



深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

2008 Annual Report

March, 2009

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IMPORTANT NOTES

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 confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

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 confirm that the Financial Report enclosed in the Annual Report is true and complete.

Director Ms. Fu Mingzhong did not attend the meeting due to business, but she entrusted Director Mr. Wu Aimin to attend and vote on her behalf; Director Mr. Wei Yulin did not attend the meeting due to business, but he entrusted Director Mr. Wu Aimin to attend and vote on his behalf; other directors attended the board meeting on auditing the Annual Report. No director, supervisor and senior executive would claim that he or she could not guarantee the authenticity, accuracy or completeness of the annual report's contents or that he or she holds different opinions.

ShuLun Pan Certificated Public Accountants Co., Ltd. audited the Company's Financial Report and issued standard unqualified Auditors' Report for the Company.

This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

CHAPTER I. COMPANY PROFILE

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. Legal Representative: Shi Jinming

3. Secretary of the Board of Directors: Chen Changbing

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

Tel: (86) 755-25875195, 25875222

Fax: (86) 755-25875147

E-mail: 0028@szaccord.com.cn

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

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

Post Code: 518029

Company's Internet Web Site: <http://www.szaccord.com.cn>

E-mail: investor@szaccord.com.cn

5. Newspapers for Disclosing the Information of the Company:

Securities Times and Hong Kong Wen Wei Po

Internet Web Site for Publishing the Annual Report: <http://www.szse.cn>

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

The Place Where the Annual Report is Prepared and Placed:

Secretariat of the Board of Directors

6. Stock Exchange Listed with: Shenzhen Stock Exchange

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

Stock Code: 000028/ 200028

7. Other Information about the Company

Initial registration date: Aug. 2, 1986

Initial registration place: Shenzhen, China

Registration date after change: Dec. 24, 2001

Registration place after changed: Shenzhen, China

Registered number for business license of corporation: 4403011001677

Registered number of taxation: GS Zi No. 440301192186267

SDSD Zi No. 440304192186267

Name of the Certified Public Accountants engaged by the Company:

ShuLun Pan Certified Public Accountants & Co., Ltd.

Address: 5/F, No. 61, Nanjing East Road, Shanghai

CHAPTER II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

Section I. Main business highlights

Unit: RMB

	2008	2007		Increase/decrease this year compared with that last year (%)	2006	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income	8,360,350,198.18	6,878,305,483.32	6,878,305,483.32	21.55%	5,708,713,814.45	5,708,713,814.45
Total profit	203,497,726.90	191,051,327.11	191,051,087.11	6.51%	115,804,263.69	115,804,189.15
Net profit attributable to shareholders of the listed company	154,807,067.87	124,914,225.45	124,913,985.45	23.93%	80,224,503.01	80,224,428.47
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	139,335,035.00	99,427,894.80	99,427,654.80	40.14%	81,756,363.32	81,756,288.78
Net cash flow arising from operating activities	246,580,438.99	87,698,080.01	87,697,840.01	181.17%	181,729,861.80	181,729,787.26
	At the end of 2008	At the end of 2007		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2006	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	3,683,974,196.77	2,906,088,133.89	2,911,091,112.38	26.55%	2,642,885,690.85	2,647,888,909.34
Owners' equity(Shareholders' equity)	627,986,713.06	484,114,112.10	489,117,090.59	28.39%	390,429,533.85	395,432,752.34
Share capital	288,149,400.00	288,149,400.00	288,149,400.00	0.00%	288,149,400.00	288,149,400.00

Section II. Major accounting highlights

Unit: RMB

	2008	2007		Increase/decrease this year compared with that last year (%)	2006	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Basic earnings per share (RMB/Share)	0.537	0.434	0.434	23.73%	0.278	0.278
Diluted earnings per share (RMB/Share)	0.537	0.434	0.434	23.73%	0.278	0.278
Basic earnings per share after deducting non-recurring gains and losses (RMB/Share)	0.484	0.345	0.345	40.29%	0.284	0.284
Fully diluted return on equity (%)	24.65%	25.80%	25.54%	-0.89%	20.55%	20.29%
Weighted average return on equity (%)	27.33%	28.26%	27.94%	-0.61%	20.03%	19.81%
Fully diluted return on equity after deducting non-recurring gains and losses (%)	22.19%	20.54%	20.33%	1.86%	20.94%	20.68%
Weighted average return on equity after deducting non-recurring gains and	24.59%	22.49%	22.24%	2.35%	20.41%	20.18%

losses (%)						
Net cash flow per share arising from operating activities (RMB/Share)	0.856	0.304	0.304	181.58%	0.631	0.631
	At the end of 2008	At the end of 2007		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2006	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Net asset per share attributable to shareholders of listed company (RMB/Share)	2.179	1.680	1.697	28.40%	1.355	1.372

【Note】 Item of deducting non-recurring gains/losses and amount

Unit: RMB

Items of non-recurring gains and losses	Amount	Note(If applicable)
Gains and losses from the disposal of non-current asset	4,972,517.28	
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	7,054,099.00	
Switch back of provision for devaluation of account receivable which was singly taken devaluation test	4,419,372.88	
Other non-operating income and expenditure beside for the above items	1,046,085.24	
Influenced amount of minority shareholders' gains/losses	-165,852.47	
Impact on income tax	-1,854,189.06	
Total	15,472,032.87	

Section III. Difference in net profit as audited by Chinese and International auditors and explanation
Difference in net profit as audited by Chinese and International auditors and explanation had no influences on on net profit as of year 2008 and the net asset ended year 2008 of the Company.

Section IV. Changes in shareholders' equity and reasons in the report year

Unit: RMB

Items	Share capital	Capital reserve	Surplus public reserve	Retained profit	Total shareholders' equity
Amount at the period-begin	288,149,400.00	9,801,131.71	7,092,488.00	184,074,070.88	489,117,090.59
Increase in the report period	---	254,706.86	9,303,064.31	154,807,067.87	164,364,839.04
Decrease in the report period	---	5,000,000.00	7,092,488.00	13,402,728.57	25,495,216.57
Amount at the period-end	288,149,400.00	5,055,838.57	9,303,064.31	325,478,410.18	627,986,713.06
Reason for change		Note 1	Note 2	Note 3	

Note 1: Capital reserve: On Aug. 28, 2008, the Company purchased Guangxi Accord Pharmaceutical Co., Ltd under the common control; in accordance with the regulations on Accounting Standards for Enterprises No. 20 - Business Combinations, the adjustment was taken in comparative statements in 2007; the capital reserve at the end of last year was RMB 4,801,131.71 with an increase of 5,000,000.00, and was adjusted to RMB 9,801,131.71; after accomplishing the purchase, it was listed as the item of decrease of capital reserve. The increased capital reserve of RMB 254,706.86 in the report period was resulted from increasing the equity proportion of its subordinate Sinopharm Medicine Holding Liuzhou Co., Ltd before combination when purchasing

10 percent minority shareholders' equities of the subordinate Sinopharm Medicine Holding Guangzhou Co., Ltd.

Note 2: Surplus public reserve: The increase of surplus public reserve in the report period was resulted from the withdrawal of surplus public reserve by the Company in accordance with the Articles of the Associations; the decrease of surplus public reserve in the report period was resulted from that the Company purchased Guangxi Accord Pharmaceutical Co., Ltd under the common control and 10 percent minority shareholders' equities of its subordinate Sinopharm Medicine Holding Guangzhou Co., Ltd, and caused the offsets of surplus public reserve.

Note 3: Retained profit: purchase the enterprise under the common control Guangxi Accord Pharmaceutical Co., Ltd, took adjustment on comparative statement in year 2007; the undistributed profit at the end of last year was RMB184, 071,092.39 with an increase of RMB 2,978.49, and was adjusted to RMB 184,074,070.88. The increase of retained profit in the report period was resulted from that the Company and its subordinate companies realized net profit. The decrease of retained profit in the report period was resulted from that: one, the Company withdrew the surplus public reserve RMB 9,303,064.31; the other, retained earnings RMB 4,099,664.26 was decreased by adjustment while the Company premium purchased 10 percent minority shareholders' equities of its subordinate Sinopharm Medicine Holding Guangzhou Co., Ltd.

CHAPTER III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Section I. Statement of change in share capital (Ended Dec. 31, 2008, Unit: Share)

	Before the change		Increase/Decrease of this time (+, -)					After the change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	121,946,607	42.32%				-37,966,780	-37,966,780	83,979,827	29.14%
1. State-owned shares									
2. State-owned legal person's shares	112,786,386	39.14%				-28,814,940	-28,814,940	83,971,446	29.14%
3. Other domestic shares	9,149,046	3.18%				-9,149,046	-9,149,046	0	0.00%
Including: Domestic non-state-owned legal person's shares	9,149,046	3.18%				-9,149,046	-9,149,046	0	0.00%
Domestic natural person's shares									
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	11,175	0.00%				-2,794	-2,794	8,381	0.00%
II. Unrestricted shares	166,202,793	57.68%				37,966,780	37,966,780	204,169,573	70.86%
1. RMB Ordinary shares	111,317,193	38.63%				37,966,780	37,966,780	149,283,973	51.81%
2. Domestically listed foreign shares	54,885,600	19.05%						54,885,600	19.05%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	288,149,400	100.00%						288,149,400	100.00%

Statement on changes of restricted shares

Unit: Share

Name of shareholders	Restricted shares at year-begin	Restricted shares released in current year	Increased restricted shares in current year	Restricted shares at year-end	Reason for restriction	Releasing date
SINOPHARM Medicine Holding Co., Ltd.	112,786,386	28,814,940		83,971,446	Share Merger Reform	May 16, 2008
Shenzhen Baoan District Shiyan Town Economic and Development Corporation	9,149,046	9,149,046		0	Share Merger Reform	May 16, 2008
Total	121,935,432	37,963,986		83,971,446	—	—

Section II. Issuance and listing of shares

1. The previous 3 years ended the report period, the Company did not issue any share and list, such as no increasingly issue new shares and place shares.

2. The change on shares structure of the Company

On April 28, 2006, the Company has accomplished the Share Merger Reform Plan in according to the regulations on listing of circulating shares with restricted conditions by CSRC and Shenzhen Stock Exchange, the Company have accomplished the works on listing of circulating shares with restricted conditions of SINOPHARM Medicine Holding Co., Ltd. and Shenzhen Baoan District Shiyan Town Economic and Development Corporation on May 16, 2008. The released circulating shares with restricted sales were 37,963,986 shares.

Section III. About shareholders

1. Ended Dec. 31, 2008, the Company had totally 18,022 shareholders, including 9,299 shareholders of A-share and 8,723 shareholder of B-share.

2. Particulars about the shares held by the top ten shareholders (Ended Dec. 31, 2008)

Total shareholders	18,022				
Particulars about shares held by the top ten shareholders					
Names of shareholders	Nature of shareholder	Proportion of share held	Amount of share held	Amount of restricted shares held	Shares pledged or frozen
SINOPHARM MEDICINE HOLDING CO., LTD.	State-owned legal person	39.14%	112,786,386	83,971,446	0
BANK OF CHINA — FRANKLIN TEMPLETON SEALAND POTENTIAL COMBINATION FUND	Domestic non-state-owned legal person	3.19%	9,187,902	0	0
BANK OF CHINA — CHINA MERCHANTS PIONEER FUND	Domestic non-state-owned legal person	2.65%	7,636,374	0	0
CHINA INDUSTRIAL AND COMMERCIAL BANK — CHINA MERCHANTS CORE VALUE MIXED FUND	Domestic non-state-owned legal person	2.52%	7,274,185	0	0
BANK OF CHINA — DACHENG WEALTH MANAGEMENT 2020 LIFECYCLE FUND	Domestic non-state-owned legal person	2.08%	6,006,939	0	0
CHINA CONSTRUCTION BANK — HUAAN HONGLI	Domestic non-state-owned	2.01%	5,800,000	0	0

STOCK FUND	legal person				
BANK OF CHINA – AIG-HUATAI PROSPEROUS CHINA EQUITY FUND	Domestic non-state-owned legal person	1.79%	5,154,266	0	0
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOSHI SELECTIVE STOCK FUND	Domestic non-state-owned legal person	1.72%	4,963,365	0	0
CHINA INDUSTRIAL AND COMMERCIAL BANK – GUANGFA JUFENG STOCK FUND	Domestic non-state-owned legal person	1.70%	4,912,540	0	0
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOC CONTINUOUS GROWTH FUND	Domestic non-state-owned legal person	1.52%	4,375,188	0	0
Particulars about shares held by the top ten unrestricted shareholders					
Name of shareholder		Amount of unrestricted shares held		Type of share	
SINOPHARM MEDICINE HOLDING CO., LTD.		28,814,940		RMB common share	
BANK OF CHINA – FRANKLIN TEMPLETON SEALAND POTENTIAL COMBINATION FUND		9,187,902		RMB common share	
BANK OF CHINA – CHINA MERCHANTS PIONEER FUND		7,636,374		RMB common share	
CHINA INDUSTRIAL AND COMMERCIAL BANK – CHINA MERCHANTS CORE VALUE MIXED FUND		7,274,185		RMB common share	
BANK OF CHINA – DACHENG WEALTH MANAGEMENT 2020 LIFECYCLE FUND		6,006,939		RMB common share	
CHINA CONSTRUCTION BANK – HUAAN HONGLI STOCK FUND		5,800,000		RMB common share	
BANK OF CHINA – AIG-HUATAI PROSPEROUS CHINA EQUITY FUND		5,154,266		RMB common share	
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOSHI SELECTIVE STOCK FUND		4,963,365		RMB common share	
CHINA INDUSTRIAL AND COMMERCIAL BANK – GUANGFA JUFENG STOCK FUND		4,912,540		RMB common share	
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOC CONTINUOUS GROWTH FUND		4,375,188		RMB common share	
Explanation on associated relationship or accordant action among the aforesaid shareholders	BANK OF CHINA – CHINA MERCHANTS PIONEER FUND and CHINA INDUSTRIAL AND COMMERCIAL BANK – CHINA MERCHANTS CORE VALUE MIXED FUND belong to China Merchants Fund Management Co., Ltd., it is unknown that there exists no associated relationship or belongs to the consistent actionist among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.				

3. The controlling shareholder of the Company

Name of the controlling shareholder: SINOPHARM Medicine Holding Co., Ltd.

Legal representative: She Lulin

Date of foundation: Jan. 8, 2003

Registered capital: RMB 1,637,037,451

Nature of economic: state-owned holding company

Business scope: the wholesale of Chinese patent medicines (including ginseng, pilose antler and

silver mushroom), chemical material, a chemical agent, antibiotics, biochemical, biological, diagnosis drug, industry investment, entrusted management and assets reorganization of pharmaceutical enterprises, domestic trade (barring specific permission), logistics supply and relevant consultant services (in right of exequatur to run if refers to permission operation).

4. Particulars about the actual controller

Name of the actual controller: China National Pharmaceutical Group Corporation

Legal representative: She Lulin

Date of foundation: March 1, 1988

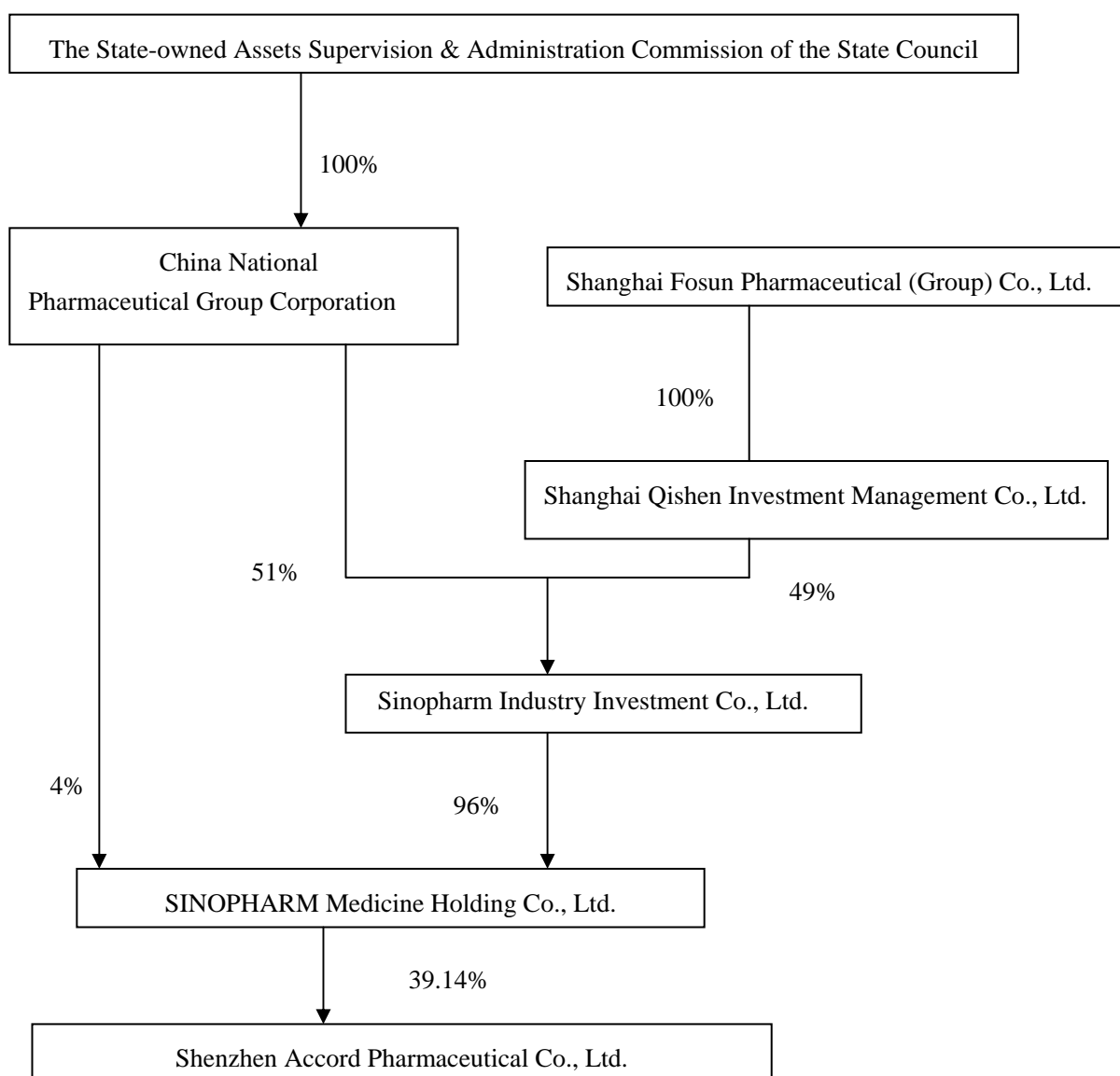
Registered capital: RMB 857,490,000

Nature of economic: state-owned sole company

Business scope: entrusted management and assets reorganization of pharmaceutical enterprises, consultant service of medicine industry investment project, holding exhibition and fair of surgical appliance, the wholesale of Chinese medicine, Chinese patent medicines, Chinese medicine herb in pieces, chemical material medicine, a chemical agent, antibiotics, biochemical, biological.

The underling exclusively invested company and controlling subsidiary of China Medicine Group Headquarter includes: China National Pharmaceutical Foreign Trade Corp., China Medical Device Industry Company, China National Group Corp. of Traditional & Herbal Medicine, Sichuan Antibiotics Industrial Institute of China National Pharmaceutical Group Corporation, Union Engineering Co. of China National Pharmaceutical Group Corporation, Sinopharm Medicine Holding Co.,Ltd., Reed Sinopharm Exhibitions Co. Ltd., National Pharmaceutical Industry Corporation and SINOPHARM Advertising Co., Ltd.

5. The property and controlling relationship between the actual controller of the Company and the Company is as follows:



6. In the report period, there existed no change in the controlling shareholder

CHAPTER IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

Section I. Directors, supervisors and senior executives

1. Name list of directors, supervisors and senior executives

Name	Title	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration drawn from the Company in the report period (RMB'000 0)(before tax)	Drawing remuneration from shareholders' units or other related units or not

Shi Jinming	Chairman	Male	41	Sep. 11, 2007	Sep. 11, 2010			Naught	68.30	No
Fu Mingzhong	Director	Female	58	April 25, 2008	Sep. 11, 2010			Naught		Yes
Wei Yulin	Director	Male	51	Sep. 11, 2007	Sep. 11, 2010					Yes
Lu Jun	Director	Male	50	Sep. 11, 2007	Dec. 26, 2008			Naught		Yes
Wu Ai'min	Director	Male	39	Sep. 11, 2007	Sep. 11, 2010			Naught		Yes
Jiang Ning	Director	Male	49	Sep. 11, 2007	Sep. 11, 2010			Naught		Yes
Chen Shu	Independent Director	Female	54	Sep. 11, 2007	Sep. 11, 2010			Naught	8.00	No
Peng Juan	Independent Director	Female	44	Sep. 11, 2007	Sep. 11, 2010			Naught	8.00	No
Liao Li	Independent Director	Male	42	Sep. 11, 2007	Sep. 11, 2010			Naught	8.00	No
Song Tingfeng	Supervisor	Male	40	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught		Yes
Guan Xiaohui	Supervisor	Female	38	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught		Yes
Yan Zhigang	Director, General Manager	Male	49	Dec. 26, 2008	Sep. 11, 2010	0	0	Naught	58.50	No
Lin Zhaoxiong	Deputy General Manager	Male	41	Dec. 26, 2008	Sep. 11, 2010	0	0	Naught	57.80	No
Tan Guoshu	Deputy General Manager	Male	54	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	56.50	No
Liu Jun	Deputy General Manager	Female	51	Dec. 26, 2008	Sep. 11, 2010	0	0	Naught	54.50	No
Lin Min	Deputy General Manager	Male	44	Dec. 26, 2008	Sep. 11, 2010	0	0	Naught	54.50	No
Lin Xinyang	Deputy General Manager	Male	44	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	56.50	No
Ou Jianneng	Deputy General Manager	Male	50	Sep. 11, 2007	Dec. 26, 2008	0	0	Naught	56.50	No
Wei Pingxiao	CFO	Male	45	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	51.00	No
Chen Changbing	Secretary of the Board of Directors	Male	41	Sep. 11, 2007	Sep. 11, 2010	11,175	8,381	Legitimate Reduction	28.50	No
Wang Huaiqin	Supervisor	Male	51	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	26.20	No
Total	-	-	-	-	-			-	592.80	-

2. Particulars about the position held by directors and supervisors in Shareholding Company

1) In the report period, the position held by directors, supervisors and senior executives in Shareholding Company

Name	Units with position or concurrent position	Relationship with the Company	Position	Office term
Fu Mingzhong	SINOPHARM Medicine Holding Co., Ltd.	Controlling shareholder	Secretary of Party Committee, General Manager	From Feb. 2006
Wei Yulin	SINOPHARM Medicine	Controlling	Deputy General	From Jan. 2003

	Holding Co., Ltd.	shareholder	Manager	
Lu Jun	SINOPHARM Medicine Holding Co., Ltd.	Controlling shareholder	Deputy General Manager	From June 2004
Wu Aimin	SINOPHARM Medicine Holding Co., Ltd.	Controlling shareholder	Deputy General Manager, Secretary of the Board of Directors	From Nov. 2006/ from March 2008
Shi Jinming	SINOPHARM Medicine Holding Co., Ltd.	Controlling shareholder	Deputy General Manager	From Jan. 2009
Song Tingfeng	SINOPHARM Medicine Holding Co., Ltd.	Controlling shareholder	Chief Financial Officer	From Dec. 2006

2) In the report period, position and concurrently post of directors, supervisors and senior executives in the units barring the shareholders units

Name	Units with position or concurrent position	Relationship with the Company	Position
Fu Mingzhong	China National Pharmaceutical Group Corporation China National Medicines Corporation Ltd.	Actual controller of the Company	Director Director
Wei Yulin	Sinopharm Logistics Co., Ltd. China National Medicines Corporation Ltd.	Affiliated enterprise of the Company; Affiliated enterprise of the Company	Chairman Director
Lu Jun	Sinopharm Medicine Guoda Pharmacy Co., Ltd.	Affiliated enterprise of the Company	Chairman
Wu Aimin	China National Medicines Corporation Ltd.	Affiliated enterprise of the Company	Director
Shi Jinming	Sinopharm Medicine Holding Nanning Co., Ltd.	Affiliated enterprise of the Company	Chairman
Jiang Ning	Sichuan Antibiotics Industrial Institute	Affiliated enterprise of the Company	Chief Scientist
Song Tingfeng	China Resources (Jilin) Bio-chemical Co., Ltd.	No relationship	Independent Director
Guan Xiaohui	Shanghai Fosun Pharmaceutical(Group) Co., Ltd.	Shareholder of SINOPHARM Medicine Holding Co., Ltd.	Financial Vice-Chief Supervisor
Yan Zhigang	Shenzhen Main Luck Pharmaceuticals INC; Sichuan Antibiotics Industrial Institute	Shareholding of the Company; Affiliated enterprise of the Company	Vice-chairman; Director
Chen Shu	Guangdong Lawyers Association	No relationship	Secretary-General
Peng Juan	Management School of Shanghai Jiao Tong University	No relationship	Department Deputy Director
Liao Li	Management School of Tsinghua University	No relationship	Deputy Dean

3. Main work experience of present directors, supervisors and senior executives:

(1) Member of the Board of Directors

Chairman—Mr. Shi Jinming, EMBA of Sun Yat-Sen University, studied in Shanghai University of Finance and Economics majored Commerce Economics from Sep. 1985 to July 1989. He ever worked in China Medicine (Group) Guangzhou Company from July 1989; took the turns of manager of China Medicine (Group) Guangzhou Yuexing Company, manager of medicine department of SINOPHARM Medicine Co., Ltd., deputy GM of China Medicine (Group) Guangzhou Yuexing Company and concurrently manager of Yuexing Company from Mar. 1995; he took the post of GM of SINOPHARM Medicine Holding (Guangzhou) Co., Ltd. from Apr. 2003 to Dec. 2006 ; director and GM of the Company from Feb. 2004 to Dec. 2008, took concurrently the post of chairman of SINOPHARM Medicine Holding (Guangzhou) Co., Ltd. from Jan. 2007, and he took the post of chairman of the 5th Board of Directors of the Company from Dec., 2008 and concurrently takes the post of deputy general manager of SINOPHARM Medicine Holding Co., Ltd since Jan. 2009.

Director—Ms. Fu Mingzhong, Postgraduate, senior economist; began to work in Harbin General Pharmaceutical Factory No.2 Factory with taking the post of leader of Crystallization workshop from Oct. 1970; worked in Harbin General Pharmaceutical Factory No.3 Factory with successively taking the posts of director of injection workshop, director of Quality Management Office, director of Office, deputy factory director, member of party committee from June 1972; from March 1992, she was the director of Harbin Pharmaceutical Group LTD, general manager and party secretary of Harbin Pharmaceutical Corporation; deputy general manger and member of party committee of China National Pharmaceutical Group Corporation from Dec. 1997; successively director of China National Pharmaceutical Group General Corporation, and standing deputy general manager and member of party committee of China National Pharmaceutical Industry Corporation from Jan. 1999; chairman, member of party committee, secretary of party committee of China National Medicines Corporation Ltd from Jan. 2001 to Feb. 2008; secretary of party committee and general manager of China National Medicines Corporation Ltd since Feb. 2006; she was the chairman of the 5th board of directors of the Company from April 2008 to Dec. 2008; director of the the 5th board of directors of the Company since Dec. 2008.

Director—Mr. Wei Yulin, EMBA, Licensed Pharmacist, worked at Tianjing Pharmaceutial Company as salesman from Oct. 1976 to Nov. 1981; centre Lab Technician in Tianjin Hebei Pharmaceutial Plant from Dec. 1981 to Aug. 1984; took the turns of salesman of Leechdom Department in Sinopharm Tianjin Medicine Station, deputy general manager and general manager of pharmaceutical company in development zone from Sep. 1984 to June 1998; deputy general manager, standing deputy general manager, party secretary and general manager and chairman of Sinopharm Tianjing Co., Ltd from July 1998 to April 2006; since March 2008, he held the post of chairman of Sinopharm Logistics Co., Ltd; he was the deputy general manager of Sinopharm Medicine Holding Co., Ltd from Jan. 2003; he was the director of the 5th board of directors of the Company since Sep. 2007.

Director —Mr. Lu Jun, born in 1958, MBA, Instructor, soldier of army, teacher of politics staff room in Second Military Chemical University from Feb. 1976 to Oct. 1988; instructor of Second Military Chemical University from Oct. 1988 to Aug. 1998; general manager of Sinopharm Shanghai Likang Pharmaceutial Co., Ltd from Aug. 1998 to Jan. 2001; general manager of Shanghai Guoda Pharmacy Chains Co., Ltd from Jan. 2001 to Dec. 2004; since June 2004, he held the posts of general manager and chairman of Sinopharm Medicine Guoda Pharmacy Co., Ltd.; since April 2003, he took the turns of assistant general manager, deputy general manager of

Sinopharm Medicine Holding Co., Ltd and concurrently general manager of leechdom retail business department and minister of investment and planning department of Sinopharm Medicine Holding Co., Ltd. From Sep. 2007 to Dec. 2008, he was the director of the 5th board of directors of the Company.

Director ——Mr. Jiang Ning, bachelor degree, researcher, went to the country side in Shaxua Community of Hechuan County in Sichuan Province from 1976 to 1980; from 1980 to 2004, he took the turns of lab technician, research jackaroo, assistant, assistant researcher, deputy researcher, chief engineer and researcher in Sichuan Antibiotics Industrial Institute; since 2004, he was the deputy general manager of Sinopharm Medicine Holding Co., Ltd, concurrently was the dean of ichuan Antibiotics Industrial Institute and general manager of ichuan Antibiotics Industrial Institute Co., Ltd. Since Sep. 2007, he was the director of the 5th board of directors of the Company.

Director——Mr. Wu Ai'min, EMBA, accountant, took the turns of senior manager of Jiangsu Property Assessment Firm, copartner of Jiangsu Renhe Property Assessment Company, financial chief supervisor and manager of investment center of Xuzhou Huaihai Food Town, and so on from Aug. 1992; takes the position of financial chief supervisor of SINOPHARM Medicine Holding Co., Ltd. from Jul. 2003; from March 2008, concurrently took the post of secretary of the board of directors of SINOPHARM Medicine Holding Co., Ltd.; and takes the post of director of the 5th Board of Directors of the Company from Sep. 2007.

Director——Mr. Yan Zhigang, bachelor of pharmacy, MBA, chief engineer and Licensed Pharmacist, took the turns of technician, section chief of QC department, deputy GM and manager, etc. of Guizhou Medicine Company from Jul. 1983; held the position of plant manager of Shenzhen Medicinal Oil Plant, deputy GM of Shenzhen Medicine Company, deputy GM of Shenzhen Accord Pharmacy Franchise Company from Jun. 1996; from Feb. 2000 to Dec. 2008, took the post of plant manager of Shenhzhen Pharmaceutical Factory, secretary of party branch and general manager of Shenzhen Zhijun Pharmaceutical Co., Ltd.; since Feb. 2000, took the post of vice-chairman of Shenzhen Main Luck Pharmaceuticals Inc.; from Jan. 2005 to Dec. 2008, he concurrently was the deputy general manager of Shenzhen Accord Pharmaceutical Co., Ltd; from Oct. 2007, he is concurrently director of Sichuan Antibiotics Industrial Institute Co., Ltd.; since Dec. 2008, he is the general manager of the Company; and takes the post of director of the 5th Board of Directors of the Company from Feb. 2009.

Independent director——Ms. Chen Shu, bachelor degree, ever worked as cadre, secretary of court, judge and vice president, etc. at People's Court of Huangling County, Shanxi province, from Oct. 1985 took the post of section chief of Law Firm of Liwan District, Guangzhou City, vice administrator of administration of justice till now; copartner and section chief of Guangzhou Law Firm from Jan. 1995; copartner and section chief of Guangzhou Jinpeng Law Firm from Feb. 1996; chief secretary of Guangzhou Lawyer Association and concurrently vice president of China National Lawyer Association and vice president of Guangdong province Lawyer Association, as well as NPC deputy of the 10th and 11th session from Mar. 2002 till now; and she takes the post of independent director of the 5th Board of Directors of the Company from Sep. 2007.

Independent director——Ms. Peng Juan, Doctor degree, associate professor, mayor research direction is finance strategy and management, marketing auditing and financing marketing. From July 1988 to July 1997, she was the instructor in Accounting Department of Shanghai Maritime University. From Aug. 1997 taught at financing and accounting department of management institute of Shanghai Jiaotong University till now, now is in charge of deputy dean and concurrently secretary of CPC; and she takes the post of independent director of the 5th Board of Directors of the

Company from Sep. 2007.

Independent director—Mr. Liao Li, Doctor degree, professor, he took the position of assistant chief engineer in Guangzhou Wanbao Manufacture of Ash Residue Cooler Industrial Co., Ltd from Sep. 1989 to July 1991; from Aug. 1995 to June 1997, instructor of Management School of Tsinghua University; from Sep. 1999 to June 2000, assistant Chairman of Hongkong Esquel Group; from July 2001 he was the associate professor and professor of finance and international trade department in Management School of Tsinghua University, standing deputy dean of China Finance Research Centre of Tsinghua University, standing director of Chinese Monetary Society, deputy dean of Management School of Tsinghua University. He takes the post of independent director of the 5th Board of Directors of the Company from Sep. 2007.

(2) Members of supervisors:

Convener of the Supervisory Committee—Mr. Song Tingfeng, Doctor of Accounting, Senior Economist, CPA, Certified Public Assets Estimator; dean of account staff room and chairman of department union in Anshan Normal University from Sep. 1990 to July 1996; CPA, Certified Public Assets Estimator of Liaoning Huaxin Certified Public Accountants from Nov. 1996 to May 1998; CPA in Zhejiang Tianjian Certified Public Accountants from July 1998 to May 1999; dean of finance management committee and deputy dean of asset supervision centre in Beijing Double Crane Pharmaceutical Co., Ltd from Nov. 1999 to June 2003, CFO in China National Medicine Corporation Ltd from July 2003 to Dec. 2006; CFO of Sinopharm Holding Co., Ltd. and independent director of China Resources (Jilin) Bio-chemical Co., Ltd. from Dec. 2006. He took the post of supervisor of the 5th supervisory committee of the Company since Sep. 2007.

Supervisor—Ms. Guan Xiaohui, Master of Accounting, Certified Public Accountant and Economist; clerk of Jiangxi Subbranch of Industrial and Commercial Bank of China from July 1992 to April 2000; financing manager of business department of Shanghai Fosun Pharmaceutical(Group) Co., Ltd. From May 2000 to Jan. 2002; CFO of Shanghai Fosun Pharmaceutical Co., Ltd from Jan. 2002 to Nov. 2004; deputy CFO of Shanghai Fosun Pharmaceutical(Group) Co., Ltd from Nov. 2004. She took the supervisor of the 5th supervisory committee of the Company since Sep. 2007.

