owned subsidiary of the Company with registered capital amounting to RMB 100 million. It mainly deals with operation of Chinese patent medicine, chemical preparation, diagnostic drugs, biological products of diagnostic biology treatments, as well as self-operation and delegated varies products and import-export of technology. Ended June 30, 2011, the total assets of the company amounted to RMB 692.35 million. It realized main business income of RMB 748.17 million and net profit of RMB 18.46 million in the first half year of 2011.

(IV) Operation of share-join Company

Unit: RMB'0000

Name	Operation scope	Net profit of share-join company	Investment income distributed from share-join company in this period	Proportion of investment income in net profit of listed company
Shenzhen Wanle Medical Co., Ltd. (Wanle Medical)	Mainly engaged in the development, research and production of anticancer agent and famotidine injection, etc.	4,144	1,281	7.64%

(V) 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	Change of increase/decrease %
Income from main operations	7,163,473,393.19	6,186,858,123.55	15.79%
Profit from main operations	638,001,587.81	522,809,733.42	22.03%
Net profit attributable to owners of parent company	165,136,443.84	119,387,096.38	38.32%
Items	Amount at period-end	Amount at year-begin	Change of increase/decrease %
Total assets	6,968,069,535.70	6,306,793,005.81	10.49%
Total equity attributable to equity holders of the Company	1,184,758,825.37	1,052,370,309.53	12.58%

Note:

(1) Income from main operations: There is an increase of RMB 976,615, 300 with, 15.79% higher when comparing with the same period of last year, which is mainly attributed to enlarged sales in

pharmaceutical distribution as well as prosperity in industrial pharmacy.

(2) Profit from main operations: an increase of RMB 115,191,900 with, 22.03% higher when comparing with the same period of last year, which is in line with the increase in revenue

(3) Net profit attributable to equity holders of the Company: The effective cost management, enhanced profitability lead to an increase of RMB 45,749,300 with 38.32% up, This mainly due to the improvement of integrity profits that benefit from the favorable sales condition, soaring sales gross rate and reasonable cost controlling.

(4) Total assets: total assets at period-end increase RMB 661,276,500 over that of year-beginning with 10.49% up. This mainly due to the expansion of assets scale that benefit from favorable condition of growing sales and profit.

(5) Total equity attributable to equity holders of the Company: 12.58% equity attributable to owners' of parent company at period-end increase RMB 132,388,500 over that of year-beginning. Reasons for growth mainly for two aspects: one is the profitability that increased RMB 165,136,400 in total equity attributable to equity holders of the Company; the equity purchased amount RMB 1.83 million of Sinopharm TCM Co., Ltd. was cleared by China National Group; the other one is the share distribution reduced RMB 34,577,900.

2. Changes in profit constitution over that period of last year

Unit: RMB

Item	Amount of this period		Amount for the same period of last year		Change in proportion taken in total profit (%)
	Amount (RMB)	Proportion taken in total profit	Amount (RMB)	Proportion taken in total profit	
Main business profit	638,001,587.81	293.04%	522,809,733.42	318.23%	-25.19%
Other business profit	22,031,512.32	10.12%	29,437,812.27	17.92%	-7.80%
Period expenses	-464,048,118.31	-213.14%	-391,816,346.84	-238.50%	25.36%
Assets impairment losses	-5,875,651.19	-2.70%	-15,311,631.56	-9.32%	6.62%
Investment income	12,810,289.30	5.88%	11,304,713.89	6.88%	-1.00%
Net non-operating income and expenses	14,798,215.51	6.80%	7,860,969.38	4.78%	2.01%
Total profit	217,717,835.44	100.00%	164,285,250.56	100.00%	0.00%

[Note]:

(1) Other business profit earned RMB 22.0315 million in this period with a y-o-y RMB7.4063 million decreased, a y-o-y 7.80 percent down in proportion of total profit. Decreased mainly resulted from the consultancy fee that decreased by Sinopharm Guangzhou Company, subordinate subsidiary of the Company.

(2) Periodic expenses: periodic expenses incurred RMB 464.0481 million in this period with a y-o-y 72.2318 million yuan increased, a y-o-y 25.36 percent down in proportion of total profit. In report

period, the Company has a good control in cost and the absolute value increased mainly due to: HR expenses gains a y-o-y growth for the increase of personnel; along with the further implementation on project of Zhijun Present of Zhijun Pharmaceutical, subordinate subsidiary of the Company and deepen exploitation on third terminal market, development expenses for markets obtained a y-o-y growth; transportation expenses reached a y-o-y increased for the influence by soaring sales and transport cost that around the country; affected by financial environment of the County, interest expenses obtained a y-o-y rise.

(3) Assets impairment losses: RMB 5.8756 million was accrued as assets impairment losses in this period, a y-o-y 6.63 percent down in proportion of total profits.

(4) Investment income: an investment income of RMB 12.8103 million gained a 12.8103 million yuan in this period which increased by RMB 1.5056 million increased. Main reason was that the Main Luck Pharmaceutical, affiliated company that invested by the Company obtained growth net profit.

(5) Net non-operating income and expenses: net non-operating income and expenses earned RMB 14.7982 million in this period with a y-o-y increase of RMB 6.9372 million yuan increased, and a y-o-y 2.01 percent up in proportion of total profit. Main reason was that part of the account payable that charge to the account for long period has been clear out.

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

(VII) Main working plan for 2nd half year

1. By core of service function upgrade, basis of strengthen internal control construction and means of perfection the resources allocation, the headquarters will continuously promoted rooling adjustment towards planning and intergrate brand resources as well as transformed function of the headquarters etc, perfected and ordering the 2 degree mode of controlling and management for establishing a refining and highly efficiency headquarters.

(1) Implemented rooling adjustment for planning, guarantee a sustainable for plan implementation (2) Improved the brand construction, higher the influence of brands (3) Continously promoted the project of internal standardization, perfected the system of risk prevention (4) Improved the ability of obtaining and allocation for resources based on strategy targets (5) Integrated enterprise' cultures lay out a solid foundation for corporation development.

2. Distribution divisions will speed up the layout for networks; make sure that networks will coverage in all key zones at end of 2011. Created new value-add services, carried out an intelligent suplying chains, strengthen control and management in subsidiaries for better operational risk minimized:

(1) Rapid up network's layout, fulfilled the covage in all key zones (2) strengthen executions, higher the standards in internal management (3) Deepen project of supplying chain integration, improved standards of value-add services (4) Deepen adjustment on products and industrial constructures, higher profitability and ability of anti-risk (5) Implemented biddings on net and biddings for distribution of basic medicines etc.

3. Under the four dimension constructions from pharmaceutical division, perfected current industrial platform fully, rapid up structure adjustment, put more efforts in internal management; furthermore, lay out a foundation for future development while in a good operation situation:

(1) Strengthen four-dimension constructions and makes the industrial platform came true (2) Deepen structure management, actively code with the variation of market's (3) put more efforts in management foundation, promoted sustainable development (4) enhanced rapidly development by motion of marketing and R&D (5) prepared fully for future development of the Company.

III. Investment of the Company

(I) Main equity investment

No external investment occurred in this period from the Company.

(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 perfected with a standardized operation, and legal person governance structure is perfect, which accorded with the requirement of normal document on listed company issued by CSRC. Within the period, as one of the 26 pilot enterprises for internal control implementation in Shenzhen areas, Accord Pharmaceutical stick to requirement from CSRC together with needs from self-development and management, the Company performed the standardization for internal control totally. Document of management regulations and manual of self-evaluation of the Company were revised by systematically placing potential risks in operating. Under the guidance from professional consultancy, the Company completed a simulation assessment on 1779 controlling points for internal control within five companies of Shenzhen Accord(the Company), Sinopharm Guangzhou, Zhijun Pharmaceutical, Sinipharm Nanning and Zhijun Wangqing in June. In process of assessment, problems that have been found were been perfected and improved. The optimization and perfection on system procedures/system documents for internal control together with the construction for self-evaluation system guarantee a stable and efficiency quality in operating while higher the ability of risk prevention.

II. Profit Distribution Plan and Its Implementation

The Distribution Plan for 2010 was deliberated and approved by Genral Shareholders' Meeting of 2010 dated 28th April 2011. Calculated on total 288,149,400 shares of the Company issued, distributed cash dividend of 1.20 yuan (before tax) for every 10 shares to all shareholders. The profit distribution was completed on 20 June 2011 with cash dividend of 34,577,928.00 yuan distributed actually in totall.

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 pf 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:

Unit: RMB

Name of related parties	Amount in this period	Amount in the same period of last year
SINOPHARM GROUP CO., LTD.	482,405,743.00	410,542,658.60
China National Medicines Corporation Ltd.	85,103,173.12	66,174,479.55

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Distribution Center Co., Ltd.	44,704,255.95	91,574,957.49
Sino-Swed Pharmaceutical Corp. Ltd.	32,848,388.57	29,383,554.14
Wanle Medical	16,929,822.33	12,323,967.67
Guangdong South China National Pharmaceutical Foreign Trade Co., Ltd.	12,431,866.06	47,307,288.33
Shanxi Weiqida Pharmaceutical Co., Ltd.	10,059,829.05	-
Foshan Nanhai New Drugs & Special Drugs Co., Ltd.	7,678,827.22	-
Jiangsu Wanbang Medicine Marketing Co., Ltd.	6,577,760.52	4,363,649.57
Chengdu Rongsheng Pharmaceuticals Limited Liability Co.,	6,165,564.15	69,743.59
Qinghai Pharmaceutical Group Co., Ltd.	6,075,384.62	4,050,256.43
Union China National Medical Equipment Corp.	3,320,995.53	2,040,268.75
Chongqing Haysman Pharmaceutical Limited Liability Co.,	2,871,577.04	1,415,116.59
Chongqing Yaoyou Pharmaceutical Limited Liability Co.,	2,035,925.47	1,695,838.48
Sinopharm Beijing Co., Ltd.	1,988,649.55	3,297,802.44
Sinopharm Guizhou Co., Ltd.	1,712,877.82	-
Guangxi Zhuang Autonomous Region Huahong Pharmaceutical Co., Ltd.	1,482,203.77	-
Sinopharm Fujian Co., Ltd.	1,013,784.92	-
Sinopharm Anhui Co., Ltd.	970,025.22	-
Guangdong Dongfang Uptodate & Special Medicines Co., Ltd.	822,378.11	4,953,338.18
Shanghai Zhaohui Pharmaceutical Co., Ltd.	570,811.00	381,896.24
Sinopharm Logistics Co., Ltd.	493,143.14	449,463.19
Yunnan TCM Co., Ltd.	382,300.88	-
Guilin Nanyao Pharmaceutical Co., Ltd.	361,945.48	117,018.76
Sinopharm Chemical Reagent Suzhou Co., Ltd.	246,401.71	436,932.92
Guilin Huagui Sinopharm Associated Co.,	231,858.48	
Sinopharm Merro (Dalian) Co., Ltd.	219,469.22	-
Sinopharm Chemical Reagent Co., Ltd.	201,043.42	175,864.10
Sinopharm Zhangzhou Co., Ltd.	150,769.24	-
Shanghai Sailun Bio-technology Co., Ltd.	139,957.41	-
Guangxi Zhuang Autonomous Region Huahong Pharmaceutical Co., Ltd.	133,485.82	15,932.65
Handan Moluodan Pharmaceutical Co., Ltd.	100,366.66	31,241.68
Shanghai Shyndec Pharmaceutical Co., Ltd.	93,090.96	
Guangxi Wuzhou Huawu TCM Co., Ltd.	49,600.00	-

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Hainan Co., Ltd.	40,361.56	-
Foshan Nanhai Medicine Co., Ltd.	21,290.36	-
Shenyang Hongqi Pharmaceutical Co., Ltd.	19,371.37	
China National Medical Corporation Equipment Co., Ltd.	14,973.85	19,748.37
China Otsuka Pharmaceutical Co., Ltd.	14,112.83	
Yichang Humanwell Pharmaceutical Co., Ltd.	9,398.29	8,528.21
China National Pharmaceutical Foreign Trade Corp.	9,371.68	5,382.42
Sichuan Jiangyou Zhongbafuzi Technology Development.Co., Ltd.	9,241.23	190,924.77
China National Medicines Guorui Pharmaceutical Co., Ltd.	4,717.96	-
Sinopharm Hunan Co., Ltd.	4,358.97	-
Shanghai Institute of Pharmaceutical Industry Co., Ltd.	2,564.10	427.35
China National Pharmaceutical Industry Corp.	1.37	360,035.85
Sinopharm Beijing Kang Chen Biological Pharmaceutical Co., Ltd.	-	214,358.97
Sino TCM	-	2,635,870.94
Sinopharm Qianjing Oral Technology (Beijing) Co., Ltd.	-	8,923.08
China National Uptodate & Special Medicines Co., Ltd.	-	22,222.22
China National Baida Pharmaceutical Co, Ltd.	-	1,500,598.30
China National SouthwestPharmaceutical Co., Ltd.	-15.50	546,489.34
Sinopharm Tianjing Co., Ltd.	-44.90	-
Guangdong Accord Pharmaceutical Co., Ltd.	-420.51	480,111.43
Guangdong Tianliang Medicine Co., Ltd.	-1,021.13	-2,824.62
Sinopharm Jiangsu Co., Ltd.	-3,661.53	-
Sinopharm Beijing Huahong Co., Ltd.	-9,241.23	-
Total	730,708,634.21	686,792,065.98

[Note]: The selling price is confirmed according to the market price. Till Jun. 30, 2011, the total amount that the Company sold to its related parties took 40.59% of the limits granted by the general shareholders' 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 Hunan Co., Ltd.	50,878,689.48	39,832,046.00
Sinopharm Hubei Co., Ltd.	45,530,710.17	45,165,657.00
Chongqing Yaoyou Pharmaceutical Limited	43,459,829.31	32,463,247.77

Name of related parties	Amount in this period	Amount in the same period of last year
Liability Co.,		
Guangdong Accord Drug Store Co., Ltd.	43,181,782.60	50,470,054.22
Sinopharm Beijing Co., Ltd.	37,163,184.52	34,258,978.62
Foshan Nanhai New Drugs & Special Drugs Co., Ltd.	32,371,341.13	-
China National Southwest Pharmaceutical Co., Ltd.	31,872,690.08	36,560,858.55
Sinopharm Shenyang Co., Ltd.	31,119,263.02	76,992,166.34
Zhejiang Yingte Pharmaceutical Limited Liability Co.,	29,799,524.36	33,193,256.53
Sinopharm (Tianjing) Oriental Bokang Medicine Co., Ltd.	29,392,545.35	14,720,203.42
Sinopharm Tianjing Co., Ltd.	27,550,346.55	29,335,468.07
Sinopharm Group Co., Ltd	25,671,318.45	12,288,478.50
Sinopharm Hebei Medicine Co., Ltd.	22,796,569.41	439,666.67
Guangxi Accord Pharmaceutical Chain Co., Ltd.	21,509,468.96	13,233,931.76
Sinopharm Beijing Huahong Co., Ltd.	21,242,420.68	12,014,611.13
China National Xinjiang Uptodate & Special Medicines Co., Ltd.	16,107,057.43	14,533,884.80
Sinopharm Hainan Co., Ltd.	14,573,642.20	17,435,235.51
Foshan Nanhai Medicine Co., Ltd.	13,885,143.27	11,410.26
Sinopharm Yunnan Co., Ltd	13,666,728.60	9,694,300.25
Sinopharm Zhejiang Co., Ltd	12,279,765.03	2,658,191.60
Xinjiang Uptodate & Special West Medicine s Limited Liability Co.,	12,222,576.15	10,169,660.19
Sinopharm Ningxia Co., Ltd	10,159,836.64	4,810,646.30
Guangdong Dongfang New Drugs & Special Drugs Co.,	9,552,984.65	5,023,571.69
Sinopharm Jiangsu Co., Ltd	8,617,821.93	6,222,219.03
Sinopharm Henan Co., Ltd	8,457,904.34	9,390,207.07
Sinopharm Fujian Co., Ltd	7,036,241.86	8,798,711.08
Sinopharm Gangsu Co., Ltd	6,790,236.57	559,063.76
Sinopharm Shangxi Co., Ltd	6,550,615.82	4,117,163.66
Sinopharm Guizhou Co., Ltd	6,007,586.31	279,551.28
Sinopharm Shanxi Co., Ltd	5,883,448.75	5,264,302.90
Wenzhou Biological Medicine Equipment Supplying Co., Ltd.	4,749,817.53	-
Guangzhou Accord Pharmaceutical Chain Co., Ltd.	4,743,001.07	2,590,559.61
Sinopharm Shandong Co., Ltd	4,574,001.01	3,389,699.08
Shanxi Weiqida Pharmaceutical Co., Ltd.	4,306,666.67	-

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Logistics Co., Ltd.	3,328,759.17	2,159,612.95
Sinopharm Chongqing Co., Ltd	3,133,951.05	-
Sichuan Hexin Pharmaceutical Limited Liability Co.,	2,492,731.63	2,274,890.60
Sinopharm Inner Mongolia Co., Ltd	2,400,974.22	809,438.82
Sinopharm Fuzhou Co., Ltd	2,314,222.39	126,078.12
Sinopharm Mianzhou Co., Ltd	2,295,682.66	-
China National Medicines Corporation Ltd.	2,281,895.47	4,302,247.12
Sinopharm Jiling Co., Ltd	2,119,265.94	-
Sinopharm Guoda Drug Stores Co., Ltd.	1,597,271.88	1,741,789.32
Jiangsu Rundong Medicine Co., Ltd.	1,515,730.05	302,118.80
Sinopharm Suzhou Co., Ltd	1,370,447.69	924,023.93
Guangdong South China National Pharmaceutical Foreign Trade Co., Ltd.	1,145,944.66	787,588.06
Sinopharm Wuxi Co., Ltd	1,104,686.00	-
Chinese and Western Medicine Branch of Sinopharm Jiangsu Co., Ltd.	1,102,883.74	-
Sinopharm Heilongjiang Co., Ltd	1,096,112.21	-
Sinopharm Zhangzhou Co., Ltd	1,000,504.05	-
Sinopharm Tianjing North Medicine Co., Ltd	855,842.80	264,148.72
Sinopharm Jiangxi Co., Ltd	749,689.48	745,219.17
Trade Branch of Sinopharm Lerentang Pharmaceutical Co., Ltd.	609,978.82	-
Shanghai Zhaohui Pharmaceutical Co., Ltd.	453,846.15	17,094.02
Sinopharm Anhui Co., Ltd	450,586.51	2,187,163.80
Sinopharm Xinyu Co., Ltd	354,523.08	-
Sinopharm Taizhou Co., Ltd	340,002.46	-
Sinopharm Merro (Dalian) Co., Ltd	329,954.46	-
Dalian Branch of Sinopharm Shenyang Co., Ltd	304,504.27	813,863.24
Zhejiang Wenling Medicine Materials Co.,Ltd.	294,027.09	253,213.68
Sinopharm Nanjing Co., Ltd	288,944.65	91,897.44
Sinopharm Merro (Dalian) Co., Ltd	215,381.05	-
Tanshang Branch of Sinopharm Hebei Co.,Ltd.	146,504.49	-
Sinopharm Yancheng Co., Ltd	139,829.06	-
Sinopharm Linyi Co., Ltd	134,974.36	-
Sinopharm Longyan Co., Ltd	120,546.39	-
Guangxi Wuzhou Huawu TCM Co., Ltd.	92,461.03	40,160.09

Name of related parties	Amount in this period	Amount in the same period of last year
Fujian Huiyuan Pharmaceutical Co., Ltd.	53,101.54	-
Sinopharm Putian Co., Ltd	43,954.07	-
Sinopharm Lishui Co., Ltd	36,883.98	37,005.13
Sinopharm Anqing Co., Ltd	29,804.95	29,504.27
Sinopharm Zhenjiang Co., Ltd	10,721.02	-
Sinopharm Yantai Co., Ltd	8,617.95	-
Sinopharm Suzhou Bo'ai Medicine Co, Ltd	5,487.18	-
Guilin Huagui Sinopharm Associated Co.,	5,102.57	
Sinopharm Jinzhou Co., Ltd	2,358.98	-
Sinopharm Hebei Co., Ltd	-	2,014,432.48
Inner Mongolia Branch of Sinopharm Tianjing Co., Ltd.	-	1,215,387.54
Sino TCM		370,461.54
Shenzhen Accord Medicine Chain Co., Ltd.	-	1,509,727.40
Ningxia Guoda Drug Store Chain Co., Ltd.	-	12,393.18
Changchun Branch of Sinopharm Shenyang Co., Ltd.		12,000.00
Shanghai Sinopharm TCM Co., Ltd.	-	797,102.56
Sinopharm Hubei Yibao Co., Ltd	-	3,461,335.95
China National Medicines Guorui Pharmaceutical Co., Ltd.	-	631,470.09
China National Baida Pharmaceutical Co, Ltd.	-	23,504.27
Guangxi Guoda Drug Store Chain Co., Ltd.	-	6,035,750.12
Total	700,083,451.11	569,907,625.07

[Note]: The selling price is confirmed according to the market price. Till June 30, 2011, the total amount that the Company sold to its related parties took 46.67% of the limits granted by the shareholders' general meeting held at year begin.

V. Significant contract and its implementation

(I) Events of entrusted, contract and leasing

In the Period, there was no substantive entrust, contract or lease of other companys' assets by the Company or otherwise and no the abovementioned events that last from previously period to this reprot period.

(II) Significant guarantees

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)								
Name of the Company	Related Announcem	Guarant ee limit	Date of happenin	Actual ly	Guarant ee type	Guarantee term	Complete implementat	Guarant ee for

guaranteed	ent disclosure day and No. of the guarantee amount.		g (Date of signing agreement)	guarantee amount			ion or not	related party (Yes or no)
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-3-23 2010-07	37,500.00	2010-06-21	13,002.62	Guarantee	2010.06.21-2011.06.21	Not	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2011-3-22 2011-05	10,000.00	2011-06-02	3,100.50	Guarantee	2011.06.02-2012.06.01	Not	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-8-18 2010-22	15,000.00	2011-01-10	962.45	Guarantee	2011.01.10-2012.01.10	Not	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-8-18 2010-22	10,000.00	2011-02-21	5,603.31	Guarantee	2011.02.21-2012.02.21	Not	Yes
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	2010-3-23 2010-07	3,250.00	2010-08-25	0.00	Guarantee	2010.08.25-2011.08.24	Not	Yes
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	2010-8-18 2010-22	2,500.00	2010-09-16	961.87	Guarantee	2010.09.16-2011.09.16	Not	Yes
Total external guarantee amount approved in reporting period(A1)		35,000.00		Total actual external guarantee amount approved in reporting period(A2)		29,756.26		
Total external guarantee amount approved at the end of reporting period(A3)		78,250.00		Total actual balance of external guarantee amount approved at the end of reporting period(A4)		23,630.75		
Guarantee of the Company for its subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure day and No. of the guarantee	Guarantee limit	Date of happening (Date of signing agreement)	Actually guarantee amount	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes /No)

	amount							
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2010-8-18 2010-22	10,000.00	2011-02-21	6,698.82	Guarantee	2011.2.21-2012.2.21	Not	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 2011-05	5,000.00	2011-05-23	3,831.33	Guarantee	2011.5.23-2012.2.21	Not	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 2011-05	10,000.00	2011-06-02	2,872.75	Guarantee	2011.6.02-2012.6.01	Not	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 2011-05	8,000.00	2011-06-22	301.73	Guarantee	2011.6.22-2012.3.21	Not	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-23 2010-07	6,000.00	2010-04-23	6,000.00	Guarantee	2010.04.23-2011.04.22	Not	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-8-18 2010-22	5,000.00	2011-02-21	0.00	Guarantee	2011.02.21-2012.02.21	Not	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-23 2010-07	6,000.00	2010-07-19	6,000.00	Guarantee	2010.07.19-2011.12.31	Not	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-23 2010-07	6,000.00	2010-08-01	6,000.00	Guarantee	2010.08.01-2013.08.01	Not	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2011-3-22 2011-05	10,000.00	2011-05-06	4,459.00	Guarantee	2011.05.06-2012.05.06	Not	Yes
Shenzhen Yanfeng	2010-7-20 2010-18	3,000.00	2010-07-27	1,500.00	Guarantee	2010.7.27-2011.7.27	Not	Yes

Medical ical Co., Ltd.								
Shenzhen Yanfeng Medical ical Co., Ltd.	2011-3-22 2011-05	2,000.0 0	2011-06- 22	1,024.0 0	Guarant ee	2011.6.22-2012.6. 06	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2011-3-22 2011-05	32,500. 00	2011-04- 28	20,773. 00	Guarant ee	2011.4.28-2012.4. 28	Not	Yes
Guangdong Yuexin Medicine Co., Ltd.	2011-3-22 2011-05	3,500.0 0	2011-04- 28	1,878.0 0	Guarant ee	2011.4.28-2012.4. 28	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2010-3-18 2010-22	10,000. 00	2010-09- 17	7,808.0 0	Guarant ee	2010.9.17-2011.9. 16	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2011-3-22 2011-05	25,000. 00	2011-04- 28	24,510. 00	Guarant ee	2011.4.28-2012.4. 28	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2010-8-18 2010-22	10,000. 00	2010-11- 23	0.00	Guarant ee	2010.11.23-2011.1 1.22	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2010-3-18 2010-22	10,000. 00	2010-11- 05	3,878.0 0	Guarant ee	2010.11.5-2011.11 .4	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2011-3-22 2011-05	60,000. 00	2011-04- 28	32,196. 00	Guarant ee	2011.4.28-2012.3. 8	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2011-3-22 2011-05	10,000. 00	2011-05- 27	8,998.0 0	Guarant ee	2011.5.27-2012.5. 27	Not	Yes
Sinopharm Guangzhou Co., Ltd.	2010-8-18 2010-22	5,000.0 0	2010-10- 26	250.00	Guarant ee	2010.10.26-2011. 10.25	Not	Yes
Guangxi Sinopharm Logistic Co., Ltd.	2010-12-09 2010-35	10,000. 00	2011-01- 17	3,384.3 1	Guarant ee	2011.1.17-2014.1. 17	Not	Yes
Sinopharm Nanning Co., Ltd.	2010-8-18 2010-22	5,000.0 0	2011-02- 21	3,399.1 7	Guarant ee	2011.2.21-2012.2. 21	Not	Yes
Sinopharm Nanning Co., Ltd.	2011-3-22 2011-05	10,000. 00	2011-04- 28	9,579.5 0	Guarant ee	2011.4.28-2012.4. 28	Not	Yes
Sinopharm Nanning Co., Ltd.	2010-8-18 2010-22	2,650.0 0	2011-01- 17	2,641.6 8	Guarant ee	2011.1.17-2012.1. 17	Not	Yes
Sinopharm Liuzhou Co., Ltd.	2010-8-18 2010-22	5,000.0 0	2011-02- 21	3,495.3 8	Guarant ee	2011-2-21-2012-2 -21	Not	Yes

Sinopharm Liuzhou Co., Ltd.	2010-12-09 2010-35	5,000.0 001	2011-01- 01	2,132.9 4	Guarant ee	2011-1-1-2012-1- 1	Not	Yes
Total of guarantee for subsidiaries approved in the Period (B1)		218,650.00		Total of actual guarantee for subsidiaries in the Period (B2)		259,408.89		
Total of guarantee for subsidiaries approved at Period-end (B3)		274,650.00		Total of actual guarantee for subsidiaries at Period-end (B4)		163,611.61		
Total of Company's guarantee(namely total of the large two aforementioned)								
Total of guarantee approved in the Period (A1+B1)		253,650.00		Total of actual guarantee in the Period (A2+B2)		289,165.15		
Total of guarantee approved at Period-end (A3+B3)		352,900.00		Total of actual guarantee at Period-end (A4+B4)		187,242.36		
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4)				158.04%				
Including:								
Amount of guarantee for shareholders, actual controller and its associated parties(C)				0.00				
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D)				147,382.98				
Proportion of total amount of guarantee in net assets of the Company exceed 50%(E)				123,921.22				
Total guarantee amount of the abovementioned guarantees(C+D+E)				271,304.20				
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees				N/A				

(III) Related financial claims and liabilities

Unit: RMB'0000

Related parties	Funds offered to related parties		Funds offered to the listed company by related parties	
	Amount occurred	Balance	Amount occurred	Balance
Notes receivable (debt)	19,778.33	1,726.40	-	-
Accounts receivable (debt)	79,185.63	24,596.24	-	-
Other accounts receivable (debt)		121.50	-	-
Account paid in advance(debt)	15,172.91	1,961.29	-	-
Notes payable(credit)	-	-	40,336.61	19,533.99
Account payable(credit)	-	-	172,133.28	26,001.91

Other account payable(credic)	-	-	1.23	841.34
Account received in advance(credit)	-	-	7.24	-
Total	114,136.87	28,405.43	212,478.36	46,377.24

(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

The 23rd Meeting of 5th Session of the Bord re-appointed Pricewaterhouse Zhongtian CPA Company Limited as the auditing institurion for 2011 of the Company dated 18th March 2011. The re-appointment event has been approved by voting from the General Shareholders' Meeting of 2010 dated 28th April 2011.

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

Date	Place	Way	Subject received	Information discussed and provided
2011-5-19	Accord Pharm building	Spot investigation	China Zheshang Securities, Little dolphin investment, Toyo Securities, Hang Seng Investment, Zenda Investment, Cowin Investment, Huatai Investment and Yuanhao Investment	Knowing about the reform development on medical industry without profile provided

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 recently, 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. “Notice of Credit Application and Gaurantee Offered to Ping’An Bank” was released on 19 Febuary 2011;
2. The “Resolution of 23rd Meeting of 5th Session of the Board”, “Resolution of 20th Meeting of 5th Session of Supervisory”, ‘Auditing Report for 2010”, “Notice of Convening the Genral Shareholders’ Meeting of 2010”, “Daily Related Transactions with Related Parties from the Company and its Subordinated Enterprises”, “Aplication of Comprehensive Credit Limit and Arrangement of Guarantees to Bank for 2011”,’Implementation Plan for ‘Basic Regulations of Internal Control for Enterprise”, “Summary of Annual Report 2010”, “Social Responsibility Report for Enterprises 2010”, “Specific Report on Capital Occupation from Controlling Shareholdres and Other Related Parties” and “Self-Evaluation Report for Internal Control 2010” were released on 22 March 2011;
3. The “Resolution of Genral Shareholdres’ Meeting of 2010”, “Law Opinions on Genral Shareholders’ Meeting of 2010”, “First Quarterly Report of 2011”, “Resolution of 1st Meeting of 6th Session of the Board”, “Resolution of 1st Meeting of 6th Session Supervisory” and “ Election of Staff Supervisor for 6th Session of Supervisory” were released on 29 April 2011;
4. The “Production of Sterile Cephalosporin Formulation Obtained EU GMP Certificate by Shenzhen Zhijun Pharmaceutical Co., Ltd.” was released on 13 May 2011;
5. The “Bonus Distribution for 2010” was released on 9 June 2011.

Section VII. Financial Report (Un-audited)

Balance Sheet

Prepared by: Shenzhen Accord Pharmaceutical Co., Ltd. 30 June 2011 Unit: RMB

Items	Amount at period-end		Amount at year-begin	
	Merger	Parent Company	Merger	Parent Company
Current assets:				
Monetary funds	897,418,214.29	239,018,666.86	711,789,775.66	135,498,819.87
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	403,711,972.28	1,521,625.83	369,169,030.47	5,038,459.89
Accounts receivable	3,269,832,618.47	269,208,987.83	2,866,825,102.78	282,597,465.23
Accounts paid in advance	81,612,485.56	1,015,137.01	101,806,030.92	3,798,560.90
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividend receivable				
Other receivables	38,981,013.19	575,075,263.73	43,110,999.74	557,324,957.67
Purchase restituted finance asset				

Inventories	1,189,106,704.59	117,229,773.10	1,156,329,658.80	117,829,120.30
Non-current asset due within one year				
Other current assets				
Total current assets	5,880,663,008.38	1,203,069,454.36	5,249,030,598.37	1,102,087,383.86
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	80,490,540.36	1,317,217,954.45	85,275,251.06	1,272,402,665.15
Investment property	84,086,807.90	11,312,185.46	87,293,333.76	12,033,619.61
Fixed assets	487,026,796.41	34,083,364.25	492,557,743.43	35,677,614.01
Construction in progress	152,426,305.53	253,886.24	108,301,338.12	253,886.24
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	121,390,186.96	28,286,592.40	129,175,366.09	28,837,698.02
Expense on Research and Development	2,859,318.40		2,580,662.85	
Goodwill	53,555,677.09		53,555,677.09	
Long-term expenses to be apportioned	22,294,306.46	9,288,440.60	19,811,611.24	9,161,222.49
Deferred income tax asset	32,987,218.17	3,293,617.54	31,083,592.24	2,958,699.75
Other non-current asset	50,289,370.04		48,127,831.56	0.00
Total non-current asset	1,087,406,527.32	1,403,736,040.94	1,057,762,407.44	1,361,325,405.27
Total assets	6,968,069,535.70	2,606,805,495.30	6,306,793,005.81	2,463,412,789.13
Current liabilities:				
Short-term loans	1,398,097,986.10	449,135,820.68	975,475,884.21	349,183,556.07
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	1,145,184,513.55	113,133,409.97	1,448,622,490.72	227,394,114.09
Accounts payable	2,315,122,567.54	307,090,211.20	2,003,566,517.62	238,636,669.29
Accounts received	70,303,352.64	157,930.54	100,322,387.21	48,490.62

in advance				
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	115,421,824.26	23,540,448.53	127,191,717.25	22,612,110.63
Taxes payable	58,157,034.36	4,677,931.82	39,720,311.72	2,957,612.62
Interest payable	6,281,609.97	727,533.83	2,122,314.90	596,047.97
Dividend payable				
Other accounts payable	404,953,733.21	763,937,077.21	345,011,293.80	874,380,433.82
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	5,513,522,621.63	1,662,400,363.78	5,042,032,917.43	1,715,809,035.11
Non-current liabilities:				
Long-term loans	78,842,900.00		30,000,000.00	
Bonds payable				
Long-term account payable	38,157.00		40,777.80	
Special accounts payable	4,755,000.00	1,320,000.00	4,755,000.00	1,320,000.00
Projected liabilities				
Deferred income tax liabilities	21,582,302.16	3,773,319.00	22,709,093.70	3,773,319.00
Other non-current liabilities	82,905,678.43		75,809,855.74	
Total non-current liabilities	188,124,037.59	5,093,319.00	133,314,727.24	5,093,319.00
Total liabilities	5,701,646,659.22	1,667,493,682.78	5,175,347,644.67	1,720,902,354.11
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital public reserve	5,030,338.57	13,828,726.93	5,030,338.57	13,828,726.93
Less: Inventory shares				
Reasonable reserve				
Surplus public reserve	39,981,268.55	39,981,268.55	39,981,268.55	39,981,268.55
Provision of general				

risk				
Retained profit	851,597,818.25	597,352,417.04	719,209,302.41	400,551,039.54
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	1,184,758,825.37	939,311,812.52	1,052,370,309.53	742,510,435.02
Minority interests	81,664,051.11		79,075,051.61	
Total owner's equity	1,266,422,876.48	939,311,812.52	1,131,445,361.14	742,510,435.02
Total liabilities and owner's equity	6,968,069,535.70	2,606,805,495.30	6,306,793,005.81	2,463,412,789.13

Profit Statement

Prepared by: Shenzhen Accord Pharmaceutical Co., Ltd. January-June 2011 Unit: RMB

Items	Amount in this period		Amount in last period	
	Merger	Parent Company	Merger	Parent Company
I. Total operating income	7,195,372,417.76	946,753,432.44	6,236,827,518.97	878,820,036.10
Including: Operating income	7,195,372,417.76	946,753,432.44	6,236,827,518.97	878,820,036.10
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	7,005,263,087.13	964,426,740.52	6,091,707,951.68	893,063,499.98
Including: Operating cost	6,519,740,305.91	901,521,599.01	5,675,835,391.28	837,870,829.36
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				
Operating tax and extras	15,599,011.72	1,912,151.45	8,744,582.00	510,783.37
Sales expenses	239,802,366.07	24,588,975.59	209,616,985.00	24,267,048.59

Administration expenses	162,839,045.95	19,332,279.73	144,846,050.40	23,236,060.60
Financial expenses	61,406,706.29	16,818,820.34	37,353,311.44	9,264,750.17
Losses of devaluation of asset	5,875,651.19	252,914.40	15,311,631.56	-2,085,972.11
Add: Changing income of fair value(Loss is listed with “-”)				
Investment income (Loss is listed with “-”)	12,810,289.30	247,870,767.97	11,304,713.89	227,429,131.22
Including: Investment income on affiliated company and joint venture	12,810,289.30	12,810,289.30	11,263,472.59	9,251,229.08
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	202,919,619.93	230,197,459.89	156,424,281.18	213,185,667.34
Add: Non-operating income	15,015,410.03	2,582,378.11	8,708,512.00	904,633.10
Less: Non-operating expense	217,194.52		847,542.62	1,800.00
Including: Disposal loss of non-current asset	70,253.22		471,610.41	
IV. Total Profit (Loss is listed with “-”)	217,717,835.44	232,779,838.00	164,285,250.56	214,088,500.44
Less: Income tax expense	49,992,392.10	3,230,532.50	41,320,797.05	1,638,783.46
V. Net profit (Net loss is listed with “-”)	167,725,443.34	229,549,305.50	122,964,453.51	212,449,716.98
Net profit attributable to owner’s of parent company	165,136,443.84	229,549,305.50	119,387,096.38	212,449,716.98
Minority shareholders’ gains and losses	2,588,999.50		3,577,357.13	
VI. Earnings per share:				
i. Basic earnings per share	0.57		0.41	
ii. Diluted earnings per share	0.57		0.41	
VII. Other consolidated income				
VIII. Total consolidated income	167,725,443.34	229,549,305.50	122,964,453.51	212,449,716.98
Total consolidated income attributable to owners of parent company	165,136,443.84	229,549,305.50	119,387,096.38	212,449,716.98
Total consolidated income attributable to minority shareholders	2,588,999.50		3,577,357.13	

The merger realized net profit RMB 0.00 before consolidation during enterprises consolidation under a

same control.

Cash Flow Statement

Prepared by: Shenzhen Accord Pharmaceutical Co., Ltd. January-June 2011 Unit: RMB

Items	Amount in this period		Amount in last period	
	Merger	Parent Company	Merger	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	7,001,828,479.57	1,054,596,424.06	6,253,528,825.97	950,771,563.38
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				
Write-back of tax received	738,150.65		687,076.01	
Other cash received concerning operating activities	56,445,783.26	9,195,945.98	94,922,570.21	19,063,545.41
Subtotal of cash inflow arising from operating activities	7,059,012,413.48	1,063,792,370.04	6,349,138,472.19	969,835,108.79
Cash paid for purchasing commodities and receiving labor service	6,399,334,127.53	1,039,422,432.86	5,605,184,676.87	794,080,168.78
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/for staff and workers	220,938,322.53	23,901,254.31	193,531,166.23	16,118,524.94
Taxes paid	176,188,320.99	14,283,145.46	139,116,438.02	12,587,965.84
Other cash paid concerning operating activities	154,874,560.67	26,247,197.21	201,145,624.57	45,606,788.37
Subtotal of cash outflow arising from operating activities	6,951,335,331.72	1,103,854,029.84	6,138,977,905.69	868,393,447.93
Net cash flows arising from operating activities	107,677,081.76	-40,061,659.80	210,160,566.50	101,441,660.86
II. Cash flows arising from investing activities:				
Cash received from recovering investment	1,830,000.00	1,830,000.00		45,000,000.00
Cash received from investment income	17,595,000.00	88,424,879.20		32,048,822.01
Net cash received from disposal of fixed, intangible and other long-term assets	2,118,542.70	1,338,000.00	5,434,321.08	800.00
Net cash received from disposal of subsidiaries and other units			325,415.00	
Other cash received concerning investing activities	2,095,500.00	171,500,000.00	5,000,000.00	1,611,038.60
Subtotal of cash inflow from investing activities	23,639,042.70	263,092,879.20	10,759,736.08	78,660,660.61
Cash paid for purchasing fixed, intangible and other long-term assets	83,934,660.07	3,043,716.52	85,746,142.82	467,045.37
Cash paid for investment	3,151,909.31	52,751,909.31	10,200,000.00	593,660,000.00
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units			13,693,496.50	36,186,250.63
Other cash paid concerning investing activities	9,698,496.42	186,500,000.00	64,330,110.00	481,252.34
Subtotal of cash outflow from investing activities	96,785,065.80	242,295,625.83	173,969,749.32	630,794,548.34
Net cash flows arising from investing activities	-73,146,023.10	20,797,253.37	-163,210,013.24	-552,133,887.73
III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans	576,342,900.00	330,000,000.00	1,062,035,652.93	690,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	253,511,273.99	520,373,122.79		1,130,772,148.98
Subtotal of cash inflow	829,854,173.99	850,373,122.79	1,062,035,652.93	1,820,772,148.98

from financing activities				
Cash paid for settling debts	324,940,493.30	210,000,000.00	1,027,077,912.57	727,023,220.37
Cash paid for dividend and profit distributing or interest paying	72,179,366.31	63,353,770.36	56,018,809.98	39,053,285.95
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	258,530,267.94	454,235,099.01	14,562,551.78	611,035,671.52
Subtotal of cash outflow from financing activities	655,650,127.55	727,588,869.37	1,097,659,274.33	1,377,112,177.84
Net cash flows arising from financing activities	174,204,046.44	122,784,253.42	-35,623,621.40	443,659,971.14
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-546.91		-1,709.33	-1,606.51
V. Net increase of cash and cash equivalents	208,734,558.19	103,519,846.99	11,325,222.53	-7,033,862.24
Add: Balance of cash and cash equivalents at the period -begin	682,875,873.18	135,498,819.87	588,405,672.15	125,541,203.80
VI. Balance of cash and cash equivalents at the period -end	891,610,431.37	239,018,666.86	599,730,894.68	118,507,341.56

Consolidated Statement on Changes of Owners' Equity

Prepared by: Shenzhen Accord Pharmaceutical Co., Ltd.

Semi-Annual of 2011

Unit: RMB

Items	Amount in this report period										Amount in last year											
	Owners' equity attributable to the parent company									Minority's equity	Total owners' equity	Owners' equity attributable to the parent company									Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others	Paid-up capital (Share capital)			Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others				
I. Balance at the end of last year	288,149,400.00	5,030,338.57			39,981,268.55		719,209,302.41		79,075,051.61	1,131,445,361.14	288,149,400.00	31,568,488.40			17,573,057.11		509,918,947.32		55,464,963.74	902,674,856.57		
Add: Changes of accounting policy																						
Error correction of the last period																						
Others																						
II. Balance at the beginning of this year	288,149,400.00	5,030,338.57			39,981,268.55		719,209,302.41		79,075,051.61	1,131,445,361.14	288,149,400.00	31,568,488.40			17,573,057.11		509,918,947.32		55,464,963.74	902,674,856.57		
III. Increase/Decrease in this year (Decrease is listed with"-")							132,388,515.84		2,588,999.50	134,977,515.34		-26,538,149.83			22,408,211.44		209,290,355.09		23,610,087.87	228,770,504.57		
(I) Net profit							165,1		2,588	167,7							261,1		3,107	264,2		

							36,44 3.84		,999. 50	25,44 3.34						16,65 6.70		,762. 36	24,41 9.06
(II) Other integrated income																			
Subtotal of (I) and (II)							165,1 36,44 3.84		2,588 ,999. 50	167,7 25,44 3.34						261,1 16,65 6.70		3,107 ,762. 36	264,2 24,41 9.06
(III) Owners' devoted and decreased capital							1,830 ,000. 00			1,830 ,000. 00						-603, 150.1 7		20,50 2,325 .51	-6,63 8,974 .49
1. Owners' devoted capital																		20,50 2,325 .51	20,50 2,325 .51
2. Amount calculated into owners' equity paid in shares																			
3. Others							1,830 ,000. 00			1,830 ,000. 00						-603, 150.1 7			-27,1 41,30 0.00
(IV) Profit distribution							-34,5 77,92 8.00			-34,5 77,92 8.00						22,40 8,211 .44		-51,2 23,15 1.44	-28,8 14,94 0.00
1. Withdrawal of surplus reserves																22,40 8,211 .44		-22,4 08,21 1.44	
2. Withdrawal of general risk provisions																			
3. Distribution for owners (shareholders)							-34,5 77,92 8.00			-34,5 77,92 8.00								-28,8 14,94 0.00	-28,8 14,94 0.00

2. Surplus reserves converted to capital (share capital)																
3. Remedying loss with surplus reserves																
4. Others																
(VI) Reasonable reserve																
1. Withdrawal in the report period																
2. Usage in the report period																
(VII) Other																
IV. Balance at the end of the report period	288,149,400.00	13,828,726.93			39,981,268.55		597,352,417.04	939,311,812.52	288,149,400.00	13,828,726.93			39,981,268.55		400,551,039.54	742,510,435.02

I 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, 2010. 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, 2011, 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.

I General information (continued)

The approved scope of business of the Company and its subsidiaries (together “the Group”) 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, antiseptics 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).

II Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The Group 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”). The rules of Compilation Rules for Information Disclosures by Companies That Offer Securities to the Public No.15 - General Provisions for Financial Reports(2010 revised edition) promulgated by China Securities Regulatory Commission has adopted as well.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the period ended 30 June 2011 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 30 June 2011 and the operating results, cash flows and other information for the period then ended of the Group and the Company.

(3) Accounting period

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

(4) Recording currency

The recording currency is RMB.

II Summary of significant accounting policies and accounting estimates (continued)

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to be offset, the remaining balance is adjusted against retained earnings.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, come under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively.

II Summary of significant accounting policies and accounting estimates (continued)

(7) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial Instruments

(a) Financial assets

(i) Classification

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The Group currently holds the financial assets including receivables. Receivables, including notes receivables, accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Receivables are measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Group assesses the carrying amounts of receivables at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group shall determine the amount of impairment loss. If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

(iv) Derecognition of financial assets

Financial assets are derecognised when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) all substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

II Summary of significant accounting policies and accounting estimates (continued)

(9) Financial Instruments (continued)

(a) Financial assets(continued)

(iv) Derecognition of financial assets(continued)

On derecognition of a financial asset, the difference between the carrying amount and the aggregate of consideration received, is recognised in the income statement.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: the financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise of other financial liabilities, including payables and borrowings.

Payables comprise notes payable, accounts payable and other payables, which are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised costs using the effective interest method.

Other financial liabilities are classified as the short-term borrowings if they mature within one year (one year included); others are classified as non-current liabilities; Non-current liabilities due for repayment within one year since the balance sheet day are classified as current portion of non-current liabilities.

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. The difference between the carrying amount of a financial liability (or a part of financial liability) extinguished and the consideration paid is recognised in the income statement.

(10) Receivables

Receivables comprise notes receivable, accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables with significant amount are subject to separate impairment assessment

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

Debtors with significant balance refer to those with individual amount over RMB 5 million.