Employee Supervisor—Mr. Wang Huaiqin, 3-years regular college graduate, political commissar, assistant accountant; he served in army, took the turns of soldier, amanuensis, secretariat and Platoon Sergeant from Dec. 1976 to Sep. 1983; secretary in charge of political works in team 205 of Second Architecture Engineering Company of Shenzhen Construction Group from Sep. 1983 to Aug. 1985; office director of Daily Health Products Company and concurrently chairman of Wokers' Union, person in charge of finance, office director of Medicinal Oil Plant, finance minister and concurrently chairman of Wokers' Union, section chief of Personnel Allotment Department and concurrently chairman of Wokers' Union of Shenzhen Medicines Production Supply Corporation from Aug. 1985 to Dec. 2000; chief of human resources department, deputy minster and concurrently chairman of Wokers' Union of Shenzhen Accord Pharmaceutical Co., Ltd from Dec. 2000 to June 2005; director and concurrently deputy office director of party and Masses Work Department, and the chairman of the first Wokers' Union of Shenzhen Accord Pharmaceutical Co., Ltd till June 2005. He took the supervisor of the 5th supervisory committee of the Company since Sep. 2007.

(3) Senior executives:

General Manager—Mr. Yan Zhigang, referring to the aforesaid introduction of members of

directors for details.

Deputy General Manger—Mr. Lin Zhaoxiong, male, born in 1967, senior MBA, Pharmacist-in-charge. He began to work in Guangzhou Medicine Industry Research Institute in July 1990; worked in Hangzhou MSD Pharmaceutical Co., Ltd from Jan. 1993 to Oct. 1997; Guangdong Huajian Pharmaceutical Co., Ltd from Nov. 1997 to Dec. 1998; worked in SINOPHARM Medicine Holding Guangzhou Co., Ltd. with successively taking the posts of deputy general manger and manager of Pharmacy Department, and manger of Pharmaceutical Company and majordomo of Operation Management Department from Jan. 1999 to Dec. 2003; deputy general manager of SINOPHARM Medicine Holding Guangzhou Co., Ltd from Jan. 2004 to Dec. 2006; from Dec. 2006 till now, he took the post of general manger of SINOPHARM Medicine Holding Guangzhou Co., Ltd.

Deputy General Manger—Mr. Tan Guoshu, on-study postgraduate, assistant economist and political commissar, ever took the post of deputy director of Gongxiaoshe, Dalonghua, Fengshun County, manager of affiliated corporation, deputy GM of Labor Service Company, Labor Bueau, Fengshun, GM of Labor Service Company, Boned Zone, Shatoujiao District, Shenzhen, deputy GM of Shenzhen Best Machinery Electronic Company, organization charger of Labor Service Company of Shenzhen Food Headquarter, and so on; from Apr. 1996 took the post of deputy director, minister of personnel minister and GM associate, etc. of supervision administration office of Shenzhen Medicine Produce & Supply Headquarter, and concurrently GM of Shenhzen Xiannuo Medicine Company, manager of Shatoujiao Medicine Company and manager of Nanshan Medicine Company, etc. during that time; held the position of minister of talents resources department of the Company and later concurrently vice secretary of DSC of the Company from Jan. 2001, and deputy GM and later concurrently vice party secretary of the Company from Jun. 2003.

Deputy General Manger—Ms. Liu Jun, Female, born in 1957, Economist, began to work in 1974; ever worked in China National Pharmaceutical Group Guangzhou Corporation with successively taking the posts of deputy dean and dean of Manager Office, deputy general manager, vice party secretary, general party secretary and chairman of Labor Union from June 1976 till now; from Oct. 2003 till now, she took the posts of general party secretary, deputy general manager and chairman of Labor Union of SINOPHARM Medicine Holding Guangzhou Co., Ltd.

Deputy General Manger—Mr. Lin Min, born in 1964, senior MBA, Pharmaceutical Engineer, Licensed Pharmacist, worked in GuangDong Medical College from July 1986 to April 1992; took the posts of marketing minister, assistant to general manager of Guangdong Global Pharmaceutical Company Ltd. from April 1992 to Dec. 1997; deputy factory director of Manufacturing Factory of Guangdong Pharmaceutical University from Jan. 1998 to Dec. 2000; ever worked in China National Pharmaceutical Group Guangzhou Corporation with successively taking the posts of assistant to manager, deputy general manger of Pharmacy Department and deputy general manger of purchasing in Pharmaceutical Company from Jan. 2001 to Nov. 2003; supervisor of Guangzhou pharmacy sales of SINOPHARM Medicine Holding Guangzhou Co., Ltd from Nov. 2003 to Jan. 2005; general manager of SINOPHARM Medicine Holding Liuzhou Co., Ltd from March 2006 to Nov. 2007; from Jan. 2005 till now, deputy general manager of SINOPHARM Medicine Holding Guangzhou Co., Ltd.

Deputy General Manger—Mr. Lin Xinyang, MBA, Licensed Pharmacist, from Jan. 1996 took the turns of deputy GM of Nanfang Pharm. Co., deputy GM of China Medicine Group (Guangzhou) Company Yuexing Company, general supervisor of PD of SINOPHARM Medicine Holding Guangzhou Company; took the post of deputy GM of SINOPHARM Medicine Holding Guangzhou

Company from Jan. to Dec. 2004; took the post of deputy GM of the Company from Jan. 2005.

Chief Financial Officer—Mr. Wei Pingxiao, MBA, an accountant, took the turns of Financial department of State-owned Beijing Electronic Tube Plant, Modern Electronic Shenzhen Industrial Company, China Electronic Industrial Headquarter from Aug. 1985; and took the turns of deputy section chief of financial department of China Electronic Information Industry Group, financial director of AMOI, section chief of planning financial department of China Electronic Finance Leasing Company, Deputy GM of AMOI Beijing branch, financial charger of AMOI and director of its subsidiary from Apr. 1993; and hold the post of financial general supervisor of the Company since Dec. 2004.

Secretary of the Board—Mr. Chen Changbing, Master Degree, ever took the post of secretary of the 3rd and 4th Board of the Directors of the Company from Dec. 2000; and took the post of secretary of the 5th Board of the Directors of the Company from Sep. 2007, concurrently took the post of majordomo in Investment Management Department of the Company.

4. Particulars about elections of directors, supervisors and engaging of senior executives in the report period

(1) On March 27, 2008, the 3rd meeting of the 5th board of directors of the Company agreed that Mr. Chen Weigang did not take the positions of Chairman and Director due to work change any longer, and nominated Ms. Fu Mingzhong for the candidate as the director of the 5th board of directors of the Company which would be submitted into the 2007 Shareholders' General Meeting for approval held on April 25, 2008.

(2) On April 25, 2008, in the 4th meeting of the 5th board of directors of the Company, Ms. Fu Mingzhong was elected as the Chairman of the 5th board of directors as well as Legal Representative of the Company.

(3) On Dec. 26, 2008, the 7th meeting of the 5th board of directors of the Company agreed that Ms. Fu Mingzhong resigned her post of Chairman due to work arrangement; Mr. Shi Jinming was elected as the Chairman of the 5th board of directors as well as Legal Representative of the Company; agreed that Mr. Lu Jun did not take the post of Director due to work change, Mr. Shi Jinming did not take the post of General Manager of the Company due to work change, Mr. Ou Jianneng did not take the post of Deputy General Manager of the Company due to work change. According to the requirements of operation development of the Company, Mr. Yan Zhigang was engaged as the General Manager of the Company, and Mr. Lin Zhaoxiong, Ms. Liu Jun and Mr. Lin Min were additionally engaged as the Deputy General Managers of the Company.

Section II. Number of employees and professional quality

At end of the year 2008, the Company (including the subsidiaries) had totally 4,164 on-the-job employees.

Profession/occupation composition			Education Background		
Profession	Number	Proportion (%)	Education	Number	Proportion (%)
Production personnel	621	14.91%	Master degree or above	82	1.97%
Salespersons	1835	44.06%	Bachelor degree	875	21.01%
Technicians	52	1.25%	3-years regular	1201	28.84%

			college graduate		
Financial personnel	176	4.22%	Polytechnic school graduate	1210	29.06%
Administrative personnel and others	1480	35.56%	Senior high school graduate or below	796	19.12%
Total	4164	100%	Total	4164	100%

At the end of the report period, the Company had totally 407 retirees, whose pensions were taken by Local Social Insurance Bureau. The Company took on the expenses of 124 employees who retired early.

CHAPTER V. ADMINISTRATIVE STRUCTURE

Section I. Company Administration

According to the unified deployment of CSRC and specified arrangement on Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies by Shenzhen Securities Regulatory Bureau, the Company started special corporate governance campaign in 2007. According to self-inspection, public appraisal and reform requirement of Shenzhen Securities Regulatory Bureau after spot inspection, the Company earnestly carried out the reform and took measures. After completing the reform, the Company disclosed Summary Report for Special Corporate Governance Campaign on Oct. 31, 2007.

Coming into 2008, the special corporate governance campaign of the Company came to the phase of reform ending and comprehensive conclusion. According to the requirement of notice [2008] No. 27 issued by CSRC, the Company made a further inspection, highly focused and deeply promoted each work of the special corporate governance campaign, seriously analyzed and concluded the work, existing problems and achievement in each phase of the special campaign, exerted to establish relevant long effective system of the Company's administration to consolidate and exalt the achievement of the campaign. The result showed that, the problems founded in self-inspection, public appraisal and spot inspection of Shenzhen Securities Regulatory Bureau were completely reformed. On Jul. 18, 2008, the Extraordinary Meeting of the Fifth Board of Directors discussed and approved Reform Report for Special Corporate Governance Campaign of Shenzhen Accord Pharmaceutical Co., Ltd. and the resolution was published on Jul. 19, 2008.

Section II. Particulars about existing non standard governance of the Company

As a state-owned sharecontrolling listed company, the Company implemented related regulations on state asset management of controlling shareholders and actual controlling shareholders. Details are as follows:

No.	Parties of information reported to	Relationship between parties of information reported to with listed companies	Sort of information	Basis of the reported information	Date or period of reporting
1	SINOPHARM Medicine Holding Co., Ltd.	The 1st largest shareholder	Financial statement	Demand of consolidated statement of the 1 st largest shareholder	Scheduled

2	China National Pharmaceutical Group Corporation	Actual shareholder	Report of asset evaluation, etc.	Management methods on State-owned equity transfer and equity investment of China National Pharmaceutical Group Corporation	Temporary
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According to the requirements of Notice on Strengthening Supervision of Private Information Provide By Listed Companies to Majority Shareholders and Actual Share Controllers and Supplementary Notice on Strengthening Supervision of Private Information Provide By Listed Companies to Majority Shareholders and Actual Share Controllers, the board of directors as well as supervisory committee examined and passed Rules of Procedures for Implementing Inside Information Staff Reserve and Governance of Non Standard Information Disclosure in Sep. 2007, in which agreed the Company send financial reports to its majority shareholders regularly on carrying out related regulations of state-owned asset management, as well as implement secret-keeping systems and inside information staff reserve system when reserving to majority shareholders on disposition of state-owned asset and send Accepting Non Public Information Staff Reserve Sheet to Shenzhen Securities Regulatory Bureau.

Section III. Performance of the Independent Directors

(I) The presences to the meetings of board by independent directors

In year 2008, the Company held 8 meetings of board (Including the meetings by communication), and the presences to the meetings of board by independent directors were as follows:

Name of independent directors	Times are supposed to be attended	Presence in person	Entrusted presence	Absence	Remarks
Chen Shu	8	8	0	0	
Peng Juan	8	7	1	0	Entrusted Chen Shu in written form to attend and vote
Liao Li	8	7	1	0	Entrusted Peng Juan in written form to attend and vote

(II) In the report period, with holding the spirit of being responsible for the medium and small shareholders, independent directors strictly performed the obligations of fairness and diligence; made their useful suggestion and opinion on the operation decision-making, lawsuits and financial management; did not have objections for the proposals examined by board of directors and other events; examined earnestly the significant events issued by independent directors and made independent judge and independent opinion in writing form on significant related transactions, routine related transactions, engagement of CPAs, etc; performed their relevant duties on protecting the legal interests of medium and small shareholders. Independent directors made important plays in the operation in special committees in board of directors. At the same time, the Company can ensure rights of knowing for independent directors and other directors.

Section IV. Particulars about the Company's "Five Separations" from the largest Shareholder in respect of Business, Assets, Organization, Personnel and Finance:

The Company completely separated with the largest shareholder in respect of business, assets, organization, personnel and finance, and had independent and complete self-control business ability.

1. In respect of business: The Company was completely independent from the controlling shareholder in business, the Company had independent and integrated business system, and

autonomous operation capacity; the Company owned independent purchase and sales system. The purchasing center, subsidiaries and production enterprises are responsible for purchasing all medicine, appliance and raw resources used in production and distributing products. Production, supply and distribution departments and R&D were separated from each other. The Company was independent legal person facing the market. The Company would try to decrease related transaction between the Company and the largest shareholders and other controlling subsidiaries or between other related company and the Company; non-avoidable related transaction would accord with the principles of Public, Fair and Just.

2. In respect of personnel:

The largest shareholder and actual controller commended directors and managers according to legal procedures, which was no particulars about intervening appointment and removal of human resource decided by the Board of Directors and General Shareholders' Meeting; the Company set independent human resource department in charge of examination, training and salary audit work of all the employees, and established each rules and regulations which the employees should obey and made employees' handbook. The employees' labor, human resources, salary and relevant social security including endowment insurance and medical insurance were independently managed.

3. In respect of organization:

The production management and administration management (including labor, human resource and salary management) was completely independent with the largest shareholder and actual controller: official organization and production management place separated with the largest shareholder, with no particulars about Two Labels, One Group, mixed operation or office work; the Company set complete legal person administration organization, and gradually perfected and regulated in operation, the board of directors, supervisory committee and manager team worked independently and took their own responsibilities according to relevant regulations of Articles of the Association.

4. In respect of assets:

The Company was completed independent from its controlling shareholder in term of assets and independently operates. The Company not only possessed independent production system, auxiliary production system and complementary facilities, but also enjoyed such intangible assets as industrial property right, trademark, non-patent technology, etc.

5. In respect of finance:

- (1) The Company established independent financial department and independent financing checking system.
- (2) The Company established more standard and independent financing and accounting system and financial management system for branch and subsidiary companies.
- (3) The Company independently opened account in bank, with no particulars about depositing capitals in the account of large shareholders and financial company and accounting department controlled by other related parties.
- (4) The Company could independently made finance decision, with no particulars about the largest shareholder intervening capital usage.
- (5) The financial personnel of the Company were independent, who did not take part-time job or draw remuneration from the largest shareholder.
- (6) The Company paid tax legally and independently.

Section V. Performance Valuation, Incentive and Restriction Mechanism for Senior Executives

Senior executives of the Company took responsibility for the board of directors, in the report period, the board of directors implemented the performance checking mechanism that the remuneration of

senior executives related with their performance checking, with achievement as direction, and made relevant reward and punishment according to target completion. The Company would actively research mechanisms which effectively incent senior executives. The Company implemented the performance checking system by the month from the year 2008, and carried out the performance checking system for the senior executives by seven financial indexes, five management indexes, six adding marks indexes and four decreasing marks indexes and starting comprehensive management checking appraisal. The Company is establishing and perfecting the relevant incentive and restriction mechanism gradually in order to further exert the enthusiasm and creativity of senior executives, urge the senior executives to perform the obligations of being honest and diligent. The Company had no incentive mechanism for senior executives such as stock option, purchase of management team and equity held by owner.

Section VI. Establishment and Completeness on Internal Control System

(I) Self-evaluation report of the board of directors on its internal control system

For standardizing development and in order to control risk, ensure regulatory operation and protect legal interests of shareholders, according to the regulations of Basic Standard for Enterprise Internal Control issued by Finance Ministry and CSRC and Guidelines for Internal Control of Listed Company issued by Shenzhen Exchange, and combined with own actual situation, self characteristics and management demand, the Company established a set of complete internal control system of enterprise management, and constantly perfected and revised to made the internal control system of the Company run to be perfect during the development of business of the Company.

After discussing and evaluating the effectiveness of internal control, the Company provided Self-Evaluation Report of Internal Control (Details could be found on Juchao Website). The report had been approved by the board of directors, and the opinions of independent directors and supervisory committee were as follows.

(II) Independent directors' independent opinions on self-evaluation of on its internal control system

In 2008, the Company established and perfected internal control system according to actual operation, and the procedure and contents accorded with the requirement of relevant laws and regulations and securities supervisory department, had formed complete and serious internal control system. The Company basically established perfected internal control system, which covered business control, accounting system control, internal audit control, information system control and environment control, could adapt to the management requirement and development demand of the Company. Key activity of internal control system of the Company conformed to its internal control system, and the Company mad strict control on financial management, related transaction, external guarantee and information disclosure to ensure the orderly operation for the Company, play effective functions on operation risks and protect interest for all shareholders meanwhile.

(III) Supervisory Committee's opinions on self-evaluation of its internal control system

According to the requirement of relevant laws, regulations and standard document of Ministry of Finance, CSRC and Shenzhen Exchange, following basic principles of internal control and combined with self situation, the Company established and perfected internal control system, the administration structure of legal person was perfect, internal control system was complete, which could ensure formal and orderly operation and assets' safety of the Company.

In the report period, there was no particular about disobeying Guidelines for Internal Control of Listed Company issued by Shenzhen Exchange or the Company' internal control system. the supervisory committee thought that, the self-evaluation of internal control was accurate, true and complete, which inflected the actual situation of the Company' internal control.

CHAPTER VI. PARTICULARS ABOUT THE SHAREHOLDER'S GENERAL MEETING

In the report period, the Company held three Shareholders' General Meetings:

I. The 2007 Annual Shareholders' General Meeting

The 2007 Annual Shareholders' General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on April 25, 2008. The relevant notice was published on Securities Times and Hong Kong Wen Wei Po dated April 26, 2008.

II. The 1st Extraordinary Shareholder's General Meeting of 2008

The 1st Extraordinary Shareholder's General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on Sep. 1, 2008. The relevant notice was published on Securities Times and Hong Kong Wen Wei Po dated Sep.2, 2008.

III. The 2nd Extraordinary Shareholder's General Meeting of 2008

The 2nd Extraordinary Shareholder's General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on Nov. 11, 2008. The relevant notice was published on Securities Times and Hong Kong Wen Wei Po dated Nov. 12, 2008.

CHAPTER VII. REPORT OF THE BOARD

Section I. General operation of the Company in the report period

Year 2008 was a key year for Shenzhen Accord Pharmaceutical Co., Ltd. to start its second Three Years Development and operate its integration strategy in practice. According to the working spirit Re-breakthrough, Re-innovation and Re-development made at year begin, and taking realization of optimized values of enterprise and optimized interests of shareholders as springboard, as well as taking rapid, good and long-term development of the enterprise as target, the Company continuously promoted harmonization construction by furthering internal integration, grasping risk management and injecting innovation into management thought. New breakthroughs were made in various works of the Company, which made sure that the Company stepped into the second rapid development period as scheduled.

Since the formal operation of the new management & control pattern and organization structure in year-begin, to the second organization structure adjustment which took accelerating distribution integration as mainline since year-end, every work was operated with efficiency firstly considered. Under the condition that no existing experience could be referred, with approximately one-year operation, adjustment, negotiation, thinking and exploration, the integrated management & control pattern gradually became matured. For achievements obtained in risk management & control and experience share such as capital, account receivable, inventory, and intelligence communication between different regions in field of purchase, sale and customer service particularly in spread implementation of instruments such as plan management, target management and performance management, teams coming from different region with different history and civilization background identified with each other and gradually got harmonized. Harmonized and high-efficient organization atmosphere was getting dense day by day.

I. In 2008, the Company mainly finished the following works in medicine distribution and pharmaceutical industry:

1. Medicine distribution: strengthened core business and further integrated business

According to the position made in strategy development and meeting the market demand, the Company further integrated business. Taking channel network construction and regional strategic layout as focus, and keeping hospital pure sales market, meanwhile, the distribution business department also greatly expanded terminal distribution market, developed commercial temper market, and redefined rapid business field of Sinopharm Medicine Holding Guangdong Xinlong Co., Ltd., Guangxi Accord Pharmaceutical Co., Ltd. and Shenzhen Jianmin Pharmaceutical Co., Ltd., and programmed and promoted construction of subsidiaries and distribution sites in cities

around Pearl River Delta Region such as Foshan and Dongguan, and in east and west of Guangdong province.

In the aspect of industry structure: proportion of pure sales and terminal distribution in hospital to the pharmaceutical distribution was 57.84% in year 2008 with some rises compared with that in year 2007, in which the proportion of pure sales in hospital to the distribution remained the same compared with that in 2007, and the proportion of terminal distribution to the distribution climbed 1.7 percentage points compared with that in year 2007 with an increase number of RMB 0.26 billion. From the key areas of Shenzhen and Guangzhou, sales growth ratio of the third terminal business of Shenzhen Jianmin Pharmaceutical Co., Ltd exceeded 39%, number of newly-increased customers had a fast growth; number of newly-increased terminal customers of Sinopharm Medicine Holding Guangzhou Co., Ltd. in 2008 accounted for 77% in total number of newly-increased customers; meanwhile, strived for distribution qualification in Haizhu and Luogang districts in Guangzhou city for community distribution, thus its sales performance obviously raised. In 2008, sales through community distribution increased 269% compared to that of last year, and 289% for variety quantity traded.

In aspect of variety resource share: 1) variety quantity shared by Guangdong and Guangxi provinces increased 28% in 2008 compared to that of 2007. Sinopharm Medicine Holding Guangzhou Co., Ltd. had totally sold exceeding 400 varieties to Guangxi province in 2008, sales amount increased 20% compared to that of last year; 2) taking advantage of variety resource in Guangzhou Company general distribution and regional distribution, the commercial variety structure of Shenzhen distribution got greatly improved and commercial sales scale presented rapid development in general. Until end of December, commercial sales increased 52.7% and gross profit increased 61.4% compared with those of the same period of last year; 3) obvious effect was obtained in leading imported joint venture variety to Guangxi. Many imported joint-venture varieties led in 2008 enjoyed great rise in sales in Guangxi.

Besides, adapting to market change in medicine distribution business, the Company received the following significant achievements by accelerating strategic layout in key regions and detailing market exploration: successful sales contract of Wyeth Pei'er Bacterin in south of China, official establishment of Sinopharm Medicine Holding Foshan Co., Ltd. as well as purchase and establishment of Dongguan Accord Pharmaceutical Co., Ltd., according to its operation strategy that Take New Business Exploration First, Pour Efforts in Many Works at the Same Time and Develop Network to Build Terminal Control. Efficiency gained by marketing strategy sinking was bigger day by day.

2. Pharmaceutical industry: Laterally extended product line and vertically completed industry chain Zhijun Pharmaceutical realized develop current target that laterally extending product line and completing industry chain basically by focusing on current operation and future development.

In current operation: 1) accelerating normal operation of Guanlan new factory. Within the year since moved, the already-constructed product line could successfully finish the complicated works such as product ownership transfer and location change. Meanwhile, through continuous optimization, upgrade and reform, all product lines had reached or even exceeded the capacities original designed, among which, the capacity of cefepime fixed product line exceeded the original-designed one over 100%; 2) with reform in Yima line before international authentication, meanwhile, move of Luomake line was finished and approved GMP authentication in June; 3) two made-in-China powder needle lines were built in November and approved GMP authentication in December.

In sales: 1) in the situation that supply of codein material decreased 20%, through adjusting product structure and intensified proportion in solid preparation, the Company completely built high, middle and low level sales network. Through strengthening third terminal construction, and strengthening and adjusting examination and incentive method for sales personnel, the Company realized sale

amount exceeding RMB 900 million for the whole year, recovering rate of payment for goods reached 99% and sales increased 18.18% compared to that of the same period of last year; 2) promoted international authentication and cooperation with foresight, and introduced in the patent stomach medicine Revanex from Yuhan Corporation from South Korea; 3) the Company successfully purchased 75% equity of Suzhou Wanqing Pharmaceutical Co., Ltd., which laid foundation for industry chain integration in pharmaceutical industry.

II. Innovate management thought

1. Decentralized management realized through shrinking equity management chain

To reduce internal cross share-holding, compress management levels and cut down management cost, by public hanging out in Assets and Equity Exchange, the Company finished internal equity adjustment conformity for the following 12 level III and IV companies with cross share-holding: Accord Medicinal Materials, Guangdong Xinlong, Sinopharm Liuzhou, Shenzhen Accord Logistics, Guangdong Accord Drugstore, Main Luck Pharmaceuticals, Guangdong Yuexing, Huixin Investment, Hengchang Logistics, Sinopharm Foshan, Zhijun Medicine Trade as well as Shenzhen Accord Chain.

2. Strengthen management & control function in operation

The Company carried out discussion and stipulation for business strategic development program, carried out discussion for running pattern of new business and new market, strengthened management in budget, risk and capital, and through optimizing procedure system and smoothing key business, the Company greatly improved operation quality and efficiency; by smoothing key business points and setting index for risk alarm, the Company made analysis on difference, and formed special report, to reach balanced operation in purchase and sale business; strengthened control in risk of account receivable, optimized mechanism of credit alarm, and led the third party-professional consultation corporation to appraise and optimize Guangdong and Guangxi procedure system together.

3. Strengthen financial management function

The Company made and perfected systems of statement management, account check for account receivable, account payable management for purchase, expense budget management, calculation of retail shops, monetary fund management and inventory check management; emended relevant procedures of examine-and-approve for budget, expense cancellation disposal, capital attemp, payment paid for purchase, asset purchase as well as asset cancellation; generally constructed and gradually standardized three level statement management systems of Consolidated Statement of Accord Pharmaceutical, Statement of Undertaking Department and Monomer Statement of Legal Person Unit. The Company put emphasis on risk asset management over capital, account receivable and inventory, ensuring fore-control for work of risk management.

4. Optimize and advance information technology and network to get early information in competition

A series of IT develop programming was formed, and the Company made implementation plan separated by years for IT programming target and also operation maintenance of IT system, successfully finished transfer of new version CMS business systems in Shenzhen and Guangxi province, generally established marketing database for distribution and retail, carried out research on supply chain system for Guangzhou community hospitals, finished construction of finance NC platform and second development for part function, and finished optimization and popular use of human resource management system.

5. Promote and practice plan management in full round

In 2008, on the basis of sharing three-years plan management experiences of Sinopharm Medicine Holding Guangzhou Co., Ltd, the various regional distributors and Zhijun Pharmaceutical carried out plan management work in succession. The general target of the Company was finally reached from clearing working target and task function of the Company, to take-over part task of the Company by various levels, then to communication between departments and finally to periodical follow and feedback. Since this year, plan management played an more and more important role day by day, and it had become an assistant tool for employee, department and senior executives to finish their working target with high efficiency, and an important guarantee to guide and assistant employees to better finish works.

In 2008, after honored as Innovation Enterprise Award since 30 Years from Reform and Opening-up Policy and Enterprise with Outstanding Contribution Award since 30 Years from Reform and Opening-up Policy by Guangdong medicine industry, Accord Pharmaceutical was awarded as the Top 10 Potential Listed Companies of Guangdong province and Top 10 Listed Companies with Strongest Profit-making Ability of Guangdong province in achievement conference of Top 10 Listed Companies of Guangdong province held by Guangdong enterprise summit in 2008. Its brand influence in south area was getting up day by day.

Section II. Operation Result and main business of the Company

(I)The scope of main operations was R&D and production of pharmaceuticals, wholesales and chain retails 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. Formation of income from 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 over the last year (%)	Increase/decrease in operating cost over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Industry – medicine	87,717.07	64,753.72	26.18%	18.18%	36.17%	-9.75%
Commerce – medicine wholesales	816,457.65	777,742.29	4.74%	20.91%	21.01%	-0.07%
Commerce – medicine retail	34,224.58	26,356.95	22.99%	4.55%	6.17%	-1.17%
Non-medicinal trade	5,955.31	4,546.54	23.66%	39.45%	34.58%	2.76%
Lease	1,402.36	856.98	38.89%	-1.24%	65.62%	-24.67%
Subtotal	945,756.97	874,256.48	7.56%	20.04%	21.59%	-1.18%
Counteracting between internal business departments of the Company	113,694.68	111,880.11	1.60%	9.45%	9.38%	0.06%
Total	832,062.29	762,376.37	8.38%	21.65%	23.62%	-1.46%
Main operations classified according to products						
Respiratory antitussive medicines	16,915.47	3,116.96	81.57%	-26.13%	-12.65%	-2.84%
Cef- series products	60,569.83	52,661.05	13.06%	36.54%	36.94%	-0.26%
Including: the amount of related transaction	8,180.56	4,480.46	45.23%	18.16%	12.46%	2.77%

2. Income from main operations classified according to areas

Unit: RMB'0000

Area	Income from main operations	Increase/decrease in operating income over the last year (%)
Domestic sales	831,193.14	21.62%
Oversea sales	869.15	55.47%
Total	832,062.29	21.65%

3. Major suppliers and customers

Unit: RMB'0000

Total amount of purchase of the top five suppliers	226,805	Proportion in the total amount of purchase	29.75%
Total amount of sales of the top five sales customers	66,589	Proportion in the total amount of sales	8.00%

(III) Constitution of the assets for the Company in the report period

Unit: RMB'0000

Item	Dec. 31, 2008		Dec. 31, 2007		Increasing ratio in the total assets
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)	
Total assets	368,397.42	100%	291,109.11	100%	
Monetary fund	34,525.95	9.37%	25,483.74	8.75%	Up 0.62 percentage point
Notes receivable	22,187.63	6.02%	16,683.83	5.73%	Up 0.29 percentage point
Accounts receivable	172,671.19	46.87%	128,664.91	44.20%	Up 2.67 percentage points
Accounts paid in advance	4,003.49	1.09%	5,412.22	1.86%	Down 0.77 percentage point
Inventory	73,566.16	19.97%	57,431.81	19.73%	Up 0.24 percentage point
Fixed assets	37,487.04	10.18%	34,063.91	11.70%	Down 1.52 percentage points
Construction in process	1,875.70	0.51%	753.15	0.26%	Up 0.25 percentage point
Total liabilities	303,460.40	82.37%	238,851.10	82.05%	Up 0.32 percentage point
Short-term loans	37,894.83	10.29%	25,439.64	8.74%	Up 1.55 percentage points
Notes payable	79,151.33	21.49%	49,478.82	17.00%	Up 4.49 percentage points
Accounts payable	135,702.69	36.84%	105,460.63	36.23%	Up 0.61 percentage point
Tax payable	1,438.00	0.39%	1,981.13	0.68%	Down 0.29 percentage points
Other accounts payable	27,173.19	7.38%	32,356.03	11.11%	Down 3.73 percentage points
Long-term loans	3,000.00	0.81%	7,772.00	2.67%	Down 1.86 percentage points

Reasons for changes on constitution of the assets formation compared to that of last year:

(1) Monetary fund took 9.37% of the total assets, 0.62 percentage point up compared to that of period-begin, which was mainly due to that: in one side, the sales scale of the Company expanded which increased capital reflow at period-end; in the other side, the Company increased discount for notes.

(2) Notes receivable took 6.02% of the total assets, 0.29 percentage point up compared to that of period-begin, which was mainly due to that: payment with notes increased as the sale scale of the Company expanded.

(3) Accounts receivable took 46.87% of the total assets, 2.67 percentage points up compared to that of period-begin, which was mainly due to that: accounts receivable increased as the sale scale of the

Company expanded.

(4)Accounts paid in advance took 1.09% of the total assets, 0.77 percentage point down compared to that of period-begin, which was mainly due to that: in one side, the account paid in advance of last year included account paid for the construction in process and equipment. Since part construction had been finished in the year, then the aforesaid account should be transferred to fixed assets; at the other side, the Company advanced its negotiation ability with suppliers, thus payment paid in advance for purchasing goods reduced.

(5)Inventory took 19.97% of the total assets, 0.24 percentage point up compared to that of period-begin, which was mainly due to that: as the sale scale expanded, market demand increased and inventory reserve increased.

(6) Fixed assets took 10.18% of the total assets, 1.52 percentage point down compared to that of period-begin. While net fixed assets of year-end had increased RMB 34,231,300 compared to that of year-begin, which was mainly due to that: the pharmaceutical R&D base project (which was originally recorded as construction in process) and the project of technical reform of the subsidiary of the Company-Shenzhen Zhijun Pharmaceutical Co., Ltd, was transferred into fixed assets with RMB 32,596,200 since finished.

(7)Construction in process took 0.51% of the total assets, 0.25 percentage point up compared to that of period-begin, which was mainly due to that: more RMB 42,547,300 was invested for the pharmaceutical R&D base project and the project of technical reform of the subsidiary of the Company-Shenzhen Zhijun Pharmaceutical Co., Ltd. in this report period and RMB 32,596,200 was transferred to fixed assets, thus RMB 9,951,100 was increased in construction in process.

(8) Short-term loans took 10.29% of the total assets, 1.55 percentage points up compared to that of period-begin, which was mainly due to that: the Company increased acceptance discount and newly increased account payable factoring business.

(9) Notes payable took 21.49% of the total assets, 4.49 percentage points up compared to that of period-begin, which was mainly due to that: as the sale scale expanded in the year, the Company advanced capital utilization efficiency by means of intensifying implementation power in notes.

(10) Account payable took 36.84% of the total assets, 0.61 percentage point up compared to that of period-begin, which was mainly due to that: market demand increased, inventory reserve increased and purchase power increased.

(11)Tax payable took 0.39% of the total assets, 0.29 percentage point down compared to that of period-begin, which was mainly due to that: influenced by new tax law on declining income tax rate, the income tax rate of the subsidiaries of the Company located in Guangzhou and Liuzhou regions changed to be 25% from the original 33%, which greatly cut down income tax payable.

(12)Other account payable took 7.38% of the total assets, 3.73 percentage points down compared to that of period-begin, which was mainly due to that: loan of RMB 110 million at period-begin which should be returned to the Company's controlling shareholder-Sinopharm Medicine Holding Co., Ltd. was returned in this report period; at year end, the unpaid sales expense by the Company's subsidiary- Shenzhen Zhijun Pharmaceutical Co., Ltd. had decreased RMB 27.34 million compared to that of last year-end.

(13)Long-term loans took 0.81% of the total assets, 1.86 percentage points down compared to that of period-begin, which was mainly due to that: the three-years loan of RMB 57.72 million provided by China Merchants Bank of Anlian Branch would be matured on Aug 24th of 2009, so it was transferred to non-current liability due within one year.