A provision on receivable accounts with significant amount is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

II Summary of significant accounting policies and accounting estimates (continued)

(10) Receivables (continued)

- (b) Recognition and provision of bad debt provision on receivable accounts within similar credit risk group

Receivables that are not individually significant and those receivables that have been individually evaluated for impairment and have been found not impaired are combined into certain groups based on their credit risk characteristics. The impairment losses are determined based on the historical loss experience for the groups of receivables with the similar credit risk characteristics and taking into consideration of the current circumstances.

The basis of similar credit risk group: the ageing of receivables

A provision for impairment of the receivables is made based on the ageing of receivables at the following percentage:

	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%

- (c) Receivables that are not individually significant but subject to separate impairment assessment

If there is objective evidence that the Group will not be able to collect the full amount under the original terms, then the Group would separately assess the provision of the receivables.

A provision for impairment of that receivable is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

- (d) When the Group transfers the accounts receivable to financial institutions without recourse, the net amount of proceeds received from the transaction after the carrying amounts of the accounts receivable and related taxes is recognised in profit or loss for the current period.

(11) Inventories

- (a) Classification

Inventories include raw materials, work in progress, finished goods and turnover materials, and are presented at the lower of cost and net realisable value.

II Summary of significant accounting policies and accounting estimates (continued)

(11) Inventories (continued)

(b) Determination of cost

Cost is determined on the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity.

(c) The determination of net realisable value and the method of provisions for impairment of inventories

Provisions for declines in the value of inventories are determined at the excess amount of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortization method for low cost consumables and packaging materials

Turnover materials include low cost consumables and packaging materials, which are expensed when issued.

(12) Long-term equity investments

Long-term equity investments comprise the Group's long-term equity investments in its associates and the Company's long-term equity investments in its subsidiaries.

Subsidiaries are all entities over which the Company is able to control. Associates are all entities over which the Group has significant influence, but not control, on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Interests in associates are accounted for using the equity method.

(a) Initial recognition

Long-term equity investments accounted for using the cost method are measured at the initial investment costs. Investments in associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

II Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

(b) Subsequent measurement

Long-term equity investments accounted for using the cost method are measured at the initial investment costs. Investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investees.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based which the investment gain or losses are recognised. The loss on the intra-group transaction amongst the Group and its investees, of which the nature is asset impairment, is recognised in full, and the related unrealised loss is not eliminated.

(c) Definition of control and significant influence over the investees

Controlling power means the power over the firm's financial and operational decision-making, and can obtain profit from the operation of such firm. At considering of substantial control or major influence of a firm, the potential voting right factors such as current convertible bonds or executable subscription options have been considered.

Major influence means the power to participate in decision-making but cannot control or collectively control the same.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

(13) Investment properties

Investment properties, including land use rights that have already been leased out buildings that are held for the purpose of lease and buildings that is being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

II Summary of significant accounting policies and accounting estimates (continued)

(13) Investment properties (continued)

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation (amortisation) rates of the investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortisation) rate
Buildings	20-35 years	5%	2.71% to 4.75%
Land use rights	30-50 years	-	2.00% to 3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

(14) Fixed assets

(a) Recognition

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computer and electronic equipment, office equipment and leasehold improvements.

Fixed asset is recognised when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. Fixed assets contributed by state-owned shareholders during the company reorganisation were recorded based on the valuation amount approved by the state-owned assets supervision and management department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

II Summary of significant accounting policies and accounting estimates (continued)

(14) Fixed assets (continued)

(b) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

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

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20-35 years	5%	2.71% to 4.75%
Machinery and equipment	10-14 years	5%	6.79% to 9.5%
Motor vehicles	5-10 years	5%	9.5% to 19%
Other	5-10 years	5%	9.5% to 19%
Leasehold improvements	Within 5 years	-	Above 20%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

(c) The carrying amount of fixed assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

(d) Disposal

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note II (20)).

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

II Summary of significant accounting policies and accounting estimates (continued)

(16) Borrowing costs

For a borrowing specific for the acquisition, construction or production activities for preparing an asset eligible for capitalisation, the to-be-capitalised borrowing costs shall be determined according to the actual borrowing costs incurred less any income earned on the unused borrowing fund as a deposit in the bank or as a temporary investment.

For the other borrowings related to acquisition, construction and production of a qualifying asset, the amount of to-be-capitalised borrowing costs shall be the lower of the actual borrowing costs incurred and the amount of qualifying asset not financed by specific borrowings multiplying capitalisation rate. The capitalisation rate is the weighted average interest rate of these borrowings.

(17) Intangible assets

Intangible assets include land use rights, computer softwares, technology patents and trademarks, which initially recognised at cost. Intangible assets contributed by state-owned shareholders during the company reorganisation were recorded based on the valuation amount approved by the state-owned assets supervision and management department.

(a) Land use rights

A land use right granted by government with a infinite useful life would not be amortised. Other land use rights are amortised on the straight-line basis over their approved useful period of 30 to 50 years. If the purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as fixed assets.

(b) Computer softwares

Computer softwares purchased by the Group are initially measured at cost, which are amortised on the straight-line basis over their approved useful period of 3 to 5 years.

(c) Trademarks and proprietary technology

Trademarks are amortised on the straight-line basis over their effective periods as stipulated by law of 5 to 10 years. Proprietary technology are amortised on the straight-line basis over their effective useful period of 5 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

For an intangible asset without a definite useful life, review and adjustment on its useful life are performed at each year-end.

II Summary of significant accounting policies and accounting estimates (continued)

(17) Intangible assets (continued)

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

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

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) Impairment

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note II (20)).

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Governmental medical reserve funds and specially approved reserving materials

Appointed by the PRC Government, China National Pharmaceutical Group Corporation ("CNPGC") is responsible for purchasing, allocating and providing the governmental medical reserves, which include the medical products, traditional Chinese medicine and medical appliances for nation-wide emergency rescue and disaster relief. Appointed by the Government of Guangxi Province, Sinopharm Medicine Holding Nanning Co., Ltd. ("Sinopharm Nanning"), a subsidiary of the Group, is responsible for purchasing, allocating and providing the medical reserves, which include the medical products needed for common disease and emergencies triggered by major disasters, epidemics and other situations in Guangxi Province. In accordance with the regulation of CNPGC, as being the enterprise who bears the obligation for specially approved medical reserving materials, the medical reserve funds received from the PRC Government or local government are recognised in other Non-current liabilities. The Group reserves the specially approved medical reserving materials according to the reserve program (by category and by quantity), applies dynamic management and recognises in other non-current assets.

II Summary of significant accounting policies and accounting estimates (continued)

(20) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, Long-term prepaid expenses and investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates 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 recognised 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. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements and intangible assets with infinite useful lives are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(21) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

If the Group terminates the labor relationship with an employee prior to the expiration of the relevant labor contract or makes a severance package proposal with the purpose of encouraging voluntary redundancy, and provided that the Group has drafted a formal plan for the termination of labour relationships or has put forward a proposal for voluntary layoffs and intends to execute it forthwith, and the Group may not retract plans for termination of labour relationships or layoff proposals ex parte, the Group shall recognise the liabilities to be incurred due to severance pay, and shall at the same time record them in the income statement.

Except for compensation paid for termination of employment, employee benefits are recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

(22) Profit distribution

Cash dividends distribution is recognised as a liability in the period in which it is approved by the annual shareholders' meeting.

II Summary of significant accounting policies and accounting estimates (continued)

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Sale of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(b) Rendering of services

The Group provides freight service and storage service to external parties. The freights are recognized as revenue right after the goods are transported to the place of delivery according to contracts or agreements, received and confirmed by the purchasers. The storage charges are recognized as revenue on the basis of services provided during the storage period.

(c) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(24) Government grants

Government grants are the monetary asset the Group receives from the government for free, including tax refund, government subsidies, etc.

Grants from the government are recognised when there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions. Government grants are measured at the amounts received or receivable.

Government grants relating to assets are recognised as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Government grants relating to income, which is used to compensate the expenses/costs incurred in future, are recognised as deferred income and then credited to the income statement over the period necessary to match them with the expenses that they are intended to compensate. Government grants relating to income, which is used to compensate the expenses/costs incurred in the past, are credited to the income statement directly.

II Summary of significant accounting policies and accounting estimates (continued)

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax assets and liabilities are offset when:

the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,

that tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

(26) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the leaser are classified as operating leases. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets or charged as an expense.

(27) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

II Summary of significant accounting policies and accounting estimates (continued)

(28) Changes in significant accounting policies

The Group has no changes in significant accounting policies in this reporting period.

(29) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note V (14)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill and fixed assets.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill and fixed assets.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. The Group recognises income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

II Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and judgments (continued)

(iii) Accounting estimates on impairment of accounts receivable

In accordance with the Group's accounting policy (note II (10)), the Group's management tests annually whether receivables have suffered any impairment. Impairment of receivables has been assessed by taking into account the customers' credit history and financial position together with the current market conditions. Even if the Group's management has made bad debt provision for the expected loss at its best estimate, there is a possibility that changes in customers' financial position or market conditions will alter the result.

(iv) Accounting estimates on impairment of inventories

In accordance with the Group's accounting policy (Note II (11) (c)), the Group's management estimates the net realizable value of the inventory. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Even if the Group's management has made stock provision for the expected impairment at its best estimate, there is a possibility that changes in market conditions will alter the result.

(v) Accounting estimates on impairment of long-term assets

In accordance with the Group's accounting policy (note II (20)), the Group's management tests annually whether long term assets with an indication of impairment have suffered any impairment, including fixed assets, construction in progress, intangible assets with finite useful lives, Long-term prepaid expenses and investment properties measured using the cost model and long-term equity investments in subsidiaries and associates. The calculation of present value of projection cash flows of these long-term assets requires the use of accounting estimate which is similar to the impairment test of goodwill.

It is reasonably possible that outcomes based on current experience within the next financial year would be significantly different, which will result in a significant impact on the carrying amount of those long-term assets described above.

III Taxation

(1) The types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Enterprise income tax("EIT")	Taxable income	15%、24% or 25%
Value added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	0%、3%、13% or 17%
Business tax	Rental income, storage income and etc.	5%
Business tax	Freight income	3%
City maintenance and construction tax	VAT and business tax	7%
Education surcharge	VAT and business tax	3% or 4%

(2) Tax preferences

The company, Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. ('Zhijun Trade'), Shenzhen Accord Pharmaceutical Materials Co., Ltd. ('Accord Material'), Shenzhen Jianmin Pharmaceutical Co., Ltd. ('Jianmin Pharm'), Shenzhen Accord Pharmaceutical Logistics Co., Ltd. ('Accord Logistics'), Shenzhen Yanfeng Medical Co., Ltd. ('Yanfeng Medical') and Sinopharm Shenzhen Medicine Co., Ltd ('Shenzhen Medicine'), qualify as foreign investment manufacturing enterprises established in a special economic zone. As approved by the tax authorities, the aforesaid companies' original applicable enterprise income tax rates are 15%. Under relevant requirements of the Corporate Income Tax Law and Guo Fa [2007]39, the enterprise income tax rate applicable to those companies will increase gradually to 25% within 5 years from 2008 to 2012. Their applicable income tax rate for this reporting period is 24%.

In 2008, Shenzhen Zhijun Pharmaceutical Co., Ltd. ('Zhijun Pharm') and Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. ('Suzhou Wanqin'), subsidiaries of the Company, separately obtained the certificate of High and New Technology Enterprises with effective period of 3 years. Under the relevant regulations of article 28 of the Corporate Income Tax Law, the applicable tax rates for Zhijun Pharm and Suzhou Wanqin in this reporting period is 15%.

IV Business combinations and consolidated financial statements

(1) Subsidiaries

(a) Subsidiaries acquired under common control

	The holding type of investment	Place of registration	Nature of business	Registered capital (Rmb'0000)	Principal activities	Enterprise Type	Legal Representative
Zhijun Pharm	Direct	Shenzhen	Manufacturing	20,000.0	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	Limited company	Yan Zhigang
Jianmin Pharm	Direct	Shenzhen	Commercial	500.0	Wholesale of chemical agent, antibiotics agent, chemical and biological agent, blood products, raw material of chemical product, Chinese medicine and diagnosis products	Limited company	Lin Xinyang
Shenzhen Medicine Trade Co., Ltd. (Shenzhen Trade') (i) Accord Material	Direct	Shenzhen	Commercial	188.0	Wholesale and retail of drugs and textiles	-	-
	Direct	Shenzhen	Commercial	600.0	Chinese patent medicine, western medicine, medicine treatment apparatus	Limited company	Zhao Yuhe
Zhijun Trade	Direct	Shenzhen	Commercial	189.0	Purchase and sale of Chinese traditional medicinal materials, Chinese patent medicine, chemical raw material for medical treatment, antibiotic preparation, chemical medicine preparation etc.	Limited company	Deng Baojun
Accord Logistics	Direct	Shenzhen	Service	100.0	Storage service, convey, liquidation of cargo external package and common transportation of road	Limited company	Ma Jiancong

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired under common control(continued)

	The holding type of investment	Place of registration	Nature of business	Registered capital (Rmb'0000)	Principal activities	Enterprise Type	Legal Representative
Guangdong Accord Pharmaceutical Vocational Skills Training Center ('Training Center')	Direct	Shenzhen	Service	3.0	Training service	Non-Enterprise	Tan Guoshu
Sinopharm Medicine Holding Guangzhou Co., Ltd. ('Sinopharm Guangzhou')	Direct	Guangzhou	Commercial	40,000.0	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	Limited company	Shi Jinming
Guangdong Accord Hengxing Pharmaceutical Co., Ltd. (Hengxing Pharm')	Direct	Guangzhou	Commercial	4,000.0	Drugs, medical apparatus sales	Limited company	Lin Zhaoxiong
Guangxi Accord Pharmaceutical Co., Ltd. ('Guangxi Accord')	Direct	Nanning	Commercial	500.0	Drug sales	Limited company	Zhou Ruili
Sinopharm Medicine Holding Liuzhou Co., Ltd. ('Sinopharm Liuzhou')	Direct	Liuzhou	Commercial	2,053.1	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)	Limited company	Lin Zhaoxiong

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired under common control(continued)

	The holding type of investment	Place of registration	Nature of business	Registered capital (Rmb'0000)	Principal activities	Enterprise Type	Legal Representative
Guangxi Accord Chinese Herbal Pieces Co., Ltd. ('Guangxi Chinese Herbal Pieces') (ii)	Indirect	Liuzhou	Manufacturing	200.0	Manufacturing and sales of Chinese herbal pieces	Limited company	Zhu Wenhui
Guangdong Huixin Investment Co., Ltd. ('Huixin Investment')	Direct	Guangzhou	Service	500.0	Project investment, property management and leasing, medical information consultancy, car park management	Limited company	Shi Jinming
Sinopharm Medicine Holding Foshan Co., Ltd. ('Sinopharm Foshan')	Direct	Foshan	Commercial	1,000.0	Drug sales	Limited company	Lin Xinyang
Guangdong Yuexing Pharmaceutical Co., Ltd. ('Yuexing Pharm')	Direct	Guangzhou	Commercial	3,000.0	Sales of medicine and medical treatment apparatus	Limited company	Luo Qin
Guangdong Hengchang Logistics Co., Ltd. ('Hengchang Logistics')	Direct	Guangzhou	Service	500.0	Storage loading and unloading	Limited company	Lin Min
Sinopharm Nanning	Direct	Nanning	Commercial	10,000.0	Drug sales	Limited company	Lin Zhaoxiang
Guangxi Sinopharm Logistics Co., Ltd. ('Guangxi Logistics')	Indirect	Nanning	Service	710.0	Storage loading and unloading, consultation service	Limited company	Lin Zhaoxiang
Shenzhen Medicine	Direct	Shenzhen	Manufacturing	5,000.0	Manufacturing of granules, lotion, tablet, capsule, oral liquid and mixture, and syrup; manufacturing and sale of hair products, bath foam and cosmetics, and detergent (antibiosis washing liquid); manufacturing of plastic bottle; manufacturing and sale of health food.	Limited company	Deng Baojun

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired under common control(continued)

	Period-End balance of investment (Rmb'0000)	Other assets constitute investment in substance	Equity interest held (%)	Voting rights held (%)	Consolidated or not	Minority interests (Rmb'0000)	Loss shared by minority interests
Zhijun Pharm	23,706.2	-	100	100	Yes	-	-
Jianmin Pharm	5,348.3	-	100	100	Yes	-	-
Shenzhen Trade(i)	847.9	-	100	100	Yes	-	-
Accord Material	816.7	-	100	100	Yes	-	-
Zhijun Trade	373.4	-	100	100	Yes	-	-
Accord Logistics	101.9	-	100	100	Yes	-	-
Training Center	3.0	-	100	100	Yes	-	-
Sinopharm Guangzhou	48,388.8	-	100	100	Yes	-	-
Hengxing Pharm	3,174.2	-	100	100	Yes	-	-
Guangxi Accord	498.8	-	100	100	Yes	-	-
Sinopharm Liuzhou	2,220.6	-	51	51	Yes	2,469.29	-
Guangxi Chinese Herbal Pieces (ii)	-	-	51	100	Yes	-	-
Huixin Investment	6,441.7	-	100	100	Yes	-	-
Sinopharm Foshan	1,499.5	-	100	100	Yes	-	-
Yuexing Pharm	4,345.9	-	100	100	Yes	-	-
Hengchang Logistics	559.6	-	100	100	Yes	-	-
Sinopharm Nanning	10,404.9	-	100	100	Yes	-	-
Guangxi Logistics(iii)	-	-	100	100	Yes	-	-
Shenzhen Medicine	4,808.1	-	100	100	Yes	-	-

(i) Shenzhen Trade ceased its operation in 2003.

(ii) Guangxi Chinese Herbal Pieces, a wholly owned subsidiary of Sinopharm Liuzhou, is indirectly held of 51% in equity by the Company.

(iii) Guangxi Logistics, a wholly owned subsidiary of Sinopharm Nanning, is indirectly held of 100% in equity by the Company.

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(b) Subsidiaries acquired not under common control

	The holding type of investment	Place of registration	Nature of business	Registered capital (Rmb'0000)	Principal activities	Enterprise Type	Legal Representative
Suzhou Wanqin	Direct	Suzhou	Manufacturing	8,000.00	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	Limited company	Shi Jinming
Dongguan Accord Pharmaceutical Co., Ltd. ('Dongguan Accord')	Direct	Dongguan	Commercial	1,000.00	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	Limited company	Lin Xinyang
Sinopharm Medicine Holding Zhanjiang Co., Ltd. ('Sinopharm Zhanjiang')	Direct	Zhanjiang	Commercial	1,500.00	sales of Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material and agent, anti-biotic.	Limited company	Lin Xinyang
Yanfeng Medical	Direct	Shenzhen	Commercial	3,000.00	Sales of Chinese patent medicine, Chemical raw material and agent, Anti-biotic agent, Biochemical drug, Medical device and Health protection food	Limited company	Lin Zhaoxiong
Sinopharm Medicine Holding Meizhou Co., Ltd. ('Sinopharm Meizhou')	Direct	Meizhou	Commercial	120.00	Wholesales of Chinese traditional medicinal materials, Chinese patent medicine, Chemical raw material and agent, Anti-biotic;	Limited company	Yang Yan
Sinopharm Medicine Holding Huizhou Co., Ltd. ('Sinopharm Huizhou')	Direct	Huizhou	Commercial	700.00	Sales of medicine and medical device	Limited company	Yang Yan
	Period-end balance of investment (Rmb'0000)	Other assets constitute investment in substance	Equity interest held (%)	Voting rights held (%)	Consolidated or not	Minority interests (Rmb'0000)	Loss shared by minority interests
Suzhou Wanqin	13,425.0	-	75	75	Yes	3,425.58	-
Dongguan Accord	994.20	-	100	100	Yes	-	-
Sinopharm Zhanjiang	1,577.0	-	100	100	Yes	-	-
Yanfeng Medical	3,504.85	-	51	51	Yes	2,271.53	-
Sinopharm Meizhou	313.7	-	100	100	Yes	-	-
Sinopharm Huizhou	444.4	-	100	100	Yes	-	-

V Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2011	31 December 2010
Cash on hand		
	81,181.61	146,710.56
Cash at bank	849,954,455.17	682,729,162.62
Other cash balances	47,382,577.51	28,913,902.48
	<u>897,418,214.29</u>	<u>711,789,775.66</u>

As at 30 June 2011, except a deposit of USD which was equivalent to RMB17,576.18, all other cash at bank and on hand are in RMB. Other cash balances of RMB47,252,609.95 represents deposits of the Group for the purpose of applying for bank acceptance notes.

(2) Notes receivable

	30 June 2011	31 December 2010
Trade acceptance notes	256,561,313.30	212,196,387.14
Bank acceptance notes	147,150,658.98	156,972,643.33
	<u>403,711,972.28</u>	<u>369,169,030.47</u>

(a) Pledged notes receivable

As at 30 June 2011, no notes receivable has been pledged.

(b) Endorsed undue notes receivable

As at 30 June 2011, the Group endorsed the undue notes receivable of RMB384,183,758.33. The top five notes receivable are analysed as below.

Issuer	Issue date	Expiry date	Amount
Shandong Luoxin Pharmacy Co., Ltd.	21 February 2011	21 August 2011	10,800,000.00
General Hospital of Guangzhou Military Command of PLA	22 June 2011	22 September 2011	8,482,909.99
Harbin Pharmaceutical Group Co., Ltd. General Pharm. Factory	7 March 2011	6 September 2011	7,920,000.00
General Hospital of Guangzhou Military Command of PLA	20 April 2011	20 July 2011	7,462,738.33
General Hospital of Guangzhou Military Command of PLA	18 May 2011	18 August 2011	7,120,693.52
			<u>41,786,341.84</u>

V Notes to the consolidated financial statements (continued)

(2) Notes receivable (continued)

(c) Discounted undue notes receivable

As at 30 June 2011, notes receivable including undue trade acceptance notes of RMB123,393,841.56, and undue bank acceptance notes of RMB193,718,860.90 have been discounted.

(d) The Group has no notes receivable which need to be reclassified as accounts receivable.

(3) Accounts receivable

	30 June 2011	31 December 2010
Accounts receivable	3,306,648,999.17	2,901,694,647.44
Less: provision for bad debts	<u>(36,816,380.70)</u>	<u>(34,869,544.66)</u>
	<u>3,269,832,618.47</u>	<u>2,866,825,102.78</u>

(a) The ageing of accounts receivable and related provision for bad debts are analysed as below:

	30 June 2011		31 December 2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	3,270,592,000.8		2,868,265,213.0	
	9	(5,630,873.41)	9	(3,649,047.87)
1 to 2 years	18,481,220.12	(13,609,868.85)	18,451,303.03	(16,242,365.47)
2 to 3 years	2,656,646.84	(2,656,507.12)	-	-
Over 3 year		(14,919,131.32)		(14,978,131.32)
	<u>14,919,131.32</u>	<u>)</u>	<u>14,978,131.32</u>	<u>)</u>
	3,306,648,999.1		2,901,694,647.4	
	7	(36,816,380.70)	4	(34,869,544.66)

(b) The accounts receivable and related provision for bad debts by category are analysed as below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
individually significant are subject to separate impairment assessment receivable	37,407,617.88	1.13%	(22,127,055.44)	59.15%	53,290,932.84	1.84%	(23,655,876.26)	44.39%
accounts within similar credit risk group	3,244,541,474.90	98.12%	(156,082.81)	0.01%	2,833,143,282.43	97.64%	(111,099.82)	0.01%
individually significant but not individually evaluated for impairment	<u>24,699,906.39</u>	<u>0.75%</u>	<u>(14,533,242.45)</u>	<u>58.84%</u>	<u>15,260,432.17</u>	<u>0.52%</u>	<u>(11,102,568.58)</u>	<u>72.75%</u>
	<u>3,306,648,999.17</u>	<u>100%</u>	<u>(36,816,380.70)</u>	<u>1.11%</u>	<u>2,901,694,647.44</u>	<u>100%</u>	<u>(34,869,544.66)</u>	<u>1.20%</u>

V Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

- (c) As at 30 June 2011, impairment provision for accounts receivable individually significant are analysed as below.