(IV) Changes on operation expenses, administration expenses, financial expenses and income tax

Unit: RMB'0000

Item	2008	2007	Increase/decrease ratio(%)	Reason for significant change

Operation expense	29,832.68	33,152.70	-10.01%	Strengthened expense management by effective method such as budget, reduced logistics and business expenses, controlled rational expenditure of expense and effectively reduced propaganda expenses.
Administration expenses	20,491.56	18,897.27	8.44%	Main influence factors were increasing input in R&D expense of the Company's subsidiary-Zhijun Pharmaceutical and increasing depreciation expense in the new factory.
Financial expenses	5,352.67	2,986.57	79.22%	Too high interest rate brought great increase in cost; besides, loans increased this year and note discount to bank increased.
Investment income	1,651.09	3,408.70	-51.56%	Guangzhou South Medical Equipment Co., Ltd, a subsidiary of the Company, sold the shares of SINOPHARM Medicine Holding held by them, and obtained investment income of RMB 25.59 million in 2007. Investment income for 2008 of RMB 16.56 million was mainly arising from contribution from the Company's affiliated company-Main Luck Pharmaceutical due to its growing performance.
Non-operating income	1,977.44	2,348.43	-15.80%	SINOPHARM Medicine Holding (Liuzhou) Co., Ltd, a subsidiary of the Company, sold land and obtained disposal income of RMB 16.69 million in 2007; received governmental subsidy of RMB 3.5 million. In 2008, the Company totally received RMB 13,180,600 as governmental subsidy for medicine reserve and scientific research, the income from the disposal of fixed assets was RMB 5,561,800.
Income tax	4,104.36	5,233.33	-21.57%	Influenced by new tax law on declining income tax rate, the income tax rate of the subsidiaries of the Company located in Guangzhou and Liuzhou regions changed to be 25% from the original 33%, which greatly cut down income tax payable.

(V) The operation and performance analysis of the main holding companies and joint stock companies of the Company

1. Shenzhen Zhijun Pharmaceutical Co., Ltd: an exclusively-owned subsidiary of the Company, with the registered capital of RMB 69 million and main business was production for raw medicine of chemical products, processing for Chinese traditional patent medicine and R&D, production and operation of chemical material of medicine. It mainly produced medicine for respiratory system and anti-infection and the main products are isedyl cough syrup and Cefuroxime Sodium. Until Dec 31st of 2008, the total assets amounted to RMB 700,261,900, RMB 775,384,000 for the realized operation income in 2008, and RMB 89,204,000 for operation profit and RMB 86,297,000 for net profit.

2. SINOPHARM Medicine Holding (Guangzhou) Co., Ltd: with the registered capital of RMB 50 million and an exclusively-owned subsidiary of the Company. It mainly engaged in import and export of Chinese traditional patent medicine, chemical preparations, antibiotics, bio-chemical medicine, biological medicine, diagnosis medicine, biological medicine with features of treatment and diagnosis, shaped packing food, chemical products, and various commodity and technique hold by self-support and agency. Until Dec 31st of 2008, the total assets amounted to RMB 2,073,779,600, RMB 6,129,932,800 for the realized operation income in 2008, and RMB 111,046,100 for operation profit and RMB 87,637,200 for net profit.

3. Shenzhen Main Luck Pharmaceuticals INC: with the registered capital of USD 5 million and the Company holds 35.19% of its equity. Its main business covered development, research, production and operation of anticancer medicine preparations. Until Dec 31st of 2008, the total assets amounted

to RMB 254,316,300, RMB 293,069,700 for the realized operation income in 2008, and RMB 43,824,200 for operation profit and RMB 38,586,500 for net profit.

Section III. Input for R&D and self-innovation of the company

1. Particulars about the R&D and self-innovation:

In 2008, Shenzhen Zhijun Pharmaceutical Co., Ltd. signed patent transfer contract with Yuhan Corporation of South Korea, thus introduction for the stomach medicine Revanex which had world-wide patent was finished; self R&D product Ambroxol Oral Solution had went into market for sales; as to variety declaration, 4 production licenses for the two varieties Sulbactam Sodium and Cefonicid Sodium had been received, meanwhile, 5 clinic licenses were issued.

2. Particulars about energy saving and reduction of emission:

In December of 2008, Shenzhen Zhijun Pharmaceutical Co., Ltd. successfully passed Shenzhen Clean Production Check-and-accept organized by Shenzhen Trade and Industry Bureau, Environment Protection Bureau and Shenzhen Technology and Information Bureau. The specialist team made a full-round auditing in Zhijun Pharmaceutical according to Cleaner Production Promotion Law of the People's Republic of China, Temporary Method for Implementing Clean Production Check-and-accept of the State Development and Reform Commission and Environment Protection Bureau, Check-and-accept Management Method for Guangdong Clean Production Enterprise, as well as Detailed Rules for Implementing Clean Production Check-and-accept Work of Shenzhen, and the following came the result: the company paid attention to clean production and carried out clean production examination willingly. Emission of exhaust gas and waste water reached standard, and solid waste was disposed properly, meeting the requirements for standardization; resource utilization rate was comparatively high and resource was managed well. Zhijun Pharmaceutical started off clean production examination work for this period in April of 2008. According to various procedure of clean production examination, it promoted clean production work completely, elected and ensured 18 clean production schemes, which yielded obvious economic benefit and environment benefit.

In 2008, in work of furthering technical reform and promoting energy saving and reducing consumption, Zhijun Pharmaceutical continued to promoted technical reform and finished 8 technical reform (water-saving item for stoppling machine in powder needle workshop; reform in oral solution batching system, etc.), besides, another 6 technical reform was undertaking (reform in powder box for powder needle line and reform for energy-saving of centrifugal refrigeration machine, etc.). Technical reform greatly improved production efficiency and reduced consumption.

Section IV. Working plan of the Company for 2009

The year 2009, is a key year for Accord Pharmaceutical to realize RMB 10 billion sales income, and also a significant year for the second Three Year Development. The Company would do the best to prevent and solve risks brought by change of market environment, actively grasps develop opportunity of industry integration change, adjusts strategic layout, accelerats and promotes integration of management & control, integration of industry chain and integration of distribution & operation. The Company concentrates on developing trend of industry and distribution with strong advantage, builds the core competition advantage and realizes healthy, long-term and sustainable development.

I. Promot integration of management & control, integration of industry chain and integration of distribution & operation of the Company

In 2009, the Company would make the second structure adjustment with advancing integration of distribution as mainline, further promotes the development strategy layout with integration of management & control, integration of industry chain and integration of distribution & operation of the Company as focus, further defines integration of management & control, further centralizes operation resource for integration and further obtaines benefit from integration operation. The

Company advocates integration operation as main rhythm and was prudent in making benefit.

1. Promote integration of management & control of the Company

The Company adjusts organ structure and defined management & control function of the following four centers:

(1)Operation management center: conducts two level management pattern that took head instruction as center and business department. The head is in charge of promotion of programming, supervision and control, information technology and phase important work; and the business department is in charge of daily detailed operation.

(2)Finance management center: the head office directs and harmonizes, and business is managed vertically; the head directs investment, capital is centralized and managed on a unified platform; as to finance management, in the condition that the head office guided as a whole and directed in category, business is vertically managed according to line function; accounting calculation is mainly region calculation.

(3)Human resource center: beeline management plus professional guidance. Taking integration operation as center, to define clearly responsibility role and perfect responsibility system; practices ability demand and advances organization ability; strengthens performance management, and optimizes appraisal system; builds cooperation and harmonization organization atmosphere.

(4)Administration management center: management from the head office plus practical operation of apanage. Plays function as administration hinge and administration management of the Company; takes on administration management work in Shenzhen Region; offers guidance for administration management work of other regions, strengthens integration of management & control, provides guarantee support for business growth.

2. Promotes industry chain conformity of Zhijun

(1)The Company rapidly carries out integration work about Suzhou Wanqing Pharmaceutical Co., Ltd. after purchase. And the Company makes raw material of Wanqing meet the variety of Zhijun, thus complementary benefit could be made. Fully take advantage of approval document for raw material of Wanqing, to enlarge and complete variety of medicines made by Zhijun, especially focuses on field of anti-infection;

(2)Accelerate research & development register for the patent medicine Revanex, aiming to enter field of digestive system as early as possible;

(3)Translate science research fruit by means of project cooperation and introduction;

(4)Looked for pharmaceutical factory or product or so new item which shares conforming strategy development with Zhijun in way of capital operation such as purchase;

(5)Programme and construct well the industry platform with Guanlan as the base, explore its capacity deeply, save energy and reduced consumption, strengthen examination on consumption and yield, and improve average efficiency. When constructed, it should be considered that the industry platform could catch the developing step of international level, besides, the present land resources should be fully well used, to build a production base with high efficiency and limited investment. All these would advance a lasting and rapid growth for industry.

3. Promoted distribution integration operation

(1)To integrate purchase resources of Accord Pharmaceutical with principle of Unified Programming, Unified Inventory, Unified Information and Unified Management; taking purchase as lead, the Company drove business operation;

(2)The Company builds common management & control and operation platform in purchase function such as purchase strategy, programming execution, regional harmonization, bidding affair, product development, inventory programming and customer service.

(3)Break layout of regional interest, restructure commercial organization and realize commercial

unified operation;

(4)The Company fully considers regional difference between hospital markets, so it carries out pure sale business management taking region as line.

4. Ensure complete start-off of Guangzhou Medicine Logistics Center, and successfully finish work of moving and conforming storage

(1)Promote integration operation of logistics and finish construction of integration management system of logistics;

(2)Try to implement multi-storehouses management pattern; by unified WMS system and logistics platform, with the condition that owning the third party logistics, the Company implements management that consignor with multi-storehouses and storehouse with multi-consignors;

(3)Try transfer allocation pattern between logistics centers and allocation stations. By unifying WMS and TMS systems and combining with the standard label for delivery box of cargo from storage, the Company conveniently realizes transfer allocation function between logistics centers and allocation stations and share transport resources.

II. Kept sustainable development of distribution and industry

The Company adjusts strategic position, concentrates on spanning growth of distribution and industry with strong advantage, studied the influence over the Company brings by medical reform and policy of inviting public bid with foresight, makes strategy layout in south area with foresight and keeps sustainable development trend of distribution and industry. Through adjusting operation strategy, the Company implements management advance with procedure index of operation quality as emphasis.

(1)Zhijun Pharmaceutical aims to become the best cephalosporin producer in China with the most complete variety and the best quality. Besides carrying out business with foresight and strategy, it does its best to adjust structure of marketing pattern and product structure, to remain trend of sustainable development;

(2)Special promotion team will be established. Third terminal promotion new pattern which could be examined was established, develops third terminal customers and pulls forward third terminal sales;

(3)Fine management on production will be promoted. The present production crafts technics are continuously optimized and reformed. The Company also improves automatic level for the later section of production line;

(4)Promoted structure optimization and adjustment of business such as hospital, commerce and terminal; promoted structure optimization and adjustment of product such as imported joint venture products and domestic-made products; promoted structure optimization and adjustment of assets such as account receivable and inventory; ensured definite targets such as particular variety, customer, network and risk control;

(5)Actively adjusts variety structure, greatly promotes develop and sales of breeds with competition ability, implements network detailing, put efforts in exploring excellent customers of hypo-terminal, perfectes and optimizes regional network layout and realizes scale cover for regional markets.

III. Build harmonized homestead together

The main rhythm integration operation endowed Build Harmonized Homestead Together with more and deeper meaning to build enterprise spirit. Members of the team recognize each other, management thought is harmonized, responsibility system with clear responsibility and unified target is established, the warm organization atmosphere that enterprise cares for employees and both of the two grew together was formed, which become the power and source for concentration and reaching top point.

1. Carry out enterprise spirit construction with Build Harmonized Homestead Together as main

theme

(1) Firmly holding the target that made the enterprise bigger, stronger and longer, the Company plays function of party group organization, plays pioneering example effect of party member, solidifies and centralizes all employees, looks for reality and practice, grows with the time, advances management and economic benefit of the Company;

(2) The Company combines culture construction activity with working target and operation focus, advocates Execution culture, cultivates Performance culture, promotes Efficiency culture, and fully improves comprehensive character of employees. The Company advocates Being Example and Coach in executives circle; advocates Doing the Best Myself in all employees, cultivates Four Owning employees owning target, responsibility, ability and contribution;

(3) The Company builds organization atmosphere with cooperation and harmonization, increases landscape orientation communication and negotiation between different business, regions and departments, sets integration thought, learns and supports each other;

(4) On the basis of ensuring national interest, maintaining social interest, and maximizing interests of enterprise and shareholders, the Company takes employees' interest into full consideration, combines closely development of enterprise with employees' individual interest to inspire employees' potential and strengthen enterprise coherence and centripetal force.

2. Establish big security structure

(1) The Company perfects its security responsibility system, set ssecurity production committee of Accord Pharmaceutical, and practices security responsibility in full round;

(2) The Company cultivates security risk awareness of its employees, and gradually establishes long-term effective mechanism for security production.

Section V. Influence over the Company caused by changes of market operation environment, and macro policy and laws

1. Market risk

The various policy and laws standardizing development of the industry drove up threshold for the industry and accelerated ruffle for this industry; consume demand for medicine, demand for clinic, upgrade in breed structure and change in terminal demand were gradually passed to the upper stream; part central enterprises quickened step in merger and restructure of local medicine enterprises, craft brother in medicine industry continued to increase investment in medicine commerce, sales scale and growth speed of big-brand enterprises were accelerating. Change in business operation pattern of agents, merger and acquisition and restructure, as well as entrance of foreign capital made the competition in medicine industry more furious, and made expansion of the Company's network and market occupancy bear heavier burden.

Overall health insurance, new rural coadjutant medical care covering the whole area and raise of subsidy, such governmental policies warming market began to become the focuses that the industry paid attention to; inviting public bid by hanging out in network of hospitals and zero-difference trial spot in Guangdong hospitals led the gross profit to decline continuously; and market risk also existed in unified allocation of community.

Countermeasure of the Company: took close eyes on industry trend, controlled significant market, held opportunity obtained by early information; took close eyes on medical reform scheme, and medicine demand growth trend of different regions with different policy and environment after the basic medicine catalogue issued; adapted vivid, prudent and effective countermeasures to face the problems steadily. Narration classified according to type of operation was as follows:

(1) Zhijun Pharmaceutical

1) Fully ran sale channel resource for national medicine, under the integration operation, the Company enlarged market bidding proportion, took close eyes on policy trend of fixed producer enterprises producing national basic medicine. Resources were operated in full round and the

Company tried to enter the aforesaid scope;

2) Further adjusted breed layout and took Cef-series products as leading market; another 3 products which were sold over RMB 100 million in a year would be increased; carved out a way for new products by slope policy; stopped production of the products and breeds which were not welcome in market;

3) Strengthened cooperation with suppliers and local agents, and tried to further centralize market channel of popular breeds.

(2)Distribution market

1) Under the unified guidance of the Company, the hospital's 2009 public bidding invitation team by hanging out in network was established. Preparation work for public bidding invitation by hanging out in network was fully harmonized and planned as a whole;

2)Quickened running south layout in distribution market, to ensure that one success gained from one purchase, took over an enterprise and occupied one market;

3) Made careful research on operation pattern of quick batch channel; taking rapid response and special operation as principle, the Company really showed advantage of quick batch in integration operation;

4)Purchase center should summarize community allocation experience, explore sales market of new rural coadjutant medical care, do well in breed programming support and cultivate new growth point;

5) Unified management for sales business of bacterin in Guangdong and Guangxi provinces.

2. Capital risk

Outside: impacted by international financial crisis, the entire environment was bad. The growth scope of national fiscal income obviously decreased, and growth speed of Chinese economy slipped.

Inside: the Company hasn't carried out financing in capital market, and the entire asset- liability ratio was a little high; according to development programming, capital demand for operation items of industry chain integration and strategy distribution in south area was comparatively high; period of hospitals' account receivable extended, and payment condition presented by suppliers was rigorous, operation cash flow risk became larger; commercial customers increased and financing ability of private companies was sufficient, which threatened capital security of the Company.

Countermeasure of the Company:

1) Using the properly loose monetary policy, in the situation that discount rate kept falling, the Company would strengthen strategic cooperation with financial organization, develop financing channel, strive for favor interest rate and reduce capital cost, by taking advantage of brand and network in capital operation;

2) Built budget management and risk management systems and Capital Management Department of Finance Management Center was in charge of unifying capital operation;

3) Capital Management Department of Finance Management Center prepared annual, quarter as well as month rolling budgets in strict accordance to operation capital match of the annual budget, and it held balance meeting of capitals from various type of operation, in order to support rapid development of business with reasonable, balanced and sufficient capital;

4) Paid close attention to credit and capital chain of middle and small commercial customers thus made risk prevention in advance;

5) In strategy, it preferred to sacrifice part interest rather than to sacrifice capital security. Budget exceeding red line was strictly controlled, put an end to bad debt and firmly eliminated account receivable over one year.

3. Cost risk

Faced with pressure of deflation, depreciation of Renminbi, and continuously exasperated credit

environment, the Company would be directly influenced on its capital security by the risk-prevention ability of upper and lower stream customers, thus concealed operation cost would experience an enlarging risk; expansion in financing scale brought increase in capital cost; production scale of Zhijun Pharmaceutical was expanded, thus its depreciation and human resource cost increased; price of materials for production kept rising, which brought rise in production cost; increase in capacity, and capital for production line reform and authentication increased; input in scientific investigation, international authentication and construction of new factory zone increased; as the unique inventory management new pattern purchased for distribution integration, no present experience on how to evade capital risk existed; expense occurred in relocation, integrity, and conformity for new logistics center increased.

Countermeasure of the Company:

- 1) Strengthened appraisal and argumentation of investment item, to ensure that return from investment could reach the scheduled achievement;
- 2) Took close eyes on policy change, fully took advantage of capital planned as a whole of integration of the Company to reduce financing cost by multi-channels.
- 3) Strengthened inventory management, made periodic analysis on inventory. Those inventory goods which were not popular or approached the valid time should be promptly disposed and examined, aiming to minimize inventory loss;
- 4) Made industry cost management in full aspects from personnel to production, purchase and quality as well, etc. ensured quality of raw materials, advanced average efficiency and reduced material consumption;
- 5) Strengthened programming and operation management of logistics center and reduced cost.

4. Risk of person with ability

It was predicted that growth rate downward pressure of national economy would be intensified and unemployment rate for 2009 in national wide would reach 14%. Though many big-sized enterprises reduced the stafftrimmer and salary, executive personnel reserve for various levels and special personnel reserve for various type of operation were insufficient as Accord Pharmaceutical developed rapidly. Phenomenon against development of the Company such as narrow introduction channel and bigger-lost of person with ability brought risk for long-term development of the Company. The question that how to retain and attract person with ability by intelligence mechanism of sharing development fruit and finally to realize synchronization between growth of person with ability and development of enterprise was another challenge faced by the Company.

Countermeasure of the Company:

- 1) Doing well in programming person with ability with foresight according to the Company's development strategy;
- 2) Set person with ability mechanism of the Company, to absorb and retain person with ability and effectively control risk of person with ability;
- 3) Carried out training work for level teams with advancing organization ability as object, thus to cultivate person with ability;
- 4) Promoted standardized management for programming of human resource, adjusted management thought in performance and remuneration, and built multi-channel for growth of person with ability;
- 5) In building enterprise spirit, good environment for growth of person with ability should be well built. Through setting typical model and example, the Company helped employees in different position to find their own stages to show their talent.

Section VI. Investment and application of raised proceeds

I. particulars about the main investment

The Company had no external investment in 2008.

II. Application of raised proceeds

In the report period, the Company had no proceeds raised through share offering or there was no such situation that the proceeds raised through previous share offering went down to the report period for application.

III. The actual progress of significant non-raised proceeds

In 2008, the Company's subsidiary-Shenzhen Zhijun Pharmaceutical Co., Ltd.'s accumulated investment amount for the project of the pharmaceutical R&D and manufacture base reaches at RMB 0.204 billion and accomplished and has been put into use; the total amount for the budget of technical reform project was RMB 35.61 million which achieved 90.62% of the budgeted process.

Section VII. Routine work of the Board of Directors

Particulars about the meetings held by the Board of Directors of the Company in this year:

1. On Mar. 25, 2007, the 3rd meeting of the 5th Board of Directors was held; the following proposals were examined and approved:

- (1) Report on Board of Directors in 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (2) Report on Financial Settlement in 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (3) 2007 Annual Report and Its Summary of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (4) Plan on Profit Distribution in 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (5) Proposal on Adjustment of Related Items in Balance Sheet in Period-begin of 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (6) Operation Plan in 2008 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (7) Report on Duties of Independent Directors in 2007;
- (8) Regulations on Annual Audit of Audit Committee of the Board of Directors;
- (9) Working System for Annual Report of Independent Directors;
- (10) Examination Scheme on Operation Performance in 2008;
- (11) Proposal on Cancelling Bad Assets in 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (12) Proposal on Applying Comprehensive Lines of Credit from Bank and Supplying Guarantee for Applying Bank Credit for Subordinate Company;
- (13) Proposal on Routine Transaction in 2008 among Shenzhen Accord Pharmaceutical Co., Ltd. and Subordinate Company and Related Parties;
- (14) Proposal on Transferring 30% Equities of Liaoning Accord Medicines Chains Co., Ltd.;
- (15) Proposal on Increase to Hold 10% Equities of Sinopharm Medicine Holding Guangzhou Co., Ltd.;
- (16) Proposal on Introducing Patent Medicine of South Korean Yuhan Corporation by Zhijun Pharmaceutical Co., Ltd.;
- (17) Proposal on Reengaging Audit Institution of Annual Report;
- (18) Report on Self-evaluation of Internal Control in 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (19) Report on Social Responsibilities in 2007 of Shenzhen Accord Pharmaceutical Co., Ltd.;
- (20) Proposal on Revising Articles of the Association;
- (21) Proposal on Increase to Supplement Directors;
- (22) Proposal on Purchasing Liability Insurances for Directors, Supervisors and Senior Executives;
- (23) Proposal on Holding 2007 Annual Shareholders' General Meeting.

The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated March 27, 2008.

2. On Apr. 25, 2008, the 4th Meeting of the 5th Board of Directors was held which discussed and approved the following proposals:

- (1) Proposal on Electing Chairman of the Board;
- (2) Proposal on Adjusting Members of Strategy Committee;

(3) The First Quarterly Report 2008.

The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated Apr. 26, 2008.

3. On May 20, 2008, the Board of Directors held extraordinary meeting by communication voting, which discussed and approved the Proposal on Purchasing 100% Equities of Guangzhou Sinopharm Medicine Co., Ltd., The related matter on the purchase was published on Securities Times and Hong Kong Wen Wei Po dated August 30, 2008.

4. On June 25, 2008, the Board of Directors held extraordinary meeting by telephong voting, which discussed and approved Proposal on Short-term Loan to Sinopharm Medicine Holding Co., Ltd. The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated June 27, 2008.

5. On July 18, 2008, the Board of Directors held extraordinary meeting by telephong voting, which discussed and approved Reform Report for Special Corporate Governance Campaign of Shenzhen Accord Pharmaceutical Co., Ltd. The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated July 19, 2008.

6. On Aug. 6, 2008, the 5th Meeting of the 5th Board of Directors was held which discussed and approved the following proposals:

- (1) The Semi-annual Report 2008 of the Company;
- (2) Proposal on the Company and Underling Company Applying the Bank for Lines of Credit and Providing Guarantee;
- (3) Proposal on Guangdong Huixin Investment Co., Ltd. Canceling the Long-term Equity Investment.

The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated Aug. 8, 2008.

7. On Oct. 22, 2008, the 6th Meeting of the 5th Board of Directors was held which discussed and approved the following proposals:

- (1) The Third Quarterly Report 2008 of the Company;
- (2) Proposal on Providing Guarantee for Sinopharm Medicine Holding Guangzhou Co., Ltd. on Applying Bank of Communication Guangzhou Branch for Comprehensive Credit;
- (3) Proposal on Zhijun Pharmaceutical Co., Ltd. Investing to Build the Second Workshop of Oral Solid Cephalosporin;
- (4) Proposal on Cleaning and Integrating the Equity of Three or Four Level Underling Companies;
- (5) Proposal on Holding the 2nd Extraordinary Shareholders' General Meeting 2008.

The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated Oct. 24, 2008.

8. On Dec. 26, 2008, the 7th Meeting of the 5th Board of Directors was held which discussed and approved the following proposals:

- (1) Proposal on Selling Assets of the Company's Retailing Operation;
- (2) Proposal on Purchasing 100% Equity of Sinopharm Medicine Holding Nanning Co., Ltd.;
- (3) Proposal on Purchasing 100% Equity of Dongguan Dongfeng Traditional Chinese Pharmaceutical Co., Ltd.;
- (4) Proposal on Purchasing 75% Equity of Suzhou Wanqing Pharmaceutical Co., Ltd.;

- (5) Proposal on Signing Cooperation Agreement on Exploration and Maintenance Service of Information System with Related Party;
 - (6) Proposal on Applying Bank of Communications Shenzhen Dongmen Branch for Comprehensive Credit;
 - (7) Proposal on Adjusting Members of Operation Team;
 - (8) Proposal on Electing Chairman of the Board;
 - (9) Proposal on Increase to Supplement Directors;
 - (10) Proposal on Holding the 1st Extraordinary Shareholders' General Meeting 2009.
- The resolution of the meeting was published on Securities Times and Hong Kong Wen Wei Po dated Dec. 30 and Dec. 31 of 2008.

Section VIII. Implementation of the resolutions of the Board of Directors and Shareholders' General Meeting in the report period

(1) Implementation of the daily related transaction made between the Company and its big shareholders and related enterprise

During the report period, the Proposal on Daily Related Transaction between the Company and Related enterprise has been examined and approved by the 2007 General Shareholders' Meeting of the Company dated May 18th of 2007. In 2008, the Company actually has purchased goods from the related enterprises totalling RMB 1,019,117,900, and RMB 695,504,500 for selling goods. These two occurring amounts are respectively 78.39% and 99.36% of the granted amounts authorized by the General Shareholders' Meeting.

(2) Implementation of the profit distribution plan

In order to make up the current funds of the Company, profit distribution was not taken at the end of the report period.

(3) Implementation of plan on issuing new shares

In the report period, the Company did not implement plan on allotment and increasingly issuing new shares.

Section IX. The performances of the Audit Committee of the Board of Directors

1. In the report period, the Audit Committee set under the Board of Directors actively performed their responsibilities in accordance with Company Law, Code of Corporate Governance for Listed Companies in China, Articles of the Association, Regulations on Annual Report of Audit Committee of the Board of Directors and other related regulations.

2. The Audit Committee set under the Board of Directors audited the 2008 financial report of the Company and expressed their second auditing opinions in accordance with Regulations on Annual Report of Audit Committee of the Board of Directors, and the detailed opinions were as follows:

(1) Audited the financial statements before the annual certified public accountant entered the Company, Audit Committee thought:

All the transactions of the Company were recorded, the transaction matters were real, the materials were complete, the accounting policy was chosen properly, accounting estimation was reasonable, no material misstatement and failed report was discovered; occupation of fund of the Company by the large shareholder was not discovered; guarantee not through the procedure of audit and abnormal related transaction of the Company were not discovered.

The relevant data in financial statement prepared by the Company basically reflected the assets liabilities ended as of Dec. 31, 2008 and operating results of year 2008, agreed to begin to carry out financial audit of year 2008 based on the financial statement.

(2) After the annual certified public accountant entered the Company, supervision in written form was taken; after annual certified public accountant issued the first audit opinions, they once again examined the firstly-audited annual financial statement; the Audite Committee thought: through

communicating with annual certified public accountant on first audit opinion, the Audit Committee agreed to keep the original audit opinions, and thought the Company has dealt with post balance sheet event strictly in accordance with New Accounting Standards for Business Enterprise; the financial statement of the Company was prepared complying with New Accounting Standards for Business Enterprise and relevant financial system of the Company, and reflected the financial status as of Dec. 31, 2008 and operating results of year 2008 in all significant aspects; and agreed to compile 2008 Annual Report and Its Summary of the Company based on the financial statement and submitted to board meeting for examination after the Committee examined.

3. The Audit Committee set under the Board of Directors communicated and supervised the audit works of CPAs in accordance with Regulations on Annual Report of Audit Committee of the Board of Directors; after Shulun Pan Certified Public Accountants Co., Ltd. issued the 2008 annual auditor's report, the Audit Committee of the Board of Directors held site meeting on March 10, 2008, in which the audit work of this year by Shulun Pan Certified Public Accountants Co., Ltd. was summarized and formed the resolution on re-engaging CPAs for next year and the resolution was as follows: with the supervising and inquiring Shulun Pan Certified Public Accountants Co., Ltd. on 2008 Annual Report from the Audit Committee, Audit Committee expressed their affirmations on audit service of annual report offered by Shulun Pan Certified Public Accountants Co., Ltd. and agreed to reengage, and agreed to submit Proposal on Reengaging Audit Institution of Annual Report to Board of Directors for examination and approval.

Section X. Examining opinions on remunerations of senior executives from the Remuneration Committee and Audit Committee of the Board of Directors

With examination on the consolidated statement of the remuneration of the directors, supervisors and senior executives of the Company in 2008 presented by the human resources department of the Company, the Remuneration Committee of the Company issue the following audit opinion: the decision-making procedure of the remuneration of the directors, supervisors and senior executives of the Company is in accordance to the regulations; the standard of the remuneration of the directors, supervisors and senior executives of the Company is in accordance to the regulations of remuneration system; the remuneration of the directors, supervisors and senior executives of the Company disclosed in the 2008 Annual Report is real and accurate.

Section XI. Preplan on Profit Distribution and Converting Capital Reserve into Share Capital in 2008

(1) The 2008 Financial Settlement of the Company has been audited and confirmed by Shulun Pan Certified Public Accountants Co., Ltd. The net profit realized by the parent company in 2008 was RMB 93,030,643.10, in accordance with the regulation of Company Law and Articles of the Association, withdrawal of surplus public reserve was RMB 9,303,064.31 based on 10% of net profit, plus the undistributed profit at year-begin RMB 37,929,690.77, the Company has profit of RMB 121,657,269.56 available for distribution for shareholders ended as Dec. 31, 2008.

The 2008 Preplan of Profit Distribution of the Company is: taking the total 288,149,400 shares as of Dec. 31, 2008 as the radix, cash bonus of RMB 1.00 (tax included) each 10 share will be distributed to the whole shareholders. It is predicated that the distributed dividend would be RMB 28,814,940.00, and the remained RMB 92,842,329.56 would be transferred to the next year.

The Company did not take capitalization of capital reserve in year 2008.

(2) Particulars about the distribution of the Company in previous three years

Year	Net profit realized	Distribution plan	Proportion of cash distribution in net profit
2005	36,824,230.25	Cash bonus of RMB 0.38(tax included) each 10 share was distributed which totalled up RMB 10, 940,962.61.	29.71%

2006	80,224,428.47	Cash bonus of RMB 0.90 (tax included) each 10 share was distributed which totalled up RMB 25,902,701.26.	32.29%
2007	124,913,985.45	No distribution and no capitalization	0.00%

Section XII. Other events related to disclosure

In the report period, the Company appoints Securities Times and Hong Kong Wen Wei Po as the appointed media for information disclosure and there is no change of the appointed media for information disclosure.

CHAPTER VIII. REPORT OF THE SUPERVISORY COMMITTEE

I. Works of the Supervisory Committee

In 2008, the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. earnestly performed its duty according to the regulations of the Company Law, the Article of Association of the Company and Rules of Procedure of the Supervisory Committee. Totally four meetings have been held by the Supervisory Committee of the Company during the report period and followed the details:

1. The 3rd meeting of the 5th Supervisory Committee of the Company was held on Mar. 25th, 2008 and the following proposals were examined and approved in this meeting:

- (1) The 2007 Report of the Supervisory Committee of the Company
- (2) The 2007 Financial Settlement Report of the Company
- (3) The 2007 Annual Report and Summary (A, B)

The resolutions of the meeting were published on Securities Times and Hong Kong Wen Wei Po dated Mar. 27th, 2008.

2. The 4th meeting of the 5th Supervisory Committee of the Company was held on Aug. 6th, 2008 and the following proposals were examined and approved in this meeting:

- (1) The 2008 Semi-annual Report and Summary of the Company
- (2) Proposal on Applying the Bank for Increasing and Adjusting Credit Line
- (3) Proposal on Guangdong Huixin Investment Co., Ltd. Canceling the Long-term Equity Investment

The resolutions of the meeting were published on Securities Times and Hong Kong Wen Wei Po dated Aug. 8th, 2008.

3. The 5th meeting of the 5th Supervisory Committee of the Company was held on Oct. 22nd, 2008 and the following proposals were examined and approved in this meeting:

- (1) The Third Quarterly Report 2008 of the Company
- (2) Proposal on Providing Guarantee for Sinopharm Medicine Holding Guangzhou Co., Ltd. for Applying Comprehensive Credit from Bank of Communications Guangzhou Branch
- (3) Proposal on Zhijun Pharmaceutical Co., Ltd. Investing to Build the Second Workshop of Oral Solid Cephalosporin
- (4) Proposal on Cleaning and Integrating the Equity of Three and Four Level Underling Companies

The resolutions of the meeting were published on Securities Times and Hong Kong Wen Wei Po dated Oct. 24th, 2008.

4. The 6th meeting of the 5th Supervisory Committee of the Company was held on Dec. 26th, 2008 and the following proposals were examined and approved in this meeting:

- (1) Proposal on Selling Assets of the Company's Retailing Operation
- (2) Proposal on Purchasing 100% Equity of Sinopharm Medicine Holding Nanning Co., Ltd.
- (3) Proposal on Purchasing 100% Equity of Dongguan Dongfeng Traditional Chinese Pharmaceutical Co., Ltd.
- (4) Proposal on Purchasing 75% Equity of Suzhou Wanqing Pharmaceutical Co., Ltd.
- (5) Proposal on Signing Cooperation Agreement on Exploration and Maintenance Service of

Information System with Related Party

The resolutions of the meeting were published on Securities Times and Hong Kong Wen Wei Po dated Dec. 30th, 2008 and Dec. 31st, 2008.

II. Independent opinion on the operation of the Company issued by the Supervisory Committee

In the report period, the members of the Supervisory Committee presented all meetings of the Board of the Company, performed their supervisory duty on the content and procedure of the Article of the Association carried out by the Board, and also supervised the execution of the resolutions of the Board by the operation personnel.

(1) Operation by law

In 2008, according to the relevant regulations of the Company Law, Securities Law, Listing Rules of Stock Market and Articles of Association, the board of directors legally managed, operated, made decisions in law and constructed and perfected internal control system. The procedures of holding shareholders' meeting and meeting of the board of directors accorded with relevant regulations, and there was no behavior breaking relevant regulations and laws of the Article of Association of the Company and behavior violating the profit of the Company and shareholders when the directors and managers implemented their office duty.

(II) Check on financial management of the Company

In the report period, the Supervisory Committee seriously checked the financial status of the Company and thought that the financial management was standardized, the financial report objectively and truly reflected the financial status and operation achievement of the Company and the profit distribution plan for 2008 complied with the actual condition of the Company. The financial report 2008 was true and accurate, and fairly reflected the present financial status and operation achievement. The audit report with standard unqualified opinion issued by Shulun Pan Certified Public Accountants Co., Ltd. was objective and just.

(III) Application of raised proceeds

There was no application of raised proceeds in the report period.

(IV) The purchases and sales of assets

In the report period, the price for the purchases and sales of assets of the Company was reasonable. There was neither secret transaction nor behavior hurting the interests of shareholders.

(V) Related transaction

The daily related transaction and other related transaction of the Company were equal and rational and of obedience to the market principle. There was no behavior hurting profit of non-related shareholders and the Company; the Board of the Company implemented their duty of earnest, trust and responsibility when they made the resolutions related to related transactions. The manager tier could effectively implement the resolutions of the board of directors and shareholders' meeting on related transaction. There was no behavior violating laws, regulation or the Articles of Association in the process of related transaction.

(VI) Self-evaluation of internal control

Details could be found in Section VI (III) of Chapter V - Supervisory Committee's opinions on Self-evaluation of its Internal Control System.

CHAPTER IX. SIGNIFICANT EVENTS**Section I. Significant lawsuits and arbitrations (administration department)**

There were no significant lawsuits or arbitrations of the Company in the report period.

Section II. Purchases and sales of assets

Unit: RMB'0000

The other	Assets	Purchase	Purchase	Net profit	Net profit	Related	Explanation on	Assets	Credit	The
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party of transaction or final controller	purchased	date	price	contributed to the Company from the purchase date to the year-end	contributed to the Company from the year-begin to the year-end(applicable for enterprise merger under the common control)	transaction or not(If yes, note the principle of price setting)	price setting	rights concerned transferred ownership fully or not	and liability concerned shifted fully or not	related relationship
Guangxi Guoda Drugstore Chains Co., Ltd./ Nanning Medicines Wholesales of Guangxi Zhuang Autonomous Region	Guangxi Accord Pharmaceutical Co., Ltd.	August 28, 2008	500.30	7.54	6.04	Yes	Taking the book amount of net asset as of July 31, 2007 as the reference evidence, the price was formed by open bidding in Assets and Equity Exchange.	Yes	Yes	The same final controlling shareholder
China National Pharmaceutical Shanghai Corporation	10 percent equities of Sinopharm Medicine Holding Guangzhou Co., Ltd.	Nov. 10, 2008	3,066.11	392.71	392.71	Yes	Taking the assessment value as of Sep. 30, 2007 as the reference evidence, the price was formed by open bidding in Assets and Equity Exchange.	Yes	No	Same controlling shareholder

In the report period, there was no sale of assets happened in the Company nor that happened in the previous years but lasted to this report period.

Section III. Important related transactions

I. Daily related transactions

Unit: RMB'0000

Related parties	Sell product and supply labor force to the related parties		Purchase product and accept labor force from related parties	
	Transaction amount	Proportion in the amount of the same transaction	Transaction amount	Proportion in the amount of the same transaction

Sinopharm Medicine Holding Shenyang Co., Ltd.	25,697.17	3.09%	0.00	0.00%
Sinopharm Group Medicine Holding Hubei Co., Ltd.	7,457.76	0.90%	0.00	0.00%
Sinopharm Medicine Holding Nanning Co., Ltd.	7,157.53	0.86%	1,470.15	0.19%
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	5,890.56	0.71%	389.08	0.05%
Sinopharm Medicine Holding Tianjin Co., Ltd.	5,471.53	0.66%	564.52	0.07%
Sinopharm Medicine Holding Beijing Co., Ltd.	3,722.84	0.45%	0.00	0.00%
Hubei Yibao International Medicine Co., Ltd.	3,478.89	0.42%	0.00	0.00%
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	1,024.98	0.12%	0.00	0.00%
Tianjin East Bokang Medical Trade Co., Ltd.	787.47	0.09%	0.00	0.00%
Sinopharm Medicine Holding Jiangsu Co., Ltd.	584.45	0.07%	0.00	0.00%
Sinopharm Medicine Holding Shanxi Co., Ltd.	512.01	0.06%	0.00	0.00%
Sinopharm Medicine Holding (Zhengzhou) Jiurui Co., Ltd.	479.76	0.06%	0.00	0.00%
Sinopharm Medicine Holding Co., Ltd.	473.00	0.06%	1,572.41	0.21%
Sinopharm Group Medicine Holding Co., Ltd.	339.12	0.04%	8,702.20	1.14%
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	132.89	0.02%	84,783.31	11.12%
China National Pharmaceutical Group Northwest Medicine Co., Ltd.	58.03	0.01%	0.00	0.00%
Sinopharm Medicine Holding Medical Logistics Co., Ltd.	48.87	0.01%	0.00	0.00%
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	37.74	0.00%	119.39	0.02%
Sinopharm Medicine Holding Suzhou Co., Ltd.	23.33	0.00%	0.00	0.00%
Sinopharm Medicine Holding Zhejiang Co., Ltd.	12.87	0.00%	0.00	0.00%
Guangxi Guoda Chain Drugstore Co., Ltd.	3.44	0.00%	0.00	0.00%
Sinopharm Medicine Holding Hunan Co., Ltd.	6,156.21	0.74%	0.00	0.00%
Sinopharm Medicine Holding Shanghai Co., Ltd.	0.00	0.00%	425.12	0.06%
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	0.00	0.00%	1,034.73	0.14%
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd	0.00	0.00%	113.24	0.02%
China National Pharmaceutical Foreign Trade Corp.	0.00	0.00%	1,947.45	0.26%
Sinopharm Group United Medical Equipment Co., Ltd.	0.00	0.00%	610.20	0.08%
Sinopharm Group Chemical Reagent Co., Ltd.	0.00	0.00%	23.03	0.00%
Shenzhen Main Luck Pharmaceutical Inc.	0.00	0.00%	156.96	0.02%
Total	69,550.45	8.36%	101,911.79	13.37%

Of which: In the report period, the related transaction amount of the Company selling products and providing labor service to the controlling shareholders and its subsidiaries was RMB 660,681,200.

II. Other related transactions

(1) Guarantee provided for the related parties: until Dec. 31st, 2008, the contingent liability formed

by the guarantee for loans of the related parties and other units provided by the Company

Units providing guarantee	Units guaranteed	Guarantee amount	Used part	Begin date of guarantee	End date of guarantee	Financial influence of the Company
Related parties:						
Sinopharm Medicine Holding Guangzhou Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company	80,000,000.00	62,706,685.86	2008.9.30	2009.9.30	No disadvantage influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company	50,000,000.00	30,171,729.25	2008.12.19	2009.12.19	No disadvantage influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company	50,000,000.00	33,235,496.51	2008.12.16	2009.12.16	No disadvantage influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company	100,000,000.00	---	2007.12.29	2009.12.28	No disadvantage influence
The Company, Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company, Shenzhen Zhijun Pharmaceutical Co., Ltd.	100,000,000.00	91,255,491.94	2008.12.10	2009.12.10	No disadvantage influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company	80,000,000.00	42,133,155.35	2008.8.28	2009.8.28	No disadvantage influence
The Company, Sinopharm Medicine Holding Guangzhou Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	The Company, Sinopharm Medicine Holding Guangzhou Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	80,000,000.00	---	2008.05.16	2009.05.16	No disadvantage influence
The Company	Shenzhen Zhijun Pharmaceutical Co., Ltd.	60,000,000.00	30,000,000.00	2008.08.19	2011.08.19	No disadvantage influence
The Company	Shenzhen Zhijun Pharmaceutical Co., Ltd.	100,000,000.00	57,720,000.00	2005.08.17	2009.08.17	No disadvantage influence
The Company	Shenzhen Zhijun Pharmaceutical Co., Ltd.	50,000,000.00	47,239,045.56	2008.05.28	2009.04.24	No disadvantage influence
The Company	Sinopharm Medicine Holding Guangzhou	50,000,000.00	40,658,682.35	2008.11.11	2009.09.03	No disadvantage influence

Units providing guarantee	Units guaranteed	Guarantee amount	Used part	Begin date of guarantee	End date of guarantee	Financial influence of the Company
	Co., Ltd.					
The Company	Sinopharm Medicine Holding Guangzhou Co., Ltd.	55,000,000.00	54,865,888.77	2008.5.29	2009.5.29	No disadvantage influence
The Company	Sinopharm Medicine Holding Guangzhou Co., Ltd.	73,200,000.00	69,075,912.77	2007.10.22	2008.12.31	No disadvantage influence
The Company	Sinopharm Medicine Holding Guangzhou Co., Ltd.	450,000,000.00	70,000,000.00	2008.01.01	2008.12.31	No disadvantage influence
The Company	Sinopharm Medicine Holding Guangzhou Co., Ltd.	80,000,000.00	39,983,323.31	2008.09.01	2009.09.01	No disadvantage influence
The Company	Sinopharm Medicine Holding Guangzhou Co., Ltd.	30,000,000.00	4,984,700.92	2008.12.17	2009.12.16	No disadvantage influence
The Company	Accord drugstores	10,000,000.00	1,059,961.44	2008.10.20	2009.10.20	No disadvantage influence

(2) In 2008, the subsidiary of the Company- Sinopharm Medicine Holding Guangzhou Co., Ltd. was in charge of the buyer's discount interest occurred by the discount of the notes payable issued by the subsidiary to the following related companies: RMB 311,200 for Sinopharm (CNCM Ltd), RMB 13,727,400 for Shanghai Sinopharm Wai Gaoqiao Co., Ltd. The related transaction had got approval in the 3rd meeting of the 5th Board of Directors dated Mar. 25th, 2008.

(3) The subsidiary of the Company- Sinopharm Medicine Holding (Guangzhou) Co., Ltd had borrowed capital from Sinopharm Medicine Holding Co., Ltd since 2003. It should take capital occupation fee of RMB 6,616,500 for 2008; the newly borrowed capital was borrowed by the Company from 2008, and the Company totally took capital occupation fee of RMB 1,619,000 in 2008.

(4) The Company purchased 10% equity of Sinopharm Medicine Holding (Guangzhou) Co., Ltd. from China National Medicine Group Shanghai Co., Ltd. with the price of RMB 30,661,100 in this year.

(5) The Company purchased 100% equity of Guangxi Accord from Guangxi Nanning Medicine Wholesale Station and Guangxi Guoda Drugstore Chains Co., Ltd. with the price of RMB 5,003,000.

III. Creditor's rights and liabilities between related parties and the Company:

Unit: RMB'0000

Related parties	Capital provided for related parties		Capital provided by related parties to the Company	
	Occurrence amount	Balance	Occurrence amount	Balance
Total	73,217.65	11,643.93	179,099.82	23,531.70

The details were as follows:

Unit: RMB'0000

Related parties	Capital provided for related parties		Capital provided by related parties to the Company	
	Occurrence amount	Balance	Occurrence amount	Balance
Account receivable:	0.00	0.00	0.00	0.00
Sinopharm Medicine Holding Shenyang Co., Ltd.	30,064.96	5,601.39	0.00	0.00
Sinopharm Medicine Holding Hunan Co., Ltd.	7,202.76	1,321.52	0.00	0.00
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	6,891.96	1,321.60	0.00	0.00
Sinopharm Medicine Holding Tianjin Co., Ltd.	6,401.69	916.92	0.00	0.00
Sinopharm Medicine Holding Beijing Co., Ltd.	4,355.72	809.73	0.00	0.00
Sinopharm Medicine Holding Nanning Co., Ltd.	8,374.31	288.86	0.00	0.00
Sinopharm Medicine Holding Shanxi Co., Ltd.	599.06	171.73	0.00	0.00
Tianjin East Bokang Medical Trade Co., Ltd.	921.34	133.58	0.00	0.00
Sinopharm Medicine Holding Co., Ltd.	553.41	103.73	0.00	0.00
China National Medicines Group Corporation Ltd.	317.29	38.27	0.00	0.00
China National Pharmaceutical Group Northwest Medicine Co., Ltd.	67.96	17.41	0.00	0.00
Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd.	353.15	55.11	0.00	0.00
Sinopharm Medicine Holding Jiangsu Co., Ltd.	650.71	92.81	0.00	0.00
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	1,199.23	84.95	0.00	0.00
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	44.16	40.20	0.00	0.00
Sinopharm Medicine Holding Suzhou Co., Ltd.	27.29	4.54	0.00	0.00
Sinopharm Medicine Holding Zhejiang Co., Ltd.	15.06	1.43	0.00	0.00
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	154.11	154.11	0.00	0.00
Sinopharm Medicine Holding (Zhengzhou) Jiurui Co., Ltd.	561.32	92.21	0.00	0.00
Hubei Yibao International Medicine Co., Ltd.	4,070.31	387.98	0.00	0.00
Guangxi Guoda Chain Drugstore Co., Ltd.	3.89	0.21	0.00	0.00
Sinopharm Medicine Holding Hubei Co., Ltd.	372.67	5.64	0.00	0.00
Other account receivable:	0.00	0.00	0.00	0.00
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	15.29	0.00	0.00	0.00
Account payable:	0.00	0.00	0.00	0.00
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	0.00	0.00	142,253.47	11,022.08
Sinopharm Medicine Holding Co., Ltd.	0.00	0.00	1,901.90	1,850.56
China National Medicines Group Corporation Ltd.	0.00	0.00	11,582.43	641.80
China National Pharmaceutical Foreign Trade Corporation	0.00	0.00	2,333.77	535.92

Sinopharm Medicine Holding Shanghai Co., Ltd.	0.00	0.00	1,725.84	438.81
Sinopharm Medicine Holding Guoda Pharmacy Co., Ltd.	0.00	0.00	1,346.52	344.36
Sinopharm Medicine Holding Nanning Co., Ltd.	0.00	0.00	2,468.18	252.86
Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd.	0.00	0.00	2,389.90	234.70
Sinopharm Medicine Holding Tianjin Co., Ltd.	0.00	0.00	484.07	80.64
Shenzhen Main Luck Pharmaceutical Inc.	0.00	0.00	2,130.17	47.09
Beijing Zhongxin Medical Operation Company	0.00	0.00	0.00	7.14
Sinopharm Medicine Group Shanghai Medical Equipment Co., Ltd.	0.00	0.00	0.00	1.62
Sinopharm Medicine Holding Shenzhen TCM Co., Ltd.	0.00	0.00	206.85	0.93
Sinopharm Medicine Group Beijing Medical Equipment Co., Ltd.	0.00	0.00	0.00	0.88
Sinopharm Medicine Holding Beijing Co., Ltd.	0.00	0.00	0.00	0.40
Guangdong Renbo Medical Equipment Co., Ltd.	0.00	0.00	0.00	0.05
Sinopharm Group United Medical Equipment Co., Ltd.	0.00	0.00	1,017.04	-21.08
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	0.00	0.00	455.23	0.00
Sinopharm Group Chemical Reagent Co., Ltd.	0.00	0.00	65.27	0.00
Other account payable:	0.00	0.00	0.00	0.00
Sinopharm Medicine Holding Nanning Co., Ltd.	0.00	0.00	5.00	0.00
Sinopharm Medicine Holding Co., Ltd.	0.00	0.00	7,000.00	6,000.00
Sichuan Antibiotics Industrial Institute Co., Ltd.	0.00	0.00	0.00	285.18
China National Pharmaceutical Group Shanghai Co., Ltd.	0.00	0.00	1,533.06	1,533.06
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	0.00	0.00	192.21	192.21
Sinopharm Medicine Holding Medical Logistics Co., Ltd	0.00	0.00	8.91	80.00
Sinopharm Medicine Holding Shenzhen TCM Co., Ltd.	0.00	0.00	0.00	2.49
Total	73,217.65	11,643.93	179,099.82	23,531.70

Of which: In the report period, the occurring amount which the Company provided funds to the controlling shareholder and its subsidiaries was RMB 687,750,100 and the balance was RMB 112,006,300. In the report period, the Company has not provided non-operating capital for the controlling shareholder and its subsidiaries.

Section IV. Important contracts and implementation

I. Significant contracts

(I) There was no signed external investment contract or financial expenditure which had not been implemented or completely implemented.

(II) There was no signed let contract with big amount being implemented or in preparation to implement.

(III) The signed equipment purchase contract with big amount was being implemented or in preparation to implement.

The account payable agreed in the equipment purchase contract signed by Zhijun Pharmaceutical Co., Ltd, a subsidiary of the Company, could be found in the following table, and this account

belonged to the necessary expenditure for the normal operation of the Company:

Period	Amount payable
Within a year	RMB 6,541,600
1 to 2 years	RMB 451,700

(IV) The signed lease contract and financial influence which was being implemented or in preparation to implement.

As to the house property leased by the subsidiary of the Company, the account payable agreed in the lease contract could be found in the following table, and this account belonged to the necessary expenditure for the normal operation of the Company:

Period	Lease amount payable
Within a year	RMB 22,029,600
1 to 2 years	RMB 16,230,000
2 to 3 years	RMB 8,144,100
Above 3 years	RMB 4,367,400
Total	<u>RMB 50,771,100</u>

(V) There was no signed merger agreement being implemented or in preparation to implement.

(VI) There was no signed reorganization plan being implemented or in preparation to implement.

(VII) There was no other significant financial commitment.

(VIII) Implementation of commitment in the past.

All commitments had been implemented according to contract.

II. Significant guarantee

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Total amount of guarantee in the report period		0.00				
Total balance of guarantee at the end of the report period		0.00				
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period		96,500.00				
Total balance of guarantee for controlling subsidiaries at the end of the report period		113,820.00				
Particulars about the total guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee		113,820.00				
The proportion of the total amount of guarantee in the net assets of the Company		181.25%				
Including:						
Amount of guarantee for shareholders, actual controller and its related parties		0.00				
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly		113,820.00				
Proportion of total amount of		82,420.66				

guarantee in net assets of the Company exceeded 50%	
Total amount of the aforesaid three guarantees	113,820.00

III. Entrustment of cash assets management

In the report period, the Company had not entrusted others to manage cash assets, nor had it done so in previous periods and lasted into this report period.

Section V. Commitments of the Company or shareholders holding over 5% shares of the Company Special commitments and the implementation by the former non-circulating shareholders in Share Merger Reform

Shareholders	Commitments	Commitment implementation	Remarks
Sinopharm Medicine Holding Co., Ltd.	(1) Not selling original non-tradable equities through stock exchange in 24 months from the day they become tradable. (2) Original non-tradable equities sold through stock exchange after the 24 months since the day they got circulation right in list market should take up no more than 10% of the Company's total shares in the following 12 months, and the price is no lower than 110% of the stock weighted average price, that is RMB5.05, of the 30 trading days before Accord Pharmaceutical's Board of Directors publish the Reform Plan (from the day of Share Merger Reform to the day when Sinopharm Medicine Holding sells equities, Ex Warrant/Ex Dividend on the price will be implemented if dividend, allotment or transferring of public capital to equity and so on happens).	Implementing	It did not reach the requirements of implementation.
Shenzhen Bao'an District Shiyuan Town Economic Development Corporation	(1)Not trading or transferring within 12 months from the day when the Reform is carried out; on basis of the aforementioned time limited, original non-tradable equities sold through stock exchange should take up no more than 5% of the Company's total shares in the following 12 months; (2) and no more than 10% within 24 months.	The aforesaid commitment was completely implemented till May16, 2008.	

Section VI. Engagement of Certified Public Accountants

I. Engagement of Certified Public Accountants

On Mar. 25th, 2008, the 3rd meeting of the 5th board of directors decided to reengage Shulun Pan Certified Public Accountants Co., Ltd. as the audit institution of the Company for 2008, and it was approved in the Shareholders' General Meeting 2007 on Apr. 25th, 2008; Relevant notice was published on Securities Times and Hong Kong Wen Wei Po dated Apr. 26th, 2008.

II. Remuneration paid to Certified Public Accountants

The auditing fees the Company paid to the Certified Public Accountants for the Annual Report 2008 totaled to RMB 0.95 million, and the fees for the business trips the Certified Public Accountants took for the Company's auditing affairs had been paid by the Company.

III. Years of auditing service the audit institutions had provided for the Company

Since initially signing audit business agreement in 2004, Shulun Pan Certified Public Accountants Co., Ltd. has provided auditing service consistently for the Company for 5 years.

Section VII. Other important events

In the report period, the Company, the board of directors, supervisory committee, senior executives,

shareholders, and actual controllers did not be inspected or administratively punished by CSRC, not be prohibited by security market, cognized as improper to be punished by other administrative department or be publicly criticized by Stock Exchange.

Section VIII. In the report period, the received research and interview of the Company
In the report period, the Company respectively received the research of investors from Fund Company and Securities Company. In the reception, according to the regulations of Guideline on Fair Information Disclosure for Listed Companies promulgated by Shenzhen Stock Exchange, the Company had not disclosed or leaked non-public significant information to specific parties privately, selectively or in advance. This guaranteed the equality for the information disclosure of the Company.

Activities form of receiving research, communication and interview
in the report period

The received date	The received place	The received way	The received parties	Contents discussed and materials supplied
April 25, 2008	Accord Pharmaceutical Building	Spot research	China Merchants securities Co., LTD.	Attended the Annual Shareholders' General Meeting of the Company
April 25, 2008	Accord Pharmaceutical Building	Spot research	GF SECURITIES CO.,LTD.	Attended the Annual Shareholders' General Meeting of the Company
April 25, 2008	Accord Pharmaceutical Building	Spot research	Franklin Templeton Sealand Fund Management Co., Ltd.	Attended the Annual Shareholders' General Meeting of the Company

Section IX. Explanation on change of accounting policy, accounting estimation and calculating method compared with the latest annual report

(I) Change of accounting policy

There was no change of accounting policy in the report period.

(II) Change in accounting estimation

There was no change of accounting estimation in the report period.

Section X. Significant accounting errors, corrected amount, the reason and influence

In the report period, there were no significant accounting errors and corrections.

Section XI. Explanation on change of consolidated scope compared with the latest annual report

1. There was totally 1 new consolidated unit this year, that was Guangxi Accord Pharmaceutical Co., Ltd. purchased in 2008.

2. It decreased totally 2 consolidated units this year, which were Guangzhou Qingyun Hotel Co., Ltd. and Guangdong Dongshi Enterprise Development Co., Ltd. written off in 2007, subsidiaries of the Company's underling subsidiary-Huixin Investment.

Section XII. Index for information notice on significant events

No.	Disclosure date	Events disclosed
1	March 27, 2008	Resolution of the Third Meeting of the Fifth Board of Directors Resolution of the Third Meeting of the Fifth Supervisory Committee 2007 Annual Report and the Summary (Chinese and English version included)

		<p>2007 Annual Auditing Report and Financial Report</p> <p>Current Accounts of Related Parties and Checking Report of External Guarantee</p> <p>2007 Self-evaluation Report of Internal Control</p> <p>2007 Report on Social Responsibility</p> <p>Independent Directors' 2007 Work Report</p> <p>Independent Directors' Working System for Annual Report</p> <p>Annual Auditing Procedures for Auditing Committee of the Board</p> <p>Notice on Preestimated 2008 Daily Related Transaction Plan</p> <p>Notice on Applying Comprehensive Credit Line from the Bank and Offering Guarantee on Applying Bank Credit for its Subordinate</p> <p>Related Transaction Notice on Purchasing 10% Equity of Sinopharm Medicine Holding Guangzhou Co., Ltd.</p> <p>Notice on Independent Directors' Opinion</p> <p>Notice on Holding 2007 Annual Shareholders' General Meeting</p>
2	March 29, 2008	Complemented Notice on Holding 2007 Annual Shareholders' General Meeting
3	April 26, 2008	<p>Resolution of the Fourth Meeting of the Fifth Board of Directors</p> <p>the First Quarterly Report 2008</p> <p>Resolution of 2007 Shareholders' General Meeting</p> <p>Articles of Association of the Company (modified)</p>
4	May 15, 2008	Suggestive Notice of Listing and Circulating of Restricted Shares
5	May 20, 2008	Notice of Donating Medicine to Sichuan Earthquake Disaster Area
6	June 28, 2008	Notice of Related Transactions of Loan from Sinopharm Holding Company Limited.
7	July 19, 2008	<p>Resolution of the Extraordinary Meeting of the 5th Board of Directors</p> <p>Reform Report for Special Corporate Governance Campaign</p>
8	July 31, 2008	Self-inspection Summary Report for Capital occupation of large shareholders and related parties
9	Aug. 8, 2008	<p>Resolution of the 5th Meeting of the 5th Board of Directors</p> <p>Resolution of the 4th Meeting of the 5th Supervisory Committee</p> <p>The Semi-annual Report 2008 and its Summary (Chinese and English version included)</p> <p>The Semi-annual Financial Report 2008</p>
10	Aug. 15, 2008	Notice of Holding the 1 st Extraordinary Shareholders' Meeting 2008
11	Aug. 30, 2008	Notice of Assets Purchase and Related Transaction
12	Sep. 2, 2008	<p>Resolution of the 1st Extraordinary Shareholders' Meeting 2008</p> <p>Legal Opinion Report of the 1st Extraordinary Shareholders' Meeting 2008</p>
13	Oct. 24, 2008	<p>Resolution of the 6th Meeting of the 5th Board of Directors</p> <p>Resolution of the 5th Meeting of the 5th Supervisory Committee</p> <p>The Third Quarterly Report 2008 and its Summary (English version)</p> <p>Notice of Holding the 2nd Extraordinary Shareholders' Meeting 2008</p> <p>Notice of Providing Guarantee for the Controlling Subsidiary Company</p> <p>Applying for Bank Credit</p>
14	Nov. 12, 2008	<p>Resolution of the 2nd Extraordinary Shareholders' Meeting</p> <p>Notice of Change of Controlling Shareholders</p>
15	Nov.14, 2008	Notice for Clarification
16	Dec. 4, 2008	Notice of Shareholders' Reducing Shares

17	Dec. 23, 2008	Notice of Controlling Subsidiary Company being Elected as High and New Technology Enterprise
18	Dec. 30, 2008	Resolution of the 7 th Meeting of the 5 th Board of Directors Resolution of the 6 th Meeting of the 5 th Supervisory Committee Related Transaction Notice of Signing Contract for Usage, Development and Maintenance of CMS Information System
19	Dec. 31, 2008	Complementary Notice of Resolution of the 7 th Meeting of the 5 th Board of Directors Notice of Purchasing 100% Equity of Dongguan Dongfeng TCM Co., Ltd. Related Transaction Notice of Selling Retailing Business Assets Notice of Assets Purchase Related Transaction Notice of Purchasing 100% Equity of SinoPharm Medicine Holding Nanning Co., Ltd. Complementary Notice of the 6 th Meeting of the 5 th Supervisory Committee

The aforesaid events had been disclosed on Securities Times, Hong Kong Wen Wei Po and the website <http://www.cninfo.com.cn>.

CHAPTER X. FINANCIAL REPORT

AUDITORS' REPORT

PCPAR (2009) No.10598

To all the shareholders of Shenzhen Accord Pharmaceutical Co., Ltd.:

We have audited the accompanying financial statements of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as 'the Company'), which comprise the balance sheet and consolidated balance sheet as of December 31, 2008, the income statement and consolidated income statement, the cash flow statement and consolidated cash flow statement, the statement of changes in owners' (shareholders') equity and the consolidated statement of changes in owners' (shareholders') equity, for the year then ended, and notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with Accounting Standards for Business Enterprises. This responsibility includes:

- Designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We

conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respect, the financial position of the Company as of December 31, 2008, the results of its operations and cash flows for the year then ended.

Shu Lun Pan Certified Public Accountants Co., Ltd.

Certified Public Accountant of China
LU Guohao

Certified Public Accountant of China
TAN Hongmei

Shanghai, China

Date: March 17, 2009

Balance Sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. December 31, 2008 Unit: RMB

Items	Balance at period-end		Balance at year-begin	
	Merger	Parent Company	Merger	Parent Company
Current assets:				
Monetary funds	345,259,516.47	62,369,583.65	254,837,411.30	54,841,676.10
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	221,876,250.45	254,500.00	166,838,281.78	575,727.24
Accounts receivable	1,726,711,922.82	243,301,803.10	1,286,649,082.59	266,608,019.71
Accounts paid in advance	40,034,923.45	4,919,683.46	54,122,228.36	1,845,633.24
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividend receivable			228,443.24	228,443.24
Other receivables	32,606,307.59	242,415,823.08	37,748,343.14	100,105,321.32
Purchase restituted finance asset				
Inventories	735,661,642.08	94,249,578.90	574,318,139.76	71,473,576.82
Non-current asset due within one year				
Other current assets				
Total current assets	3,102,150,562.86	647,510,972.19	2,374,741,930.17	495,678,397.67
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	69,578,981.80	323,756,562.92	57,373,856.63	262,526,712.89

Investment property	22,848,031.69	2,140,353.75	37,094,592.40	2,291,009.00
Fixed assets	374,870,446.95	36,732,350.96	340,639,114.64	45,496,890.76
Construction in progress	18,756,982.97	253,886.24	7,531,515.44	253,886.24
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	57,607,282.99	30,622,772.31	53,299,711.82	29,437,449.09
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned	16,414,181.91	276,057.82	12,625,298.34	338,545.86
Deferred income tax asset	7,869,895.86		13,675,921.06	
Other non-current asset	13,877,829.74		14,109,171.88	
Total non-current asset	581,823,633.91	393,781,984.00	536,349,182.21	340,344,493.84
Total assets	3,683,974,196.77	1,041,292,956.19	2,911,091,112.38	836,022,891.51
Current liabilities:				
Short-term loans	378,948,301.38	80,171,729.25	254,396,407.94	55,000,000.00
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	791,513,252.27	129,298,292.87	494,788,218.16	91,246,553.68
Accounts payable	1,357,026,915.55	268,335,731.42	1,054,606,346.77	214,598,852.16
Accounts received in advance	18,487,835.55	4,626,342.73	15,666,567.23	1,732,574.54
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	74,195,821.61	14,678,407.64	104,917,442.34	22,849,376.49
Taxes payable	14,379,964.47	-963,780.92	19,811,311.90	-157,294.23
Interest payable	742,393.70	39,700.00	329,027.27	145,100.64
Dividend payable	3,746,270.05		3,746,270.05	
Other accounts payable	271,731,949.89	119,209,791.88	323,560,290.20	114,127,379.52
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year	57,720,000.00			
Other current liabilities				

Total current liabilities	2,968,492,704.47	615,396,214.87	2,271,821,881.86	499,542,542.80
Non-current liabilities:				
Long-term loans	30,000,000.00		77,720,000.00	
Bonds payable				
Long-term account payable	51,261.00		113,625.83	
Special accounts payable	800,000.00	800,000.00	1,800,000.00	800,000.00
Projected liabilities			898,409.16	
Deferred income tax liabilities	12,174,180.87		13,071,193.57	
Other non-current liabilities	23,085,874.07		23,085,874.07	
Total non-current liabilities	66,111,315.94	800,000.00	116,689,102.63	800,000.00
Total liabilities	3,034,604,020.41	616,196,214.87	2,388,510,984.49	500,342,542.80
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	5,055,838.57	2,508,769.94	9,801,131.71	2,508,769.94
Less: Inventory shares				
Surplus public reserve	9,303,064.31	12,781,301.82	7,092,488.00	7,092,488.00
Provision of general risk				
Retained profit	325,478,410.18	121,657,269.56	184,074,070.88	37,929,690.77
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	627,986,713.06	425,096,741.32	489,117,090.59	335,680,348.71
Minority interests	21,383,463.30		33,463,037.30	
Total owner's equity	649,370,176.36	425,096,741.32	522,580,127.89	335,680,348.71
Total liabilities and owner's equity	3,683,974,196.77	1,041,292,956.19	2,911,091,112.38	836,022,891.51

Profit Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. January-December, 2008 Unit: RMB

Items	Amount in this period		Amount in last period	
	Merger	Parent Company	Merger	Parent Company
I. Total operating income	8,360,350,198.18	1,393,395,233.76	6,878,305,483.32	1,236,948,653.24
Including: Operating income	8,360,350,198.18	1,393,395,233.76	6,878,305,483.32	1,236,948,653.24
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	8,192,562,587.02	1,402,155,815.39	6,743,064,873.98	1,248,505,099.97
Including: Operating cost	7,627,811,018.21	1,324,050,202.14	6,171,204,306.69	1,166,634,525.46
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	11,132,572.30	567,924.96	12,245,830.36	547,571.00
Sales expenses	298,326,776.58	38,226,318.17	331,526,963.41	34,439,954.72
Administration expenses	204,915,589.20	41,371,738.60	188,972,655.10	44,065,623.81
Financial expenses	53,526,702.97	35,768.35	29,865,732.85	661,836.20
Losses of devaluation of asset	-3,150,072.24	-2,096,136.83	9,249,385.57	2,155,588.78
Add: Changing income of fair value(Loss is listed with “-”)				
Investment income (Loss is listed with “-”)	16,510,914.22	95,694,628.72	34,086,953.88	98,338,366.71
Including: Investment income on affiliated company and joint venture	16,507,296.06	-47,794.59	8,209,843.29	-1,074,707.13
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	184,298,525.38	86,934,047.09	169,327,563.22	86,781,919.98
Add: Non-operating income	19,774,350.12	6,143,458.54	23,484,253.71	3,943,239.07
Less: Non-operating expense	575,148.60	46,862.53	1,760,729.82	517,568.73
Including: Disposal loss of non-current asset	492,133.28	32,132.03	626,437.92	307,564.63
IV. Total Profit (Loss is listed with “-”)	203,497,726.90	93,030,643.10	191,051,087.11	90,207,590.32
Less: Income tax	41,043,599.94		52,333,330.06	
V. Net profit (Net loss is listed with “-”)	162,454,126.96	93,030,643.10	138,717,757.05	90,207,590.32
Net profit attributable to owner’s equity of parent company	154,807,067.87	93,030,643.10	124,913,985.45	90,207,590.32
Minority shareholders’ gains and losses	7,647,059.09		13,803,771.60	
VI. Earnings per share				
i. Basic earnings per share	0.537	0.323	0.434	0.313
ii. Diluted earnings per share	0.537	0.323	0.434	0.313

Cash Flow Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

January-December, 2008

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	9,482,544,445.66	1,654,449,631.15	8,085,599,499.72	1,439,359,660.64
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				
Insured savings and net increase of 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	1,147,948.71		2,548,876.31	
Other cash received concerning operating activities	28,677,323.33	18,311,540.59	52,658,123.94	101,749,994.73
Subtotal of cash inflow arising from operating activities	9,512,369,717.70	1,672,761,171.74	8,140,806,499.97	1,541,109,655.37
Cash paid for purchasing commodities and receiving labor service	8,555,202,289.04	1,457,665,870.25	7,339,461,307.31	1,455,126,883.48
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	278,835,376.12	39,084,324.95	251,959,425.42	33,609,313.69
Taxes paid	167,927,252.04	9,801,028.19	173,647,167.23	14,249,465.84
Other cash paid concerning operating activities	263,824,361.51	169,043,027.67	288,040,760.00	147,862,737.38
Subtotal of cash outflow arising from operating activities	9,265,789,278.71	1,675,594,251.06	8,053,108,659.96	1,650,848,400.39
Net cash flows arising from operating activities	246,580,438.99	-2,833,079.32	87,697,840.01	-109,738,745.02
II. Cash flows arising from investing activities:				
Cash received from recovering investment			26,588,726.02	0.65
Cash received from investment income	4,534,232.29	99,987,068.69	3,457,479.92	99,413,073.19
Net cash received from disposal of fixed, intangible and other long-term assets	10,405,932.56	34,613.39	28,017,753.45	415,971.93
Net cash received from disposal of subsidiaries and other units	1,922,100.00	1,922,101.00		
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	16,862,264.85	101,943,783.08	58,063,959.39	99,829,045.77
Cash paid for purchasing fixed, intangible and other long-term assets	84,982,286.53	1,956,678.00	71,410,213.94	3,694,492.21
Cash paid for investment				30,000.00
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units	20,333,528.49	134,598,033.49		
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	105,315,815.02	136,554,711.49	71,410,213.94	3,724,492.21
Net cash flows arising from investing activities	-88,453,550.17	-34,610,928.41	-13,346,254.55	96,104,553.56

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	646,549,462.94	220,000,000.00	305,000,000.00	85,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	56,762,100.00	56,762,100.00	4,788,000.00	
Subtotal of cash inflow from financing activities	703,311,562.94	276,762,100.00	309,788,000.00	85,000,000.00
Cash paid for settling debts	611,566,139.63	225,000,000.00	274,000,000.00	40,000,000.00
Cash paid for dividend and profit distributing or interest paying	50,581,025.64	6,790,184.72	61,717,855.64	27,673,764.58
Including: Dividend and profit of minority shareholder paid by subsidiaries			374,028.45	
Other cash paid concerning financing activities	110,000,000.00			
Subtotal of cash outflow from financing activities	772,147,165.27	231,790,184.72	335,717,855.64	67,673,764.58
Net cash flows arising from financing activities	-68,835,602.33	44,971,915.28	-25,929,855.64	17,326,235.42
IV. Influence on cash due to fluctuation in exchange rate	1,130,818.68		1,070,627.47	-115.00
V. Net increase of cash and cash equivalents	90,422,105.17	7,527,907.55	49,492,357.29	3,691,928.96
Add: Balance of cash and cash equivalents at the period -begin	254,837,411.30	54,841,676.10	205,345,054.01	51,149,747.14
VI. Balance of cash and cash equivalents at the period -end	345,259,516.47	62,369,583.65	254,837,411.30	54,841,676.10

Statement on Changes of Owners' Equity

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

2008

Unit: RMB

Items	Amount in this report period									Amount last year										
	Owners' equity attributable to the parent company								Minority interest	Total owners' equity	Owners' equity attributable to the parent company								Minority interest	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	Others	Paid-up capital (Share capital)			Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	Others				
I. Balance at the end of the last year	288,149,400.00	9,801,131.71		7,092,488.00		184,074,070.88		33,463,037.30	522,580,127.89	288,149,400.00	23,044,074.54		83,419,602.89		96,042,987.25	-37,920,889.45		452,735,175.23		
Add: Changes of accounting policy											-7,915,996.89		-83,419,602.89		-3,887,712.56	37,920,889.45	22,095,763.49	-35,206,659.40		
Error correction of the last period																				
Others																				
II. Balance at the beginning of this year	288,149,400.00	9,801,131.71		7,092,488.00		184,074,070.88		33,463,037.30	522,580,127.89	288,149,400.00	15,128,077.65				92,155,274.69		22,095,763.49	417,528,515.83		
III. Increase/ Decrease in this year (Decrease is listed with "-")		-4,745,293.14		2,210,576.31		141,404,339.30		-12,079,574.00	126,790,048.47		-5,326,945.94		7,092,488.00		91,918,796.19		11,367,273.81	105,051,612.06		
(I) Net profit						154,807,067.87		7,647,059.09	162,454,126.96						124,913,985.45		13,803,771.60	138,717,757.05		
(II) Profits and losses calculating into owners' equity		254,706.86		-7,092,488.00		-4,099,664.26			-10,937,445.40		-5,326,945.94						1,683,800.71	-3,643,145.23		
1. Net changing amount of fair value of financial assets available for sale											-7,317,105.65						-813,011.73	-8,130,117.38		
2. Effect of changes of other																				

4. Others								-19,726,633.09	-19,726,633.09								
IV. Balance at the end of the report period	288,149,400.00	5,055,838.57	9,303,064.31	325,478,410.18	21,383,463.30	649,370,176.36	288,149,400.00	9,801,131.71	7,092,488.00	184,074,070.88	33,463,037.30	522,580,127.89					

**SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.
FOR THE YEAR ENDED DECEMBER 31, 2008
NOTES TO THE FINANCIAL STATEMENTS**

1 Corporate information

1.1 History and evolutions of the Company

Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as ‘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 (among which 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 CNY 105 million. Through transfer of capital surplus to share capital and bonus issues for years, the share capital of the Company increased to CNY 288,149,400 up to December 31, 2004. The employee shares, domestic public shares and foreign public shares have all been listed on the Shenzhen Stock Exchange.