	Carrying amount	Bad debt provision	Rate	Assessment for impairment
Guangdong Liyuan Pharmaceutical Co. Ltd.	15,686,460.93	(15,686,460.93)	100.00%	Disputed receivable with higher risk of recoverability.
LiuZhou Municipal Central Hospital	8,292,249.03	(210,838.78)	2.54%	Disputed receivable with higher risk of recoverability.
NanNing Second People's Hospital	7,978,886.62	(779,734.43)	9.77%	Disputed receivable with higher risk of recoverability.
NanNing Medicine Wholesale Center	5,450,021.30	(5,450,021.30)	100.00%	Ageing over 5 years.
	<u>37,407,617.88</u>	<u>(22,127,055.44)</u>		

- (d) Provisions for impairment of the receivables which have a similar risk group are analysed as below:

	30 June 2011				31 December 2010			
	Carrying amount	% of total balance	Bad debt provision amount	rate	Carrying amount	% of total balance	Bad debt provision amount	rate
Within 1 year	3,241,884,967.78	99.92%	-	-	2,830,921,285.80	99.92%	-	-
1 to 2 years	2,656,507.12	0.08%	(156,082.81)	5.88%	2,221,996.63	0.08%	(111,099.82)	5.00%
	<u>3,244,541,474.90</u>	<u>100%</u>	<u>(156,082.81)</u>	<u>0.005%</u>	<u>2,833,143,282.43</u>	<u>100.00%</u>	<u>(111,099.82)</u>	<u>0.004%</u>

- (e) As at 30 June 2011, accounts receivable individually not significant but individually evaluated for impairment are analysed as below:

	Carrying amount	Bad debt provision	Rate	Assessment for impairment
Shenzhen People's 2 nd Hospital	4,608,823.05	(1,434,789.46)	31.13%	Uncertainty in recoverability
Beijing University Shenzhen Hospital	3,935,690.80	(670,476.15)	17.04%	Uncertainty in recoverability
ShenZhen Ophthalmology Hospital	2,314,619.82	(169,434.82)	7.32%	Uncertainty in recoverability
ShenZhen Bao'An District GuanLan Hospital	1,038,517.49	(64,973.00)	6.26%	Uncertainty in recoverability
ShenZhen NanShan District SheKou Hospital	558,274.98	(250,000.00)	44.78%	Uncertainty in recoverability
Gansu Longshi Pharmacy Co., Ltd.	1,664,122.00	(1,617,775.28)	97.21%	Uncertainty in recoverability
Shenzhen Maternity and Child Healthcare Hospital	667,056.11	(412,992.00)	61.91%	Uncertainty in recoverability
HuiZhou QuanYi Pharmaceutical Franchise Co. Ltd.	443,692.12	(443,692.12)	100.00%	Uncertainty in recoverability
GuangXi JiaZhao Pharmaceutical Co. Ltd.etc.	9,469,110.02	(9,469,110.02)	100.00%	Ageing is above 3 years.
	<u>24,699,906.39</u>	<u>(14,533,242.45)</u>		

V Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

- (f) Accounts receivable, which have been fully or partly made impairment provision already, recovered in current period is listed below:

	Reason for recoverability	Original assessment for providing impairment	Recovered bad debt provisions	Recovered amount
JiangYin KaiHong Pharmaceutical Co. Ltd.	Amount received	Uncertainty in recoverability	354,600.00	354,600.00
AnHui Province FuYang KangTai Pharmaceutical Co. Ltd.	Amount received	Uncertainty in recoverability	93,687.19	730,851.19
AnHui BoYang Medicine supplied center Co. Ltd.	Amount received	Uncertainty in recoverability	71,760.00	307,777.68
SuZhou KangXin Pharmaceutical Co. Ltd.	Amount received	Uncertainty in recoverability	15,480.00	23,580.00
JiangSu WeiKang Pharmaceutical Co. Ltd.	Amount received	Uncertainty in recoverability	7,380.00	19,200.00
HeBei AiPu Herbs&Pharmaceutical Co. Ltd.	Amount received	Uncertainty in recoverability	4,800.00	4,800.00
			<u>547,707.19</u>	<u>1,440,808.87</u>

- (g) No accounts receivable has been written off as at 30 June 2011.
- (h) Accounts receivable due from shareholders with more than 5% (including 5%) of the Company's equity interest are analysed as below:

	30 June 2011	31 December 2010
Sinopharm Group	<u>8,745,155.12</u>	<u>6,085,670.42</u>

- (i) As at 30 June 2011, the top five accounts receivable by customer are analysed as below:

	Relationship with the Group	Amount	Ageing	% of the total accounts receivable
Centre for Disease Control and Prevention of Guangdong Province	Third party	84,197,720.00	Within 1 year	2.55%
GuangDong Province People's Hospital	Third party	42,800,918.36	Within 1 year	1.29%
The Third Affiliated Hospital of ZhongShan University	Third party	41,931,833.30	Within 1 year	1.27%
GuangZhou First People's Hospital	Third party	40,231,848.05	Within 1 year	1.22%
Affiliated Hospital of Guangdong Medical faculty	Third party	38,781,752.94	Within 1 year	1.17%
		<u>247,944,072.65</u>		<u>7.50%</u>

- (j) Accounts receivable due from related party

As at 30 June 2011, there are accounts receivable of RMB245,962,436.76 due from related party, which is 7.41% of the total accounts receivable.

V Notes to the consolidated financial statements (continued)

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	30 June 2011		31 December 2010	
	amount	% of total balance	amount	% of total balance
Within 1 year	78,034,041.21	95.62%	98,067,411.72	96.33%
1 to 2 years	-	-	202,384.25	0.20%
2 to 3 years	49,009.40	0.06%	3,536,234.95	3.47%
Above 3 years	3,529,434.95	4.32%	-	-
	<u>81,612,485.56</u>	<u>100.00%</u>	<u>101,806,030.92</u>	<u>100.00%</u>

As at 30 June 2011, advances to suppliers of RMB3,578,444.35 with ageing over 1 years, mainly represented prepayment for patent.

(b) As at 30 June 2011, the top five advances to suppliers by customer are analysed below:

	Relationship with the Group	Amount	Proportion	Ageing	Reason for unsettlement
Sinopharm Distribution Centre Corporate Limited Beijing Materials Handling Engineering&Research Institute	Third party	16,561,312.56	20.29%	Within 1 year	Advances for procurement
Guangxit Construction & Engineering 1 st Co., Ltd.	Third party	4,945,000.00	6.06%	Within 1 year	Advances for device
Shanghai Tongqiang Engineering Co., Ltd.	Third party	4,885,319.67	5.99%	Within 3 months	Advances for logistics project
Beijing Jingwei Guokang Medical Co., Ltd.	Third party	3,699,000.00	4.53%	Within 1 year	Advances for device and construction
	Third party	<u>3,600,000.00</u>	<u>4.41%</u>	Within 3 months	Advances for procurement
		<u>33,690,632.23</u>	<u>41.28%</u>		

(c) Advances due from related party

As at 30 June 2011, there are advances of RMB19,612,928.84 due from related party, which is 20.08% of the total advances to suppliers, and no bad debt provision was provided. There is no advance due from suppliers who hold 5% or over 5% voting rights of the Group.

V Notes to the consolidated financial statements (continued)

(5) Other receivables

	30 June 2011	31 December 2010
Deposit	6,713,598.30	10,238,481.87
Purchase rebate	4,028,636.23	9,502,788.69
Receivable of equity transaction	8,980,000.00	8,980,000.00
Petty cash advance to employees	9,386,801.55	7,195,539.52
Receivable due from related party	1,215,000.00	2,136,200.00
Others	26,883,507.81	22,847,234.41
	<u>57,207,543.89</u>	<u>60,900,244.49</u>
Less: provision for bad debts	<u>(18,226,530.70)</u>	<u>(17,789,244.75)</u>
	<u>38,981,013.19</u>	<u>43,110,999.74</u>

(a) The ageing of other receivables and related provision for bad debts are analysed below:

	30 June 2011	31 December 2010
Within 1 year	36,337,132.78	41,876,178.36
1 to 2 years	2,966,298.40	1,179,247.56
2 to 3 years	1,137,009.82	1,052,432.85
Over 3 years	16,767,102.89	16,792,385.72
	<u>57,207,543.89</u>	<u>60,900,244.49</u>

(b) Other receivables and related provision for bad debts by category are analysed below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant are subject to separate impairment assessment	8,980,000.00	15.70%	(8,980,000.00)	100.00%	8,980,000.00	14.75%	(8,980,000.00)	100.00%
Receivable accounts within similar credit risk group	37,558,343.99	65.65%	(63,542.85)	0.17%	43,215,849.71	70.96%	(104,849.97)	0.24%
Individually not significant but individually evaluated for impairment	10,669,199.90	18.65%	(9,182,987.85)	86.07%	8,704,394.78	14.29%	(8,704,394.78)	100.00%
	<u>57,207,543.89</u>	<u>100.00%</u>	<u>(18,226,530.70)</u>	<u>31.86%</u>	<u>60,900,244.49</u>	<u>100.00%</u>	<u>(17,789,244.75)</u>	<u>29.21%</u>

V Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

- (c) As at 30 June 2011, impairment provision for other receivables individually significant are analysed as below.

	Amount	Bad debt provision	Rate	Assessment for impairment
Shenzhen Technology Co., Ltd. Yinghai investment	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	100%	Uncertainty in recoverability

- (d) Provisions for impairment of the receivables which have a similar risk group are analysed below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Within 1 year	35,269,647.43	93.91%	-	0.00%	41,876,178.36	96.90%	-	0.00%
1 to 2 years	1,937,924.70	5.16%	(41,712.18)	2.15%	1,015,347.60	2.35%	(50,767.38)	5.00%
2 to 3 years	321,309.86	0.85%	(15,937.87)	4.96%	107,821.60	0.25%	(10,782.16)	10.00%
Over 3 year	29,462.00	0.08%	(5,892.80)	20.00%	216,502.15	0.50%	(43,300.43)	20.00%
	<u>37,558,343.99</u>	100.00%	<u>(63,542.85)</u>	0.17%	<u>43,215,849.71</u>	100.00%	<u>(104,849.97)</u>	0.24%

- (e) As at 30 June 2011, other receivables individually not significant but individually evaluated for impairment are analysed below:

	Amount	Bad debt provision	Rate	Assessment for impairment
ShenZhen Health Food I&E Co. Ltd.	1,157,860.00	1,157,860.00	100%	Uncertainty in recoverability
GuangXi Autonomous Region People's Hospital	800,000.00	800,000.00	100%	Aged over 3 years, high risk in recoverability
Nanning medicine purchasing and selling Centre	764,829.29	764,829.29	100%	Uncertainty in recoverability
The Guangxi Zhuang Autonomous Region Housing policy innovation office	3,071,522.04	1,585,309.99	51.61%	Uncertainty in recoverability
YiZhouShi People's Hospital etc.	<u>4,874,988.57</u>	<u>4,874,988.57</u>	100%	Uncertainty in recoverability
	<u>10,669,199.90</u>	<u>9,182,987.85</u>		

V Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

(f) Other receivables written off in current period are analysed as below:

	Nature	Amount	Reason for written off	Related party transaction or not
China Medical Group Shanghai Chemical Reagent Store	Withdrawal for the procurement	5,146.35	Rights cannot recognised	Yes
China Medical Industry Co., Ltd. Guangzhou Affiliate	Withdrawal for the procurement	16,100.00	Rights cannot recognised	Yes
Sinopharm Chemical Reagent Co., Ltd.	Withdrawal for the procurement	5,366.81	Rights cannot recognised	Yes

(g) As at 30 June 2011, the top five other receivables by customer are analysed below:

	Relationship with the Group	Amount	Ageing	% of the total other receivable
ShenZhenShi YingHai Technology&Investment Co. Ltd.	Third party	8,980,000.00	Over 5 years	15.70%
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Third party	3,588,986.00	Within 1 year	6.27%
Yuxi Aosen Biological Co., Ltd.	Third party	2,651,862.00	Within 1 year	4.64%
Weicai (China) Pharm Corporate Limited	Third party	2,650,000.02	Within 1 year	4.63%
LiuZhouShi Housing Provident Fund Management Center-Specific Account for Housing Fund	Third party	1,991,298.98	Over 5 years	3.48%
		<u>19,862,147.00</u>		<u>34.72%</u>

(h) Other receivables due from related party

As at 30 June 2011, there are other receivables of RMB1,215,000.00 due from related party, which is 2.12% of the total other receivables, without any bad debt provided. There is no other receivables from entity holding 5% or over 5% voting rights of the Group.

V Notes to the consolidated financial statements (continued)

(6) Inventories

(a) Inventories by category are analysed as below:

	30 June 2011			31 December 2010		
	Book value	Provision	Net book value	Book value	Provision	Net book value
Raw materials	125,597,444.66	(4,318,292.47)	121,279,152.19	165,679,203.91	(3,358,112.02)	162,321,091.89
Packaging materials	736,547.16	-	736,547.16	655,633.83	-	655,633.83
Consigned processing materials	6,050,557.72	-	6,050,557.72	1,366,855.16	-	1,366,855.16
Finished goods	1,018,957,949.89	(8,664,078.90)	1,010,293,870.99	877,562,151.03	(4,961,799.59)	872,600,351.44
Goods in transition	13,911,626.02	(467,938.98)	13,443,687.04	75,453,155.42	(2,006,680.46)	73,446,474.96
Work in progress	36,478,100.92	-	36,478,100.92	45,068,088.99	-	45,068,088.99
Low cost consumables	824,788.57	-	824,788.57	871,162.53	-	871,162.53
	<u>1,202,557,014.94</u>	<u>(13,450,310.35)</u>	<u>1,189,106,704.59</u>	<u>1,166,656,250.87</u>	<u>(10,326,592.07)</u>	<u>1,156,329,658.80</u>

(b) Provision for declines in value of inventories is analysed as below:

	31 December 2010	Increases	Decreases		30 June 2011
			Reversal	Written off	
Raw materials	3,358,112.02	2,104,184.56	1,077,422.32	66,581.79	4,318,292.47
Finished goods	4,961,799.59	5,272,542.70	1,215,611.42	354,651.97	8,664,078.90
Goods in transition	<u>2,006,680.46</u>	<u>-</u>	<u>1,538,741.48</u>	<u>-</u>	<u>467,938.98</u>
	<u>10,326,592.07</u>	<u>7,376,727.26</u>	<u>3,831,775.22</u>	<u>421,233.76</u>	<u>13,450,310.35</u>

(7) Long-term equity investments

	30 June 2011	31 December 2010
Associates - Without quoted price	<u>80,490,540.36</u>	<u>85,275,251.06</u>

The Group has no liquidity restriction on its long-term equity investments.

V Notes to the consolidated financial statements (continued)

(7) Long-term equity investments (continued)

(a) Associates

Accounting method	Original investment cost	31 December 2010	Increases/(Decreases)				30 June 2011	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held
			Additional investment cost	Share of profit of associate	Profit/Cash dividends declared by associate	Other changes in equity				
Wanle Medical	Equity method 4,457,400.00	85,275,251.06	-	12,810,289.30	(17,595,000.00)	-	80,490,540.36	35.19	33.33	Board of the directors is the highest decision making organization, which is formed by 3 shareholders of Wanle Medical evenly, each shareholder appoints 2 directors set up the board.

(b) Investment in associates

	Equity interest held (%)	Voting rights held (%)	30 June 2011			For six months ended 30 June 2011	
			Total assets	Total liabilities	Net assets	Revenues	Net profit
Wanle Medical	35.19	33.33	479,264,581.69	258,664,814.94	220,599,766.75	251,738,473.05	41,438,823.90

V Notes to the consolidated financial statements (continued)
(8) Investment properties

	31 December 2010	Current period additions	Current period disposals	30 June 2011
Cost	165,914,762.4 6	-	-	165,914,762.46
Buildings	150,496,208.9 0	-	-	150,496,208.90
Land use rights	15,418,553.56	-	-	15,418,553.56
Accumulated depreciation/ amortisation	(78,621,428.70)	(3,206,525.86)	-	(81,827,954.56)
Buildings	(77,082,150.15)	(3,108,244.94)	-	(80,190,395.09)
Land use rights	(1,539,278.55)	(98,280.92)	-	(1,637,559.47)
Net book value	87,293,333.76	(3,206,525.86)	-	84,086,807.90
Buildings	73,414,058.75	(3,108,244.94)	-	70,305,813.81
Land use rights	13,879,275.01	(98,280.92)	-	13,780,994.09

For the six months ended 30 June 2011, the amount of depreciation expense and amortization were RMB3,206,525.86, and no provision for impairment was provided.

V Notes to the consolidated financial statements (continued)

(9) Fixed assets

	31 December 2010	Current period additions	Current period disposals	30 June 2011
Cost	783,341,813.81	29,765,509.29	6,892,153.47	806,215,169.31
Buildings	292,290,735.22	19,748,917.92	190,011.51	311,849,641.63
Machinery and equipment	291,068,102.35	12,740,332.67	694,546.77	303,113,888.25
Motor vehicles	53,346,433.87	3,978,863.23	5,574,169.65	51,751,127.45
Others	120,041,142.06	3,942,155.49	433,425.54	123,549,872.01
Leasehold improvements	26,595,400.31	(10,644,760.02)	-	15,950,640.29
Accumulated depreciation	(289,484,070.38)	(33,831,090.95)	5,426,788.11	(317,888,372.90)
Buildings	(81,695,473.45)	(8,425,317.97)	14,685.54	(90,106,105.88)
Machinery and equipment	(110,057,627.37)	(13,558,446.15)	686,169.50	(122,929,904.02)
Motor vehicles	(22,479,927.68)	(3,046,925.90)	4,318,862.72	(21,207,990.86)
Others	(65,382,814.67)	(9,163,772.14)	407,070.35	(74,139,516.46)
Leasehold improvements	(9,868,227.21)	363,371.21	-	(9,504,856.00)
Carrying value	493,857,743.43			488,326,796.41
Buildings	210,595,261.77			221,743,535.75
Machinery and equipment	181,010,474.98			180,183,984.23
Motor vehicles	30,866,506.19			30,543,136.59
Other	54,658,327.39			49,410,355.55
Leasehold improvements	16,727,173.10			6,445,784.29
Provision for impairment loss	(1,300,000.00)			(1,300,000.00)
Buildings	(1,300,000.00)			(1,300,000.00)
Machinery and equipment	-			-
Motor vehicles	-			-
Others	-			-
Leasehold improvements	-			-
Net book value	492,557,743.43			487,026,796.41
Buildings	209,295,261.77			220,443,535.75
Machinery and equipment	181,010,474.98			180,183,984.23
Motor vehicles	30,866,506.19			30,543,136.59
Others	54,658,327.39			49,410,355.55
Leasehold improvements	16,727,173.10			6,445,784.29

V Notes to the consolidated financial statements (continued)

(9) Fixed assets (continued)

For the six months ended 30 June 2011, details of the amount of depreciation expense charged is below:

	Six months ended 30 June 2011
Cost of goods sold	18,900,075.72
Selling expenses	2,317,050.15
General and administrative expenses	10,591,626.02
Research and development expenses	2,022,339.06
	<u>33,831,090.95</u>

For the six months ended 30 June 2011, fixed assets transferred from construction in progress were RMB9,138,540.62.

(10) Construction in progress

	30 June 2011	31 December 2010
Asepsis Materials Plant Project	20,828,473.64	20,828,473.64
Nanning Logistics Center Project	45,002,433.91	14,507,130.59
Menstruum Recycling Plant Project	17,349,178.80	12,773,423.00
Power Station Improvement Project	10,155,071.71	9,625,754.12
Cefoxitin Plant Improvement Project	8,781,473.16	8,055,862.00
Chebei Project	6,915,595.20	6,915,595.20
Multifunctional Warehouse project	3,799,366.61	6,847,719.64
Peinan Project	12,432,065.97	8,084,242.40
Zhijun Zhiyao Guanglan Stage II Project	3,914,271.01	1,441,384.55
Reconstruction of Wastewater Treatment Project and others	18,539,700.40	14,513,077.86
Greening Design Programme and others	4,708,675.12	4,708,675.12
	<u>152,426,305.53</u>	<u>108,301,338.12</u>

V Notes to the consolidated financial statements (continued)

(10) Construction in progress (continued)

Changes of construction in progress during the six months monthe ended 30 June 2011 are below:

Name of project	Budget of project	31 December 2010	Current period additions	Transfer to fixed assets during current period	30 June 2011	Cost up to date out of budget (%)	Construction progress (%)	Accumulated capitalised borrowing cost	Borrowing cost capitalised in current period	Weighted average interest rate (%)	Financed by
Asepsis Materials Plant Project	59,340,000.00	20,828,473.64	-	-	20,828,473.64	99%	99%	-	-	-	Working capital and loans
Nanning Logistics Center Project	147,000,000.00	14,507,130.59	30,495,303.32	-	45,002,433.91	31%	31%	2,301,896.92	1,563,117.25	6.67%	Working capital and loans
Menstruum Recycling Plant Project	17,440,000.00	12,773,423.00	4,604,601.95	(28,846.15)	17,349,178.80	99%	99%	-	-	-	Working capital and loans
Power Station Improvement Project	14,700,000.00	9,625,754.12	529,317.59	-	10,155,071.71	69%	69%	-	-	-	Working capital and loans
Cefoxitin Plant Improvement Project	9,000,000.00	8,055,862.00	725,611.16	-	8,781,473.16	98%	98%	-	-	-	Working capital and loans
Chebei Project	11,810,000.00	6,915,595.20	-	-	6,915,595.20	59%	59%	-	-	-	Working capital and loans
Multifunctional Warehouse Project	11,370,000.00	6,847,719.64	2,336,705.61	(5,385,058.64)	3,799,366.61	81%	81%	-	-	-	Working capital and loans
Peinan Project	40,000,000.00	8,084,242.40	4,347,823.57	-	12,432,065.97	31%	31%	-	-	-	Working capital and loans
Zhijun Zhiyao Guanglan Stage II Project	250,000,000.00	1,441,384.55	2,472,886.46	-	3,914,271.01	1.56%	1.56%	-	-	-	Working capital and loans
Reconstruction of Wastewater Treatment and others Project	24,606,541.20	14,513,077.86	7,751,258.37	(3,724,635.83)	18,539,700.40	90%	90%	-	-	-	Working capital and loans
Greening Programme Design and others	-	4,708,675.12	-	-	4,708,675.12	-	-	-	-	-	Working capital
	<u>583,626,541.20</u>	<u>108,301,338.12</u>	<u>53,263,508.03</u>	<u>(9,138,540.62)</u>	<u>152,426,305.53</u>						

V Notes to the consolidated financial statements (continued)
(11) Intangible assets

	31 December 2010	Current period additions	Current period decreases	30 June 2011
Cost	195,327,775.54	621,072.88	-	195,948,848.42
Land use rights	129,845,384.04	-	-	129,845,384.04
Computer software	12,201,608.17	621,072.88	-	12,822,681.05
Proprietary technology	53,083,933.33	-	-	53,083,933.33
Trademarks	196,850.00	-	-	196,850.00
Accumulated amortization	(66,152,409.45)	(8,406,252.01)	-	(74,558,661.46)
Land use rights	(25,105,998.71)	(1,342,778.65)	-	(26,448,777.36)
Computer software	(8,110,179.92)	(993,912.11)	-	(9,104,092.03)
Proprietary technology	(32,791,536.96)	(6,052,524.15)	-	(38,844,061.11)
Trademarks	(144,693.86)	(17,037.10)	-	(161,730.96)
Net book value	129,175,366.09			121,390,186.96
Land use rights	104,739,385.33			103,396,606.68
Computer software	4,091,428.25			3,718,589.02
Proprietary technology	20,292,396.37			14,239,872.22
Trademarks	52,156.14			35,119.04

For the six months ended 30 June 2011, the amount of amortization expense was RMB8,406,252.01.

As at 30 June 2011, the carrying amount of land use right located on Ping Shan of Longgang district was RMB26,468,109.27 (initial cost : RMB30,020,106.63). The land is still pending for development due to the change of functional planning of the industrial park by the government. As a result, the Bureau of Planning, Land and Resources of Shenzhen Municipality has recognised it as vacant land. The Company is in the process of applying administrative re-examination and appeals the bureau to withhold the title of vacant land. According to the Company's plan, the land will be developed as Shenzhen Accord Ping Shan pharmaceutical centre specializing in manufacturing and R&D.

Expenditures on research and development incurred for the six months ended 30 June 2011 are listed as below:

	31 December 2010	Current period additions	30 June 2011
Development costs	<u>2,580,662.85</u>	<u>278,655.55</u>	<u>2,859,318.40</u>

The development costs accounted for 1.38% of the total expenditures on research and development incurred in the six months ended 30 June 2011. Not expenditures on on research and development is recognised as intangible assets.

V Notes to the consolidated financial statements (continued)

(12) Goodwill

	31 December 2010	Current period additions	30 June 2011
Goodwill	53,555,677.09	-	53,555,677.09
Less: provision for impairment (a)	-	-	-
	<u>53,555,677.09</u>	<u>-</u>	<u>53,555,677.09</u>

(a) Impairment

The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments as follows:

	30 June 2011	31 December 2010
Pharmaceutical distribution		
Yanfeng Medical	16,868,644.87	16,868,644.87
Sinopharm Meizhou	1,610,819.66	1,610,819.66
Sinopharm Huizhou	923,184.67	923,184.67
Sinopharm Zhanjiang	282,135.55	282,135.55
Dongguan Accord	1,499.02	1,499.02
Pharmaceutical manufacturing		
Suzhou Wanqin	<u>33,869,393.32</u>	<u>33,869,393.32</u>
	<u>53,555,677.09</u>	<u>53,555,677.09</u>

The recoverable amount of asset groups and groups of asset groups is calculated using the estimated cash flows determined according to the five-years budget approved by management. The cash flows beyond the five-years period are calculated based on the following estimated growth rates.

As at 30 June 2011, management of the Group considered there was no impairment to goodwill recognised after the impairment assessment.

V Notes to the consolidated financial statements (continued)

(13) Long-term prepaid expenses

	31 December 2010	Current period additions	Current period amortisation	30 June 2011
Leasehold improvements	18,609,920.17	5,164,897.16	2,771,613.92	21,003,203.41
Others	1,201,691.07	600,037.60	510,625.62	1,291,103.05
	<u>19,811,611.24</u>	<u>5,764,934.76</u>	<u>3,282,239.54</u>	<u>22,294,306.46</u>

(14) Deferred income tax assets and deferred income tax liabilities

(a) Deferred income tax assets

	30 June 2011		31 December 2010	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provision for accounts receivable	5,053,337.37	20,213,349.47	4,745,194.38	19,246,624.26
Provision for other receivables	2,665,191.83	12,550,597.58	2,739,278.52	12,089,435.27
Provision for declines in value of inventories	2,343,868.46	11,344,162.50	1,711,016.77	10,089,072.64
Provision for fixed assets impairment	171,181.93	684,727.72	174,571.68	698,286.70
Accrued expenses	6,099,951.63	33,180,594.21	5,541,124.17	31,872,047.07
Accrued payroll	10,836,752.66	45,833,472.55	10,948,931.14	53,300,710.61
Deferred revenue	4,888,981.05	29,729,951.32	4,722,984.13	28,751,822.73
Others	927,953.24	4,301,812.99	500,491.45	2,723,589.31
	<u>32,987,218.17</u>	<u>157,838,668.34</u>	<u>31,083,592.24</u>	<u>158,771,588.59</u>

(b) Deferred income tax liabilities

	30 June 2011		31 December 2010	
	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences
Business combination involving entities not under common control	4,039,851.03	26,932,340.23	4,817,694.42	32,117,962.85
Changes in fair value	13,614,195.45	54,456,781.8	14,118,080.28	56,472,321.11
Others	3,928,255.68	16,126,187.20	3,773,319.00	15,093,276.00
	<u>21,582,302.16</u>	<u>97,515,309.23</u>	<u>22,709,093.70</u>	<u>103,683,559.96</u>

V Notes to the consolidated financial statements (continued)

(15) Provision for asset impairment

	31 December 2010	Increases	Decreases		30 June 2011
			Reversal	Written off	
Bad debt provision	52,658,789.41	5,950,476.53	3,539,741.38	26,613.16	55,042,911.40
Including:					
Provision for accounts receivable	34,869,544.66	5,455,640.06	3,508,804.02		36,816,380.70
Provision for other receivables	17,789,244.75	494,836.47	30,937.36	26,613.16	18,226,530.70
Provision for declines in value of inventories	10,326,592.07	7,376,727.26	3,831,775.22	421,233.76	13,450,310.35
Provision for fixed assets impairment	1,300,000.00	-	-	-	1,300,000.00
	<u>64,285,381.48</u>	<u>13,327,203.79</u>	<u>7,371,516.60</u>	<u>447,846.92</u>	<u>69,793,221.75</u>

(16) Other non-current assets

	30 June 2011	31 December 2010
Medical reserve fund	<u>50,289,370.04</u>	<u>48,127,831.56</u>

(17) Short-term loans

(a) Category	Currency	30 June 2011	31 December 2010
Entrusted loans	RMB	400,000,000.00	300,000,000.00
Guaranteed loans	RMB	-	118,348,996.25
Unsecured loans	RMB	874,704,144.54	442,266,992.42
Pledged loans	RMB	-	30,247,557.88
Discounted notes	RMB	123,393,841.56	84,612,337.66
		<u>1,398,097,986.10</u>	<u>975,475,884.21</u>

(b) As at 30 June 2011, there were no expired bank loans

(18) Notes payable

	30 June 2011	31 December 2010
Trade acceptance notes	217,154,125.46	336,739,137.60
Bank acceptance notes	928,030,388.09	1,111,883,353.12
	<u>1,145,184,513.55</u>	<u>1,448,622,490.72</u>

As at 30 June 2011, notes payable of RMB1,145,184,513.55 would be expired within 1 year

V Notes to the consolidated financial statements (continued)
(19) Accounts payable

	30 June 2011	31 December 2010
Accounts payable	<u>2,315,122,567.54</u>	<u>2,003,566,517.62</u>

(a) Accounts payable due from shareholders with more than 5% (including 5%) of the Group's equity interest are analysed as below:

	30 June 2011	31 December 2010
Sinopharm Group	<u>164,616,686.29</u>	<u>109,598,841.49</u>

(20) Advances from customers

	30 June 2011	31 December 2010
Advances from customers	<u>70,303,352.64</u>	<u>100,322,387.21</u>

There is no advance from customers who hold 5% or over 5% voting rights of the Group.

V Notes to the consolidated financial statements (continued)

(21) Employee benefits payable

	31 December 2010	Current period additions	Current period reductions	30 June 2011
Wages and salaries, bonuses, allowances and subsidies	103,312,473.14	167,117,134.92	177,335,129.09	93,094,478.97
Staff welfare	172,176.00	11,632,766.58	11,804,942.58	-
Social security contributions	1,425,939.05	19,477,039.28	19,196,681.75	1,706,296.58
Including:				
Medical insurance	161,987.29	4,762,890.27	4,750,729.03	174,148.53
Basic pensions,	983,887.47	12,270,144.55	12,408,727.75	845,304.27
Supplemental pensions,	175,580.00	790,280.00	419,860.00	546,000.00
Unemployment insurance	79,813.62	874,061.71	834,078.90	119,796.43
Work injury insurance	8,791.87	375,047.33	381,041.34	2,797.86
Maternity insurance	15,878.80	404,615.42	402,244.73	18,249.49
Housing funds	381,788.16	6,734,286.23	6,957,092.14	158,982.25
Labor union funds and employee education funds	9,273,557.01	3,667,830.46	4,975,369.68	7,966,017.79
Compensation for employee dismissal	3,477,747.06	915,233.90	1,176,013.90	3,216,967.06
Early retirement benefits	6,729,257.59	971,698.16	774,173.38	6,926,782.37
Others	2,418,779.24	438,070.45	504,550.45	2,352,299.24
	<u>127,191,717.25</u>	<u>210,954,059.98</u>	<u>222,723,952.97</u>	<u>115,421,824.26</u>

(22) Taxes payable

	30 June 2011	31 December 2010
Enterprise income tax payable	36,255,132.81	35,944,942.69
Value-added-tax payable	11,505,653.84	(5,010,377.31)
Business tax payable	1,663,132.61	1,380,716.94
City maintenance and construction tax payable	593,204.55	537,550.82
Real estate tax payable	550,095.88	399,097.44
Stamp duty tax payable	422,742.05	1,094,469.16
Land use rights tax payable	202,729.07	83,178.55
Individual income tax payable	3,853,060.06	2,411,409.52
Educational surcharge payable	288,403.06	235,523.80
Rivers management fee	2,203,562.80	2,152,879.39
Anti-flood fund	195,277.47	469,902.57
Others	424,040.16	21,018.15
	<u>58,157,034.36</u>	<u>39,720,311.72</u>

V Notes to the consolidated financial statements (continued)
(23) Interests payable

	30 June 2011	31 December 2010
Interests payable	<u>6,281,609.97</u>	<u>2,122,314.90</u>

(24) Other payables

	30 June 2011	31 December 2010
Other payables	<u>404,953,733.21</u>	<u>345,011,293.80</u>

(a) Other payables due to shareholders with more than 5% (including 5%) of the Group's equity interest are analysed as below:

	30 June 2011	31 December 2010
Sinopharm Group	<u>3,893,939.65</u>	<u>3,893,939.65</u>

(b) Other payables due to related party

As at 30 June 2011, there are other payables of RMB8,413,481.84 due to related party, which accounts for 2.08% of the total other payables.

(c) As at 30 June 2011, other payables of RMB52,207,138.04 were aged over 1 year, which were mainly for accrued selling expenses.

V Notes to the consolidated financial statements (continued)

(25) Long-term loans

	Currency	30 June 2011	31 December 2010
Unsecured loans	RMB	<u>78,842,900.00</u>	<u>30,000,000.00</u>

(a) Details for top five long-term loans are as followings.

	Borrowing date	Repayment date	Currency	Interest rate per annum (%)	30 June 2011	31 December 2010
Agricultural Bank of China	6 September 2010	5 September 2013	RMB	5.265	10,000,000.00	10,000,000.00
Agricultural Bank of China	13 October 2010	5 September 2013	RMB	5.265	10,000,000.00	10,000,000.00
Agricultural Bank of China	16 December 2010	5 September 2013	RMB	5.265	10,000,000.00	10,000,000.00
Agricultural Bank of China	28 January 2011	28 November 2012	RMB	5.265	10,000,000.00	-
Bank of Communications	31 March 2011	20 December 2015	RMB	6.65	<u>7,000,000.00</u>	<u>-</u>
					<u>47,000,000.00</u>	<u>30,000,000.00</u>

V Notes to the consolidated financial statements (continued)
(26) Payables for specific projects

	31 December 2010	Addition	Reclassification	30 June 2011
Industrial technology funds	3,000,000.00	-	-	3,000,000.00
Government grants for ERP system construction	955,000.00	-	-	955,000.00
Others	800,000.00	-	-	800,000.00
	<u>4,755,000.00</u>	<u>-</u>	<u>-</u>	<u>4,755,000.00</u>

(27) Other non-current liabilities

	30 June 2011	31 December 2010
Deferred income(Note a)	37,478,335.12	30,382,512.43
Medical reserve funds (Note b)	<u>45,427,343.31</u>	<u>45,427,343.31</u>
	<u>82,905,678.43</u>	<u>75,809,855.74</u>

(a) Deferred income

	30 June 2011	31 December 2010
Government grants related to assets		
- R&D library (in progress)	5,000,000.00	5,000,000.00
- Medical R&D center II (in progress)	5,000,000.00	5,000,000.00
- Shared logistics center(completed)	4,294,883.44	4,102,107.25
- Other projects(in progress)	3,185,003.14	2,277,489.70
Promotion rewards program	18,090,448.54	14,002,915.48
Construction Supporting Fund	1,908,000.00	-
	<u>37,478,335.12</u>	<u>30,382,512.43</u>

- (b) Certain medical reserves funds were received by the Group from the PRC government for it to purchase medical products (including medicines) required to respond to major disasters, epidemics and other emergencies.

V Notes to the consolidated financial statements (continued)
(29) Capital surplus

	31 December 2010	Current period additions/reductions (Note IV (3)(a))	30 June 2011
Share premium	-	-	-
Business combination under common control	-	-	-
Other Capital surplus			
Share of changes in equity other than profits of investees	2,380,016.57	-	2,380,016.57
Transfer of capital surplus recognised under the previous accounting system	2,650,322.00	-	2,650,322.00
	<u>5,030,338.57</u>	<u>-</u>	<u>5,030,338.57</u>

(30) Surplus reserve

	31 December 2010	Current period additions	Current period reductions	30 June 2011
Statutory surplus reserve	<u>39,981,268.55</u>	<u>-</u>	<u>-</u>	<u>39,981,268.55</u>

V Notes to the consolidated financial statements (continued)

(31) Undistributed profits

	Current period		2010	
	Amount	Appropriation rate	Amount	Appropriation rate
Opening balance of retained earnings(before adjusted)	719,209,302.41		511,913,342.00	
Changes from business combination under common control (a)	-		(1,994,394.68)	
Opening balance of retained earnings(after adjusted)	719,209,302.41		509,918,947.32	
Add:net profit attributable to the shareholders of the company	165,136,443.84		261,116,656.70	
Less: appropriation of statutory surplus reserve (Note V(33))			(22,408,211.44)	10%
Dividends (d)	(34,577,928.00)		(28,814,940.00)	
Other outflow (b)			(603,150.17)	
Add: other inflow (c)	1,830,000.00		-	
Ending balance of retained earnings	<u>851,597,818.25</u>		<u>719,209,302.41</u>	

- (a) During the reporting period, CMPGC, the former shareholder of Shenzhen Medicine, agreed to undertake the transitional period losses of Shenzhen Medicine with amount of RMB1.83 million according to the percentage of shareholding. The Company received the compensation on 12 May 2011.

(32) Minority Interest

Minority interests are analysed as below:

	30 June 2011	31 December 2010
Sinopharm Liuzhou	24,692,921.25	23,073,890.87
Suzhou Wanqin	34,255,812.58	34,455,044.53
Yanfeng Medical	22,715,317.28	21,546,116.21
	<u>81,664,051.11</u>	<u>79,075,051.61</u>

V Notes to the consolidated financial statements (continued)

(33) Sales and cost of sales

	Six months ended 30 June	
	2011	2010
Revenue of main operations	7,163,473,393.19	6,186,858,123.55
Other operating income	31,899,024.57	49,969,395.42
	<u>7,195,372,417.76</u>	<u>6,236,827,518.97</u>
	Six months ended 30 June	
	2011	2010
Cost of main operations	6,509,872,793.66	5,655,303,808.13
Other operating expenses	9,867,512.25	20,531,583.15
	<u>6,519,740,305.91</u>	<u>5,675,835,391.28</u>

(a) Revenue and cost of main operations

Revenue and cost of main operations analysed by industries are set out below:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Pharmaceutical manufacturing	925,760,135.84	651,752,176.74	793,279,106.05	582,962,100.29
Pharmaceutical distribution	6,188,489,912.61	5,819,060,942.06	5,361,680,838.99	5,049,673,137.02
Retail pharmacy	33,299,118.36	29,382,536.04	17,303,351.77	15,042,291.10
Logistics and freights	10,782,275.27	7,935,256.43	10,156,106.84	6,086,418.27
Rental and other income	5,141,951.11	1,741,882.39	4,438,719.90	1,539,861.45
	<u>7,163,473,393.19</u>	<u>6,509,872,793.66</u>	<u>6,186,858,123.55</u>	<u>5,655,303,808.13</u>

(b) Top five customers are analysed as follows:

The sales to top five customers of the Group for the six months ended 30 June 2011 amounted to RMB483,432,748.01, which accounted for 6.72% of the total revenue from main operations. Details are set out below:

	Sales	% of total sales of the Group
GuangDong Province People's Hospital	131,595,846.53	1.83%
The First Affiliated Hospital of GuangXi Medical University	100,744,819.81	1.40%
The Guangxi Zhuang Autonomous People's Hospital	97,057,053.12	1.35%
Southern Hospital of southern medical university	80,131,609.19	1.11%
Shenzhen People's Hospital	73,903,419.36	1.03%
	<u>483,432,748.01</u>	<u>6.72%</u>

V Notes to the consolidated financial statements (continued)**(34) Tax and surcharges**

	Six months ended 30 June	
	2011	2010
Business tax	4,419,234.31	2,607,804.12
City maintenance and construction tax	7,198,610.61	3,744,651.15
Educational surcharge	3,668,614.72	2,227,067.89
Others	312,552.08	165,058.84
	<u>15,599,011.72</u>	<u>8,744,582.00</u>

(35) Selling and distribution expenses

	Six months ended 30 June	
	2011	2010
Employees payroll and welfare benefits	78,168,571.54	68,741,843.21
Transportation charges	39,544,945.32	31,853,761.25
Promotion and marketing expenses	56,774,204.78	43,942,725.16
Travel allowances	7,581,702.20	7,303,737.86
Advertising expenses	7,983,056.09	6,191,219.45
Storage expenses	7,290,000.00	7,155,518.21
Tendering expenses	2,772,241.10	4,288,289.20
Depreciation expenses	2,317,050.15	2,026,221.71
Others	37,370,594.89	38,113,668.95
	<u>239,802,366.07</u>	<u>209,616,985.00</u>

(36) Governance and administrative expense

	Six months ended 30 June	
	2011	2010
Employees payroll and welfare benefits	73,321,000.50	63,144,946.86
Research and development expenses	27,706,175.10	24,808,809.78
Depreciation expenses	10,591,626.02	9,600,579.55
Taxations	7,844,363.86	7,098,172.06
Amortisation of intangible assets	8,406,252.01	7,881,650.44
Entertainment expenses	4,025,159.61	3,820,519.59
Office allowances	4,682,783.49	4,054,522.62
Conference expenses	1,216,375.99	1,861,815.85
Vehicle management expenses	2,354,220.93	2,626,288.18
Maintenance and other charges	2,027,400.03	2,232,100.71
Travel allowances	1,571,716.76	1,847,248.31
Utilities	1,916,632.80	1,639,936.29
Consulting fees	2,145,339.57	805,968.91
Rental expenses	2,241,707.04	3,096,605.95
Others	12,788,292.24	10,326,885.30
	<u>162,839,045.95</u>	<u>144,846,050.4</u>

V Notes to the consolidated financial statements (continued)**(37) Financial expenses - net**

	<u>Six months ended 30 June</u>	
	2011	2010
Interest expenses	58,659,926.32	36,029,531.10
Interest income	(2,590,683.92)	(2,362,978.87)
Exchange gains	(751,969.30)	(32,170.23)
Others	6,089,433.19	3,718,929.44
	<u>61,406,706.29</u>	<u>37,353,311.44</u>

(38) Assets impairment losses

	<u>Six months ended 30 June</u>	
	2011	2010
Bad debts	2,330,699.15	14,273,360.36
Declines in values of inventories	3,544,952.04	1,038,271.20
	<u>5,875,651.19</u>	<u>15,311,631.56</u>

(39) Investment income

	<u>Six months ended 30 June</u>	
	2011	2010
Share of profit of investees under equity method (Note a)	12,810,289.30	11,263,472.59
Income from disposal of long-term equity investments	-	41,241.30
	<u>12,810,289.30</u>	<u>11,304,713.89</u>

The investment income from long-term investment under equity method represented the profit from Wanle Medical. The increase was due to improved business performance of that associate.

There is no significant restriction on the remittance of investment income to the Group.

V Notes to the consolidated financial statements (continued)**(40) Non-operating income**

	<u>Six months ended 30 June</u>	
	2011	2010
Gain on disposal of fixed assets	701,613.68	2,247,523.93
Government grants	7,391,233.49	5,892,547.15
Others	<u>6,922,562.86</u>	<u>568,440.92</u>
	<u>15,015,410.03</u>	<u>8,708,512.00</u>

Non-operating income is wholly classified as non-recurring profit and loss.

(a) Government grants

	<u>Six months ended 30 June</u>	
	2011	2010
Government grants for medicine reserve expenses	406,909.68	-
Government grants for technical improvement	1,521,000.00	
Government grants for R&D expenses	4,750,000.00	20,000.00
Industry technology improvement fund	-	2,750,000.00
Others	<u>713,323.81</u>	<u>3,122,547.15</u>
	<u>7,391,233.49</u>	<u>5,892,547.15</u>

(41) Non-operating expenses

	<u>Six months ended 30 June</u>	
	2011	2010
Losses on disposal of fixed assets	70,253.22	471,610.41
Donation	-	268,786.00
Others	<u>146,941.30</u>	<u>107,146.21</u>
	<u>217,194.52</u>	<u>847,542.62</u>

Non-operating cost is wholly classified as non-recurring profit and loss.

(42) Income taxes expenses

	<u>Six months ended 30 June</u>	
	2011	2010
Current income tax	46,961,974.63	42,068,324.85
Deferred income tax	<u>3,030,417.47</u>	<u>(747,527.80)</u>
	<u>49,992,392.10</u>	<u>41,320,797.05</u>

V Notes to the consolidated financial statements (continued)
(43) Earnings per share
(a) Basic earnings per share

Basic earnings per share is calculated by consolidated net profit attributable to shareholders of the Company dividing by the weighted average number of ordinary shares in issue:

	<u>Six months ended 30 June</u>	
	2011	2010
Consolidated net profit attributable to shareholders of the Company	165,136,443.84	119,387,096.38
Weighted average number of ordinary shares in issue	<u>288,149,400.00</u>	<u>288,149,400.00</u>
Basic earnings per share	<u>0.57</u>	<u>0.41</u>
Including:		
From continued operations	<u>0.57</u>	<u>0.41</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue, which both should be adjusted for the effects of all potential dilutive factors. The Company has no potential outstanding ordinary shares (2010: nil), the diluted earnings per share equals the basic earnings per share.