In November 2000, the Company signed Assets Exchange Agreement with Shenzhen Investment Management Company, the original main shareholder of the Company, to exchange equivalently all the original assets and liabilities of the Company as of August 31, 2000 for 100% stock holding of 11 pharmaceutical companies, part of the properties and 51% stock holding in Shenzhen Tefa Modern Computer Co., Ltd., held by Shenzhen Investment Management Company. On December 29, 2000, the above assets exchange proposal was passed 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., in the

pharmaceutical manufacturing industry.

On February 18, 2004, the Company's original main shareholder, Shenzhen Investment Management Company, signed a Stock Transfer Agreement with Sinopharm Holdings Co., Ltd. (formerly known as Sinopharm Group Medicine Holding Co., Ltd, hereinafter referred to as *Sinopharm Medicine Holding*) to transfer all the 43.33% stock holdings in the Company to Sinopharm Medicine Holding. The legal procedures of the above stock 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 Holdings Co., Ltd. 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 of December 31, 2008, the Company had 288,149,400 shares in total, among which 83,979,827 shares were with restrictions on liquidity and accounted for 29.14% of the total number of shares, and 204,169,573 shares were without restriction on liquidity and accounted for 70.86% of the total number of shares.

The Company is registered with Shenzhen Administration for Industry & Commerce with business license number 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 CNY 288,149,400. The legal representative of the Company was changed from Chen Weigang to Fu Mingzhong on May 13, 2008, who was later replaced by Shi Jinming on January 8, 2009.

1.2 Business scope of the Company

The scope of business of the Company is: wholesale of Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs, wholesale of biological products (including vaccines) (its Pharmaceutical Trade License is valid until December 14, 2009); trade of health food (its Hygiene License is valid until March 24, 2009); research, development and consultation services of pharmaceutical packaging materials and pharmaceutical industry products; investment on setting up entities (application on projects separately); domestic trading and supplies (excluding solely licensed, solely controlled or monopolized products); category III disposable bacterial-free medical treatment instruments; equipments and instruments for operation units, emergency units and diagnosis units, medical macromolecule materials and products, clinical check up and analysis apparatus and diagnosis reagents, medical sutures and bonds, oral section materials, medical assay and basic equipments and instruments; category II medical electronic equipment, medical X-ray appurtenances and parts, medical ultrasonic instruments and relevant equipments, antiseptis and antibacterial equipments and instruments, medical sanitation materials and dressings; import and export business (excluding the items banned by laws, administrative regulations, or the State Council. The restricted items can only be traded after obtaining a license).

2 Basis for the preparation of financial statements and statement of complying with Accounting Standards for Business Enterprises

On the basis of continuity and obeying substance of transactions and events, the Company makes accounting confirmation and measurement in accordance with ‘the Accounting Standard of P.R.C for Business Enterprise—Basic Standard’ and other

accounting standards, and the financial statements are prepared on this basis.

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards, and exactly and completely reflect the financial status, operation result, changes in owner's equity and cash flow, etc of the Company.

3 Principal accounting policies, estimates and errors of previous period

3.1 Fiscal year

The fiscal year of the Company is the solar calendar year, which is from January 1 to December 31.

3.2 Recording currency

Recording currency is CNY.

3.3 Calculation natures and statement items with the changes of calculation natures in the report period

In calculating the accounting factors, the Company adopts the historical cost method; in case the determined accounting factor amount can be obtained or reliably calculated, the replacement cost, net realizable value, current value or fair value of the individual accounting factor may be adopted.

There is no change in the calculation nature of statement items during current reporting period.

3.4 Confirmation standard for cash equivalent

In preparing the cash flow statement, the cash equivalents of the Company include the investments with short period (it usually expires within three months from the purchase date), characteristics of high liquidity, easy conversion to certain amount of cash and little risk of value change.

3.5 Transactions of foreign currencies

Foreign currency transactions are converted into CNY for recording purpose at the

exchange rate on the first day of the period when the transaction occurs.

The balance of foreign currency accounts is converted in accordance with the exchange rate prevailing on the balance sheet date. The conversion differences arising from those specific borrowings are to be capitalized as part of the cost of the construction in progress in the period before the fixed assets being acquired and constructed has not yet reached working condition for its intended use. Conversion differences arising from other accounts are accounted into current profit or loss. Value of non currency item recorded at historical cost by foreign currency is adjusted in accordance with the exchange rate prevailing on the date of transaction, without changes in the value of its recorded currency. Value of non currency item recorded at fair value by foreign currency is adjusted in accordance with the exchange rate prevailing on fair value confirm date, with the conversion differences accounted into current profit or loss, or capital surplus.

3.6 Accounting method of financial assets or financial liabilities

(a) Classification of financial assets or financial liabilities

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

(b) Confirmation and measurement of financial assets or financial liabilities

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

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

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

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

(2) Held-to-maturity investments

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

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

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

(3) Receivables:

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

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

(4) Available-for-sale financial assets

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

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

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

(5) Other financial liabilities

The sum of fair values and relevant transaction expenses to get them is deemed as the initial confirmation amount. The subsequent calculation adopts the amortized cost method.

(c) Confirmation and measurement of transform of financial assets

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

Essence is more important than form when judging whether the transform meets the requirements of the financial assets termination recognition conditions mentioned above. The Company divides the transform of financial assets into entire transfer and partial transfer.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following two items shall be recorded in the profit and loss of the current year:

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

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

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

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

(d) Confirmation of fair values of main financial assets and financial liabilities

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

(e) Impairment loss on financial assets

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

If at the year end the fair values of the available-for-sale financial assets decline significantly, or the trend of the decline is expected to be non-temporary after consideration of all relevant factors, the assets are deemed impaired and impairment loss is recognized together with the amount transferred from the accumulated

decreases in fair values previously recognized in the owner's equity.

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

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

3.7 Recognition standard and provision method of provision for bad and doubtful debts of accounts receivable

If there is objective evidence at the year end to indicate that impairment exists in accounts receivable, their carrying amount should be decreasingly recorded as recoverable amount. The decreased amount should be recognized as impairment loss of assets and be recorded into profit and loss of the current year. Recoverable amount is recognized through discounting original actual rate of its future cash flow(excluding credit loss that has not occurred) with consideration of the value of related guarantee (deducting estimated disposal expenses and etc.).

Original actual rate is actual rate calculated when recognizing the accounts receivable at first.

Since there is tiny difference between estimated future cash flow and present value of short-term accounts receivable, the estimated future cash flow will not be discounted when recognizing related impairment loss.

Conduct impairment testing separately on accounts receivable with relatively higher individual price at the end of the period. If there is objective evidence to indicate that impairment exists, recognize impairment loss and provide for bad and doubtful debts in accordance with the difference between its future cash flow and carrying amount.

Individual material receivables are receivables that amount to 5,000,000 or above.

In general, no bad debts are provided for receivables from related companies and internal of the Company.

For individual receivables not material as of December 31, 2008, the Company conducts individual impairment tests. The receivables which are tested unimpaired(including material and non-material receivables) will be re-tested in

group of receivables with similar credit risk features.

In addition to the receivables provided for impairment loss separately, the Company appropriates bad debt reserve on the basis of the actual loss ratio of previous same or similar receivables that have similar credit risk features in aging analysis, with the actual financial status taken into consideration

Aging of accounts receivable	Appropriation proportion
Within 1 year	--
1 to 2 years	5%
2 to 3 years	10%
More than 3 years	20%

3.8 Accounting method of inventory:

(a) Inventory classification

Inventory is classified into raw materials, low cost and short-lived articles, merchandise inventories, finished goods and delivered goods etc.

(b) The pricing method of acquiring and sending

Inventories of industry enterprises are valued at actual cost on acquisition and are calculated using one-off weighted average method at the end of the month when issued.

Inventories of commercial enterprises are valued at actual cost on acquisition and are calculated using one-off weighted average method at the end of the month when issued.

The low cost and short-lived articles adopt the one-off amortization method.

(c) System of stock inventories

Perpetual inventory method is adopted.

(d) Recording method of provision for inventory devaluation

At the end of the year, after overall check of the inventory, draw or adjust provision

for inventory devaluation according to the lower of the cost of inventory and net realizable values of inventory.

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

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

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

3.9 Long-term Equity Investment

(a) Initial Calculation

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

In case the long-term equity investment are made to obtain the equities of the enterprises under the same control and the Company pays the cash, transfers the non-cash assets or bears the liabilities as the consideration for the merger, the book value share on the merging date to obtain the owners' equities of the merging party

will be deemed as the initial investment cost of long-term equity investment. The difference between the initial investment cost of long-term equity investment and paid cash, transferred non-cash assets and book values of liabilities will be supplemented by the capital reserve; in case the capital reserve is not enough, the remaining gains will be adjusted. All direct expenses related to the enterprise merger, including the auditing expense, evaluation expense, legal service expense, etc will be accrued to the current profit and loss.

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

(2) Other types of long-term equity investment

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

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

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

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

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

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

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

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

(c) Subsequent measurement and income recognition

When the Company is able to exercise significant influence or joint control, the difference of cost of initial investment in excess of the proportion of the fair value of the net identifiable assets in the invested companies is not adjusted against the initial cost of long-term equity investment. The difference of cost of initial investment in short of the proportion of the fair value of the net identifiable assets in the invested companies is charged into the current profit and loss statement. .

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

Long-term equity investment when the Company has neither joint control nor significant influence in the invested companies and there is no quotation available

on the active market, and the fair value of which cannot be reliably measured are accounted for under the cost method.

Long-term equity investment when the Company has joint control or significant influence over the invested companies is accounted for under the equity method.

Investment income recognized under the cost method is limited to the proportion of the accumulated profit of the invested companies after the investment. Any excess of profit or cash dividend received over the above amount is recognized as withdrawals of initial investments.

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

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

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

3.10 Classification and measurement of investment real estate

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including rented land use rights, land use rights which

are held and prepared for transfer after appreciation and rented buildings.

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

3.11 Valuation and depreciation methods of fixed assets

(a) Recognition standard of fixed assets:

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

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

(b) Classification of fixed assets:

The Company's fixed assets are classified into buildings and constructions, machinery equipment, transportation equipment, other equipment and fixed assets fitment.

(c) Initial measurement of fixed assets

Fixed assets are recorded at the actual cost on acquisition.

The cost of fixed assets purchased includes purchase price, related tax, transportation expenses, loading and unloading expenses, installment expenses and specialist service expenses attributable to the assets that arise before the assets are completed and put into use.

Where payment for the purchase price of a fixed asset is deferred beyond normal credit terms, such that the arrangement is in substance of a financing nature, the cost of the fixed asset shall be determined based on the present value of the purchase price.

The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

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

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

Recording value of fixed assets obtained by absorbing and consolidated by enterprise under the same control should be recognized as carrying amount of the consolidated party; recording value of fixed assets obtained by absorbing and consolidated by enterprise under different control should be recognized as fair value.

Recording value of financing leasehold should be recognized as fair value of leasing assets and present value of lowest leasing payment when leasing occurs whichever is lower.

(d) Depreciation method of fixed assets

Depreciation of fixed assets is provided for on a straight-line basis, the depreciation rate is recognized in accordance with category, estimated useful life and estimated residual rate of fixed assets.

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

Estimated useful life and annual depreciation rate of fixed assets by categories are as

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

3.12 Calculation method of construction in progress

(a) Classification of construction in progress

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

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

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

3.13 Accounting method of intangible assets

(a) Calculation method of intangible assets

Intangible assets are recorded at the actual cost on acquisition.

The cost of intangible assets purchased includes purchase price, related tax, other expenses attributable to the assets that arise before the assets are completed and put into use. For those the price of intangible assets deferred paid exceed normal credit

condition so substantively has financing character, the cost of intangible assets is confirmed on the basis of present value of purchasing price.

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

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

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

(b) Usage life and amortization of intangible assets

(1) Estimation of useful life for intangible assets with finite useful life:

Software is amortized within five years; patents are amortized over beneficial period; land use rights are amortized over the useful period stipulated in the certificate.

At the end of each year, the Company will recheck the usage life of intangible assets with the limited usage life and amortization method will be rechecked.

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

(2) The Company has no intangible assets with uncertain useful life.

(3) Amortization of intangible assets

In case their usage life is limited, the Company will amortize the intangible assets on a straight line basis within the period during which they can bring economic benefits to enterprises; in case it's impossible to evaluate the period during which the intangible assets can bring economic benefits to enterprises, it will be deemed that the usage life of such intangible assets is uncertain and amortization is unavailable.

(c) Research phase expenses and classification standard of development phase expenses of R&D projects

The development phase expenses of internal R&D projects are confirmed as intangible assets unless they can meet following conditions:

- (1) Completing the intangible assets to make it can be used or sold has technical feasibility;
- (2) Have intention of completing the intangible assets and use or sell;
- (3) The manners of intangible assets producing economic interest including it can be verified that the products produced with the intangible assets have market or the intangible assets itself has market, for the intangible assets that for internal using, should verify its feasibility;
- (4) Have essential technique, financial resource and other resources to support completing the development of intangible assets, and have ability to use or sell the intangible assets;
- (5) The expense that belongs to development phase of the intangible assets can be dependably calculated.

3.14 Amortization method and period of long-term deferred expenses

Long-term deferred expenses are amortized evenly over the beneficial period, among which:

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

3.15 Impairment on other main assets except for inventories, investment real estate

and financial assets

(a) Long-term equity investment

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

For the other long-term equity investments, in case the calculation results of receivable amounts indicate that the receivable amount of this long-term equity investment is less than their book values, the difference will be confirmed as the asset depreciation losses. Once the depreciation loss of long-term equity investment is confirmed, they will not be reversed.

(b) Long-term non-financial assets such as fixed assets, construction in progress, intangibles and good will

For long-term non-financial assets such as fixed assets, construction in progress, intangibles, etc, the Company assesses whether signs of possible impairment exist at end of each year.

Impairment tests are performed on goodwill arises from business combinations and intangibles with uncertain useful life regardless of whether signs of possible impairment exist.

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

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

Future depreciation or amortization of assets is adjusted after recognition of impairment loss so that the adjusted book value of the assets (after the deduction of estimated residual value) is amortized systematically over their remaining useful life. Impairment loss on long-term non-financial assets such as fixed assets, construction

in progress, intangibles, etc shall not be reversed once recognized.

When there are signs of possible impairment on assets, the Company estimates the recoverable amount of the assets on an individual basis.

3.16 Capitalization of loan expenses

(a) Confirmation principle of capitalization of loan expenses

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

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

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

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

In case during the construction or production period the assets complying with the capitalization conditions are abnormally suspended and the suspension period exceeds 3 months continuously, the capitalization of loan expenses will also be suspended.

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

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

(b) Capitalization period of loan expenses

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

(c) Calculation method of capitalization amount of loan expenses

The interest expenses for special loans (after the deduction of interest income generated by the unused loan capitals or the investment return obtained from the temporary investments) and auxiliary expenses will be capitalized before the assets complying with the capitalization conditions are ready for the expected use or sales.

The interest amount of general loans to be capitalized will be determined by multiplying the weighed average amount of the asset payments by which the accumulated assets exceed the special loans with the capitalization rate of general loans. The capitalization rate will be determined based on the weighed average interest rate of general loans.

In case the loans have the discounts or premiums, the Company will adjust the interest amount in each period based on the amortized discount and premium amount in each accounting period in accordance with the actual interest rate method.

3.17 Recognition of Income

(a) Sale of goods:

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

(b) Rendering of service

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In case on the preparation date of balance sheet the results about service transaction can be reliably evaluated, the labor income will be confirmed by the completion percentage method.

In case the service transaction results on the preparation date of balance sheet cannot be reliably evaluated, they will be determined in the following methods:

- (1) In case the service costs that have occurred can be compensated, the service income will be confirmed based on such service costs and the same amounts will be settled as the service costs.
- (2) In case the service costs that have occurred cannot be compensated, such service costs will be accrued to the current profit and loss and will not be confirmed as the service costs.

(c) Use right of transferred assets

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

- (1) The interest income amount will be calculated and determined based on the use time of currency capital from the Company by others and actual interest rate.
- (2) The income amount of use expenses will be calculated and determined subject to the charging time and method agreed in the relevant contracts and agreements.
- (3) Rental income from lease of properties
 - a. Lease contracts, agreements or other notice of settlement
 - b. Have executed liabilities as stipulated in the contract, issued rental invoices and the proceeds have been or will be received with certainty.
 - c. Cost can be reliably measured
 - d. Ascertain through calculations in accordance with provisions stipulated in the relevant contracts or agreements.

3.18 Confirmation of deferred income tax assets

The Company uses the profit before income tax to offset the variance of temporary

difference as a limit to confirm the deferred tax assets that produced by the variance of temporary differences which can be offset.

3.19 Accounting policies, accounting evaluation changes and correction of accounting errors and relative effects

There is no significant accounting evaluation changes and correction of accounting errors in 2008.

4 Taxation

4.1 Main taxes and tax rates

Taxable items or tax basis	Tax applicable	Tax rate
Sales revenue of the products	Value added tax	17% , 13% , 6% , 0%
Leasing income, storage income etc.	Business tax	5%
Transportation and conveyance incomes	Business tax	3%
Amount of turnover tax	Urban maintenance and construction tax	1% or 7%
Amount of turnover tax	Education surcharge	3% or 4%
Taxable income	Corporate Income tax	10% , 15% , 18% , 25%

4.2 Tax reduction

In accordance with GDSH [2007] No. 302 document, Guangxi Accord Drugstore Chain Co., Ltd, a subsidiary of the Company, enjoys beneficial state tax policy of a reduced corporate income tax rate of 15% under the 'encouraged category' for a period from 2006 to 2010.

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

In accordance with GF [2007] No. 39 document, since January 1, 2008, enterprises

which enjoy beneficial low tax policies shall be subject to the statutory tax rate five years after the implementation of the new tax law, among which: enterprises that enjoy a tax rate of 15% will be subject to 18% in 2008. Therefore, the Company and its subsidiaries, Shenzhen Zhijun Pharmaceutical Trade Co., Ltd, Shenzhen Accord Pharmaceutical Co., Ltd, Shenzhen Jianmin Pharmaceutical Co., Ltd, Shenzhen Accord Pharmaceutical Chain Co., Ltd, Guangdong Accord Drugstore Co., Ltd, Shenzhen Accord Pharmaceutical Logistics Co., Ltd, are subject to a tax rate of 18%.

Guangdong Accord Pharmaceutical Vocational Skills Training Center belongs to the education industry and is therefore subject to a tax rate of 10%.

5 Business combination and the consolidated financial statements

The Company adopts the Accounting Policies for Business Enterprises No.33 – Consolidated Financial Statements issued in February 2006. All subsidiaries under the Company's control are included in the scope of consolidation.

The consolidated financial statements are prepared by the parent company based on the individual financial statements of the parent company as well as the subsidiaries included in the scope of consolidation, with reference made to other relevant information and after adjustment to the investments in subsidiaries under equity method. During consolidation, internal equity investments and subsidiaries' owner's equity, internal investment income and subsidiaries' profit distribution, internal transactions, internal debts and credits are eliminated.

In case the consolidated costs are larger than the fair values of the net identifiable assets obtained from the seller during consolidation, the differences are recognized as goodwill. In case the consolidated costs are smaller than the fair values of the net identifiable assets obtained from the seller during consolidation, the differences are accrued to the profit or loss of the current year.

Subsidiaries adopt the same accounting policy with the parent company.

Figures in this section are in CNY '0000 unless otherwise stated.

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5.1 Subsidiaries acquired through business combination under the same control

Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Shenzhen Zhijun Pharmaceutical Co., Ltd. (hereinafter referred to as "Zhijun Pharm.")	Shenzhen	Industry	6,900	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	10,606.17	10,606.17	100	100	100	
Shenzhen Jianmin Pharmaceutical Co., Ltd (hereinafter referred to as "Jianmin Pharm.")	Shenzhen	Commerce	500	Wholesale in chemical material drugs, antibiotics, bio-chemical drugs, blood products, raw material for chemical medicine, Chinese patent drugs and diagnosis drugs	5,348.29	5,348.29	100	100	100	Note1
Shenzhen Medicine Trade Co	Shenzhen	Commerce	188	Wholesale and retail of drugs and textiles	847.85	847.85	100	100	100	Note2

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Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as "Accord Pharm.")	Shenzhen	Commerce	600	Chinese patent medicine, western medicine, medicine treatment apparatus	816.47	816.47	100	100	100	Note3
Shenzhen Accord Medicine Chain Co., Ltd. (hereinafter referred to as "Accord Chain.")	Shenzhen	Commerce	1,080	Chinese patent medicine, western medicine, medicine treatment apparatus	---	---	---	---	100	Note4
Shenzhen Zhijun Medicine Trade Co., Ltd. (hereinafter referred to as "Zhijun Medicine Trade.")	Shenzhen	Commerce	189	Purchase and sale of Chinese traditional medicinal materials, Chinese patent medicine, chemical raw material for medical treatment, antibiotic preparation, chemical medicine preparation etc.	373.4	373.4	100	100	100	Note5

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Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Guangdong Accord Drugstore Co., Ltd. (hereinafter referred to as "Accord Drugstore.")	Shenzhen	Commerce	5,000	Chinese patent medicine, chemical raw material medicine, chemical medicine preparation, antibiotics, biochemical medicine, diagnosis drugs, biological products of treatment and diagnosis.	5,020.51	5,020.51	100	100	100	Note6
Shenzhen Accord Medicine Logistics Co. Ltd (hereinafter referred to as "Accord Logistics.")	Shenzhen	Service	100	Warehousing services, transportation, cargo package & sorting , ordinary road freight	101.91	101.91	100	100	100	Note 7
Guangzhou Accord Medical Business Skills Training Center(hereinafter referred to as "Training Center.")	Shenzhen	Service	3	Training	3	3	100	100	100	

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Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Sinopharm Medicine Holding Guangzhou Co., Ltd. hereinafter referred to as "Sinopharm Guangzhou.")	Guangzhou	Commerce	5,000	Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalized packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills.	13,388.83	13,388.83	100	100	100	Note8
Sinopharm Medicine Holding Kinlong (Guangdong) Co., Ltd. (hereinafter referred to as "Guangdong Xinlong")	Guangzhou	Commerce	2,000	Drugs, medical apparatus sales	980	980	49	49	100	
Guangxi Accord Pharmaceutical Co., Ltd hereinafter referred to as "Guangdong Accord")	Nanning	Commerce	500	Sales of medicine	498.79	498.79	100	100	100	

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Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Sinopharm Medicine Holding Liuzhou Co., Ltd. (hereinafter referred to as "Sinopharm Liuzhou")	Liuzhou	Commerce	2,053.06	Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license)	2,220.58	2,220.58	51	51	51	Note9
Guangxi Accord Drugstore Chain Co., Ltd. (hereinafter referred to as "Guangdong Chain")	Liuzhou	Commerce	200	Sales of Chinese patent medicine, western medicine, medical equipment, daily general merchandise, alcohol, beverage, costume etc.	---	---	---	---	100	Note10

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Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Liuzhou Chinese Herbal Pieces Factory (hereinafter referred to as "Liuzhou Chinese Herbal Pieces")	Liuzhou	Industry	4	Chinese herbal pieces	---	---	---	---	100	Note10
Guangxi Accord Chinese Herbal Pieces Co., Ltd. (hereinafter referred to as "Guangxi Chinese Herbal Pieces")	Liuzhou	Industry	200	Chinese herbal pieces	---	---	---	---	100	Note10
Guangdong Huixing Investment Co., Ltd.(hereinafter referred to as "Huixing Investment")	Guangzhou	Commerce	5,000	Project investment, property management and leasing, medical information consultancy, car park management	---	---	---	---	100	Note11
Sinopharm Medicine Holding Foshan Co., Ltd hereinafter referred to as "Sinopharm Foshan")	Guangzhou	Commerce	200	Drug sales	---	---	---	---	100	Note12
Guangzhou Accord Drugstore Chain Co., Ltd. hereinafter referred to as "Guangzhou Chain")	Guangzhou	Commerce	200	Drug retail and medicine information consultancy	---	---	---	---	100	Note13

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Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Balance of net investment in subsidiary	Equity holding percentage	Voting power	Voting power consolidated	Remarks
Guangdong Yuexing Medicine Co., Ltd. (hereinafter referred to as "Yuexing Medicine")	Guangzhou	Commerce	300	Sales of medicine and medical treatment apparatus	---	---	---	---	100	Note14
Guangdong Hengchang Logistics Co., Ltd.(hereinafter referred to as "Hengchang Logistics")	Guangzhou	Service	54	Storage loading and unloading	---	---	---	---	100	Note15
Guangzhou Uptodate & Special Medicines Co.	Guangzhou	Commerce	50	Drug sales	---	---	---	---	100	Note16
Guangzhou South Medical Treatment Equipment Company(hereinafter referred to as "South Medical Treatment Equipment")	Guangzhou	Commerce	200	Sale of medical treatment apparatus	---	---	---	---	100	Note16

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Note 1: Jianmin Pharm. was previously a subordinate enterprise of the Company that owned by the whole people, whose former name was Shenzhen Medicine Co. In Aug 2007, Jianmin Pharm. changed its system into individual proprietorship limited company, and changed its name into Shenzhen Pharmaceutical Co., Ltd, the registered capital alternated into CNY 5,000,000. In Jan 2008, Jianmin Pharm. changed its name into Shenzhen Jianmin Pharmaceutical Co., Ltd.

Note 2: Shenzhen Medicine Co., Ltd ceased operation since 2003 and is not consolidated.

Note 3: In 2008 the Company purchased 10% of the shares of Accord Medicine which was previously held by Zhijun Pharm., and Accord Medicine thus became a wholly-owned subsidiary of the Company.

Note 4: Accord Chain is respectively held by the Company with 75% shares and subordinate subsidiary Zhijun Pharm. with 25% shares. In May 2007, the shareholders of the Company alternated with 10% shares are held by the Company and 90% shares are held by subordinate subsidiary Accord Drugstore. In 2008, the Company transferred the 10% it held to Accord Drugstore, and Accord Chain has thus become a wholly-owned subsidiary of Accord Drugstore.

Notes 5: The Company originally held 47.09% and its subordinate subsidiary Zhijun Pharm. held 52.91% respectively of Zhijun Medicine Trade's shares. In 2008, the Company purchased the shares held by Zhijun Pharm., and Zhijun Medicine Trade has therefore become a wholly-owned subsidiary of the Company.

Note 6: In 2008, the Company purchased the 10% shares of Accord Drugstore which was previously held by Sinopharm Guangzhou, and Accord Drugstore has therefore become a wholly-owned subsidiary of the Company.

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Note 7: The Company originally held 90% and its subordinate subsidiary Zhijun Pharm. held 10% respectively of Accord Logistics. In 2008, the Company purchased the 10% shares held by Zhijun Pharm., and Accord Logistics has therefore become a wholly-owned subsidiary of the Company.

Note 8: In 2008, the Company purchased the 10% shares of Sinopharm Guangzhou which was previously held by China Pharmaceutical Group Shanghai Company, and Sinopharm Guangzhou has therefore become a wholly-owned subsidiary of the Company.

Note 9: Originally, 51% shares of Sinopharm Liuzhou was held by Sinopharm Guangzhou, a subordinate subsidiary of the Company. In 2008, these shares were purchased by the Company, and other shares are held by unrelated parties.

Note 10: These three companies are wholly-owned subsidiaries of Sinopharm Liuzhou, a subordinate subsidiary of the Company. Liuzhou Chinese Herbal Pieces Co., Ltd was de-registered in December 2008.

Note 11: Huixing Investment is a wholly-owned subsidiary of Sinopharm Guangzhou which is a subsidiary of the Company.

Note 12: Sinopharm Foshan is a wholly-owned subsidiary of Huixing Investment. In 2008, it changed its system into corporate-owned limited liability company, and changed its name into Guangzhou Guoxing Pharmaceutical Co., Ltd. which was later changed into Sinopharm Foshan Co., Ltd.

Note 13: Guangzhou Chain is a wholly-owned subsidiary of Huixin Investment. In 2008, Accord Drugstore purchased 100% shares of its equity, and Guangzhou Chain has therefore become a wholly-owned subsidiary of Accord Drugstore.

Note 14: Yuexing Medicine is a wholly-owned subsidiary of Sinopharm Guangzhou which

is a subsidiary of the Company.

Note 15: Hengchang Logistics is a wholly-owned subsidiary of Huixing Investment.

Note 16: South Medical Treatment Equipment was de-registered in 2008.

(a) Judgment criteria of “consolidation of corporations under the same control”

Consolidation of corporations under the same control means corporation taken into consolidation were under the same ultimate control before and after consolidation, and the control is not temporary.

(b) Actual controlling party of the “same controller”

To the subsidiaries acquired through business combination under the same control, the actual controller of the same control is Shenzhen Investment Management Co. (the former main shareholder of the Company, and is not the actual controlling party of the Company now) and Sinopharm Medicine Holding Co., Ltd.

5.2 Added and deducted subsidiaries in current fiscal year

a. Added subsidiaries during consolidation of corporations under the same control

(1) The book values of the assets and liabilities of the consolidated corporations on the balance sheet date and acquisition date, judgment criteria of “consolidation of corporations under the same control”, and description of actual controller.

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Name of subsidiary	Book value of total assets		Book value of total liabilities		Judgment criteria of “consolidation of corporations under the same control”	Actual controlling party of the “same controller”
	Balance sheet date of previous fiscal year	Acquisition date	Balance sheet date of previous fiscal year	Acquisition date		
Guangxi Accord	5,002,978.49	5,341,380.70	---	353,460.99	corporations taken into consolidation were under the same ultimate control before and after consolidation	Sinopharm Medicine Holding Co., Ltd.

(2) Revenue, net profit and cash flow of the consolidated corporations during the period from the beginning of the current year to the date of acquisition.

Name of subsidiary	Acquisition date	From the beginning of the current year to the date of acquisition			
		Revenue	Net profit	Net cash flow	Operating net cash flow
Guangxi Accord	August 31, 2008	283,317.94	-15,058.78	499,125.95	507,045.60

5.3 Changes in the scope of consolidation in current year

(a) One additional company was taken into consolidation for the following reason:

The Company has purchased Guangxi Accord Chinese Herbal Pieces Co., Ltd in 2008.

(b) Two companies were excluded from consolidation for the following reason:

Subsidiary of the Company, Guangdong Huixing Investment Co., Ltd’s subsidiaries Guangzhou Qingyun Hotel Co., Ltd and Guangdong Dong Enterprise Development Co., Ltd were de-registered during 2007.