V Notes to the consolidated financial statements (continued)

(44) Cash received relating to other operating activities

(a) Cash received relating to other operating activities

	Six months ended 30 June	
	2011	2010
Government grants	6,895,023.12	5,892,547.10
Interest income	2,590,683.92	2,362,978.87
Others	46,960,076.22	86,667,044.24
	<u>56,445,783.26</u>	<u>94,922,570.21</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June	
	2011	2010
Storage and transportation expenses	15,840,797.94	10,201,107.60
Entertainment expenses	9,381,809.65	7,879,698.48
Rental expenses	3,310,119.12	3,200,483.92
Advertising expenses	6,781,673.04	5,316,852.15
Bank charges	5,866,234.42	5,037,982.90
Others	155,268,721.09	169,509,499.52
	<u>196,449,355.26</u>	<u>201,145,624.57</u>

(c) Cash paid relating to other investing activities

	Six months ended 30 June	
	2011	2010
Payment for acquisition of minority interests	-	64,330,110.00
Others	9,698,496.42	-
	<u>9,698,496.42</u>	<u>64,330,110.00</u>

(d) Cash received relating to other financing activities

	Six months ended 30 June	
	2011	2010
Entrusted loans borrowed from Sinopharm	150,000,000.00	-
Factoring	103,511,273.99	-
	<u>253,511,273.99</u>	<u>-</u>

(e) Cash payments relating to other financing activities

	Six months ended 30 June	
	2011	2010
Repayment of entrusted loans lent by Sinopharm	258,517,647.94	-
Repayment of the loan from Sinopharm Group Logistics Company's Guangzhou subsidiary	-	800,000.00
Dividends to ordinary shareholders	-	13,762,551.78
Others	12,620.00	-
	<u>258,530,267.94</u>	<u>14,562,551.78</u>

V Notes to the consolidated financial statements (continued)
(45) Supplementary information of cash flow statements
(a) Supplementary information of cash flow statements

Reconciliation of net profit to cash flows from operating activities

	Six months ended 30 June	
	2011	2010
Net profit	167,725,443.34	122,964,453.51
Add:		
Provision for assets impairment	5,875,651.19	15,311,631.56
Depreciation of fixed assets and investment properties	37,037,616.81	33,755,674.83
Amortisation of intangible assets	8,406,252.01	7,881,650.44
Amortisation of long-term prepaid expenses	3,282,239.54	1,477,997.02
Gains on disposal of fixed assets, intangible assets and other non-current assets	(701,613.68)	(4,763,820.79)
Losses on scrapped fixed assets	70,253.22	(15,406.07)
Financial expenses	32,690,661.36	24,883,939.31
Investment income	(12,810,289.30)	(11,304,713.89)
Increase of deferred tax assets	(1,903,625.93)	657,082.14
Decrease of deferred tax liabilities	(1,126,791.54)	(1,404,609.94)
Increase of inventory	(35,900,764.07)	(41,963,694.71)
Increase in operating receivables	(429,302,367.94)	(332,867,705.15)
Increase in operating payables	334,334,416.75	395,548,088.24
Net cash flow from operating activities	107,677,081.76	210,160,566.50

Movement of cash

	Six months ended 30 June	
	2011	2010
Cash at end of period	891,610,431.37	599,730,894.68
Less: cash at beginning of period	(682,875,873.18)	(588,405,672.15)
Net increase in cash	208,734,558.19	11,325,222.53

V Notes to the consolidated financial statements (continued)**(45) Supplementary information of cash flow statements (continued)****(b) Cash and cash equivalents**

	30 June 2011	31 December 2010
Cash at end of period	891,610,431.37	682,875,873.18
Including:		
Cash in hand	81,181.61	146,710.56
Call deposits with banks	849,954,455.17	682,729,162.62
Other cash and cash equivalents	41,574,794.59	-
Restricted cash	5,807,782.92	28,913,902.48
Cash at bank and on hand	<u>897,418,214.29</u>	<u>711,789,775.66</u>

VI Segment information

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 2 reportable segments as follows:

- Pharmaceutical distribution, which is mainly engaged in distribution of medicine and pharmaceutical products to customers, including hospitals, other distributors, retail drug stores and clinics;
- Pharmaceutical manufacturing, which is mainly engaged in the manufacture and sale of medicine.

Inter-segment transfers are measured by reference to sales to third parties.

The assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

VI Segment information (continued)

(a) Segment information as at and for the six months ended 30 June 2011 is as follows:

	Pharmaceutical distribution	Pharmaceutical manufacturing	Elimination	Total
Total Revenue	6,251,221,850.17	957,461,909.32	(13,311,341.73)	7,195,372,417.76
Revenue from external customers	6,250,694,791.03	944,677,626.73	-	7,195,372,417.76
Inter-segment revenue	527,059.14	12,784,282.59	(13,311,341.73)	-
Interest income	1,904,404.39	5,303,064.85	(4,697,785.32)	2,509,683.92
Interest expense	(59,676,758.56)	(3,680,953.08)	4,697,785.32	(58,659,926.32)
Share of profit of associates	12,810,289.30	-	-	12,810,289.30
Impairment	1,305,503.68	4,570,147.51	-	5,875,651.19
Depreciation and amortisation	16,835,511.50	31,890,596.86	-	48,726,108.36
Gross profit	227,854,233.52	102,150,658.93	(112,287,057.01)	217,717,835.44
Income taxes	31,749,848.37	18,242,543.73	-	49,992,392.10
Net profit	196,104,385.15	83,908,115.20	(112,287,057.01)	167,725,443.34
Total assets	5,971,854,480.00	1,557,621,268.33	(561,406,212.63)	6,968,069,535.70
Total liabilities	(4,836,865,467.30)	(1,046,176,422.88)	181,395,230.96	(5,701,646,659.22)
Long-term equity investment in associates	80,490,540.36	-	-	80,490,540.36
Additions to non-current assets other than long-term equity investments	28,070,200.67	6,358,629.91	-	34,428,830.58

VI Segment information (continued)

(b) Segment information as at and for the six months ended 30 June 2010 is as follows:

	Pharmaceutical distribution	Pharmaceutical manufacturing	Elimination	Total
Total Revenue	5,430,966,603.70	816,239,275.87	(10,378,360.60)	6,236,827,518.97
Revenue from external customers	5,409,263,089.00	806,057,673.97	-	6,236,827,518.97
Inter-segment revenue	196,758.70	10,181,601.90	(10,378,360.60)	-
Interest income	1,855,375.85	2,673,678.02	(2,166,075.00)	2,362,978.87
Interest expense	(36,630,513.46)	(1,565,092.64)	2,166,075.00	(36,029,531.10)
Share of profit of associates	11,263,472.59	-	-	11,263,472.59
Impairment	12,209,841.20	3,101,790.36	-	15,311,631.56
Depreciation and amortisation	15,349,257.23	27,766,065.06	-	43,115,322.29
Gross profit	175,613,044.67	70,984,979.50	(82,312,773.61)	164,285,250.56
Income taxes	29,890,752.52	11,430,044.53	-	41,320,797.05
Net profit	145,722,292.15	59,554,934.97	(82,312,773.61)	122,964,453.51
Total assets	5,023,651,217.56	1,307,953,139.03	(562,035,645.69)	5,769,568,710.90
Total liabilities	(4,132,744,237.45)	(819,320,884.75)	199,823,106.89	(4,752,242,015.31)
Long-term equity investment in associates	69,314,139.84	-	-	69,314,139.84
Additions to non-current assets other than long-term equity investments	37,055,739.30	19,917,046.96	-	56,972,786.26

VII Related party relationships and significant related party transactions

(1) The parent company

(a) General information of the parent company:

	Enterprise Type	Place of registration	Legal representative	Principal business
Sinopharm Group	Company limited by shares	Shanghai	She Lulin	Distribution and retail of medicines and pharmaceutical products to

The Company's ultimate controlling equity holder is CNPGC.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2010 (Rmb'0,000)	Addition (Rmb'0000)	Decrease (Rmb'0000)	30 June 2011 (Rmb'0000)
Sinopharm Group	226,456.84	-	-	226,456.84

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	30 June 2011		31 December 2010	
	% interest held	% voting rights	% interest held	% voting rights
Sinopharm Group	38.33	38.33	38.33	38.33

(2) Subsidiaries of the Company

The general background and other related information of the subsidiaries is set out in Note IV.

(3) Associates

	Enterprise Type	Place of registration	Legal representative	Principal business	Register capital	% interest held	% voting rights
Wanle Medical	Foreign capital	Shenzhen	Yan Zhigang	Medicine manufacture	USD 5 million	35.19%	33.33%

(4) Other related parties

	Relationship with the Company
Sinopharm Group	Parent company
Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	Controlled by Sinopharm Group
Wenzhou Biomedicin-appliances supplies co., Ltd	Controlled by Sinopharm Group
Jiangsu Rundong Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Yixin Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Co., Ltd. Trading Branch	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhenjiang Co., Ltd.	Controlled by Sinopharm Group

VII Related party relationships and significant related party transactions (continued)

(4) Other related parties (continued)

	<u>Relationship with the Company</u>
Sinopharm Holding Zhejiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yunnan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yancheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinyu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangtan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjing Northern Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Taizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Bo'ai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shijiazhuang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd. Dalian subsidiary	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd. (Shaanxi)	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd. (Shanxi)	Controlled by Sinopharm Group
Sinopharm Holding Shandong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Putian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanjing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Neimenggu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Meiluo (Dalian) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Longyan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Linxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lishui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jingzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd. Zhongxiyao subsidiary	Controlled by Sinopharm Group
Sinopharm Holding Jilin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Heilongjiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding He'nan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hebei Co., Ltd. Tangshan subsidiary	Controlled by Sinopharm Group
Sinopharm Holding Hebei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm National Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Gansu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fujian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Distribution Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Huahong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding (Tianjing) Eastern Bokang Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Logistics Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medical Holding Co., Ltd.	Controlled by Sinopharm Group
China National Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Uptodate & Special Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Western-South Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Controlled by Sinopharm Group

VII Related party relationships and significant related party transactions (continued)

(4) Other related parties (continued)

	<u>Relationship with the Company</u>
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Guangzhou Accord Chain Pharmacy Co. Ltd.,	Controlled by Sinopharm Group
Guangxi Accord Chain Pharmacy Co. Ltd.,	Controlled by Sinopharm Group
Guangxi Wuzhou Huawu Medicinal Material Co. Ltd.,	Controlled by Sinopharm Group
Guangxi National Chain Pharmacy Co. Ltd.,	Controlled by Sinopharm Group
Guandong Accord Pharmacy Co. Ltd.,	Controlled by Sinopharm Group
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Controlled by Sinopharm Group
Guangdong East Uptodate & Special Medicines Company	Controlled by Sinopharm Group
Fujian Huiyuan Medicine Co., Ltd.	Controlled by Sinopharm Group
Foshan Nanhai Medicine Co., Ltd.	Controlled by Sinopharm Group
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	Controlled by Sinopharm Group
Zhejiang Intmedical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yantai Co., Ltd.	Controlled by Sinopharm Group
Shenzhen AccordChain Pharmacy Co.. Ltd.	Controlled by Sinopharm Group
Ningxia Chain Pharmacy Co.,Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Yibao Co., Ltd.	Controlled by Sinopharm Group
Zhejiang Wenlin Medicine Co., Ltd.	Controlled by Sinopharm Group
Shanghai Medical Industry investigation institution	Controlled by CNPGC
Reed Sinopharm Exhibitions Co.,Ltd.	Controlled by CNPGC
China Medical Industry Co. Ltd.,	Controlled by CNPGC
China Medicine Trading Co. Ltd.,	Controlled by CNPGC
China Medicinal Material Co.	Controlled by CNPGC
Yunnan Medicinal Material Co. Ltd.,	Controlled by CNPGC
Sichuan Jiang You Zhong Ba Science and Technology Development Co.,Ltd.	Controlled by CNPGC
Shanghai Shyndec Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Sinopharm Medical Meterials Co.,Ltd.	Controlled by CNPGC
Shanxi Weiqi Pharmacy Co., Ltd.	Controlled by CNPGC
Sinopharm Group Shanghai Medicine Device Co., Ltd.	Controlled by CNPGC
Sinopharm Group United Medicine Device Co., Ltd.	Controlled by CNPGC
Sinopharm Group Beijing Medicine Device Co., Ltd.	Controlled by CNPGC
Sinopharm Group Baida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guangdong Tianliang Medicine Co., Ltd.	Controlled by CNPGC
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmacy Co., Ltd.	Controlled by CNPGC
Guilin Huagui Sinopharm Associated Co.	Controlled by CNPGC
Wanglei	Controlled by CNPGC
Shenzhen Kaijiefeng industrial Co., Ltd	Minority interest of subsidiary
The Guangxi Zhuang Autonomous Region Huahong Pharmaceutical Co. Ltd.,	Subsidiary of Fosun Pharm
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Chongqing Haisiman Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Shanghai Fuxing Pharmaceutical Co. Ltd.,	Subsidiary of Fosun Pharm
Shanghai Chaohui Pharmecurical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Subsidiary of Fosun Pharm
Guilin Pharmaceutical Works	Subsidiary of Fosun Pharm
Handan Moluodan Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Sichuan Hexin Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Shenyang Hongqi pharmaceutical Co.,Ltd	Subsidiary of Fosun Pharm
Yichang Humanwell Pharmaceutical Co.,Ltd.	Associate of Sinopharm Group
Shanghai Sailun Biological Technology Co.,Ltd.	Associate of Sinopharm Group
Qinghai Pharmaceutical (Group) Co.,Ltd.	Associate of Sinopharm Group
Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	Associate of Sinopharm Group
Shenzhen Wanle Co. Ltd.,	Aossicate
China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	Associate of CNPGC
China Otsuka Pharmaceutical Co.,Ltd.	Associate of CNPGC
Huarui Pharmacy Co. Ltd.,	Associate of CNPGC

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions

(a) Purchase of goods

Related party	Pricing policies	Six months ended 2011		Six months ended 2010	
		Amount	% of same transaction	Amount	% of same transaction
Sinopharm Group	Market price	48,240.57	7.61%	41,054.27	7.23%
China National Medicines Co., Ltd.	Market price	8,510.32	1.34%	6,617.45	1.17%
Sinopharm Holding Sub Marketing Center Co., Ltd.	Market price	4,470.43	0.71%	9,157.50	1.61%
Sino-Swed Pharmaceutical Corp.Ltd.	Market price	3,284.84	0.52%	2,938.36	0.52%
Shenzhen Wanle Co. Ltd., Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Market price	1,692.98	0.27%	1,232.40	0.22%
Shanxi Weiqi Pharmacy Co., Ltd.	Market price	1,243.19	0.20%	4,730.73	0.83%
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	Market price	1,005.98	0.16%	-	-
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Market price	767.88	0.12%	-	-
Chengdu Rongsheng Pharmacy Co., Ltd.	Market price	657.78	0.10%	436.36	0.08%
Qinghai Pharmaceutical (Group) Co.,Ltd.	Market price	616.56	0.10%	6.97	0.00%
Sinopharm Group United Medicine Device Co., Ltd.	Market price	607.54	0.10%	405.03	0.07%
Chongqing Haisiman Pharmaceutical Co.,Ltd.	Market price	332.10	0.05%	204.03	0.04%
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Market price	287.16	0.05%	141.51	0.02%
Sinopharm Holding Beijing Co., Ltd.	Market price	203.59	0.03%	169.58	0.03%
Sinopharm Holding Guizhou Co., Ltd.	Market price	198.86	0.03%	329.78	0.06%
The Guangxi Zhuang Autonomous Region Huahong Pharmaceutical Co. Ltd.,	Market price	171.29	0.03%	-	-
Sinopharm Holding Fujian Co., Ltd.	Market price	148.22	0.02%	-	-
Sinopharm Holding Anhui Co., Ltd.	Market price	101.38	0.02%	-	-
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Market price	97.00	0.02%	-	-
Shanghai Chaohui Pharmecurical Co., Ltd.	Market price	82.24	0.01%	495.33	0.09%
Sinopharm Group Medicine Logistic Co., Ltd.	Market price	57.08	0.01%	38.19	0.01%
Yunnan Medicinal Material Co. Ltd.,	Market price	49.31	0.01%	44.95	0.01%
Guilin Nanyao Pharmaceutical Co., Ltd.	Market price	38.23	0.01%	-	-
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Market price	36.19	0.01%	11.70	0.00%
Guilin Huagui Sinopharm Associated Co	Market price	24.64	0.00%	43.69	0.01%
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Market price	23.19	0.00%	-	-
Sinopharm Group Chemical Reagent Co., Ltd.	Market price	21.95	0.00%	-	-
Sinopharm Holding Zhangzhou Co., Ltd.	Market price	20.10	0.00%	17.59	0.00%
Shanghai Sailun Bio-technology Co., Ltd	Market price	15.08	0.00%	-	-
Guangxi Zhuang Autonomous Region Huahong Pharmaceutical Co., Ltd.	Market price	14.00	0.00%	-	-
Handan Moluodan Pharmaceutical Co., Ltd.	Market price	13.35	0.00%	1.59	0.00%
Shanghai Shyndec Pharmaceutical Co., Ltd.	Market price	10.04	0.00%	-	-
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	Market price	9.31	0.00%	3.12	0.00%
Sinopharm Holding Hainan Co., Ltd.	Market price	4.96	0.00%	-	-
Foshan Nanhai Medicine Co., Ltd.	Market price	4.04	0.00%	-	-
Shenyang Hongqi Pharmaceutical Co., Ltd.	Market price	2.13	0.00%	-	-
China National Medical Corporation Equipment Co., Ltd.	Market price	1.94	0.00%	-	-
China Otsuka Pharmaceutical Co., Ltd.	Market price	1.50	0.00%	1.97	0.00%
Yichang Humanwell Pharmaceutical Co.,Ltd.	Market price	1.41	0.00%	-	-
Sichuan Jiangyou Zhongbafuzi Technology Development.Co., Ltd.	Market price	0.94	0.00%	0.85	0.00%
China National Pharmaceutical Foreign Trade Corp.	Market price	0.94	0.00%	19.09	0.00%
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	Market price	0.92	0.00%	0.54	0.00%
Sinopharm Holding Hunan Co., Ltd.	Market price	0.47	0.00%	-	-
Shanghai Institute of Pharmaceutical Industry Co., Ltd.	Market price	0.44	0.00%	-	-
To next page		0.26	0.00%	0.04	0.00%
		73,072.30	11.53%	68,102.63	11.99%

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase of goods (continued)

Related party	Pricing policies	Six months ended 2011		Six months ended 2010	
		Amount	% of same transaction	Amount	% of same transaction
continued		73,072.30	11.53%	68,102.63	11.99%
China National Pharmaceutical Industry Corp.	Market price	0.00	0.00%	36.00	0.01%
Sinopharm Beijing Kang Chen Biological Pharmaceutical Co., Ltd.	Market price	-	-	21.44	0.00%
Sino TCM	Market price	-	-	263.59	0.05%
Sinopharm Qianjing Oral Technology (Beijing) Co., Ltd.	Market price	-	-	0.89	0.00%
China National Uptodate & Special Medicines Co., Ltd.	Market price	-	-	2.22	0.00%
China National Baida Pharmaceutical Co, Ltd.	Market price	-	-	150.06	0.03%
China National SouthwestPharmaceutical Co., Ltd.	Market price	-0.00	0.00%	54.65	0.01%
Sinopharm Tianjing Co., Ltd.	Market price	-0.00	0.00%	-	-
Guangdong Accord Pharmaceutical Co., Ltd.	Market price	-0.04	0.00%	48.01	0.01%
Guangdong Tianliang Medicine Co., Ltd.	Market price	-0.10	0.00%	-0.28	0.00%
Sinopharm Jiangsu Co., Ltd.	Market price	-0.37	0.00%	-	-
Sinopharm Beijing Huahong Co., Ltd.	Market price	-0.92	0.00%	-	-
Total		73,070.86	11.45%	68,679.21	12.09%

(b) Sales of goods

Related party	Pricing policies	Six months ended 2011		Six months ended 2010	
		Amount	% of same transaction	Amount	% of same transaction
Sinopharm Holding Hunan Co., Ltd.	Market price	5,087.87	0.71%	3,983.20	0.64%
Sinopharm Holding Hubei Co., Ltd.	Market price	4,553.07	0.64%	4,516.57	0.73%
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Market price	4,345.98	0.61%	3,246.32	0.52%
Guanddong Accord Pharmacy Co. Ltd.,	Market price	4,318.18	0.60%	5,047.01	0.82%
Sinopharm Holding Beijing Co., Ltd.	Market price	3,716.32	0.52%	3,425.90	0.55%
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	Market price	3,237.13	0.45%	-	0.00%
Sinopharm Group Western-South Co., Ltd.	Market price	3,187.27	0.44%	3,656.09	0.59%
Sinopharm Holding Shenyang Co., Ltd.	Market price	3,111.93	0.43%	7,699.22	1.24%
Zhejiang Intmedical Co., Ltd.	Market price	2,979.95	0.42%	3,319.33	0.54%
Sinopharm Holding (Tianjing) Eastern Bokang Pharmacy Co., Ltd.	Market price	2,939.25	0.41%	1,472.02	0.24%
Sinopharm Holding Tianjing Co., Ltd.	Market price	2,755.03	0.38%	2,933.55	0.47%
Sinopharm Group	Market price	2,567.13	0.36%	1,228.85	0.20%
Sinopharm Holding Hebei Co., Ltd.	Market price	2,279.66	0.32%	43.97	0.01%
Guangxi Accord Chain Pharmacy Co. Ltd.,	Market price	2,150.95	0.30%	1,323.39	0.21%
Sinopharm Holding Beijing Huahong Co., Ltd.	Market price	2,124.24	0.30%	1,201.46	0.19%
Sinopharm Group Xinjiang Uptodate & Special Medicines Co.,Ltd.	Market price	1,610.71	0.22%	1,453.39	0.23%
Sinopharm Holding Hainan Co., Ltd.	Market price	1,457.36	0.20%	1,743.52	0.28%
Foshan Nanhai Medicine Co., Ltd.	Market price	1,388.51	0.19%	1.14	0.00%
Sinopharm Holding Yunnan Co., Ltd.	Market price	1,366.67	0.19%	969.43	0.16%
Sinopharm Holding Zhejiang Co., Ltd.	Market price	1,227.98	0.17%	265.82	0.04%
Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	Market price	1,222.26	0.17%	1,016.97	0.16%
Sinopharm Holding Ningxia Co., Ltd.	Market price	1,015.98	0.14%	481.06	0.08%
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Market price	955.30	0.13%	502.36	0.08%
Sinopharm Holding Jiangsu Co., Ltd.	Market price	861.78	0.12%	622.22	0.10%
Sinopharm Holding He'nan Co., Ltd.	Market price	845.79	0.12%	939.02	0.15%
Sinopharm Holding Fujian Co., Ltd.	Market price	703.62	0.10%	879.87	0.14%
Sinopharm Holding Gansu Co., Ltd.	Market price	679.02	0.09%	55.91	0.01%
Sinopharm Holding Shanxi Co., Ltd. (Shanxi)	Market price	655.06	0.09%	411.72	0.07%
Sinopharm Holding Guizhou Co., Ltd.	Market price	600.76	0.08%	27.96	0.00%
To next page		63,944.78	8.90%	52,467.24	8.45%

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions (continued)

(b) Sales of goods (continued)

Related party	Pricing policies	Six months ended 2011		Six months ended 2010	
		Amount	% of same transaction	Amount	% of same transaction
continued		63,944.78	8.90%	52,467.24	8.45%
Sinopharm Shanxi Co., Ltd	Market price	588.34	0.08%	526.43	0.09%
Wenzhou Biomedicin-appliances Supplies co., Ltd.	Market price	474.98	0.07%	-	0.00%
Guangzhou Accord Chain Pharmacy Co. Ltd.,	Market price	474.30	0.07%	259.06	0.04%
Sinopharm Holding Shandong Co., Ltd.	Market price	457.40	0.06%	338.97	0.05%
Shanxi Weiqi Pharmacy Co., Ltd.	Market price	430.67	0.06%	-	0.00%
Sinopharm Group Medicine Logistic Co., Ltd.	Market price	332.88	0.05%	215.96	0.03%
Sinopharm Holding Chongqing Co., Ltd.	Market price	313.40	0.04%	-	0.00%
Sichuan Hexin Pharmaceutical Co.,Ltd.	Market price	249.27	0.03%	227.49	0.04%
Sinopharm Holding Neimenggu Co., Ltd.	Market price	240.10	0.03%	80.94	0.01%
Sinopharm Holding Fuzhou Co., Ltd.	Market price	231.42	0.03%	12.61	0.00%
Sinopharm Holding Jinzhou Co., Ltd.	Market price	229.57	0.03%	-	0.00%
China National Medicines Co., Ltd.	Market price	228.19	0.03%	430.22	0.07%
Sinopharm Holding Jilin Co., Ltd.	Market price	211.93	0.03%	-	0.00%
Sinopharm National Pharmacy Co.,Ltd.	Market price	159.73	0.02%	174.18	0.03%
Jiangsu Rundong Medicine Co., Ltd.	Market price	151.57	0.02%	30.21	0.00%
Sinopharm Holding Suzhou Co., Ltd.	Market price	137.04	0.02%	92.40	0.01%
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Market price	114.59	0.02%	78.76	0.01%
Sinopharm Holding Wuxi Co., Ltd.	Market price	110.47	0.02%	-	0.00%
Sinopharm Holding Jiangsu Co., Ltd. Zhongxiyao subsidiary	Market price	110.29	0.02%	-	0.00%
Sinopharm Holding Heilongjiang Co., Ltd.	Market price	109.61	0.02%	-	0.00%
Sinopharm Holding Zhangzhou Co., Ltd.	Market price	100.05	0.01%	-	0.00%
Sinopharm Holding Tianjing Northern Co., Ltd.	Market price	85.58	0.01%	26.41	0.00%
Sinopharm Holding Jiangxi Co., Ltd.	Market price	74.97	0.01%	74.52	0.01%
Sinopharm Lerentang Co., Ltd. Trading Branch	Market price	61.00	0.01%	-	0.00%
Shanghai Chaohui Pharmecurical Co., Ltd.	Market price	45.38	0.01%	1.71	0.00%
Sinopharm Holding Anqing Co., Ltd.	Market price	45.06	0.01%	218.72	0.04%
Sinopharm Holding Xinyu Co., Ltd.	Market price	35.45	0.00%	-	0.00%
Sinopharm Holding Taizhou Co., Ltd.	Market price	34.00	0.00%	-	0.00%
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Market price	33.00	0.00%	-	0.00%
Sinopharm Holding Shenyang Co., Ltd. Dalian subsidiary	Market price	30.45	0.00%	81.39	0.01%
Zhejiang Wenlin Medicine Co., Ltd.	Market price	29.40	0.00%	25.32	0.00%
Sinopharm Holding Nanjing Co., Ltd.	Market price	28.89	0.00%	9.19	0.00%
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Market price	21.54	0.00%	-	0.00%
Sinopharm Holding Hebei Co., Ltd. Tangshan subsidiary	Market price	14.65	0.00%	-	0.00%
Sinopharm Holding Yancheng Co., Ltd.	Market price	13.98	0.00%	-	0.00%
Sinopharm Holding Linxi Co., Ltd.	Market price	13.50	0.00%	-	0.00%
Sinopharm Holding Longyan Co., Ltd.	Market price	12.05	0.00%	-	0.00%
Guangxi Wuzhou Huawu Medicinal Material Co. Ltd.,	Market price	9.25	0.00%	4.02	0.00%
Fujian Huiyuan Medicine Co., Ltd.	Market price	5.31	0.00%	-	0.00%
Sinopharm Holding Putian Co., Ltd.	Market price	4.40	0.00%	-	0.00%
Sinopharm Holding Lishui Co., Ltd.	Market price	3.69	0.00%	3.70	0.00%
Sinopharm Holding Anqing Co., Ltd.	Market price	2.98	0.00%	2.95	0.00%
Sinopharm Holding Zhenjiang Co., Ltd.	Market price	1.07	0.00%	-	-
Sinopharm Holding Yantai Co., Ltd.	Market price	0.86	0.00%	-	-
Sinopharm Holding Suzhou Bo'ai Co., Ltd.	Market price	0.55	0.00%	-	-
Guilin Huagui Sinopharm Associated Co	Market price	0.51	0.00%	-	-
Sinopharm Holding Jingzhou Co., Ltd.	Market price	0.24	0.00%	-	-
To next page		70,008.35	9.71%	55,382.41	8.89%

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions (continued)

(b) Sales of goods (continued)

Related party	Pricing policies	Six months ended 2011		Six months ended 2010	
		Amount	% of same transaction	Amount	% of same transaction
continued		70,008.35	9.71%	55,382.41	8.89%
China Medicinal Material Co.	Market price	-	-	37.05	0.01%
Shenzhen AccordChain Pharmacy Co., Ltd.	Market price	-	-	150.97	0.02%
Ningxia Chain Pharmacy Co., Ltd.	Market price	-	-	1.24	0.00%
Sinopharm Holding Hubei Yibao Co., Ltd.	Market price	-	-	346.13	0.06%
Sinopharm Holding Hebei Co., Ltd.	Market price	-	-	201.44	0.03%
Sinopharm Holding Tianjing Co., Ltd. Neimeng Branch	Market price	-	-	121.54	0.02%
Sinopharm Holding Shenyang Co., Ltd. Changchun Branch	Market price	-	-	1.20	0.00%
Sinopharm Shanghai Medicine Co., Ltd.	Market price	-	-	79.71	0.01%
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	Market price	-	-	63.15	0.01%
Sinopharm Group Baida Pharmaceutical Co., Ltd.	Market price	-	-	2.35	0.00%
Guangxi National Chain Pharmacy Co. Ltd.,	Market price	-	-	603.58	0.10%
Total		70,008.35	9.71%	56,990.76	9.15%

(c) Lease

The Group as leaser:

Leasers	Lessees	Type of assets use for	Contract beginning date	Contract terminated date	Rental income (RMB'0,000)
Huixin Investment	Guangzhou Accord Drug Store Chain Co., Ltd.	Building	1 January 2010	31 December 2011	23.80
Huixin Investment	Sinopharm Group United Medicine Device Co., Ltd.	Building	1 August 2010	30 June 2011	8.76
The Company	Shenzhen Accord Pharmaceutical Chain Co., Ltd.	Building	1 June 2009	31 December 2012	4.80
The Company	Guangdong Accord Drug Store Co., Ltd.	Building	1 June 2009	30 June 2011	18.65
Guangxi Logistics	Guangxi Accord Drug Store Chain Co., Ltd.	Building	1 July 2009	31 December 2012	14.02
Sinopharm Liuzhou	Guangxi Accord Drug Store Chain Co., Ltd.	Building	1 July 2009	31 December 2012	57.11
					<u>127.14</u>

Rental income received from related parties is negotiated by both parties involved in the lease and by making reference to the market price.

The Group as lessee:

Lessees	Leasers	Type of assets use for	Contract beginning date	Contract terminated date	Lease expenses
Sinopharm Guangzhou	Sinopharm Group Logistic Co., Ltd.	Building	1 June 2010	31 December 2011	354.00
Sinopharm Guangzhou	Sinopharm Group Logistic Co., Ltd.	Equipment	1 June 2010	31 December 2011	375.00
Yanfeng Medicine	Mr. Wang Yang	Building	1 July 2009	30 June 2011	19.00
					<u>748.00</u>

Lease charges paid to related parties are negotiated by both parties involved in the lease and by making reference to the market price.

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions (continued)

(d) Guarantees provided

Guarantor	Guarantee	Amount	Beginning date of guarantee contract	Maturity date of guarantee contract	Guarantee obligation expired
The Company	Sinopharm Liuzhou	5,000.00	21 February 2011	21 February 2012	No
The Company	Sinopharm Liuzhou	5,000.00	01 January 2011	01 January 2012	No
The Company	Yanfeng Medicine	3,000.00	27 July 2010	27 July 2011	No
The Company	Yanfeng Medicine	2,000.00	22 June 2011	06 June 2012	No
The Company	Sinopharm Nanning	5,000.00	21 February 2011	21 February 2012	No
The Company	Sinopharm Nanning	10,000.00	28 April 2011	28 April 2012	No
The Company	Sinopharm Nanning	2,650.00	17 January 2011	17 January 2012	No
The Company	Sinopharm Logistics	10,000.00	17 January 2011	17 January 2014	No
Zhijun Pharm , Sinopharm Guangzhou	The Company	37,500.00	21 June 2010	21 June 2011	No
Zhijun Pharm	The Company	10,000.00	02 June 2011	01 June 2012	No
Sinopharm Group	The Company, Zhijun Pharm	15,000.00	18 September 2010	18 September 2011	No
The Company, Zhijun Pharm	The Company, Zhijun Pharm	15,000.00	10 January 2011	10 January 2012	No
Zhijun Pharm	The Company	10,000.00	21 February 2011	21 February 2012	No
The Company	Suzhou Wanqin	6,000.00	23 April 2010	22 April 2011	No
The Company	Suzhou Wanqin	6,000.00	19 July 2010	31 December 2011	No
The Company	Suzhou Wanqin	6,000.00	01 August 2010	01 August 2013	No
The Company	Suzhou Wanqin	5,000.00	21 February 2011	21 February 2012	No
The Company	Suzhou Wanqin	10,000.00	06 May 2011	06 May 2012	No
The Company	Zhijun Pharm	10,000.00	02 June 2011	01 June 2012	No
The Company	Zhijun Pharm	10,000.00	21 February 2011	21 February 2012	No
The Company	Zhijun Pharm	5,000.00	23 May 2011	21 February 2012	No
The Company	Zhijun Pharm	8,000.00	22 June 2011	21 March 2012	No
Zhijun Pharm	Zhijun	USD500.00	25 August 2010	24 August 2011	No
Zhijun Pharm	Zhijun	2,500.00	16 September 2010	16 September 2011	No
The Company	Sinopharm Guangzhou	32,500.00	28 April 2011	28 April 2012	No
The Company	Yuxing Medicine	3,500.00	28 April 2011	28 April 2012	No
The Company	Sinopharm Guangzhou	10,000.00	17 September 2010	16 September 2011	No
The Company	Sinopharm Guangzhou	25,000.00	28 April 2011	28 April 2012	No
The Company	Sinopharm Guangzhou	10,000.00	23 November 2010	22 November 2011	No
The Company	Sinopharm Guangzhou	10,000.00	05 November 2010	04 November 2011	No
The Company	Sinopharm Guangzhou	60,000.00	28 April 2011	08 March 2012	No
The Company	Sinopharm Guangzhou	10,000.00	27 May 2011	27 May 2012	No
The Company	Sinopharm Guangzhou	5,000.00	26 October 2010	25 October 2011	No
Sinopharm Group	Sinopharm Guangzhou	11,000.00	17 September 2010	28 September 2011	No
Sinopharm Group	Sinopharm Guangzhou	15,000.00	10 September 2010	10 September 2011	No

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions (continued)

(e) Financing

	Amount (RMB'0,000)	Effective date	Maturity date
Six months ended 30 June 2011			
Borrowing from- Sinopharm Group	5,000.00	1 February 2011	29 July 2011 17 November 2011
Sinopharm Group	10,000.00	18 May 2011	22 November 2011
Sinopharm Group	10,000.00	23 May 2011	8 March 2012
Sinopharm Group	<u>5,000.00</u>	9 March 2011	
	<u>30,000.00</u>		

(f) Interest expenses

	Related party	Type of transaction	Six months ended 2011 (Rmb'0,000)	Six months ended 2010 (Rmb'0,000)
The Company	Sinopharm Group	Interest paid for the entrusted loans	447.05	402.04
Sinopharm	Sinopharm Group	Interest paid for the entrusted loans	409.00	300.11
Guangzhou Sinopharm	Sinopharm Group	Charges of discounted notes payable	468.00	324.28
Guangzhou Sinopharm	Sinopharm Holding Sub Marketing Center Co., Ltd.	Charges of discounted notes payable	72.00	230.82
Guangzhou Sinopharm	China National Medicines Co., Ltd.	Charges of discounted notes payable		12.89
Guangzhou Sinopharm	Sinopharm Group	Interests for factoring	156.00	-
			<u>1,552.05</u>	<u>1,270.14</u>

VII Related party relationships and significant related party transactions (continued)

(5) Related party transactions (continued)

(g) Rendering of service

	Related party	Type of transaction	Six months ended 2011 (Rmb'0,000)	Six months ended 2010 (Rmb'0,000)
Hengchang Logistics	Sinopharm Group Medicine Logistic Co., Ltd.	Dispatching and transportation charges	332.88	216.00
Hengchang Logistics	China National Medicines Co., Ltd.	Dispatching and transportation charges	68.14	75.00
Hengchang Logistics	Guangdong Accord Drug Store Co., Ltd.	Dispatching and transportation charges	129.43	133.00
Hengchang Logistics	Guangzhou Accord Drug Store Chain Co., Ltd.	Dispatching and transportation charges	23.16	-
Accord Logistics	Guangdong Accord Drug Store Co., Ltd.	Dispatching and transportation charges	30.12	42.68
			<u>583.73</u>	<u>466.68</u>

(h) Payment for service

	Related party	Type of transaction	Six months ended 2011 (Rmb'0,000)	Six months ended 2010 (Rmb'0,000)
Suzhou Wanqin	Reed Sinopharm Exhibitions Co., Ltd.	Exhibition charges	1.60	2.28
Suzhou Wanqin	Shanghai Tongyu Information Technology Co., Ltd.	Examination charges	1.00	-
Suzhou Wanqin	China National Pharmaceutical Industry Corporation Ltd.	Exhibition charges	-	7.70
			<u>2.60</u>	<u>9.98</u>

(6) Accounts receivable from and payables to related parties

		30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Notes receivable	Chongqing Yaoyou Pharmaceutical Co., Ltd.	894.40	1,136.00
	Sinopharm Holding Hunan Co., Ltd.	568.25	406.29
	Sinopharm Holding Tianjin Co., Ltd.	129.96	244.94
	Sinopharm Holding Gansu Co., Ltd.	49.86	-
	Sinopharm Holding Henan Co., Ltd.	32.48	50.00
	Sinopharm Holding Fuzhou Co., Ltd.	27.14	32.57
	Sinopharm Holding Shengyang Co., Ltd.	15.14	7.73
	Sinopharm Holding Anhui Co., Ltd.	9.17	6.91
	Sinopharm Holding Chongqing Co., Ltd.	-	24.24
	Sinopharm Holding Jiangxi Co., Ltd.	-	20.26
	Sinopharm Holding Shangdong Co., Ltd.	-	1.20
	Sinopharm Holding Hubei Co., Ltd.	-	698.86
	Sinopharm Holding Hainan Co., Ltd.	-	47.47
	Sinopharm National Chain Co., Ltd.	-	-
	Sinopharm Holding Guizhou Co., Ltd.	-	684.00
Total		<u>1,726.40</u>	<u>3,360.47</u>

VII Related party relationships and significant related party transactions (continued)

(6) Accounts receivable from and payables to related parties (continued)

		30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Accounts receivable	Sinopharm Holding Hunan Co., Ltd.	1,872.68	1,865.21
	Sinopharm Group Southwest Pharmacy Co., Ltd.	1,629.36	1,758.29
	Sinopharm Holding Hubei Co., Ltd.	1,591.66	835.00
	Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	1,509.23	514.57
	Sinopharm Holding Beijing Co., Ltd.	1,421.01	2,042.52
	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	1,238.40	1,872.00
	Zhejiang Intmedical Co., Ltd.	1,075.86	783.31
	Guangdong Accord Drug Store Co., Ltd.	1,010.60	1,338.14
	Sinopharm Holding (Tianjing) Eastern Bokang Pharmacy Co., Ltd.	912.21	694.27
	Guangxi Accord Drug Store Chain Co., Ltd.	894.10	904.29
	Sinopharm Group	874.52	608.57
	Foshan Nanhai Medicine Co., Ltd.	803.03	22.84
	Sinopharm Holding Shengyang Co., Ltd.	776.98	328.27
	Sinopharm Holding Tianjin Co., Ltd.	727.20	510.59
	Sinopharm Holding Beijing Huahong Co., Ltd.	707.49	943.07
	Sinopharm Group Xinjiang Uptodate & Special Medicines Co.,Ltd.	544.29	376.82
	Sinopharm Holding Hainan Co., Ltd.	534.74	577.00
	Sinopharm Holding Yunnan Co., Ltd.	482.83	379.56
	Sinopharm Holding Zhejiang Co., Ltd.	446.08	510.79
	Guangdong East Uptodate & Special Medicines Co.,Ltd.	383.20	279.14
	Sinopharm Holding Hebei Co., Ltd.	369.60	-
	Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	367.99	215.52
	Sinopharm Holding Shijiazhuang Co., Ltd.	284.02	495.02
	Sinopharm Holding Gansu Co., Ltd.	276.23	59.56
	Sinopharm Holding Fujian Co., Ltd.	269.67	205.78
	Sinopharm Holding Jiangsu Co., Ltd.	260.56	148.85
	Sinopharm Holding Shanxi Co., Ltd. (Shaanxi)	255.18	141.98
	Sinopharm Holding Ningxia Co., Ltd.	254.12	241.60
	Sinopharm Holding Jinzhou Co., Ltd.	218.60	-
	To next page	<u>21,991.44</u>	<u>18,652.56</u>

VII Related party relationships and significant related party transactions (continued)

(6) Accounts receivable from and payables to related parties (continued)

		30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Accounts receivable	Continued	21,991.44	18,652.56
	Sinopharm Group Medicine Logistic Co., Ltd.	216.24	48.63
	Guangzhou Accord Drug Store Chain Co., Ltd.	195.79	103.14
	Shanxi Weiqi Pharmacy Co., Ltd.	185.86	-
	Sinopharm Holding Chongqin Co., Ltd.	167.96	28.77
	Sinopharm Holding Shangdong Co., Ltd.	162.15	33.71
	Sinopharm Holding Shanxi Co., Ltd.	154.08	170.26
	Sinopharm Holding Inner Mongolia Co., Ltd.	144.79	24.57
	Sinopharm Group Northwest Co., Ltd.	141.98	40.70
	Sinopharm Holding Jiangsu Co., Ltd. Zhongxiyao subsidiary	129.04	-
	Sinopharm Holding Henan Co., Ltd.	125.65	225.91
	Sinopharm Holding Zhangzhou Co., Ltd.	116.02	-
	Sinopharm Lerentang Co., Ltd. Trading Branch	78.77	-
	Shanghai Sinopharm TCM Co., Ltd.	69.32	-
	Wenzhou Biomedicin-appliances Supplies co., Ltd	67.65	108.15
	Sinopharm Holding Guizhou Co., Ltd.	65.83	183.64
	Sinopharm National Pharmacy Co.,Ltd.	62.64	74.95
	China National Medicines Co., Ltd.	58.31	151.90
	Sinopharm Holding Taizhou Co., Ltd.	48.59	3.08
	Sinopharm Holding Suzhou Co., Ltd.	40.82	23.53
	Sinopharm Holding Fuzhou Co., Ltd.	40.01	16.95
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	39.11	46.34
	Sinopharm Holding Heilongjiang Co., Ltd.	37.16	41.38
	Sinopharm Holding Tianjing Northern Co., Ltd.	35.60	44.00
	Jiangsu Rundong Medicine Co., Ltd.	31.70	5.41
	Sinopharm Holding Meiluo (Dalian) Co., Ltd.	30.82	30.24
	Sinopharm Holding Wuxi Co., Ltd.	30.09	9.31
	Sinopharm Holding Jilin Co., Ltd.	29.93	6.42
	Sinopharm Holding Jiangxi Co., Ltd.	28.27	50.95
	Sinopharm Holding Anhui Co., Ltd.	17.62	0.09
	Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	14.29	19.14
	Sinopharm Holding Hebei Co., Ltd. Tangshan Branch	12.26	-
	Sinopharm Holding Yancheng Co., Ltd.	8.10	-
	Fujian Huiyuan Medicine Co., Ltd.	4.63	-
	Sinopharm Holding Longyan Co., Ltd.	3.97	-
	Sinopharm Holding Putian Co., Ltd.	2.31	-
	Sinopharm Holding Nanjing Co., Ltd.	2.10	-
	Sinopharm Holding Anqing Co., Ltd.	2.08	-
	Sinopharm Holding Zhenjiang Co., Ltd.	1.47	-
	Sinopharm Holding Lishui Co., Ltd.	1.14	1.14
	Guilin Huagui Sinopharm Associated Co.	0.60	-
	Shanghai Chaohui Pharmecurical Co., Ltd.	0.05	37.64
	China Medicinal Material Co.	-	25.92
	Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	-	0.60
	Total	24,596.24	20,209.03

VII Related party relationships and significant related party transactions (continued)

(6) Accounts receivable from and payables to related parties (continued)

		30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Other receivables	Sinopharm Group Medicine Logistic Co., Ltd.	121.50	121.50
	Wang Lei	-	90.51
	China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	-	1.61
	Total	<u>121.50</u>	<u>213.62</u>
Advances to suppliers	Sinopharm Holding Sub Marketing Center Co., Ltd.	1,656.13	-
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	166.00	261.68
	Sinopharm Group United Medicine Device Co., Ltd.	86.54	243.56
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	51.43	-
	Chengdu Rongsheng Pharmacy Co., Ltd.	1.19	-
	Shanghai Sailun Biological Technology Co.,Ltd.	-	0.03
	Qinghai Pharmaceutical (Group) Co.,Ltd.	-	540.84
	Total	<u>1,961.29</u>	<u>1,046.11</u>
Notes payable	Sinopharm Group	16,359.95	21,009.56
	China National Medicines Co., Ltd.	-	1,240.95
	Sinopharm Holding Sub Marketing Center Co., Ltd.	2,782.10	531.22
	Sinopharm Holding Fujian Co., Ltd.	-	503.61
	Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	188.31	224.08
	Chongqing Haisiman Pharmaceutical Co.,Ltd.	141.87	53.32
	Wanle Medical	39.41	38.84
	Sinopharm Group Baida Pharmaceutical Co., Ltd.	-	34.89
	Guilin Pharmaceutical Works	9.07	13.65
	Guilin Pharmaceutical Co., Ltd.	-	2.58
	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	9.69	-
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	1.45	-
	Shanghai Shyndec Pharmaceutical Co., Ltd	2.14	-
	Total	<u>19,533.99</u>	<u>23,652.70</u>
	Accounts payable	Sinopharm Group	16,461.67
Sinopharm Holding Sub Marketing Center Co., Ltd.		3,414.29	2,345.66
China National Medicines Co., Ltd.		2,073.58	1,165.01
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.		1,016.10	1,026.77
Sino-Swed Pharmaceutical Corp.Ltd.		914.45	971.60
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.		761.74	-
Shenzhen Wanle Co. Ltd.,		450.25	421.56
Chongqing Haisiman Pharmaceutical Co.,Ltd.		134.47	92.77
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.		125.79	208.32
Chongqing Yaoyou Pharmaceutical Co.,Ltd.		95.23	100.62
The Guangxi Zhuang Autonomous Region Huahong Pharmaceutical Co. Ltd.,		94.75	-
Guilin Huagui Sinopharm Associated Co.		72.60	-
Sinopharm Holding Anhui Co., Ltd.		64.90	0.31
Sinopharm Holding Guizhou Co., Ltd.		61.31	35.88
China National Group Corporation of Traditional & Hebal Medical		45.92	105.05
Sinopharm Group United Medicine Device Co., Ltd.		39.73	96.37
Shanghai Chaohui Pharmecurical Co., Ltd.		36.46	34.59
Sinopharm Holding Beijing Co., Ltd.		27.54	72.92
To next page		25,890.78	17,637.31

VII Related party relationships and significant related party transactions (continued)

(6) Accounts receivable from and payables to related parties (continued)