(c) Companies newly added into the consolidation during the reporting period

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Name of subsidiary	Total share-holding proportion	Net assets on the date of purchase	Net assets at the end of the year	Net profit from date of purchase to the end of the year	Remarks
Guangxi Accord	100%	4,987,919.71	5,063,339.02	75,419.31	

3. Minority shareholders' equity and interest

Minority shareholders' equity	As of December 31, 2007	Current year	Other increases / decreases		As of December 31, 2008
		Minority shareholders' Gain or loss	Profit distribution	Other equity changes	
Sinopharm Medicine Holding (Guangzhou) Co., Ltd	13,818,841.50	5,907,791.59	---	-19,726,633.09	---
Sinopharm Medicine Holding (Liuzhou) Co., Ltd	19,644,195.80	1,739,267.50	---	---	21,383,463.30
Total	33,463,037.30	7,647,059.09	---	-19,726,633.09	21,383,463.30

Note: Other equity changes are caused by the Company's purchase of the 10% equity of Sinopharm Guangzhou held by minority shareholders.

6 Notes to the main items of financial statements

(Monetary unit is CNY and the amount is the ending balance unless otherwise stated.)

6.1 Monetary fund

<u>Item</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
Cash on hand	442,155.45	1,622,171.38
Cash in bank	306,747,671.83	199,448,262.01
Other monetary funds	38,069,689.19	53,766,977.91
Total	345,259,516.47	254,837,411.30

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Classification of other monetary funds:

	<u>As of December 31,</u> <u>2008</u>	<u>As of December 31,</u> <u>2007</u>
Security deposit for bank acceptance bills	38,036,982.00	53,454,694.07
Other security deposit	<u>32,707.19</u>	<u>312,283.84</u>
Total	<u><u>38,069,689.19</u></u>	<u><u>53,766,977.91</u></u>

The ending balance of monetary fund has 90,422,105.17 more than the beginning balance, an increase of 35.48%, which is mainly due to loans and increase in discount in banks in the current year.

6.2 Notes receivable

<u>Category</u>	<u>As of December 31,</u> <u>2008</u>	<u>As of December 31,</u> <u>2007</u>
Bank acceptance bills	82,060,808.18	11,599,008.53
Commercial acceptance bills	<u>139,815,442.27</u>	<u>155,239,273.25</u>
Total	<u><u>221,876,250.45</u></u>	<u><u>166,838,281.78</u></u>

(a) Discounted and undue commercial acceptance bills amounted to 107,383,652.99, and discounted and undue bank acceptance bills amounted to 41,409,595.83.

(b) Endorsed and undue notes receivable as of December 31, 2008.

Category of bills	Period of m aturation (m onth)	Amount
Bank acceptance bills	Within 1	99,828,395.39
Bank acceptance bills	1-2	84,460,957.99
Bank acceptance bills	2-3	94,910,398.09

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Bank acceptance bills	3-6	<u>53,777,201.16</u>
Total		<u><u>332,976,952.63</u></u>

(c) Among the notes receivable as of December 31, 2008, there are no notes receivable which belong to the shareholders that hold over 5% (inclusive) of the voting shares of the Company.

(d) The ending balance of notes receivable has 55,037,968.67 more than the beginning balance, an increase of 32.99%, which is mainly due to increase in the Company's revenue.

6.3 Accounts receivable

(a) Structure of accounts receivable

	As of December 31, 2008				As of December 31, 2007			
	<u>Book balance</u>	<u>Proportion in total amount</u>	<u>Provision</u>	<u>Provision rate for bad debt</u>	<u>Book balance</u>	<u>Proportion in total amount</u>	<u>Provision</u>	<u>Provision rate for bad debt</u>
	Aging							
Within one year (inclusive)	1,728,602,303.19	100.00%	1,890,380.37	0.11%	1,289,992,392.54	99.85%	3,399,229.22	0.26%
1-2 years(2 years inclusive)	---	---	---	---	97,552.37	0.01%	41,633.10	42.68%
2-3 years(3 years inclusive)	---	---	---	---	1,800,000.00	0.14%	1,800,000.00	100.00%
Over 3 years	---	---	---	---	---	---	---	---
Total	<u>1,728,602,303.19</u>	100.00%	<u>1,890,380.37</u>		<u>1,291,889,944.91</u>	100.00%	<u>5,240,862.32</u>	

Item	As of December 31, 2008				As of December 31, 2007			
	<u>Book balance</u>	<u>Proportion of total amount</u>	<u>Provision</u>	<u>Provision rate for bad debt</u>	<u>Book balance</u>	<u>Proportion of total amount</u>	<u>Provision</u>	<u>Provision rate for bad debt</u>
	1) Significant individual amount with separate provision for impairment loss	25,245,382.74	1.46%	408,783.47	1.62%	6,814,139.61	0.53%	156,252.28
2) Insignificant individual amount with separate provision for impairment loss	3,836,743.82	0.22%	1,481,596.90	38.86%	14,540,413.11	1.13%	5,084,610.04	11.80%
3) Other amounts which are classified into the same group with similar credit risk features	1,699,520,176.63	98.32%	---	---	1,270,535,392.19	98.34%	---	---
Among which: significant individual amount	648,410,048.52	37.51%	---	---	408,151,799.22	31.59%	---	---
Insignificant individual amount	1,051,110,128.11	60.81%	---	---	862,383,592.97	66.75%	---	---

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Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	
Total	1,728,602,303.19	100.00%	1,890,380.37	---	1,291,889,944.91	100.00%	5,240,862.32

(b) Changes in the provision for bad debts in accounts receivable

Year	<u>Beginning book</u>	<u>Provision in</u>	<u>Decreases</u>		<u>Ending book</u>
	<u>balance</u>	<u>current year</u>	<u>Returned</u>	<u>Written off</u>	<u>balance</u>
2007	5,488,436.74	1,904,601.71	---	2,152,176.13	5,240,862.32
2008	5,240,862.32	99,223.48	2,496,839.34	952,866.09	1,890,380.37

(c) Accounts receivable with significant individual amount

<u>Ranking of significant individual amounts</u>	<u>Amount</u>	<u>Provision Rate</u>	<u>Reason</u>
Sinopharm Medicine Holding Shenyang Co., Ltd.	56,013,900.56	0%	Not exceeding credit period or credit amount
No. 3 Hospital Affiliated to Sun Yat-sen University	26,516,738.30	0%	Not exceeding credit period or credit amount
No. 1 Hospital Affiliated to Sun Yat-sen University	24,712,967.78	0%	Not exceeding credit period or credit amount
Guangdong People's Hospital	20,730,971.93	0%	Not exceeding credit period or credit amount
Shenzhen People's Hospital	25,092,950.27	0%	Not exceeding credit period or credit amount

(d) Accounts receivable which were provided for bad debt fully or in large proportion in previous periods and are recovered fully or partially in current year.

Name of company	Amount of recovery or claim	Way of recovery	Reason for previous provision proportion	Reasonableness for previous provision proportion
Shenzhen Pharmaceutical Health Products Import & Export Co.,	1,800,000.00	Cash	Unreturned for a long-term	Reasonable

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(e) Accounts receivable actually written off in this year amounted to 952,866.09.

(f) Among the accounts receivable as of December 31, 2008, the accounts, which are attributed to the shareholders that hold over 5 % (inclusive) voting share of the Company, amount to 1,037,335.58.

Name of company	<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
	Book balance	Provision for bad debt	Book balance	Provision for bad debt
Sinopharm Medicine Holding Co. Ltd.	1,037,335.58	---	901,364.64	---

(g) Accounts receivable of related parties amount to 116,439,281.52, which accounts for 6.74% of the accounts receivable as of December 31, 2008. For particulars see Note 8.

(h) Top five of accounts receivable as of December 31, 2008

<u>Rank of creditor</u>	<u>Amount</u>	<u>Aging</u>	<u>Proportion of total receivable accounts</u>
Sinopharm Medicine Holding Shenyang Co., Ltd.	56,013,900.56	Within 1 year	3.24%
No. 3 Hospital Affiliated to Sun Yat-sen University	26,516,738.30	Within 1 year	1.53%
Shenzhen People's Hospital No. 1 Hospital Affiliated to Sun Yat-sen University	25,092,950.27	Within 1 year	1.45%
Yat-sen University	24,712,967.78	Within 1 year	1.43%
Guangdong People's Hospital	20,730,971.93	Within 1 year	1.20%

(i) The ending balance of accounts receivable is 440,062,840.23 more than the beginning balance, an increase of 34.20%, which is due to the growth of the Company's revenue in this fiscal year.

6.4 Advances to suppliers

(a) Analysis of aging

<u>Aging</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
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	<u>Amount</u>	<u>Proportion in</u> <u>total amount</u>	<u>Amount</u>	<u>Proportion in</u> <u>total amount</u>
Within 1 year	37,746,811.89	94.28%	54,122,228.36	100%
1-2 years	2,288,111.56	5.72%	---	---
Total	40,034,923.45	100.00%	54,122,228.36	100%

(b) Among the ending balance, there is no amount due from shareholders that hold more than 5% (inclusive) shares of the Company.

(c) Significant advances to suppliers as of December 31, 2008

Total and proportion of top five significant advances

<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
Amount	Proportion %	Amount	Proportion %
16,632,099.74	41.54%	26,203,713.41	48.42%

6.5 Other receivables

(a) Structure of other receivables

	<u>As of December 31, 2008</u>				<u>As of December 31, 2007</u>			
	<u>Book balance</u>	<u>Proportion</u> <u>in total</u>	<u>Provision</u>	<u>Provision</u> <u>rate for bad</u>	<u>Book balance</u>	<u>Proportion</u> <u>in total</u>	<u>Provision</u>	<u>Provision</u> <u>rate for bad</u>
	<u>amount</u>	<u>amount</u>	<u>debt</u>	<u>debt</u>	<u>amount</u>	<u>amount</u>	<u>debt</u>	<u>debt</u>
Aging								
Within one year (inclusive)	30,524,008.45	66.91%	398,285.06	1.30%	25,071,707.72	46.04%	532,182.27	2.12%
1-2 years(2 years inclusive)	436,394.78	0.96%	164,715.35	37.74%	4,164,225.27	7.64%	329,358.67	7.91%
2-3 years(3 years inclusive)	244,203.67	0.53%	93,370.86	38.23%	9,714,678.64	17.84%	5,734,282.40	59.03%
Over 3 years	14,417,695.42	31.60%	12,359,623.46	85.73%	15,507,585.82	28.48%	10,114,030.97	65.22%
Total	<u>45,622,302.32</u>	100.00%	<u>13,015,994.73</u>		<u>54,458,197.45</u>	100.00%	<u>16,709,854.31</u>	

<u>Item</u>	<u>As of December 31, 2008</u>				<u>As of December 31, 2007</u>			
	<u>Book</u> <u>balanc</u> <u>e</u>	<u>Proportion</u> <u>in</u> <u>total amount</u>	<u>Provision</u>	<u>Provision</u> <u>rate</u> <u>for bad debt</u>	<u>Book balance</u>	<u>Proportion</u> <u>in</u> <u>total</u> <u>amount</u>	<u>Provision</u>	<u>Provision</u> <u>rate for</u> <u>bad debt</u>
	1) Significant individual amount with separate provision for impairment loss	14,074,579.90	30.85%	12,036,747.94	85.52%	18,234,579.90	33.48%	14,532,747.94

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2) Insignificant individual amount with separate provision for impairment loss	853,772.31	1.87%	853,772.31	100.00%	8,086,359.61	14.85%	1,910,078.12	23.62%
3) Other amounts which are classified into the same group with similar credit risk features	30,693,950.11	67.28%	125,474.48	0.41%	28,137,257.94	51.67%	267,028.25	0.95%
Among which: significant individual amount	---	---	---	---	---	---	---	---
Insignificant individual amount	30,693,950.11	67.28%	125,474.48	0.41%	28,137,257.94	51.67%	267,028.25	0.95%
Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	---	---
Total	45,622,302.32	100.00%	13,015,994.73		54,458,197.45	100.00%	16,709,854.31	

(b) Changes in the provision for bad debt in other receivables

Year	<u>Beginning</u>	<u>Provision</u>	<u>Decreases</u>		<u>Ending book</u> <u>balance</u>
	<u>book balance</u>		<u>Returned</u>	<u>Written off</u>	
2007		2,077,863.95	---	1,705,795.34	
	16,337,785.70				16,709,854.31
2008			2,675,280.11	1,249,665.40	
	16,709,854.31	231,085.93			13,015,994.73

(c) Other receivables with significant individual amount or insignificant amount but provided for impairment loss separately

<u>Rank of significant individual</u> <u>amount</u>	<u>Amount</u>	<u>Provision</u> <u>rate</u>	<u>Reason</u>
Shenzhen Yinghai Sci. & Tech. Investment Co., Ltd	8,980,000.00	100%	Uncertainty in recovery
Shenzhen Pharmaceutical and Health Products Imp. & Exp. Co., Ltd	5,094,579.90	60%	Uncertainty in full recovery

(d) Other receivables actually written off in this year amounted to 1,249,665.40.

(e) Other accounts receivable which were provided for bad debt fully or in large proportion in previous periods and are recovered fully or partially in current year

Name of debtor	Amount of recovery or claim	Way of recovery	Reason for previous provision proportion	Reasonableness for previous provision proportion
Shenzhen Pharmaceutical and Health Products Imp. & Exp. Co., Ltd	4,160,000.00	Cash	Unreturned for a long-term, partially unrecoverable	Reasonable

(f) There is no shareholders' amount with more than 5% (including 5%) voting shares of the Company in other receivables.

(g) Among the ending balance of other receivables, there are no receivables of related parties.

(h) Top five debtors in the ending balance of other receivables

Rank of debtor	Nature/Content	Amount	Aging	Proportion of total amount
Shenzhen Yinghai Technology Investment Co., Ltd.	Receivables from equity transaction	8,980,000.00	Over 3 years	19.68%
Shenzhen Medicines and Health Products I/E Co., Ltd..	Current account	5,094,579.90	Over 3 years	11.17%
Korean Yuhan Corporation	Payment for patent cooperation	3,529,434.95	Within 1 year	7.74%
Liuzhou Housing Fund Management Center	Current account	2,000,811.62	Within 1 year	4.39%
Xi'an Janssen Pharmaceutical Co., Ltd	Current account	500,000.00	Within 1 year	1.10%

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6.6 Inventories and provision for inventory devaluation

<u>Item</u>	<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
	<u>Amount</u>	<u>Provision</u>	<u>Amount</u>	<u>Provision</u>
Raw materials	68,775,616.60	1,626,979.60	97,042,410.89	310,242.80
Low cost and short-lived articles	828,925.46	---	692,747.59	138,250.00
Merchandise inventory	664,363,573.18	2,596,307.36	483,410,102.05	8,034,917.12
Sent out merchandise	5,976,340.80	59,527.00	1,656,289.15	---
Total	739,944,456.04	4,282,813.96	582,801,549.68	8,483,409.92

(a) Provision for inventory devaluation

<u>Item</u>	<u>As of</u>		<u>Decreases</u>		<u>As of December 31, 2008</u>
	<u>December 31, 2007</u>	<u>Provided</u>	<u>Returned</u>	<u>Written off</u>	
Raw materials	310,242.80	1,626,979.60	---	310,242.80	1,626,979.60
Low cost and short-lived articles	138,250.00	43,070.29	---	181,320.29	---
Merchandise inventories	8,034,917.12	85,333.79	---	5,523,943.55	2,596,307.36
Sent out merchandise	---	59,527.00	---	---	59,527.00
Total	8,483,409.92	1,814,910.68	---	6,015,506.64	4,282,813.96

(b) Inventories actually written off in this year amounted to 534,313.35.

6.7 Long-term equity investments

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<u>Item</u>	<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
	<u>Book balance</u>	<u>Provision for impairment loss</u>	<u>Book balance</u>	<u>Provision for impairment loss</u>
Long-term equity investments recognized by equity method	67,399,908.10	---	55,194,782.93	---
Associated enterprises	67,399,908.10	---	55,194,782.93	---
Long-term equity investments recognized by cost method	10,735,966.07	8,556,892.37	10,785,966.07	8,606,892.37
Total	<u>78,135,874.17</u>	<u>8,556,892.37</u>	<u>65,980,749.00</u>	<u>8,606,892.37</u>

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(a) Main information of invested units

<u>Name of invested unit</u>	<u>Registry</u>	<u>Business Character</u>	<u>Shares in the registered capital of the invested unit (%)</u>	<u>the Company's voting share in invested unit of</u>	<u>Net assets as of December 31, 2008</u>	<u>Sales of current year</u>	<u>Net profit of current year</u>
Associated enterprises							
China Associate Co., Ltd.	Shenzhen	---	0.17%	---	---	---	---
Shenzhen Futian Pharmaceutical Co., Ltd.	Shenzhen	---	40.00%	---	---	---	---
Liaoning & Accord Pharm Chain Store Co., Ltd.	Liaoning	Commerce	30.00%	0.00%	---	---	---
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	Shenzhen	Industry	47.39%	47.39%	46,329,525.76	56,633,745.78	89,739.79
Dongyuan & Accord Pharm Chain Store Co., Ltd.	Guangdong	Commerce	45.00%	0.00%	---	---	---
Shenzhen Wanle Pharmaceutical Co., Ltd.	Shenzhen	Industry	35.19%	35.19%	129,121,596.37	293,069,697.87	38,586,480.96

Explanation of the difference between voting shares and proportion of shareholding:

<u>Name of invested unit</u>	<u>Proportion</u>		<u>Reason</u>
	<u>of shareholding</u>	<u>of Voting share</u>	
Liaoning & Accord Pharm. Chain Store Co., Ltd.	30.00%	0.00%	No actual control and intend to sell out
Dongyuan & Accord Pharm Chain Store Co., Ltd.	45.00%	0.00%	No actual control and provided a 100% provision for impairment loss

(b) Long-term equity investments recognized by equity method

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>As of December 31, 2007</u>	<u>Increases/decreases</u>		<u>As of December 31, 2008</u>
			<u>Total</u>	<u>Including: distributed</u>	
				<u>cash dividends</u>	
Associated enterprises					
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd.	20,939,177.10	22,003,356.85	-47,794.59	---	21,955,562.26
Shenzhen Wanle Pharmaceutical Co., Ltd.	4,457,400.00	33,191,426.08	12,252,919.76	4,302,170.89	45,444,345.84
Total	25,396,577.10	55,194,782.93	12,205,125.17	4,302,170.89	67,399,908.10

(c) Long-term equity investments recognized by cost method

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Book balance as of December 31, 2007</u>	<u>Increases/decreases</u>	<u>Book balance as of December 31, 2008</u>	<u>Provision for</u>
					<u>impairment loss</u>
China Associate Co., Ltd.	284,173.70	284,173.70	---	284,173.70	---
<u>China Central City Pharmacy Associates</u>					
	50,000.00	50,000.00	-50,000.00	---	---
Shenzhen Futian Pharmaceutical Co., Ltd.	471,027.36	471,027.36	---	471,027.36	471,027.36
Dongyuan & Accord Pharm. Chain Store Co., Ltd.	2,250,000.00	396,638.32	---	396,638.32	396,638.32
Liaoning & Accord Pharm. Chain Store Co., Ltd.	1,894,900.00	1,894,900.00	---	1,894,900.00	---
Shenzhen Medicine Trade Co.	7,689,226.69	7,689,226.69	---	7,689,226.69	7,689,226.69
Total	12,639,327.75	10,785,966.07	-50,000.00	10,735,966.07	8,556,892.37

(d) Provision for impairment loss long-term equity investment

<u>Name of invested unit</u>	<u>As of</u>		<u>As of</u>		<u>Reason</u>
	<u>December 31,</u> <u>2007</u>	<u>Increases</u>	<u>decreases</u>	<u>December 31,</u> <u>2008</u>	
China Central City Pharmacy Associates	50,000.00	---	50,000.00	---	<i>Note1</i>
Shenzhen Futian Pharmaceutical Co., Ltd.	471,027.36	---	---	471,027.36	<i>Note2</i>
Dongyuan & Accord Pharm. Chain Store Co., Ltd.	396,638.32	---	---	396,638.32	<i>Note3</i>
Shenzhen Medicine Trade Co.	7,689,226.69	---	---	7,689,226.69	<i>Note4</i>
Total	8,606,892.37	---	50,000.00	8,556,892.37	

Note 1: The Company had lost control of this invested unit and this unit was operated poorly, so 100% provision for impairment loss was provided for and was written off in this year.

Note 2: The investment of Shenzhen Futian Pharmaceutical Co., Ltd provided 100% provision for impairment loss because the invested unit was operated poorly or could not be contacted for a long period and the Company had no information about their current situation

Note 3 The Company has lost control of Dongyuan & Accord Pharm Chain Store Co., Ltd which has been in bad operation, so 100% provision for impairment loss is provided.

Note 4: This invested unit has no operation for years, so 100% provision for impairment loss is provided.

6.8 Investment real estate

<u>Item</u>	<u>As of</u> <u>December 31,</u> <u>2007</u>	<u>Increases</u>		<u>Decreases</u>		<u>As of December</u> <u>31, 2008</u>
		<u>Purchase</u>	<u>Real estate for</u> <u>self-use or</u> <u>transferred from</u> <u>inventory</u>	<u>Disposal</u>	<u>Investment real</u> <u>estate transferred</u> <u>into real estate for</u> <u>self-use</u>	
1、 Total original value	47,174,668.54	---	444,799.30	550,000.00	16,168,775.96	30,900,691.88

(1) Constructions rented out	43,059,818.66	---	444,799.30	550,000.00	15,136,286.33	27,818,331.63
(2) Land use right rented out	4,114,849.88	---	---	---	1,032,489.63	3,082,360.25
2、 Total depreciation provided or accumulated amortization	10,080,076.14	---	1,820,453.64	56,684.46	3,791,185.13	8,052,660.19
(1) Constructions rented out	9,669,934.01	---	1,694,382.07	56,684.46	3,628,403.27	7,679,228.35
(2) Land use right rented out	410,142.13	---	126,071.57	---	162,781.86	373,431.84
3、 Total depreciation or amortization of current year	---	---	1,633,823.15	---	---	1,633,823.15
(1) Constructions rented out	---	---	1,507,751.58	---	---	1,507,751.58
(2) Land use right rented out	---	---	126,071.57	---	---	126,071.57
4、 Accumulated provision for impairment loss on investment real estate	---	---	---	---	---	---
(1) Constructions rented out	---	---	---	---	---	---
(2) Land use right rented out	---	---	---	---	---	---
5、 Total book value of investment real estate	37,094,592.40	---	-1,375,654.34	493,315.54	12,377,590.83	22,848,031.69
(1) Constructions rented out	33,389,884.65	---	-1,249,582.77	493,315.54	11,507,883.06	20,139,103.28
(2) Land use right rented out	3,704,707.75	---	-126,071.57	---	869,707.77	2,708,928.41

6.9 Original cost of fixed assets and accumulated depreciation

(a) Original cost of fixed assets

Category	As of December 31,		As of December 31,	
	2007	Increases	Decreases	2008
Buildings and constructions	291,010,516.74	35,284,916.44	10,839,684.48	315,455,748.70
Machinery equipment	132,011,483.11	18,975,443.41	20,467,439.85	130,519,486.67
Transportation equipment	31,351,444.09	4,185,135.00	2,299,310.40	33,237,268.69
Other equipment	78,178,500.19	27,022,164.40	8,540,260.13	96,660,404.46
Fixed assets fitment	5,844,578.66	1,774,746.67	---	7,619,325.33
Total	538,396,522.79	87,242,405.92	42,146,694.86	583,492,233.85

Among which: transferred from CIP: 33,133,345.60.

(b) Accumulated depreciation

Category	As of December 31,	Increases	Provision	Decreases	As of December 31,
----------	--------------------	-----------	-----------	-----------	--------------------

	<u>2007</u>				<u>2008</u>
Buildings and constructions	80,034,377.37	3,628,403.27	13,219,397.43	3,210,787.19	93,671,390.88
Machinery equipment	63,929,584.07	---	9,697,368.43	19,771,823.88	53,855,128.62
Transportation equipment	15,226,310.30	---	3,580,305.26	2,070,838.94	16,735,776.62
Other equipment	34,374,972.40	---	11,895,459.99	7,278,094.28	38,992,338.11
Fixed assets fitment	2,892,164.01	---	1,174,988.66	---	4,067,152.67
Total	<u>196,457,408.15</u>	<u>3,628,403.27</u>	<u>39,567,519.77</u>	<u>32,331,544.29</u>	<u>207,321,786.90</u>

(c) Provision for impairment loss on fixed assets

<u>Category</u>	<u>As of December 31,</u>				<u>As of December</u>
	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>31, 2008</u>	
Buildings and constructions	1,300,000.00	---	---	1,300,000.00	
Total	<u>1,300,000.00</u>	<u>---</u>	<u>---</u>	<u>1,300,000.00</u>	

(d) Book value of fixed assets

<u>Category</u>	<u>As of December 31, 2007</u>	<u>As of December 31, 2008</u>
Buildings and constructions	209,676,139.37	220,484,357.82
Machinery equipment	68,081,899.04	76,664,358.05
Transportation equipment	16,125,133.79	16,501,492.07
Other equipment	43,803,527.79	57,668,066.35
Fixed assets fitment	2,952,414.65	3,552,172.66
Total	<u>340,639,114.64</u>	<u>374,870,446.95</u>

(e) Fixed assets fully depreciated and still in use

<u>Category</u>	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Buildings and constructions	2,173,275.00	1,692,936.83	480,338.17

Machinery			
equipment	12,812,701.42	12,617,420.39	195,281.03
Transportation			
equipment	4,621,444.19	4,209,207.05	412,237.14
Other equipment	<u>18,202,244.68</u>	<u>17,550,094.32</u>	<u>652,150.36</u>
Total	<u><u>37,809,665.29</u></u>	<u><u>36,069,658.59</u></u>	<u><u>1,740,006.70</u></u>

6.10 Construction in progress

Projects	As of December 31, 2008			As of December 31, 2007		
	Book balance	Provision for impairment loss	Book value	Book balance	Provision for impairment loss	Book value
Chepuo Project	6,750,695.20	---	6,750,695.20	6,656,235.20	---	6,656,235.20
Renovation of old buildings	1,179,895.79	---	1,179,895.79	---	---	---
Planting of cassia and honeysuckle	253,886.24	---	253,886.24	253,886.24	---	253,886.24
Medicine R&D base project	---	---	---	621,394.00	---	621,394.00
Technical Innovation	<u>10,572,505.74</u>	<u>---</u>	<u>10,572,505.74</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u><u>18,756,982.97</u></u>	<u><u>---</u></u>	<u><u>18,756,982.97</u></u>	<u><u>7,531,515.44</u></u>	<u><u>---</u></u>	<u><u>7,531,515.44</u></u>

Name of project	Budget	As of December 31, 2007	Increases	Decreases		As of December 31, 2008	Fund resources	Proportion of project input in budget
				Transfer into fixed assets	Other decrease			
Chepuo Project	No	6,656,235.20	94,460.00	---	---	6,750,695.20	Self funds	N/A
Renovation of old	No	---	1,717,075.04	537,179.25	---	1,179,895.79	Self funds	N/A

buildings								
Planting of cassia and honeysuckle	No	253,886.24	---	---	---	253,886.24	Fiscal appropriation	N/A
Medicine R&D base project	236.63 million	621,394.00	10,277,646.55	10,899,040.55	---	---	Self funds and loan from financial institution	100%
Technical Innovation	35.61 million	---	32,269,631.54	21,697,125.80	---	10,572,505.74	Self funds and loan from financial institution	90.62%
Total		7,531,515.44	44,358,813.13	33,133,345.60	---	18,756,982.97		

The amount of borrowing cost capitalization included in construction in progress is as follows:

Name of project	<u>As of</u>		<u>Transfer into</u>	<u>Other</u>	<u>As of</u>	
	<u>December 31,</u>	<u>Increases</u>			<u>fixed assets</u>	<u>decreases</u>
	<u>2007</u>					<u>2008</u>
Medicine R&D base project	---	750,680.69	750,680.69	---	---	
Technical Innovation	---	768,600.00	---	---	768,600.00	
Total	---	<u>1,519,280.69</u>	<u>750,680.69</u>	---	<u>768,600.00</u>	

The capitalization ratio of the amount of borrowing cost capitalization is 6.1056%.

6.11 Intangible assets

(a) Original cost of intangible assets

Item	<u>Original cost as of</u>			<u>Original cost as of</u>
	<u>December 31,</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u>
	<u>2007</u>			<u>2008</u>
Software	6,287,685.67	2,727,515.00	588,609.47	8,426,591.20
Land use right	53,956,433.88	4,201,703.01	---	58,158,136.89
Trade mark use right	127,250.00	28,800.00	---	156,050.00
Total	<u>60,371,369.55</u>	<u>6,958,018.01</u>	<u>588,609.47</u>	<u>66,740,778.09</u>

(b) Accumulated amortization

<u>Item</u>	<u>As of December</u>	<u>Increases</u>	<u>Amortization</u>	<u>Decreases</u>	<u>As of December</u>
	<u>31, 2007</u>				<u>31, 2008</u>
Software	4,322,030.70	---	1,448,035.62	588,609.47	5,181,456.85
Land use right	2,691,960.99	162,781.86	1,019,138.48	---	3,873,881.33
Trade mark use right	57,666.04	---	20,490.88	---	78,156.92
Total	7,071,657.73	162,781.86	2,487,664.98	588,609.47	9,133,495.10

(c) Book value of intangible assets

<u>Item</u>	<u>As of December</u>	<u>As of December</u>	<u>Remained</u>
	<u>31, 2007</u>	<u>31, 2008</u>	<u>amortization</u>
			<u>Period</u>
software	1,965,654.97	3,245,134.35	1-59 months
Land use right	51,264,472.89	54,284,255.56	37-50years
Trade mark use right	69,583.96	77,893.08	56-58months
Total	53,299,711.82	57,607,282.99	

6.12 Long-term deferred expenses

<u>Item</u>	<u>Original</u>	<u>As of</u>	<u>Increases</u>	<u>Amortization</u>	<u>Decreases</u>	<u>Accumulated</u>	<u>As of December</u>	<u>Remained</u>
	<u>occurred</u>	<u>December 31,</u>					<u>31, 2008</u>	<u>amortization</u>
	<u>amount</u>	<u>2007</u>				<u>amortization</u>	<u>31, 2008</u>	<u>Period</u>
Leasehold improvement	24,357,088.02	11,635,022.09	7,884,549.84	3,739,746.88	75,301.99	8,652,564.96	15,704,523.06	1-59 months
Management consulting expenses	1,325,273.60	572,784.57	---	458,227.56	---	1,210,716.59	114,557.01	4 months
Others	1,804,455.42	417,491.68	388,526.42	210,916.26	---	1,209,353.58	595,101.84	6-50 months
Total	27,486,817.04	12,625,298.34	8,273,076.26	4,408,890.70	75,301.99	11,072,635.13	16,414,181.91	

6.13 Deferred income tax assets and liabilities**(a) Recognized deferred income tax assets**

<u>Item</u>	<u>As of December</u> <u>31, 2008</u>	<u>As of December</u> <u>31, 2007</u>
Provision for bad debt on accounts receivable	4,513.79	7,771.72
Provision for bad debt on other receivables	218,470.55	169,035.39
Provision for inventory devaluation	110,459.44	230,697.37
Provision for impairment loss on long-term equity investments	94,205.47	93,784.92
Provision for impairment loss on fixed assets	188,130.65	325,000.00
Loss brought forward	---	2,156,652.29
Employee benefits payable (unpaid)	2,965,250.00	2,494,878.99
Income tax paid accrued sales expenses	3,788,255.14	7,338,090.85
Compensation for retired employees	500,610.82	860,009.53
Total	<u>7,869,895.86</u>	<u>13,675,921.06</u>

Temporary variant amounts corresponding with the assets or liabilities that cause the difference as of December 31, 2008.

<u>Item</u>	Temporary variant amounts
Provision for bad debt on accounts receivable	22,568.94
Provision for bad debt on other receivables	900,753.77
Provision for inventory devaluation	470,209.24
Provision for impairment loss on long-term equity investments	471,027.36
Provision for impairment loss on fixed assets	752,522.59
Employee benefits payable (unpaid)	13,645,000.00
Income tax paid accrued sales expenses	23,885,634.27
Compensation for retired employees	2,002,443.28
Total	<u>42,150,159.45</u>

(b) Recognized deferred income tax liabilities

<u>Item</u>	<u>As of December</u> <u>31, 2008</u>	<u>As of December</u> <u>31, 2007</u>
Difference for assets verification amortization	12,174,180.87	12,924,224.44
Provision for bad debt on accounts receivable	---	146,969.13
Total	<u>12,174,180.87</u>	<u>13,071,193.57</u>

Temporary variant amounts corresponding with the assets or liabilities that cause the difference as of December 31, 2008

<u>Item</u>	Temporary variant amounts
Depreciation of fixed assets	48,696,723.48

6.14 Other non-current assets

<u>Item</u>	<u>As of December</u> <u>31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>As of</u> <u>December 31,</u> <u>2008</u>
Specific reserved medicine	14,109,171.88	---	231,342.14	13,877,829.74

6.15 Provision for impairment loss of assets

<u>Item</u>	<u>Book balance</u> <u>as of</u> <u>December</u> <u>31, 2007</u>	<u>Provision</u>	<u>Decreases</u>		<u>Book balance</u> <u>as of</u> <u>December</u> <u>31, 2008</u>
			<u>Returned</u>	<u>Written off</u>	
1)Provision for bad debt	21,950,716.63	330,309.41	5,172,119.45	2,202,531.49	14,906,375.10
2)Provision for inventory devaluation	8,483,409.92	1,814,910.68	---	6,015,506.64	4,282,813.96

3) Provision for impairment loss of long-term equity investment	8,606,892.37	---	---	50,000.00	8,556,892.37
4) Provision for impairment loss of fixed assets	1,300,000.00	---	---	---	1,300,000.00
Total	40,341,018.92	2,145,220.09	5,172,119.45	8,268,038.13	29,046,081.43

6.16 Short-term borrowings

<u>Category</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
Mortgage borrowings	---	50,000,000.00
Guaranteed borrowings	230,155,052.56	125,000,000.00
Discounted bank acceptance bills	41,409,595.83	---
Discounted commercial acceptance bills	107,383,652.99	79,396,407.94
Total	<u>378,948,301.38</u>	<u>254,396,407.94</u>

The ending balance of short-term borrowings has grown by 124,551,893.44 than the beginning balance, an increase of 48.96%, which is due to the increase of discounted bills and the adding of factoring business of accounts payable.

6.17 Notes payable

<u>Item</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
Bank acceptance bills	523,365,906.00	319,876,081.78
Commercial acceptance bills	<u>268,147,346.27</u>	<u>174,912,136.38</u>
Total	<u>791,513,252.27</u>	<u>494,788,218.16</u>

(a). In the ending balance, there are no notes payable attributable to shareholders which hold over 5%

(inclusive) of the voting share of the Company.

(b). In the ending balance, there are no notes payable attributable to related parties.

(c). The ending balance of notes payable has grown by 296,725,034.11 than the beginning balance, an increase of 59.97%, which is due to the growth of business of the Company, which leads to the increase of use of notes.

6.18 Accounts payable

As of December 31,
2008

As of December 31, 2007

1,357,026,915.55

1,054,606,346.77

(a) In the ending balance, there are no accounts payable attributable to shareholders which hold over 5% (inclusive) of the voting share of the Company..

(b) The ending balance of related parties amounted to 154,387,534.69, for particulars see Note 8.