		30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Accounts payable	Continued	25,890.78	17,637.31
	Guangdong East Uptodate & Special Medicines Company	24.09	51.09
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	20.31	1.45
	Guilin Pharmaceutical Works	14.87	5.25
	Sinopharm Holding Fujian Co., Ltd.	13.39	7.01
	China National Pharmaceutical Industry Corporation Ltd. Beijing sales branch	10.15	11.99
	Handan Moluodan Pharmaceutical Co., Ltd	6.81	
	Shanghai Shyndec Pharmaceutical Co., Ltd.	6.27	-
	Sinopharm Group Medicine Logistic Co., Ltd.	2.88	12.82
	Sinopharm Group Shanghai Medicine Device Co., Ltd.	2.30	1.84
	Yichang Humanwell Pharmaceutical Co., Ltd.	1.89	3.34
	China Otsuka Pharmaceutical Co., Ltd.	1.86	-
	Shanghai Sailun Biological Technology Co., Ltd.	1.67	5.04
	Sinopharm Group Beijing Medicine Device Co., Ltd.	0.88	0.88
	Shenyang Hongqi Pharmaceutical Co., Ltd.	0.78	1.86
	Foshan Nanhai Medicine Co., Ltd.	0.71	-
	Guangdong Tianliang Medicine Co., Ltd.	0.56	0.68
	Sinopharm Group Guorui Pharmaceutical Co., Ltd.	0.55	-
	Sinopharm Holding Hunan Co., Ltd.	0.51	-
	Shanghai Institute of Pharmaceutical Industry Co., Ltd.	0.28	
	China National Pharmaceutical Industry Corporation Ltd. Guangzhou Association Company	0.13	0.13
	China Sinopharm Foreign Trade Co., Ltd.	0.09	(0.98)
	Sichuan Jiang You Zhong Ba Science and Technology Development Co., Ltd.	0.04	34.13
	Guangdong Accord Drug Store Co., Ltd.	0.03	0.10
	Shanghai Fosun Pharmaceutical Co., Ltd.	0.02	0.02
	Shanxi Weiqi Pharmacy Co., Ltd.	0.02	
	Sinopharm Group Chemical Reagent Co., Ltd.	0.02	0.51
	Sinopharm Qianjing Dental Technology (Beijing) Co., Ltd.	0.02	0.01
	Sinopharm Holding Meiluo (Dalian) Co., Ltd	-	10.75
	Sinopharm Group Western-South Co., Ltd.	-	3.81
	China National Pharmaceutical Industry Corporation Ltd.	-	2.87
	Guangxi Wuzhou Hua Wu Traditional & Herbal Co., Ltd.	-	0.38
	Sinopharm Holding Hainan Co., Ltd.	-	5.17
	Sinopharm Yixin Pharmacy Co., Ltd.	-	2.95
	Guilin Pharmaceutical Co., Ltd.	-	0.68
	Sinopharm Holding Suzhou Co., Ltd.	-	12.01
	Jiangsu Wanbang Bio-Chemical Medicine Co., Ltd.	-	1.49
	Shanghai Fosun Long March Medical Science Co., Ltd.	-	0.18
	Sinopharm Holding Jiangsu Co., Ltd.	-	0.37
	Total	26,001.91	17,815.34
Other payables	Sinopharm Group Medical Holding Co., Ltd.	166.04	166.04
	Sinopharm Group	389.39	389.39
	Shanghai Chaohui Pharmecurical Co., Ltd.	0.01	0.01
	Shenzhen Kaijiefeng industrial Co., Ltd	285.90	481.09
	Total	841.34	1,036.54
Advance from customers	Sinopharm Holding Guizhou Co., Ltd.	-	537.00
Interest payable	Sinopharm Group	-	22.00
Entrusted loans	Sinopharm Group	30,000.00	30,000.00
Other non-current assets	Sinopharm Group	-	3,506.18

VII Related party relationships and significant related party transactions (continued)

(7) Commitment with related parties

Undertaking contracted for at the balance sheet date but not recognised in balance sheet are analysed as follows:

	30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Lease		
-As a lessee		
Sinopharm Group Medicine Logistic Co., Ltd.	729.00	2,308.50
Mr. Wang Yang	19.00	18.90
	<u>748.00</u>	<u>2,327.40</u>
-As a leaser		
Guangzhou Accord Drug Store Chain Co., Ltd.	-	22.22
Shenzhen Accord Pharmaceutical Chain Co., Ltd.	-	93.91
Guangxi Accord Drug Store Chain Co., Ltd.	-	64.14
	<u>-</u>	<u>180.27</u>
Guarantee		
- Guaranteed by related party		
Sinopharm Group	11,749.06	14,816.10
	<u>11,749.06</u>	<u>14,816.10</u>

VIII Contingencies

As at 30 June 2011, there is no material contingency of the Group.

IX Commitments**(1) Capital commitments**

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

	30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Buildings, machinery and equipment	<u>5,775.74</u>	<u>8,346.19</u>

(2) Operating lease commitments

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

	30 June 2011 (Rmb'0,000)	31 December 2010 (Rmb'0,000)
Within one year	878.48	2,564.83
Between 1 and 2 years	703.33	1,057.76
Between 2 and 3 years	579.64	883.51
Over 3 years	<u>3,911.61</u>	<u>7,750.23</u>
	<u>6,073.06</u>	<u>12,256.33</u>

(3) Execution of commitments of prior period

The Group has fulfilled the commitments as of 30 June 2011 according to the relevant contracts.

X Notes to the main items of financial statement of the Company

(1) Accounts receivable

	30 June 2011	31 December 2010
Accounts receivable	270,378,073.76	283,766,551.16
Less: provision for bad debts	<u>(1,169,085.93)</u>	<u>(1,169,085.93)</u>
	<u>269,208,987.83</u>	<u>282,597,465.23</u>

(a) The ageing of accounts receivable is analysed below:

	30 June 2011	31 December 2010
Within 1 year	269,208,987.83	282,597,465.23
1 to 2 years	<u>1,169,085.93</u>	<u>1,169,085.93</u>
	<u>270,378,073.76</u>	<u>283,766,551.16</u>

(b) The accounts receivable and related provision for bad debts by category are analysed below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provisions		Carrying amount		Bad debt provisions	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Receivable accounts within similar credit risk group	269,208,987.83	99.57%	-	-	282,597,465.23	99.59%	-	-
Individually not significant but individually evaluated for impairment	<u>1,169,085.93</u>	<u>0.43%</u>	<u>(1,169,085.93)</u>	<u>100%</u>	<u>1,169,085.93</u>	<u>0.41%</u>	<u>(1,169,085.93)</u>	<u>100%</u>
	<u>270,378,073.76</u>	<u>100%</u>	<u>(1,169,085.93)</u>	<u>0.43%</u>	<u>283,766,551.16</u>	<u>100%</u>	<u>(1,169,085.93)</u>	<u>0.41%</u>

(c) As at 30 June 2011, there are no receivables individually significant which subject to separate impairment assessment.

(d) Provisions for impairment of the receivables which have a similar risk group are analysed below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Within 1 year	<u>269,208,987.83</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>282,597,465.23</u>	<u>100%</u>	<u>-</u>	<u>-</u>

XIII Notes to the main items of financial statement of the Company (continued)

(1) Accounts receivable (continued)

- (e) As at 30 June 2011, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

	Per book	Bad debt provisions	% of provision	Reason
Guangdong Liyuan Pharmaceutical Co. Ltd.	1,169,085.93	(1,169,085.93)	100.00%	Uncertainty in recoverability

- (f) As at 30 June 2011, there is no accounts receivable due from shareholders who holds more than 5% (including 5%) shares of the Company (31 December 2010: nil).
- (g) As at 30 June 2011, the top five accounts receivable by customer are analysed as below:

	Relationship with the Company	Amount	Ageing	% of the total accounts receivable
Shenzhen District Nanshan People's Hospital	Thethirdparty	15,253,579.59	Within 1 year	5.64%
Shenzhen Chinese Traditional Medicine Hospital	Thethirdparty	9,922,809.00	Within 1 year	3.67%
Shenzhen People's Hospital	Thethirdparty	8,650,251.89	Within 1 year	3.20%
Peking University Shenzhen Hospital	Thethirdparty	8,237,661.07	Within 1 year	3.05%
Shenzhen Longgang Center Hospital	Thethirdparty	7,209,083.65	Within 1 year	2.67%
		<u>49,273,385.20</u>		<u>18.22%</u>

- (h) Accounts receivable due from related party

As at 30 June 2010, there are accounts receivable of RMB20,118,600.32 due from related party, which is 7.44% of the total accounts receivable, without any bad debt provided.

(2) Other receivables

	30 June 2011	31 December 2010
Amounts due from subsidiaries (note h)	569,838,385.84	554,781,312.21
Receivable from equity transaction	8,980,000.00	8,980,000.00
Compensation receivables	1,157,860.00	1,157,860.00
Borrowings due from employees	2,211,439.82	2,095,749.56
Others	3,096,922.67	528,280.50
	<u>585,284,608.33</u>	<u>567,543,202.27</u>
Less: provision for bad debts	<u>(10,209,344.60)</u>	<u>(10,218,244.60)</u>
	<u>575,075,263.73</u>	<u>557,324,957.67</u>

XIII Notes to the main items of financial statement of the Company (continued)

(2) Other receivables (continued)

(a) The ageing of other receivables is analysed as follows:

	30 June 2011	31 December 2010
Within 1 year	575,049,987.90	557,121,075.32
1 to 2 years	23,600.00	214,613.00
2 to 3 years	73,160.43	69,653.95
Over 3 years	10,137,860.00	10,137,860.00
	<u>585,284,608.33</u>	<u>567,543,202.27</u>

(b) Other receivables and related provision for bad debts by category are analysed below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant are subject to separate impairment assessment	8,980,000.00	1.53%	(8,980,000.00)	100%	8,980,000.00	1.58%	(8,980,000.00)	100.00%
Receivable accounts within similar credit risk group	575,073,587.90	98.26%	(1,830.65)	0.00%	557,335,688.32	98.20%	(10,730.65)	0.00%
Individually significant not but individually evaluated for impairment	1,231,020.43	0.21%	(1,227,513.95)	100%	1,227,513.95	0.22%	(1,227,513.95)	100.00%
	<u>585,284,608.33</u>	<u>100.00%</u>	<u>(10,209,344.60)</u>	<u>1.74%</u>	<u>567,543,202.27</u>	<u>100.00%</u>	<u>(10,218,244.60)</u>	<u>1.80%</u>

(c) As at 30 June 2011, impairment provision for other receivables individually significant is analysed as below.

	Amount	Bad debt provision	Rate	Assessment for impairment
Shenzhen Yinghai Technology Investment Co., Ltd.	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	<u>100%</u>	<u>Uncertainty in recoverability</u>

(d) Provisions for impairment of the receivables which have a similar risk group are analysed below:

	30 June 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Within 1 year	575,049,987.90	99.99%	-	-	557,121,075.32	99.96%	-	-
1 to 2 years	23,600.00	0.01%	(1,830.65)	7.75%	214,613.00	0.04%	(10,730.65)	5.00%
	<u>575,073,587.90</u>	<u>100%</u>	<u>(1,830.55)</u>	<u>0.00%</u>	<u>557,335,688.32</u>	<u>100%</u>	<u>(10,730.65)</u>	<u>0.00%</u>

XIII Notes to the main items of financial statement of the Company (continued)**(2) Other receivables (continued)**

- (e) As at 30 June 2011, other receivables individually not significant but individually evaluated for impairment are analysed below:

	Amount	Bad debt provision	Rate	Assessment for impairment
ShenZhen Health Food I&E Co. Ltd.	1,157,860.00	(1,157,860.00)	100%	Uncertainty in recoverability
Others	<u>73,160.43</u>	<u>(69,653.95)</u>	95%	Aged over 3 years, high risk in recoverability
	<u>1,227,513.95</u>	<u>(1,227,513.95)</u>		

- (f) As at 30 June 2011, there is no amount due from shareholders who holds more than 5% (including 5%) shares of the Company (31 December 2010: nil).

- (g) As at 30 June 2011, the top five other receivables by customers are analysed below:

	Relationship with the Company	Amount	Ageing	% of the total other receivable
YuexingMedicine	Subsidiary	126,148,469.66	Within 1 year	21.55%
SinopharmZhanjiang	Subsidiary	104,710,116.60	Within 1 year	17.89%
SinopharmNanning	Subsidiary	88,000,000.16	Within 1 year	15.04%
HengxingMedicine	Subsidiary	53,478,000.09	Within 1 year	9.14%
GuangxiLogistics	Subsidiary	<u>46,928,739.45</u>	Within 1 year	<u>8.02%</u>
		<u>419,265,325.96</u>		<u>71.63%</u>

- (h) Other receivables due from related parties are analysed as below:

As at 30 June 2011, there are other receivables of RMB569,838,385.84 due from related party, which is 97.36% of the total other receivables, without any bad debt provided.

(3) Long-term equity investments

	30 June 2011	31 December 2010
Investments in subsidiaries (note a)	1,244,416,640.78	1,194,816,640.78
Investments in associates (note b)	<u>80,490,540.36</u>	<u>85,275,251.06</u>
	1,324,907,181.14	1,280,091,891.84
Less: provision for impairment of long-term equity investments (note c)	<u>(7,689,226.69)</u>	<u>(7,689,226.69)</u>
	<u>1,317,217,954.45</u>	<u>1,272,402,665.15</u>

The long-term equity investments of the Company are not subject to restriction on conversion into cash.

XIII Notes to the main items of financial statement of the Company (continued)

(3) Long-term equity investments (continued)

(a) Subsidiaries

	Accounting method	Original investment cost	31 December 2010	Increases/(decreases) in investment cost	30 June 2011	Equity interest held (%)	Voting rights held (%)
Zhijun Pharm	Cost method	73,903,284.87	204,903,284.87	-	204,903,284.87	100	100
Jianmin Pharm	Cost method	45,054,911.04	45,054,911.04	-	45,054,911.04	100	100
Accord Material	Cost method	5,400,000.00	6,450,875.93	-	6,450,875.93	100	100
Accord Logistics	Cost method	900,000.00	1,019,062.68	-	1,019,062.68	100	100
Sinopharm							
Guangzhou	Cost method	58,283,114.68	435,440,323.63	-	435,440,323.63	100	100
Zhijun Trade	Cost method	3,006,866.42	3,006,866.42	-	3,006,866.42	100	100
Guangdong Hengxing' Training center	Cost method	8,421,544.08	15,763,288.00	20,000,000.00	35,763,288.00	100	100
Guangxi Accord	Cost method	4,987,919.71	4,987,919.71	-	4,987,919.71	100	100
Sinopharm Liuzhou	Cost method	21,407,965.79	21,407,965.79	-	21,407,965.79	51	51
Dongguan Accord	Cost method	2,742,000.00	2,742,000.00	7,200,000.00	9,942,000.00	100	100
Huixin Investment	Cost method	109,416,937.720	64,416,937.72	-	64,416,937.72	100	100
Hengchang Logistics	Cost method	1,269,502.30	5,596,006.21	-	5,596,006.21	100	100
Yuxing Medicine	Cost method	16,459,326.27	43,459,326.27	-	43,459,326.27	100	100
Sinopharm Foshan	Cost method	6,995,065.51	6,995,065.51	8,000,000.00	14,995,065.51	100	100
Suzhou Wanqin	Cost method	134,250,000.00	134,250,000.00	-	134,250,000.00	75	75
Sinopharm Nanning	Cost method	33,048,985.28	104,048,985.28	-	104,048,985.28	100	100
Sinopharm Zhanjiang	Cost method	1,369,864.65	1,369,864.65	14,400,000.00	15,769,864.65	100	100
Yanfeng Medical	Cost method	38,207,800.00	38,207,800.00	-	38,207,800.00	51	51
Sinopharm Meizhou	Cost method	4,481,900.00	4,481,900.00	-	4,481,900.00	100	100
Sinopharm Huizhou	Cost method	5,644,200.00	5,644,200.00	-	5,644,200.00	100	100
Shenzhen Trade	Cost method	7,689,226.69	7,689,226.69	-	7,689,226.69	100	100
Shenzhen Medicine	Cost method	37,850,830.38	37,850,830.38	-	37,850,830.38	100	100
			<u>1,194,816,640.78</u>	<u>49,600,000.00</u>	<u>1,244,416,640.78</u>		

XIII Notes to the main items of financial statement of the Company (continued)

(3) Long-term equity investments (continued)

(b) Associates

	Accounting method	Initial investment cost	31 December 2010	Movement				30 June 2011	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held
				Addition or Decrease in investment	Share of profit or loss	Dividend declared	Other movement				
Wanle Medical	Equity method	4,457,400.00	85,275,251.06	-	12,810,289.30	(17,595,000.00)	-	80,490,540.36	35.19	33.33	Board of the directors is the highest decision making organization, which is formed by 3 shareholders of Wanle Medical evenly, and each shareholder appoints 2 directors to set up the board
			<u>85,275,251.06</u>	<u>-</u>	<u>12,810,289.30</u>	<u>(17,595,000.00)</u>	<u>-</u>	<u>80,490,540.36</u>			

XIII Notes to the main items of financial statement of the Company (continued)**(3) Long-term equity investments (continued)****(c) Provision for impairment of long-term equity investments**

	31 December 2010	Current period additions	Current period disposals	30 June 201 1
Subsidiary				
Shenzhen Trade	<u>7,689,226.69</u>	<u>-</u>	<u>-</u>	<u>7,689,226.69</u>

(4) Sales and cost of sales

	<u>Six months ended 30 June</u>	
	2011	2010
Revenue of main operations	943,364,252.68	876,932,409.59
Other operating income	<u>3,389,179.76</u>	<u>1,887,626.51</u>
	<u>946,753,432.44</u>	<u>878,820,036.10</u>
	<u>Six months ended 30 June</u>	
	2011	2010
Cost of main operations	900,549,886.73	837,353,345.51
Other operating expenses	<u>971,712.28</u>	<u>517,483.85</u>
	<u>901,521,599.01</u>	<u>837,870,829.36</u>

(a) Revenue and cost of main operations

Analysed by industry:

	<u>Six months ended 30 June 2011</u>		<u>Six months ended 30 June 2010</u>	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Pharmaceutical distribution	<u>943,364,252.68</u>	<u>900,549,886.73</u>	<u>876,932,409.59</u>	<u>837,353,345.51</u>

(b) Other operating income and expenses

	<u>Six months ended 30 June 2011</u>		<u>Six months ended 30 June 2010</u>	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Rental income	2,314,077.20	721,434.15	1,756,979.13	441,789.17
Rendering of services	<u>1,075,102.56</u>	<u>250,278.13</u>	<u>130,647.38</u>	<u>75,694.68</u>
	<u>3,389,179.76</u>	<u>971,712.28</u>	<u>1,887,626.51</u>	<u>517,483.85</u>

XIII Notes to the main items of financial statement of the Company (continued)**(4) Sales and cost of sales (continued)**

(c) Top five customers are analysed as follows:

The sales to the top five customers of the Company totaling to RMB208,964,366.60, which accounted for 22.07% of the total revenue from main operations. Details are set out below:

	Sales	% of total revenue from main operations
Shenzhen People's Hospital	53,974,007.75	5.70%
Shenzhen Second People's Hospital	47,946,386.06	5.06%
Peking University Shenzhen Hospital	44,214,951.50	4.67%
Shenzhen Nanshan District People's Hospital	32,145,262.18	3.40%
Guangdong Accord Drug Store Co., Ltd	30,683,759.11	3.24%
	<u>208,964,366.60</u>	<u>22.07%</u>

(5) Investment income

	Six months ended 30 June	
	2011	2010
Cash dividends declared by subsidiaries (a)	235,060,478.67	218,177,902.14
Share of profit in an associated company (b)	12,810,289.30	9,251,229.08
	<u>247,870,767.97</u>	<u>227,429,131.22</u>

There is no significant restriction on the investment income remittance to the Company.

(a) Cash dividends declared by subsidiaries

Investment income from the top five investees are analysed as below:

	Six months ended 30 June		Reason of Fluctuation
	2011	2010	
Zhijun Pharm	112,085,162.99	81,419,952.44	Profit increased result in investment income increase
Sinopharm Guangzhou	81,249,558.61	120,225,327.94	Profit decreased result in investment income decrease
Sinopharm Nanning	25,801,204.12	3,442,647.29	Profit increased result in investment income increase
Yuexing Medicine	5,900,495.08	6,098,357.24	Profit decreased result in investment income decrease
Huixin Investment	2,709,832.32	3,997,155.94	Profit decreased result in investment income decrease
	<u>227,746,253.12</u>	<u>215,183,440.85</u>	

(b) Share of profit in an associated company

	Six months ended 30 June 2011	Six months ended 30 June 2010	Reason of Fluctuation
	Wanle Medical	<u>12,810,289.30</u>	

XIII Notes to the main items of financial statement of the Company (continued)**(6) Notes to cash flow statement****(a) Reconciliation of net profit to cash flows from operating activities**

	<u>Six months ended 30 June</u>	
	2011	2010
Net profit	229,549,305.50	212,449,716.98
Add:		
Provision for assets impairment	252,914.40	(2,085,972.11)
Depreciation of fixed assets	3,651,348.56	2,893,418.84
Amortisation of intangible assets	877,635.24	737,655.76
Amortisation of long-term prepaid expenses	424,564.89	16,515.36
Losses on disposal of fixed assets, intangible assets and other long-term assets	250,055.35	800.00
Financial expenses	16,818,820.34	16,654,752.69
Investment income	(247,870,767.97)	(227,429,131.22)
Increase in deferred income tax assets	(334,917.79)	-
Decrease in inventories	337,532.80	4,357,441.13
Decrease in operating receivables	6,266,631.47	(41,879,871.99)
Decrease in operating payables	<u>(50,284,782.59)</u>	<u>135,726,335.42</u>
Net cash flows from operating activities	<u>(40,061,659.80)</u>	<u>101,441,660.86</u>

(b) Net increase in cash

	<u>Six months ended 30 June</u>	
	2011	2010
Cash at end of period	239,018,666.86	118,507,341.56
Less: cash at beginning of period	<u>(135,498,819.87)</u>	<u>(125,541,203.80)</u>
Net increase in cash and cash equivalents	<u>103,519,846.99</u>	<u>(7,033,862.24)</u>

(c) Cash and cash equivalents

	30 June 2011	31 December 2010
Cash at bank and on hand	239,018,666.86	135,498,819.87
Less: restricted other cash balance	-	-
Cash at end of period	<u>239,018,666.86</u>	<u>135,498,819.87</u>

I Non-routine items

	Six months ended 30 June	
	2011	2010
Gains on disposal of non-current assets	631,360.46	1,817,154.82
Government grants	6,984,323.81	5,239,721.55
Net profit gained for the period from beginning of period to the date of combination under common control	-	(2,233,891.98)
Receivables impairment reversal by individual assessment	3,398,226.89	4,145,110.10
Other non-operating income/(expenses), net	6,775,621.56	(7,491.30)
	<u>17,789,532.72</u>	<u>8,960,603.19</u>
Tax impact of above non-routine items	(3,272,949.78)	(2,104,620.40)
Share of minority interests of above non-routine items after tax	<u>(1,047,847.27)</u>	<u>(735,584.40)</u>
	<u>13,468,735.67</u>	<u>6,120,398.39</u>

Basis of preparation

According to the "Information Disclosures Requirement Interpretation for Listed Companies No.1 - non-routine gain and loss", non-routine gain and loss represent those gain or loss that are not related to the daily operation of the Group or even if being related to the daily operation, separate disclosure of these items will help a better understanding of results and profitability of the Group's operation by considering their nature and frequency.

II Return on equity and earnings per share

	Weighted average return on equity (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Consolidated net profit attributable to the shareholders of the Company	14.55	13.16	0.57	0.41	0.57	0.41
Consolidated net profit attributable to the shareholders of the Company, excluding non-routine items	13.36	12.49	0.53	0.39	0.53	0.39

XIV The authorisation of issuing the financial reports

Issuing the financial reports are authorised by all directors of the Group in August 18 2011.

Shenzhen Accord Pharmaceutical Company Limited by shares

18/08/2011

Section VIII. Documents Available for Reference

1. Accounting Statements carrying the signatures and seals of the legal representative, CFO and person in charge of accounting;
2. Original all documents and notifications of the Company that disclosed in the report period in Securities Times and Hong Kong Commercial Daily designated by CSRC;
3. Original 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, 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.
18 August 2011