(c) The accounts payable with the aging over 3 years amount to 29,364,880.34, which include large number of enterprises with little amount of payables and hereby will not be specifically listed.

6.19 Advances from customers

As of December 31,
2008

As of December 31, 2007

18,487,835.55

15,666,567.23

(a) In the ending balance, there are no advances from customers attributable to shareholders which hold over 5% (inclusive) of the voting share of the Company.

(b) There is no ending balance of related party..

(c) There is no advance from customers with aging over 1year and with large amount.

6.20 Employee benefits payable

(a) Employee benefits payable

<u>Item</u>	<u>As of December 31,</u> <u>2007</u>	<u>Increases</u>	<u>Paid during</u> <u>current year</u>	<u>As of</u> <u>December 31,</u> <u>2008</u>
1. Salary, bonus and allowance	83,066,385.05	200,017,896.68	225,214,848.39	57,869,433.34
2. Welfare expenses for staff	1,852,003.56	10,923,928.91	12,463,994.47	311,938.00
3. Social insurance fees	59,600.96	27,886,151.78	27,600,372.49	345,380.25
including: (1) Medical insurance	57,547.57	8,345,051.77	8,396,449.51	6,149.83
(2) Basic old-age insurance	82.43	17,093,462.50	16,752,351.78	341,193.15
(3) Annuity payment	-	38,830.00	38,830.00	-
(4) Unemployment insurance	99.70	1,129,715.32	1,129,091.02	724.00
(5) Work injury insurance	1,871.26	728,512.10	710,806.08	19,577.28
(6) Maternity insurance	-	550,580.09	572,844.10	-22,264.01

4. Housing fund	517,714.15	3,180,209.57	3,260,448.89	437,474.83
5. Trade union expenses and staff education expenses	7,517,209.80	6,574,451.00	7,116,183.38	6,975,477.42
6. Non-monetary welfare				
7. Compensation for the cancellation of work relationship	11,563,444.37	-681,703.18	3,009,741.19	7,872,000.00
8. Worker bonus and benefits fund				
9. Others	341,084.45	212,820.63	169,787.31	384,117.77
Including: Shares paid in cash				
Total	<u>104,917,442.34</u>	<u>248,113,755.39</u>	<u>278,835,376.12</u>	<u>74,195,821.61</u>

Among the ending balance of employee benefits payable, the amount accrued in according to the work efficiency is 13,175,198.21.

6.21 Taxes and surcharges payable

<u>Item</u>	<u>As of December 31,</u> <u>2008</u>	<u>As of December 31,</u> <u>2007</u>
VAT	-3,166,689.12	-7,337,910.56
Business tax	966,340.16	933,265.38
City maintenance & construction tax	218,898.83	387,134.02
Income tax	12,890,441.53	22,295,804.08
Real estate tax	282,980.01	356,957.90
Stamp duty	99,746.13	380,667.24
Land use tax	423,633.76	---
Individual income tax	799,022.02	757,178.34
Education surcharge	123,239.39	358,605.53

River maintenance expenses	2,254.20	---
Flood prevention and security fund	1,488,000.56	1,244,917.16
Others	252,097.00	434,692.81
Total	14,379,964.47	19,811,311.90

6.22 Interests payable

<u>Item</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
Interests of bank borrowing	742,393.70	329,027.27

6.23 Dividends payable

<u>Name of investor</u>	<u>As of December 31, 2008</u>	<u>Reason</u>
China Pharmaceutical Group Shanghai Corporation	3,746,270.05	Unpaid

6.24 Other payables

<u>Item</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
Other payables	271,731,949.89	323,560,290.20

(a) Among the ending balance, due from shareholders that hold more than 5% (including 5%) shares of the Company amounted to 60,000,000.00. For particulars see Note 8.

(b) Ending balance of related parties amounted to 80,929,396.71. For particulars see Note 8.

(c) Significant other payables as of December 31, 2008:

<u>Item</u>	<u>Amount</u>	<u>Nature/Content</u>
Sales expenses	138,545,504.92	Unpaid sales expenses
Sinopharm Medicine Holding Co. Ltd	60,000,000.00	Borrowing
China Pharmaceutical Group		Unpaid equity transfer

Shanghai Corporation	15,330,550.00	expenses
Sichuan Antibiotics Industry Research Institute Co., Ltd	2,851,805.95	Unpaid R & D expenses
Shenzhen Maple Leaf Decoration Design Co., Ltd	662,389.45	Unpaid Decoration expenses

6.25 Non-current liabilities maturing within one year

Item	<u>As of December</u> 31, 2008	<u>As of December</u> 31, 2007
Long-term borrowing	57,720,000.00	---

a. Long-term borrowings maturing within one year

Category of borrowing	<u>As of December</u> 31, 2008	<u>As of December</u> 31, 2007
Guaranteed borrowing	57,720,000.00	---

Name of loaner	Beginning date	Ending date	<u>As of December 31, 2008</u>			<u>As of December 31, 2007</u>		
			Interest rate	Currenc y	Amount	Interest rate	Currenc y	Amount
China Merchants Bank, Anlian Branch	2006.8.2 4	2009.8.2 4	6.804 %	CNY	57,720,000. 00	---	---	---

6.26 Long-term borrowings

<u>Name of loaner</u>	<u>Currenc</u> y	<u>Term</u> of loan	<u>As of December</u> 31, 2008	<u>As of December</u> 31, 2007
China Merchants Bank Anlian branch	CNY	Guaranteed	30,000,000.00	77,720,000.00

<u>Name of loaner</u>	Beginning date	Ending date	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
-----------------------	-------------------	-------------	--------------------------------	--------------------------------

			Interest rate	Currency	Amount	Interest rate	Currency	Amount
China Merchants Bank Anlian branch	2008.8.2 1	2011.8.2 1	7.56%	CNY	30,000,000.00	---	CNY	---
China Merchants Bank Anlian branch	2006.8.2 4	2009.8.2 4	---	---	---	6.804%	CNY	77,720,000.00
Total					30,000,000.00			77,720,000.00

6.27 Long-term payables

As of December 31,

<u>Category</u>	<u>2008</u>	<u>As of December 31, 2007</u>
Financial compensation for employees	51,261.00	113,625.83

6.28 Specific items payable

<u>Project name of appropriation</u>	<u>As of December 31, 2007</u>	<u>Increases</u>	<u>Carry-over</u>	<u>As of December 31, 2008</u>
Specific funds appropriation from government	800,000.00	---	---	800,000.00
Discount from government (Note)	1,000,000.0	---	1,000,000.00	---
Total	1,800,000.0	---	1,000,000.00	800,000.00

Note: The carry-over of this fiscal year is conducted after the completion of projects.

6.29 Provisions

<u>Item</u>	<u>As of December 31, 2007</u>	<u>Increases or decreases</u>	<u>As of December 31, 2008</u>
Fine for social insurance	898,409.16	-898,409.16	-----

The decrease of the year is fine for social insurance and not necessary for re-payment, and is therefore

written off.

6.30 Other non-current liabilities

<u>Item</u>	<u>As of December 31, 2008</u>		<u>As of December 31,</u>	
			<u>2007</u>	
Central Medicine reserve fund	23,085,874.07		23,085,874.07	

6.31 Share capital

The share capital which has been registered, issued and obtained by the Company is as follows:

	<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
	Number of shares	Amount	Number of shares	Amount
A share (Face value 1 CNY per share)	233,263,800	233,263,800.00	233,263,800	233,263,800.00
B share (Face value 1 CNY per share)	54,885,600	54,885,600.00	54,885,600	54,885,600.00
Total	288,149,400	288,149,400.00	288,149,400	288,149,400.00

Changes in the share capital of the Company in current year are as follows:

<u>Item</u>	<u>As of December 31, 2007</u>		<u>Increases (+) or Decreases (-)</u>					<u>As of December 31, 2008</u>	
	<u>Amount</u>	<u>Proportion</u>	<u>Issuance of new shares</u>	<u>Gift share</u>	<u>Shares transferred from public reserve fund</u>	<u>Other</u>	<u>Subtotal</u>	<u>Amount</u>	<u>Proportion</u>
1. Shares with trading restriction									
(1) State-owned shares	---	---	---	---	---	---	---	---	---
(2) State-owned legal entity shares	112,786,386.00	39.14%	---	---	---	-28,806,559.00	-28,806,559.00	83,979,827.00	29.14%
(3) Other domestic shares	9,149,046.00	3.18%	---	---	---	-9,149,046.00	-9,149,046.00	---	---
including : Shares held by non-state-owned legal entity	9,149,046.00	3.18%	---	---	---	-9,149,046.00	-9,149,046.00	---	---
Domestic natural person's shares	---	---	---	---	---	---	---	---	---
(4) Foreign shares	---	---	---	---	---	---	---	---	---
including: Foreign legal entity shares	---	---	---	---	---	---	---	---	---

Foreign natural person's shares	---	---	---	---	---	---	---	---	---
Total shares with trade restriction	121,935,432.00	42.32%	---	---	---	-37,955,605.00	-37,955,605.00	83,979,827.00	29.14%
2. Shares with no trade restriction									
(1) CNY ordinary shares	111,328,368.00	38.63%	---	---	---	37,955,605.00	37,955,605.00	149,283,973.00	51.81%
(2) Domestically listed foreign shares	54,885,600.00	19.05%	---	---	---	---	---	54,885,600.00	19.05%
(3) Overseas listed foreign shares	---	---	---	---	---	---	---	---	---
(4) Others	---	---	---	---	---	---	---	---	---
Total shares with no trade restriction	166,213,968.00	57.68%	---	---	---	37,955,605.00	37,955,605.00	204,169,573.00	70.86%
3. Total shares	288,149,400.00	100.00%	---	---	---	---	---	288,149,400.00	100.00%

Note: In accordance with the *Notice of Implementation of the Equity Division Reform Plan of Shenzhen Accord Pharmaceutical Co., Ltd.*, the schedule of shares with trade restrictions is as follows: 39,977,088 shares can be listed for circulation 12 months after the date of obtaining listed circulation right (i.e., applied for listed circulation after April 28, 2007); 37,963,986 shares can be listed for circulation 24 months after the date of obtaining listed circulation right (i.e., applied for listed circulation after April 29, 2008); 83,971,446 shares can be listed for circulation 36 months after the date of obtaining listed circulation right (i.e., applied for listed circulation after April 29, 2009).

As of December 31, 2008 ended, 77,941,074 shares with trade restrictions can be listed for circulation, among which 28,814,940 shares are held by the Company's holding company - Sinopharm Holdings.

The first batch of circulation share with trade restrictions amounting to 39,977,088 shares have been listed for circulation on May 10, 2007; the second batch of circulation share with trade restrictions amounting to 37,963,986 shares have been listed for circulation on May 16, 2008 Listed in circulation.

6.32 Capital reserves

<u>Item</u>	<u>As of</u> <u>December</u> <u>31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>As of</u> <u>December 31,</u> <u>2008</u>
1. Capital premium (share premium)				
(1) Influences of consolidation of enterprises under the same control	5,000,000.00	---	5,000,000.00	---
Subtotal	5,000,000.00	----	5,000,000.00	----

2. Other capital reserves				
(1) Other changes in owner's equity except net profit and loss in invested units				
	2,150,809.71	254,706.86	---	2,405,516.57
(2) Others				
	2,650,322.00	---	---	2,650,322.00
Subtotal	4,801,131.71	254,706.86	---	5,055,838.57
Total	9,801,131.71	5,000,000.00	---	5,055,838.57

6.33 Surplus reserves

<u>Item</u>	<u>As of December 31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>As of December 31, 2008</u>
Statutory Surplus Reserves	7,092,488.00	9,303,064.31	7,092,488.00	9,303,064.31

6.34 Undistributed profit

<u>Item</u>	<u>Amount</u>	<u>Proportion of extract and distribution</u>
Undistributed profit at the beginning of the year	184,074,070.88	Note
Plus: Net profit attributable to the parent company of current year	154,807,067.87	
Minus: Extract for statutory surplus reserves	9,303,064.31	10%
Plus: other transfers	-4,099,664.26	
Undistributed profit at the end of the year	325,478,410.18	

Note: Due to changes in the scope of consolidation under the same control, the beginning balance of current year grew by 2,978.49 than the ending balance of last year.

6.35 Operating Revenue and Cost

Item	Current year		Previous year	
	Revenue	Cost	Revenue	Cost
Principal business	8,320,622,898.92	7,623,763,700.13	6,840,074,246.97	6,167,166,882.15
Other business	39,727,299.26	4,047,318.08	38,231,236.35	4,037,424.54
Total	<u>8,360,350,198.18</u>	<u>7,627,811,018.21</u>	<u>6,878,305,483.32</u>	<u>6,171,204,306.69</u>

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

Item	Operating revenue		Operating cost	
	Current year	Previous year	Current year	Previous year
Industry — Medicine	877,170,724.69	742,249,196.10	647,537,184.47	475,540,579.65
Commerce - Medicine wholesale	8,164,576,473.09	6,752,372,662.83	7,777,422,917.14	6,427,223,702.94
Commerce - Medicine retail	342,245,837.33	327,352,829.48	263,569,459.31	248,257,241.39
Non-medicine trade	59,553,061.57	42,706,792.22	45,465,423.39	33,782,605.51
Leasehold	14,023,620.89	14,200,027.04	8,569,785.64	5,174,245.42
Subtotal	<u>9,457,569,717.57</u>	<u>7,878,881,507.67</u>	<u>8,742,564,769.95</u>	<u>7,189,978,374.91</u>
Writing-off in the Company	1,136,946,818.65	1,038,807,260.70	1,118,801,069.82	1,022,811,492.76
Total	<u>8,320,622,898.92</u>	<u>6,840,074,246.97</u>	<u>7,623,763,700.13</u>	<u>6,167,166,882.15</u>

(b) Operating revenue of principal business of the Company from its top five clients

Name or rank of clients	Total revenue of principal business	Proportion in the total revenue of principal business of the Company
Sinopharm Medicine Holding Shenyang Co., Ltd	256,971,716.35	3.09%
Guangdong People's Hospital	137,589,792.21	1.65%
Shenzhen People's Hospital No. 1 Hospital Affiliated to Sun Yat-sen University	103,277,787.16	1.24%
Shenzhen Hospital Affiliated to Beijing University	92,070,648.53	1.11%
	75,982,953.00	0.91%

6.36 Taxes and surcharges on operations

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
Business tax		3,986,954.02
	4,837,397.52	
City maintenance & construction tax		4,474,750.05
	3,240,913.20	
Education surcharge		3,725,757.60
	3,034,405.17	
Others		
	<u>19,856.41</u>	<u>58,368.69</u>
Total		12,245,830.36
	<u><u>11,132,572.30</u></u>	<u><u>12,245,830.36</u></u>

6.37 Financial expenses

<u>Category</u>	<u>Current year</u>	<u>Previous year</u>
Interest expenses	51,094,061.38	29,917,023.45
Less: Interest income	2,946,787.43	2,286,381.46
Exchange loss	52,668.08	115.00
Less: Exchange gain	1,130,818.68	1,290,183.25
Others	6,457,579.62	3,525,159.11
Total	<u><u>53,526,702.97</u></u>	<u><u>29,865,732.85</u></u>

Financial expenses of current year increased by 23,660,970.12 as compared with previous year, with a rate of 79.22%, which is mainly due to the sharp growth in costs caused by relatively high interest rate, and to the increase of loans from banks and of discounted bills.

6.38 Impairment loss on assets

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
Bad debt loss	-4,964,982.92	3,982,465.66
Impairment loss on inventory	1,814,910.68	4,870,281.59
Impairment loss on long-term equity investments	---	396,638.32
Total	<u><u>-3,150,072.24</u></u>	<u><u>9,249,385.57</u></u>

6.39 Investment income

<u>Subject or name of the invested unit</u>	<u>Current year</u>	<u>Previous year</u>
1、 Investment income of financial assets		
(1) Investment income from holding of financial assets available for sale	---	131,104.50
(2) Investment income from disposal of financial assets available for sale	---	25,588,726.02
2 . Income from long-term equity investment		
(1) Recognized with cost method		
(1 company in total)	3,618.16	---
(2) Recognized with equity method		
(2 companies in total)	16,507,296.06	8,209,843.29
(3) Investment income from disposal of long-term equity investment	---	157,280.07
Total	<u>16,510,914.22</u>	<u>34,086,953.88</u>

Among which

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

Name of invested unit	Current year	Previous year
China Associate Co., Ltd.	3,618.16	---

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

Name of invested unit	Current year	Previous year
Shenzhen Wanle Pharmaceutical Co., Ltd.	16,555,090.65	9,284,550.42
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd.	-47,794.59	-1,074,707.13
Total	<u>16,507,296.06</u>	<u>8,209,843.29</u>

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

Name of invested unit	Current year	Previous year
Guangdong Dongshi Enterprise Development Co., Ltd.	---	157,280.07

The Company has no material restriction of receiving investment income above.

6.40 Non-operating profit

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
1、 Total income from disposal of non-current assets	5,561,792.93	18,145,895.84
Including: Income from disposal of fixed assets	5,561,792.93	1,457,098.42
Income from disposal of intangible assets	---	16,688,797.42
2、 Subsidy from government	13,180,599.00	3,500,000.00
3、 Others	1,031,958.19	1,838,357.87
Total	<u>19,774,350.12</u>	<u>23,484,253.71</u>

6.41 Non-operating expenses

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
1. Total loss for disposal of non-current assets	589,275.65	636,427.92
including: Loss for disposal of fixed assets	589,275.65	636,427.92
2. Beneficent donation	427,103.98	201,359.07
3. Loss for inventory shortage	---	6,798.06
4. Others	-441,231.03	916,144.77
Total	<u>575,148.60</u>	<u>1,760,729.82</u>

6.42 Income tax expenses

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
Income tax expenses of current year	36,134,587.44	51,756,443.38
Deferred income tax expenses	4,909,012.50	576,886.68
Total	<u>41,043,599.94</u>	<u>52,333,330.06</u>

Illustration of the relationship between income tax expenses and accounting profits

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
Total profits	203,497,726.90	191,051,087.11
Tax amount calculated by statutory tax rate	36,629,590.84	28,657,663.07

Influences on tax amount of different tax rates in other subsidiaries	4,793,696.26	22,419,108.28
Influences on tax amount of income exempted from taxation	-2,828,119.65	-1,255,068.50
Influences on tax amount of costs, expanses and loss that shall not be deducted.	-2,061,291.38	4,199,238.12
Influences on tax amount of making up for losses in previous years	-1,884,091.42	-3,484,114.05
Influences on tax amount of the settlement of enterprise income tax of previous year	1,005,285.37	---
Influences of deferred income tax assets	5,806,025.20	1,903,391.90
Influences of deferred income tax liabilities	-897,012.70	-1,326,505.22
Influences on tax amount of unrecognized deductible losses and deductible temporary differences	479,517.42	1,219,616.46
Income tax expenses	<u>41,043,599.94</u>	<u>52,333,330.06</u>

6.43 Government subsidies

Category and amount of subsidies from government

<u>Category</u>	<u>Current year</u>	<u>Previous year</u>
Medicine reserve appropriation	6,126,500.00	3,500,000.00
Financial support to enterprises for R & D investment	1,800,000.00	---
Financial support to enterprise technical center	3,000,000.00	---
Subsidies for R&D	2,020,000.00	---
Others	234,099.00	---
	<u>13,180,599.00</u>	<u>3,500,000.0</u>
Total	<u>13,180,599.00</u>	<u>0</u>

6.44 Notes to cash flow statement

(a) Other cash receipts related to operating activities

<u>Item</u>	<u>Current year</u>
Interest income	2,946,787.43
Special fund for earthquake relief	6,481,370.00
Government subsidies	13,180,599.00
Current account	5,000,000.00
Others	<u>1,068,566.90</u>

Total	<u><u>28,677,323.33</u></u>
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(b) Other cash payments related to operating activities

<u>Item</u>	<u>Current year</u>
Transportation expenses	49,245,503.39
Rentals	35,792,453.94
R& D expenses	23,708,795.65
Advertisement expenses	16,731,703.36
Service charge	6,457,579.62
Other expenses	<u>131,888,325.55</u>
Total	<u><u>263,824,361.51</u></u>

(c) Other cash receipts related to financing activities

<u>Item</u>	<u>Current year</u>
Borrowings from Sinopharm Holdings	56,762,100.00

(d) Other cash payments related to financing activities

<u>Item</u>	<u>Current year</u>
Return borrowings from Sinopharm Holdings	110,000,000.00

(e) Supplementary information of cash flow statement

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
1. Adjust net profit to the cash flow of operating activities		
Net profit	162,454,126.96	138,717,757.05
Plus: Provision for asset impairment	-3,150,072.24	9,249,385.57
Depreciation of fixed assets, depletion of oil and natural gas assets and depreciation of bearer biological assets	41,201,342.92	30,481,369.39
Amortization of intangible assets	2,487,664.98	2,333,194.70
Amortization of long-term deferred expenses	4,408,890.70	3,835,348.11
Loss from disposals of fixed assets, intangible assets and other long-term assets (deduct: increase)	-4,972,517.28	-17,509,467.92
Loss on disposal of fixed assets (deduct: increase)	---	---

Loss from changes in fair values (deduct: increase)	---	---
Financial expenses (deduct: increase)	49,963,242.70	28,846,395.98
Investment loss (deduct: increase)	-16,510,914.22	-34,086,953.88
Decreases in deferred income tax assets (deduct: increase)	5,806,025.20	1,903,391.90
Increases in deferred income tax liabilities (deduct: decrease)	-897,012.70	-1,326,505.22
Decreases in inventories (deduct: increase)	-162,927,070.86	-88,410,204.66
Decreases in operating receivables (deduct: increase)	-468,827,126.91	96,076,946.60
Increases in operating payables (deduct: decrease)	637,543,859.74	-82,412,817.61
Others	---	---
Net cash flows from operating activities	246,580,438.99	87,697,840.01
2. Significant investment and financing activities unrelated to cash income and payment		
Debts transformed into assets	---	---
Convertible bonds of the Company which will be mature within one year	---	---
Financing of fixed assets on lease	---	---
3. Net changes in cash and cash equivalents		
Ending balance of cash	345,259,516.47	254,837,411.30
Deduct: Beginning balance of cash	254,837,411.30	205,345,054.01
Plus: ending balance of cash equivalents	---	---
Deduct: beginning balance of cash equivalents	---	---
Net increases of cash and cash equivalents	90,422,105.17	49,492,357.29

(f) Related information of subsidiaries and other operating units purchased or disposed in current year

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
1. Related information of purchased subsidiaries and other operating units		
(1) Prices of purchased subsidiaries and other operating units	5,002,978.49	---
(2) Cash and cash equivalents paid in the purchase of subsidiaries and other operating units	5,002,978.49	---
Deduct: Cash and cash equivalents held by subsidiaries and other operating units	---	---
(3) Net cash and cash equivalents paid in the purchase of subsidiaries and other operating units	5,002,978.49	---
(4) Net assets of the purchased subsidiaries	4,987,919.71	---
Current assets	5,333,586.44	---
Non-current assets	7,794.26	---
Current liabilities	353,460.99	---
Non-current liabilities	---	---

2. Related information of disposed subsidiaries and other operating units	---	---
(1) Prices of disposed subsidiaries and other operating units	---	---
(2) Cash and cash equivalents received in the disposal of subsidiaries and other operating units	---	---
Deduct: Cash and cash equivalents held by subsidiaries and other operating units	---	---
(3) Net cash and cash equivalents received in the disposal of subsidiaries and other operating units	---	---
(4) Net assets of the disposed subsidiaries	---	---
Current assets	---	---
Non-current assets	---	---
Current liabilities	---	---

(g) Structure of cash and cash equivalents

<u>Item</u>	<u>As of December</u> <u>31, 2008</u>	<u>As of</u> <u>December 31,</u> <u>2007</u>
1. Cash	345,259,516.47	254,837,411.30
Including: cash on hand	442,155.45	1,622,171.38
Bank deposits ready for payment	306,747,671.83	199,448,262.01
Other monetary capital ready for payment	38,069,689.19	53,766,977.91
Deposits in Central Bank ready for payment	---	---
Due from banks	---	---
Inter-bank offers	---	---
2. Cash equivalent	---	---
Including: bond investment maturing within three months	---	---
3. Ending balance of cash and cash equivalents	345,259,516.47	254,837,411.30
Including: restricted cash and cash equivalents used by the parent company or subsidiaries within the Group	---	---

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

(Monetary unit is CNY and the amount is the ending balance unless otherwise stated.)

7.1 Accounts receivable

(a) Structure of accounts receivable

	As of December 31, 2008				As of December 31, 2007			
	Book balance	Proportion		Provision	Book balance	Proportion		Provision
		in total	Provision	rate for bad		in total	Provision	rate for bad
Aging		amount	debt			amount	debt	
Within one year (inclusive)	244,968,183.47	100.00%	1,666,380.37	0.68%	267,922,131.99	100.00%	1,314,112.28	0.49%
1-2 years (2 years inclusive)	---	---	---	---	---	---	---	---
2-3 years (3 years inclusive)	---	---	---	---	---	---	---	---
Total	<u>244,968,183.47</u>	100.00%	<u>1,666,380.37</u>		<u>267,922,131.99</u>	100.00%	<u>1,314,112.28</u>	

Item	As of December 31, 2008				As of December 31, 2007			
	Book balance	Proportion		Provision	Book balance	Proportion		Provision
		of total	Provision	rate for		of total	Provision	rate for
		amount	bad debt			amount	bad debt	
1) Significant individual amount with separate provision for impairment loss	25,245,382.74	10.30%	408,783.47	1.62%	6,814,139.61	2.54%	156,252.28	2.29%
2) Insignificant individual amount with separate provision for impairment loss	2,859,980.56	1.17%	1,257,596.90	43.97%	6,352,393.27	2.37%	1,157,860.00	18.23%
3) Other amounts which are classified into the same group with similar credit risk features	216,862,820.17	88.53%	---	---	254,755,599.11	95.09%	---	---
Among which: significant individual amount	85,996,833.45	35.11%	---	---	99,273,673.05	37.06%	---	---
Insignificant individual amount	130,865,986.72	53.42%	---	---	155,481,926.06	58.03%	---	---
Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	---	---
Total	<u>244,968,183.47</u>	100.00%	<u>1,666,380.37</u>		<u>267,922,131.99</u>	100.00%	<u>1,314,112.28</u>	

(b) Changes in the provision for bad debts in accounts receivable

Year	Beginning book balance	Provision in current year	Decreases		Ending book balance
			Returned	Written off	
2007	2,149,378.49	---	492,426.50	342,839.71	1,314,112.28
2008	1,314,112.28	363,845.97	---	11,577.88	1,666,380.37

(c) Accounts receivable with significant individual amount

Ranking of significant individual amounts	Amount	Proportion rate	Reason
Shenzhen People's Hospital	18,882,931.92	0%	Not exceeding credit period or credit amount
Shenzhen No. 2 People's Hospital	15,852,544.28	0%	Not exceeding credit period or credit amount
Shenzhen Hospital Affiliated to Beijing University	12,844,685.91	0%	Not exceeding credit period or credit amount
Xixiang People's Hospital of Shenzhen Bao'an District	8,772,185.23	0%	Not exceeding credit period or credit amount
People's Hospital of Shenzhen Nanshan District	7,408,881.78	0%	Not exceeding credit period or credit amount

(d) Accounts receivable actually written off in this year amount to 11,577.88.

(e) There is no shareholders' amounts with more than 5% (including 5%) voting shares of the Company of accounts receivable.

(f) As of December 31, 2008, accounts receivable due to related parties amount to 4,446,165.33, which accounts for 1.81% of the ending balance.

(g) Top five of accounts receivable as of December 31, 2008

Rank of debtors	As of December 31, 2008		
	Amount	Aging	Proportion of total amount
Shenzhen People's Hospital	18,882,931.92	Within one year	7.71%
Shenzhen No. 2 People's Hospital	15,852,544.28	Within one year	6.47%
Shenzhen Hospital Affiliated to Beijing University	12,844,685.91	Within one year	5.24%
Xixiang People's Hospital of		Within one	3.58%

Shenzhen Bao'an District	8,772,185.23	year	
People's Hospital of Shenzhen		Within one	
Nanshan District	7,408,881.78	year	3.02%

7.2 Other receivables

(a) Structure of other receivables

	As of December 31, 2008				As of December 31, 2007			
	<u>Book balance</u>	<u>Proportion</u>	<u>Provision</u>	<u>Provision</u>	<u>Book balance</u>	<u>Proportion</u>	<u>Provision</u>	<u>Provision</u>
		<u>in total</u>	<u>Provision</u>	<u>rate for bad</u>		<u>in total</u>	<u>Provision</u>	<u>rate for bad</u>
Aging		<u>amount</u>		<u>debt</u>		<u>amount</u>		<u>debt</u>
Within one year (inclusive)	240,313,262.87	94.44%	---	0.00%	94,700,137.63	82.53%	---	0.00%
1-2 years(2 years inclusive)	68,135.00	0.03%	3,406.75	5.00%	1,580,162.24	1.38%	79,008.11	5.00%
2-3 years(3 years inclusive)	1,179.81	0.00%	1,179.81	100.00%	9,479,243.90	8.26%	5,575,214.34	58.81%
Over 3 years	14,074,579.90	5.53%	12,036,747.94	85.52%	8,980,000.00	7.83%	8,980,000.00	100.00%
Total	<u>254,457,157.58</u>	100.00%	<u>12,041,334.50</u>		<u>114,739,543.77</u>	100.00%	<u>14,634,222.45</u>	

Item	As of December 31, 2008				As of December 31, 2007			
	<u>Book balance</u>	<u>Proportion</u>	<u>Provision</u>	<u>Provision</u>	<u>Book balance</u>	<u>Proportion</u>	<u>Provision</u>	<u>Provision</u>
		<u>of total</u>	<u>Provision</u>	<u>rate for bad</u>		<u>of total</u>	<u>Provision</u>	<u>rate for</u>
		<u>amount</u>		<u>debt</u>		<u>amount</u>		<u>bad debt</u>
1) Significant individual amount with separate provision for impairment loss	14,074,579.90	5.53%	12,036,747.94	85.52%	18,234,579.90	15.89%	14,532,747.94	79.70%
2) Insignificant individual amount with separate provision for impairment loss	1,179.81	0.00%	1,179.81	100.00%	---	---	---	---
3) Other amounts which are classified into the same group with similar credit risk features	240,381,397.87	94.47%	3,406.75	0.00%	96,504,963.87	84.11%	101,474.51	0.11%
Among which: significant individual amount	225,441,663.00	88.60%	---	---	91,587,820.11	79.82%	---	---
Insignificant individual amount	14,939,734.87	5.87%	3,406.75	0.02%	4,917,143.76	4.29%	101,474.51	2.06%
Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	---	---
Total	<u>254,457,157.58</u>	100.00%	<u>12,041,334.50</u>		<u>114,739,543.77</u>	100.00%	<u>14,634,222.45</u>	

(b) Changes in the provision for bad debts in accounts receivable

Year	<u>Beginning book</u>	<u>Provision in cur</u>	<u>Decreases</u>		<u>Ending book</u>
			<u>balance</u>	<u>rent year</u>	
					<u>balance</u>

2007	12,768,979.01	2,957,909.42	---	1,092,665.98	14,634,222.45
2008	14,634,222.45	---	2,592,887.95	---	12,041,334.50

(c) Other accounts receivable which are significant or those insignificant but provided for impairment loss separately

<u>Rank of significant individual accounts</u>	<u>Amount</u>	<u>Provision rate</u>	<u>Reason</u>
Sinopharm Guangzhou	175,377,083.96	0%	Current account of related parties
Sinopharm Liuzhou	33,600,000.00	0%	Current account of related parties
Accord Chain	16,464,579.04	0%	Current account of related parties
Shenzhen Yinghai Technology Investment Co., Ltd.	8,980,000.00	100%	Uncertainty in recovery
Shenzhen Pharmaceutical Health Products Imp. & Exp. Co., Ltd.	5,094,579.90	60%	Uncertainty in full recovery

(d) No other accounts receivable are written off this year.

(e) Other accounts receivable which were provided for bad debt fully or in large proportion in previous periods and are recovered fully or partially in current year.

Name of company	Amount of recovery or claim	Way of recovery	Reason for previous provision proportion	Reasonableness for previous provision proportion
Shenzhen Pharmaceutical Health Products Import & Export Co., Ltd.	4,160,000.00	Cash	Unreturned for a long-term, possibility of partial loss	Reasonable

(f) Among the ending balance of other accounts receivable, no accounts are attributed to the shareholders that hold over 5 % (inclusive) voting share of the Company.

(g) Other accounts receivable which are due to related parties amount to 237,278,091.81, which accounts for 93.25% of the ending balance of other accounts receivable.

(h) Top five other receivables

Rank of creditor	Nature/Content	Amount	Aging	Proportion
				of total amount
Sinopharm Guangzhou	Current account	175,377,083.96	Within one year	68.92%
Sinopharm Liuzhou	Current account	33,600,000.00	Within one year	13.20%
Shenzhen Accord Medicine Chain Co., Ltd.	Current account	16,464,579.04	Within one year	6.47%
Shenzhen Yinghai Technology Investment Co., Ltd.	Current account	8,980,000.00	Over 3 years	3.53%
Shenzhen Pharmaceutical Health Products Imp. & Exp. Co., Ltd.	Receivables from equity transfer	5,094,579.90	Over 3 years	2.00%

The ending balance of other accounts receivable is 142,310,501.76 more than the beginning balance, an increase of 142.16%, which is due to the increase in the accounts receivable of the Company from its subsidiaries.

7.3 Long-term equity investments

Item	As of December 31, 2008		As of December 31, 2007	
	<u>Book balance</u>	<u>Provision for impairment loss</u>	<u>Book balance</u>	<u>Provision for impairment loss</u>
Long-term equity investment in subsidiaries	299,906,100.66	---	238,628,456.04	---
Long-term equity investments calculated on an equity basis	---	---	---	---
Joint ventures	21,955,562.26	---	22,003,356.85	---
Long-term equity investments	9,584,126.69	7,689,226.69	9,584,126.69	7,689,226.69

calculated on a cost basis

Total

331,445,789.617,689,226.69270,215,939.587,689,226.69**(a) Investment in subsidiaries**

Name of subsidiaries	Beginning balance	Balance as of December 31, 2007	Increases	Decreases	Balance as of December 31, 2008
Zhijun Pharm.	73,903,284.8 7	73,903,284.87	---	---	73,903,284.8 7
Jianmin Pharm.	45,054,911.0 4	45,054,911.04	---	---	45,054,911.0 4
Accord Medicine	5,400,000.00	5,400,000.00	1,050,875.9 3	---	6,450,875.93
Accord Logistics	900,000.00	900,000.00	119,062.68	---	1,019,062.68
Sinopharm Guangzhou	58,283,114.6 8	58,283,114.68	30,661,100. 00	3,503,891.05	85,440,323.6 3
Accord Drugstore	45,135,253.9 7	45,135,253.97	5,048,092.5 4	---	50,183,346.5 1
Accord Chain Store	512,312.09	512,312.09	---	512,312.09	-
Zhijun Medicine Trade	3,006,866.42	988,035.31	2,018,831.1 1	---	3,006,866.42
Guangdong Xinlong	8,421,544.08	8,421,544.08	---	---	8,421,544.08
Training Center	30,000.00	30,000.00	---	---	30,000.00
Guangxi Accord	4,987,919.71	---	4,987,919.7 1	---	4,987,919.71
Sinopharm Liuzhou	21,407,965.7 9	---	21,407,965. 79	---	21,407,965.7 9
Total	<u>267,043,172. 65</u>	<u>238,628,456.0 4</u>	<u>65,293,847. 76</u>	<u>4,016,203.14</u>	<u>299,906,100. 66</u>

(b) Long-term equity investments recognized by equity method

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Balance as of December 31, 2007</u>	<u>Increases/decreases</u>		<u>Balance as of December 31, 2008</u>
			<u>Total</u>	<u>Including: distributed cash dividends</u>	
Joint ventures					
Sinopharm Holdings					
Shenzhen Chinese Medicine Co., Ltd.	20,939,177.10	22,003,356.85	-47,794.59	---	21,955,562.26

(c) Long-term equity investments recognized by cost method

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Book balance as of December 31, 2007</u>	<u>Increases or decreases</u>	<u>Book balance as of December 31, 2008</u>	<u>Provision for impairment</u>
Shenzhen Medicine Trade Co., Ltd	7,689,226.69	7,689,226.69	---	7,689,226.69	7,689,226.69
Total	9,584,126.69	9,584,126.69	---	9,584,126.69	7,689,226.69

(d) Provision for impairment loss long-term equity investment

<u>Name of invested unit</u>	<u>As of</u>		<u>Increases</u>	<u>Decreases</u>	<u>As of</u>	
	<u>December 31, 2007</u>				<u>December 31, 2008</u>	
Shenzhen Medicine Trade Co.	7,689,226.69	---	---	---	7,689,226.69	---

7.4 Operating revenue and cost

<u>Item</u>	<u>Current year</u>		<u>Previous year</u>	
	<u>Revenue</u>	<u>Cost</u>	<u>Revenue</u>	<u>Cost</u>
Principal business	1,390,636,317.72	1,323,846,549.69	1,234,058,804.24	1,166,483,870.26

Other business	2,758,916.04	203,652.45	2,889,849.00	150,655.20
Total	1,393,395,233. <u>76</u>	1,324,050,202 <u>.14</u>	1,236,948,653.24 <u></u>	1,166,634,525.46 <u></u>

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

Item	Revenue of principal business		Cost of principal business	
	Current year	Previous year	Current year	Previous year
Commerce -				
Medicine wholesale	1,390,636,317.72	1,234,058,804.24	1,323,846,549.69	1,166,483,870.26

(b) Operating revenue of principal business of the Company from its top five clients

Name or rank of clients	Total revenue of principal business	Proportion in the total revenue of principal business of the the Company
Shenzhen People's Hospital	76,755,518.53	5.52%
Shenzhen No. 2 People's Hospital	73,148,940.20	5.26%
Shenzhen Hospital Affiliated to Beijing University	62,088,497.92	4.46%
Shenzhen Nanshan District People's Hospital	48,255,173.68	3.47%
Shenzhen Chinese Medicine Hospital	34,479,009.98	2.48%

7.5 Investment income

<u>Subject or name of the invested unit</u>	<u>Current year</u>	<u>Previous year</u>
Income from long-term equity investment		
(1) Recognized with cost method		
(7 company in total)	96,254,734.40	99,413,073.19
(2) Recognized with equity method		
(1 companies in total)	-47,794.59	-1,074,707.13

<u>Name of invested unit</u>	<u>Current year</u>	<u>Previous year</u>
Accord Chain Store	-512,311.09	0.65

The Company has no material restriction of receiving investment income above

7.6 Supplementary information of cash flow statement

<u>Item</u>	<u>Current year</u>	<u>Previous year</u>
1. Adjust net profit to the cash flow of operating activities		
Net profit	93,030,643.10	90,207,590.32
Plus: Provision for asset impairment	-2,096,136.83	2,155,588.78
Depreciation of fixed assets, depletion of oil and natural gas assets and depreciation of bearer biological assets	5,517,748.59	6,811,434.50
Amortization of intangible assets	1,286,976.78	1,367,450.02
Amortization of long-term deferred expenses	92,997.04	386,247.73
Loss from disposals of fixed assets, intangible assets and other long-term assets (deduct: increase)	32,123.03	-21,617.17
Loss on disposal of fixed assets (deduct: increase)	---	---
Loss from changes in fair values (deduct: increase)	---	---
Financial expenses (deduct: increase)	6,684,784.08	1,916,278.96
Investment loss (deduct: increase)	-95,694,628.72	-98,338,366.71
Decreases in deferred income tax assets (deduct: increase)	---	---
Increases in deferred income tax liabilities (deduct: decrease)	---	---
Decreases in inventories (deduct: increase)	-22,908,907.23	1,135,889.14
Decreases in operating receivables (deduct: increase)	-46,864,008.99	49,625,867.63

		-164,985,108.
Increases in operating payables (deduct: decrease)	58,085,329.83	22
Others	---	---
		-109,738,745.
Net cash flows from operating activities	-2,833,079.32	02
2. Significant investment and financing activities unrelated to cash income and payment		
Debts transformed into assets	---	---
Convertible bonds of the Company which will be mature within one year	---	---
Financing of fixed assets on lease	---	---
3. Net changes in cash and cash equivalents		
Ending balance of cash	62,369,583.65	54,841,676.10
Deduct: Beginning balance of cash	54,841,676.10	51,149,747.14
Plus: ending balance of cash equivalents	---	---
Deduct: beginning balance of cash equivalents	---	---
Net increases of cash and cash equivalents	7,527,907.55	3,691,928.96

8 Related party and related party transactions

8.1 Related party with controlling relationship

(a) Related party with controlling relationship

Related party controlling the Company

Company	Registered address	Principal business	Relationship	Economic nature	Legal representative	Organization bar code
Sinopharm Medicine Holding Co., Ltd	6F, No. 221, Fuzhou Rd., Huangpu District, Shanghai	Enterprise investment holdings, pharmaceutical enterprise management engagement and asset restructuring, wholesale of Chinese patent drugs, chemical medicine, etc, domestic trading (except specialized permission)	Controlling shareholder of the Company	Limited liability company (domestic joint-investment)	Yu Lulin	74618434-4

		required), logistics and relevant consultation				
--	--	--	--	--	--	--

The proportion of shareholding and voting power held by the parent company in the Company are 39.14% and 39.14% respectively. The ultimate holding company of the Company is Sinopharm Medicine Group Co. For related parties controlled by the Company, see Note 4.

(b) Registered capital and changes in registered capital of related party with controlling relationship (in CNY '0000) :

<u>Name of company</u>	<u>As of December 31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>As of December 31, 2008</u>
Sinopharm Medicine Holding Co., Ltd	163,704	---	---	163,704
Shenzhen Zhijun Pharmaceutical Co., Ltd	6,900	---	---	6,900
Shenzhen Jianmin Pharmaceutical Co., Ltd	500	---	---	500
Shenzhen Accord Medical Materials Co., Ltd	600	---	---	600
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	189	---	---	189
Shenzhen Accord Pharm. Chain Store Co., Ltd	1,080	---	---	1,080
Shenzhen Accord Drugstore Co., Ltd	5,000	---	---	5,000
Shenzhen Medicines Trade Co.	188	---	---	188
Shenzhen Accord Medicine Logistics Co., Ltd	100	---	---	100
Sinopharm Holdings Guangzhou Co., Ltd.	5,000	---	---	5,000
Sinopharm Holdings Guangdong Xinlong Co., Ltd.	2,000	---	---	2,000
Sinopharm Holdings Liuzhou Co., Ltd.	2,053.06	---	---	2,053.06
Guangxi Accord Pharm. Chain	200	---	---	200

Name of company	As of Decemb	Increases	Decreases	As of December
	er 31, 2007			31, 2008
Store Co., Ltd.				
Guangxi Accord Chinese Herbal Pieces Co., Ltd.	200	---	---	200
Liuzhou Chinese Herbal Pieces Plant	4	---	4	---
Guangdong Huixing Investment Co., Ltd.	5,000	---	---	5,000
Sinopharm Holdings Foshan Co., Ltd.	200	---	---	200
Guangzhou Accord Pharm. Chain Store Co., Ltd.	200	---	---	200
Guangdong Yuexing Pharmaceutical Co., Ltd.	300	---	---	300
Guangdong Hengchang Logistics Co., Ltd.	54	---	---	54
Guangzhou Uptodate & Special Medicines Co., Ltd.	50	---	50	---
Guangzhou South Medical Treatment Equipment Company	200	---	200	---

(c) Shareholdings and changes in shareholdings of related parties with controlling relationship (in CNY '0000)

Name of Company	As of December 31, 2007		Increases		Decreases		As of December 31, 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		(%)		(%)		(%)		(%)
Sinopharm Medicine Holding Co., Ltd	11,278.64	39.14	---	---	---	---	11,278.64	39.14
Shenzhen Zhijun	6,900.00	100	---	---	---	---	6,900.00	100

Name of Company	As of December 31, 2007		Increases		Decreases		As of December 31, 2008	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
	Pharmaceutical Co., Ltd							
Shenzhen Jianmin Pharmaceutical Co., Ltd	500.00	100	---	---	---	---	500.00	100
Shenzhen Accord Medical Materials Co., Ltd	600.00	100	---	---	---	---	600.00	100
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	189.00	100	---	---	---	---	189.00	100
Shenzhen Accord Pharm. Chain Store Co., Ltd	1,080.00	100	---	---	---	---	1,080.00	100
Shenzhen Accord Drugstore Co., Ltd	5,000.00	100	---	---	---	---	5,000.00	100
Shenzhen Medicines Trade Co.	188.00	100	---	---	---	---	188.00	100
Shenzhen Accord Medicine Logistics Co., Ltd	100.00	100	---	---	---	---	100.00	100

Name of Company	As of December 31, 2007		Increases		Decreases		As of December 31, 2008	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Sinopharm Holdings Guangzhou Co., Ltd.	4,500.00	90	---	---	---	---	4,500.00	90
Sinopharm Holdings Guangdong Xinlong Co., Ltd.	2,000.00	100	---	---	---	---	2,000.00	100
Sinopharm Holdings Liuzhou Co., Ltd.	1,047.06	51	---	---	---	---	1,047.06	51
Guangxi Accord Pharm. Chain Store Co., Ltd.	200.00	100	---	---	---	---	200.00	100
Guangxi Accord Chinese Herbal Pieces Co., Ltd.	200.00	100	---	---	---	---	200.00	100
Liuzhou Chinese Herbal Pieces Plant	4.00	100	---	---	4.00	100	---	---
Guangdong Huixing Investment Co., Ltd.	5,000.00	100	---	---	---	---	5,000.00	100

Name of Company	As of December 31, 2007		Increases		Decreases		As of December 31, 2008	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
	Sinopharm Holdings Foshan Co., Ltd.	200.00	100	---	---	---	---	200.00
Guangzhou Accord Pharm. Chain Store Co., Ltd.	200.00	100	---	---	---	---	200.00	100
Guangdong Yuexing Pharmaceutical Co., Ltd.	300.00	100	---	---	---	---	300.00	100
Guangdong Hengchang Logistics Co., Ltd.	54.00	100	---	---	---	---	54.00	100
Guangzhou Uptodate & Special Medicines Co., Ltd.	50.00	100	---	---	50.00	100	---	---
Guangzhou South Medical Treatment Equipment Company	100.00	100	---	---	100.00	100	---	---

(d) Related parties without controlling relationship

Name of company	Relationship
Beijing Zhongxin Pharmaceutical Co.	Same ultimate controlling shareholder

<u>Name of company</u>	<u>Relationship</u>
Guangdong East Uptodate & Special Medicines Co.	Same ultimate controlling shareholder
Guangdong Erbo Medical Equipment Co., Ltd.	Same ultimate controlling shareholder
Guangxi Wuzhou Huawu Medicine Co., Ltd.	Same ultimate controlling shareholder
Sinopharm Beijing Medical Treatment Equipment Co., Ltd.	Same ultimate controlling shareholder
Sinopharm Chemical Reagent Co., Ltd.	Same controlling shareholder
Union China National Medical Equipment Corp.	Same ultimate controlling shareholder
Sinopharm Shanghai Medical Equipment Co., Ltd	Same ultimate controlling shareholder
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	Same controlling shareholder
China National Medicines Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Logistics Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding (Zhengzhou) Jiurui Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Beijing Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Hubei Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Hunan Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Jiangsu Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Nanning Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Shanxi Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Shanghai Co., Ltd.	Same controlling shareholder
SinoPharm Holdings Shenzhen Chinese	Same ultimate controlling shareholder and

<u>Name of company</u>	<u>Relationship</u>
Medicine Co., Ltd.	joint venture
Sinopharm Medicine Holding Shenyang Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Suzhou Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Tianjin Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Zhejiang Co., Ltd.	Same controlling shareholder
Hebei Medicinal Material Company	Same ultimate controlling shareholder
Hubei Yibao International Medicine Co., Ltd.	Same ultimate controlling shareholder
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	Same controlling shareholder
Shenzhen Wanle Pharmaceutical Co., Ltd.	Joint venture
Sichuan Industrial Institute of Antibiotics Co., Ltd.	Same ultimate controlling shareholder
Tianjin East Bokang Medicine Trade Co., Ltd.	Same controlling shareholder
China National Group Co. of Traditional & Herbal Medicine	Same ultimate controlling shareholder
China National Pharmaceutical Foreign Trade Corporation	Same ultimate controlling shareholder
China National Pharmaceutical Shanghai Corporation	Same controlling shareholder
Guangxi Zhuang Autonomous Region Nanning Pharmaceutical Wholesale Station	Same ultimate controlling shareholder
Guangxi Guoda Drugstore Chain Co., Ltd	Same ultimate controlling shareholder
Guangdong South Pharmaceutical Foreign Trade Co.	Same ultimate controlling shareholder
China National Pharmaceutical Foreign Trade Corporation Sales Affiliate	Same ultimate controlling shareholder

8.2 Related party transactions

- a) **Transactions between subsidiaries controlled and consolidated and such subsidiaries with their parent companies have been eliminated**
- b) **Market price is adopted as the pricing policy related party transaction**

c) Purchases from related parties

Scale of transactions

Name of Company	This year	Last year
	Amount ('0000)	Amount ('0000)
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	84,783.31	68,014.41
Sinopharm Medicine Holding Shanghai Co., Ltd.	425.12	11,917.28
China National Medicines Co., Ltd.	8,702.20	11,213.03
Guangdong South Pharmaceutical Foreign Trade Co.	---	3,994.64
Sinopharm Medicine Holding Nanning Co., Ltd.	1,470.15	225.23
Sinopharm Medicine Holding Tianjin Co., Ltd.	564.52	1,200.77
China National Pharmaceutical Foreign Trade Corporation Sales Affiliate	---	704.30
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	119.39	1,391.02
Guangdong East Uptodate & Special Medicines Co.	1,034.73	861.02
Sinopharm Medicine Holding Suzhou Co., Ltd.	---	121.32
Sinopharm Medicine Holding Hunan Co., Ltd.	---	36.33
China National Group Co. of Traditional & Herbal Medicine	---	30.17
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd	113.24	401.32
Name of Company	This year	Last year
	Amount ('0000)	Amount ('0000)
Beijing Zhongxin Pharmaceutical Co.	---	8.56
China National Pharmaceutical Foreign Trade Corporation	1,947.45	0.73
Sinopharm Medicine Holding Co., Ltd	1,572.41	---
Union China National Medical Equipment		---

Co., Ltd	610.20	
Sinopharm Southwest Pharmaceutical Co., Ltd	389.08	---
Sinopharm Chemical Reagent Co., Ltd	23.03	---
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.(Note)	---	-3.61
Shenzhen Wanle Pharmaceutical Co., Ltd.	156.96	---
Total	101,911.79	100,116.52

Note: the company has become unrelated party this year.

d) Sales to related parties

Scale of transactions

Name of Company	This year	Last year
	Amount ('0000)	Amount ('0000)
Sinopharm Medicine Holding Shenyang Co., Ltd.	25,697.17	20,016.19
Sinopharm Medicine Holding Hubei Co., Ltd.	7,457.76	6,464.53
Sinopharm Medicine Holding Nanning Co., Ltd.	7,157.53	4,626.26
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	5,890.56	5,482.41
Sinopharm Medicine Holding Tianjian Co., Ltd.	5,471.53	4,537.10
Sinopharm Medicine Holding Beijing Co., Ltd.	3,722.84	1,732.29
Hubei Yibao International Medicines Co., Ltd	3,478.89	---
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	1,024.98	94.55
Tianjin East Bokang Medicine Trade Co., Ltd.	787.47	599.73
Sinopharm Medicine Holding Jiangsu Co., Ltd.	584.45	421.48
Sinopharm Medicine Holding Shanxi Co., Ltd.	512.01	402.12
Sinopharm Medicine Holding (Zhengzhou) Jiurui Co., Ltd.	479.76	---

Name of Company	This year	Last year
	Amount ('0000)	Amount ('0000)
Sinopharm Medicine Holding Co., Ltd.	473.00	627.00
China National Medicines Co., Ltd.	339.12	404.63
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	132.89	---
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	58.03	87.09
Sinopharm Medicine Logistics Co., Ltd.	48.87	---
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	37.74	61.19
Sinopharm Medicine Holding Suzhou Co., Ltd.	23.33	79.06
Sinopharm Medicine Holding Zhejiang Co., Ltd.	12.87	29.61
Guangxi Guoda Drugstore Chain Co., Ltd.	3.44	---
Sinopharm Medicine Holding Hunan Co., Ltd.	6,156.21	5,459.45
Sinopharm Medicine Holding Hubei Xinlong Medicine Co., Ltd. (Note)	---	599.45
Guangdong South Pharmaceutical Foreign Trade Co. Ltd.	---	217.55
Guangdong East Uptodate & Special Medicines Co. Ltd.	---	205.4
Guangxi Wuzhou Huawu Medicine Co., Ltd.	---	18.42
Sinopharm Medicine Holding Jingzhou Xinlong Medicine Co., Ltd. (Note)	---	1.5
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	---	0.74
Guangdong Erbo Medical Equipment Co., Ltd.	---	1.94
Total	69,550.45	52,169.69

Note: the company has become unrelated party this year.

e) **Balance of current account of related parties**

<u>Item</u>	<u>Amount at end of year ('0000)</u>		<u>Or: Percentage in total</u> <u>receivables (payables)</u> <u>(%)</u>	
	<u>End of this year</u>	<u>End of last year</u>	<u>End of this</u>	<u>End of last</u>
			<u>year</u>	<u>year</u>
Account receivables:				
Sinopharm Medicine Holding Shenyang Co., Ltd.	5,601.39	3,366.09	3.24	2.61
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	1,321.52	1,340.84	0.76	1.04
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	1,321.60	1,068.99	0.76	0.83
Sinopharm Medicine Holding Hubei Co., Ltd.	5.64	917.3	0.00	0.71
Sinopharm Medicine Holding Beijing Co., Ltd.	809.73	376.46	0.47	0.29
Sinopharm Medicine Holding Nanning Co., Ltd.	288.86	172.04	0.17	0.13
Sinopharm Medicine Holding Tianjin Co., Ltd.	916.92	988.31	0.53	0.76
Sinopharm Medicine Holding Shanxi Co., Ltd.	171.73	119.07	0.10	0.09
Tianjin East Bokang Medicine Trade Co., Ltd.	133.58	102.98	0.08	0.08
SinoPharm Holdings Co., Ltd.	103.73	90.14	0.06	0.07
Sinopharm Medicine Holding Hubei Kinlong Co., Ltd (Note 1)	---	56.87	---	0.04
China National Medicines Co., Ltd.	38.27	54.18	0.02	0.04
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	17.41	49.57	0.01	0.04
Guangdong East Uptodate & Special Medicines Co.	55.11	35.14	0.03	0.03
Sinopharm Medicine Holding Jiangsu Co., Ltd.	92.81	25.82	0.05	0.02
Hubei Yibao International Medicines		---	0.22	---

<u>Item</u>	<u>Amount at end of year ('0000)</u>		<u>Or: Percentage in total receivables (payables)</u> (%)	
	<u>End of this year</u>	<u>End of last year</u>	<u>End of this</u>	<u>End of last</u>
			<u>year</u>	<u>year</u>
Co., Ltd	387.98			
Shanghai Sinopharm Wai Gao Qiao Co., Ltd	154.11	---	0.09	---
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd	40.20	---	0.02	---
Sinopharm Medicine Holding (Zhengzhou) Jiurui Co., Ltd	92.21	---	0.05	---
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	84.95	---	0.05	---
Sinopharm Medicine Holding Zhejiang Co., Ltd	1.43	---	0.00	---
Guangxi Guoda Drugstore Chain Co., Ltd	0.21	---	0.00	---
Sinopharm Medicine Holding Suzhou Co., Ltd	4.54	---	0.00	---
Total	11,643.93	8,763.80	6.71	6.78
Other receivables:				
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	---	12.71	---	0.23
China National Medicines Co., Ltd.	---	10.75	---	0.20
Guangxi Zhuang Autonomous Region Nanning Pharmaceutical Wholesale Station	---	400.00	---	7.35
Guangxi Guoda Drugstore Chain Co., Ltd	---	100.00	---	1.84
Total	---	523.46	---	9.62
Advance to suppliers:				
Sinopharm Medicine Holding Nanning Co., Ltd.	---	0.06	---	---
Accounts payable:				
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	11,022.08	11,167.08	8.12	10.59
Sinopharm Medicine Holding Co., Ltd	1,850.56	---	1.36	---
China National Medicines Co., Ltd.		613.13	0.47	0.58

Item	Amount at end of year ('0000)		Or: Percentage in total receivables (payables) (%)	
	End of this year	End of last year	End of this	End of last
			year	year
	641.80			
China National Pharmaceutical Foreign Trade Corporation	535.92	32.40	0.39	0.03
Sinopharm Medicine Holding Shanghai Co., Ltd.	438.81	6.85	0.33	0.01
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	344.36	122.44	0.26	0.12
Sinopharm Medicine Holding Nanning Co., Ltd.	252.86	2.41	0.19	---
Guangdong East Uptodate & Special Medicines Co., Ltd	234.70	98.01	0.17	0.09
Sinopharm Medicine Holding Tianjin Co., Ltd.	80.64	74.78	0.06	0.07
Shenzhen Wanle Pharmaceutical Co. Ltd	47.09	---	0.04	---
Beijing Zhongxin Pharmaceutical Co. Ltd	7.14	17.31	0.01	0.02
Sinopharm Shanghai Medical Treatment Equipment Co., Ltd.	1.62	2.70	0.00	0.00
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	0.93	55.72	0.00	0.05
Sinopharm Beijing Medical Treatment Equipment Co., Ltd.	0.88	---	0.00	---
Sinopharm Medicine Holding Beijing Co., Ltd.	0.40	---	0.00	---
Guangdong Erbo Medical Equipment Co., Ltd	0.05	---	0.00	---
China National Pharmaceutical Foreign Trade Corporation Sales Affiliate	---	116.13	---	0.11
China National Group Corp. of Traditional & Herbal Medicine	---	27.57	---	0.03
Guangdong South Pharmaceutical Foreign Trade Co., Ltd	---	8.44	---	0.01
Sinopharm Medicine Holding Suzhou Co., Ltd.	---	3.81	---	---
Hebei Medical Materials Co., Ltd.	---	0.47	---	---

Item	Amount at end of year ('0000)		Or: Percentage in total receivables (payables) (%)	
	End of this year	End of last year	End of this	End of last
			year	year
Sinopharm Medicine Holding Hunan Co., Ltd.	---	0.01	---	---
Union China Medical Equipment Corp.	-21.08	---	-0.02	---
Total	15,438.76	12,349.26	11.38	11.71
Other payables:				
SinoPharm Holdings Co., Ltd.	6,000.00	11,000.00	22.27	34.00
Sichuan Industrial Institute of Antibiotics Co., Ltd.	285.18	285.18	1.06	0.88
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	2.49	2.49	0.01	0.01
Sinopharm Shanghai Co., Ltd.	1,533.06	---	5.69	---
SinoPharm Medicine Holding Guoda Drugstore Co., Ltd.	192.21	---	0.71	---
Sinopharm Logistic Co., Ltd	80.00	---	0.30	---
Total	8,092.94	11,287.67	30.04	34.89

Note 1: The company has become unrelated party this year.

Note 2: The aging of all current accounts with related parties is within one year, and thus they are not provided for bad debt.

f) Other related party transactions

- (1) Refer to Note 9 for details of guarantees provided for related parties.
- (2) Sinopharm Holdings Guangzhou Co., Ltd. , a subsidiary of the Company, undertakes to bear the buyer's discount arising from the discounted notes payables issued by the said subsidiary to the following related parties in 2008: China National Medicines Co., Ltd. 31.12 (CNY'0000), Shanghai Sinopharm Wai Gao Qiao Co., Ltd. 1,372.74 (CNY'0000).

- (3) Sinopharm Holdings Guangzhou Co., Ltd., a subsidiary of the Company, has capital borrowings from Sinopharm Holdings Co., Ltd. since 2003. Total capital occupancy charges for the year 2008 amount to 661.65 (CNY'0000). In 2008, the Company has new borrowings and undertakes relevant capital occupancy charges of 161.90 (CNY'0000).
- (4) The Company purchases 10% shares of Sinopharm Guangzhou which were previously held by Sinopharm Shanghai Co., Ltd, with a price of 3,066.11 (CNY'0000) in this fiscal year.
- (5) The Company purchases 100% shares of Guangxi Accord which were previously held by Guangxi Zhuang Autonomous Region Nanning Pharmaceutical Wholesale Station and Guangxi Guoda Drugstore Chain Co., Ltd in this fiscal year.

9. Contingencies:

Up to December 31, 2008, the contingent liabilities of the Company from providing debt guarantee for related parties and other units are as follows:

<u>Name of Guarantor</u>	<u>Name of Guarantee</u>	<u>Guarantee Amount (CNY'0000)</u>	<u>Amount used</u>	<u>Start Date of Guarantee</u>	<u>Due Date of Guarantee</u>	<u>Influence on Financial Status of the Company</u>
Related parties:						
Sinopharm Guangzhou, Zhijun Pharm.	The Company	80,000,000.00	62,706,685.86	2008.9.30	2009.9.30	No unfavorable influence
Zhijun Pharm.	The Company	50,000,000.00	30,171,729.25	2008.12.19	2009.12.19	No unfavorable influence
Zhijun Pharm.	The Company	50,000,000.00	33,235,496.51	2008.12.16	2009.12.16	No unfavorable influence
Zhijun Pharm.	The Company	100,000,000.00	---	2007.12.29	2009.12.28	No unfavorable influence
The Company, Zhijun Pharm.	The Company, Zhijun Pharm.	100,000,000.00	91,255,491.94	2008.12.10	2009.12.10	No unfavorable influence
Zhijun Pharm.	The Company	80,000,000.00	42,133,155.35	2008.8.28	2009.8.28	No unfavorable influence

<u>Name of Guarantor</u>	<u>Name of Guarantee</u>	<u>Guarantee Amount (CNY'0000)</u>	<u>Amount used</u>	<u>Start Date of Guarantee</u>	<u>Due Date of Guarantee</u>	<u>Influence on Financial Status of the Company</u>
The Company, Sinopharm Guangzhou, Zhijun Pharm.	The Company, Sinopharm Guangzhou, Zhijun Pharm.	80,000,000.00	---	2008.05.16	2009.05.16	No unfavorable influence
The Company	Zhijun Pharm	60,000,000.00	30,000,000.00	2008.08.19	2011.08.19	No unfavorable influence
The Company	Zhijun Pharm	100,000,000.00	57,720,000.00	2005.08.17	2009.08.17	No unfavorable influence
The Company	Zhijun Pharm	50,000,000.00	7,239,045.56	2008.05.28	2009.04.24	No unfavorable influence
The Company	Sinopharm Guangzhou	50,000,000.00	40,658,682.35	2008.11.11	2009.09.03	No unfavorable influence
The Company	Sinopharm Guangzhou	55,000,000.00	54,865,888.77	2008.5.29	2009.5.29	No unfavorable influence
The Company	Sinopharm Guangzhou	73,200,000.00	69,075,912.77	2007.10.22	2008.12.31	No unfavorable influence
The Company	Sinopharm Guangzhou	450,000,000.00	70,000,000.00	2008.01.01	2008.12.31	No unfavorable influence
The Company	Sinopharm Guangzhou	80,000,000.00	39,983,323.31	2008.09.01	2009.09.01	No unfavorable influence
The Company	Sinopharm Guangzhou	30,000,000.00	4,984,700.92	2008.12.17	2009.12.16	No unfavorable influence
The Company	Accord Drugstore	10,000,000.00	1,059,961.44	2008.10.20	2009.10.20	No unfavorable influence

10. Commitments

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

10.2 There are no significant outsourcing contracts signed and being or to be executed:

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

Amount payables under an equipment purchasing contract signed by Shenzhen Zhijun Pharmaceutical Co., Ltd., a subsidiary of the Company, are as follows. This is a necessary expenditure in the normal course of the Company's operation.

<u>Period</u>	<u>Amount payable</u>
Within one year	654,160,000
1-2 years	45,170,000

10.4 Lease contracts signed and being or to be executed and their financial impacts:

Amount payables under lease contracts signed by subsidiaries of the Company for leased properties are as follows. This is a necessary expenditure in the normal course of the Company's operation.

<u>Period</u>	<u>Amount payable</u>
Within one year	2,202,960,000
1-2 years	1,623,000,000
2-3 years	814,410,000
Above 3 years	436,740,000
Total	5,077,110,000

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

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

10.7 There are no other significant financial commitments:

10.8 Execution of prior commitments:

All have been executed according to the contracts

11 Post balance sheet events**11.1 Post balance sheet profit distribution proposal**

In accordance with Resolution of the 8th Meeting of the Fifth Board of Directors held on March 17, 2009, the Company proposes to distribute cash dividends of CNY 1.00 (tax inclusive) per 10 shares to all the shareholders on the basis of the total equity, i.e. 288,149,400 shares, held by the Company as of December

31, 2008, with an estimated total amount of distributed cash dividends of CNY 28,814,940.00. No capital reserve will be transferred to shares in the Company in the fiscal year of 2008.

11.2 Post balance sheet consolidation or disposal of subsidiaries

- a. The Company purchases 100% shares of Dongguan Dongfeng Chinese Medicine Co., Ltd. with a price of 274.20 (CNY'0000) in Jan. 2009.
- b. The Company purchases 75% shares of Suzhou Wanqing Pharmaceutical Co., Ltd. with a price of 10,350.00 (CNY'0000) in Mar. 2009.

12 Other events

No other events need to be disclosed

13 Supplementary Materials

13.1 Non-recurring profit and loss attributable to ordinary shareholders of the year (profit +, loss -)

<u>Item</u>	Amount
1. Profit and loss of non-current assets disposal, including the offset amount which has been provided for asset impairment loss	4,972,517.28
2. Tax refund and exemption without authorized approval or formal approval document	---
3. Government subsidy recorded into profit and loss of current year, with the exception of the government subsidy closely related to company business and obtained by quota and quantity, according to the national unification standard	7,054,099.00
4. Fund possession cost reported in the current profit and loss and charged by non-financial enterprises	---
5. The investment cost in the acquisition of subsidiaries and joint ventures is smaller than the amount of the profit and loss generated by the fair value of net identifiable assets of the invested units enjoyed by the Company	---
6. Non-currency assets exchange profit and loss	---
7. Profit and loss of assets entrusted for investment or management	---
8. Accrual of provision for assets impairment of all kinds of irresistible factors, such as natural disasters	---
9. Profit and loss of debt restructure	---
10. Company recombination expenses, such as expenses for resettling employees, integration expenses and etc.	---
11. Profit and loss of the part created by obviously unfair transaction price over fair value	---
12. Net profit and loss of subsidiary in the current year created by enterprise merger under the same control from beginning of the fiscal year to the date of the merger	---

13. Profit and loss caused by contingencies borne no relation to the main operation of the company	---
14. Except the effective hedge related to normal business operations, gains and losses arising from changes in the fair value of the tradable financial assets and liabilities held by the Company, as well as the return on investment during the disposal of tradable financial assets and liabilities, and financial assets available for sale.	---
15. Return of provision for impairment of the accounts receivable which are subject to separate impairment test.	4,419,372.88
16. Profit and loss obtained in commissioned external loans	---
17. Profit and loss arising from changes in the fair value of investment real estate which adopts the fair value model in the follow-up calculation.	---
18. Influences on current profit and loss of the one-time adjustment to the current profit and loss in accordance with the requirements of tax and accounting laws and regulations.	---
19. Trustee fee gained during entrusted operation	---
20. Other operating revenues and expenditures in addition to the above items	1,046,085.24
21. Other items of profit and loss that meet the definition of non-recurring profit and loss	---
22. Influence of minority shareholders' profit and loss	-165,852.47
23. Influence of income tax	-1,854,189.06
Total	15,472,032.87

13.2 Return on net asset and earnings per share

Profit of the reporting period	Return on net profit		Earnings per share	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	24.65%	27.33%	0.54	0.54
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss	22.19%	24.59%	0.48	0.48

a. Calculation process

The above data is calculated using the following formulae:

Fully diluted return on equity

Fully diluted return on equity = P/E

Where: P is net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss; E is the year end

equity attributable to ordinary shareholders of the Company. Net profit attributable to ordinary shareholders of the Company does not include the amount of gain or loss of minority shareholders. For net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss, non-recurring gain or loss of parent company (after taking into consideration the income tax effects) and the proportion of non-recurring gain or loss (after taking into consideration the income tax effects) of all subsidiaries owned by ordinary shareholders of parent company are deducted on the basis of consolidated net profit after deducting gain or loss of minority shareholders. The year end equity attributable to ordinary shareholders of the Company does not include equity of minority shareholders.

Weighted average return on equity

$$\text{Weighted average return on equity} = P / (E_0 + NP/2 + E_i * M_i / M_0 - E_j * M_j / M_0 + E_k * M_k / M_0)$$

Where: P is net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss; E₀ is the year beginning equity attributable to ordinary shareholders of the Company; E_i is increased equity attributable to ordinary shareholders of the Company which arises from new issuance of shares or conversion of debt instruments to stocks in the reporting period; E_j is reduced equity attributable to ordinary shareholders of the Company due to stock repurchase or cash dividend in the reporting period; M₀ is the number of months of the reporting period; M_i is the number of months from the next month that equity is increased to the year end of the reporting period; M_j is the number of months from the next month that equity is decreased to the year end of the reporting period; E_k is the change of equity resulting from other transactions or events; M_k is the number of months from the next month that other change of equity occurs to the year end of the reporting period.

Basic earnings per share

$$\text{Basic earnings per share} = P / S$$

$$S = S_0 + S_1 + S_i * M_i / M_0 - S_j * M_j / M_0 - S_k$$

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

Diluted earnings per share

Diluted earnings per share = $[P + (\text{any recognized interest related to dilutive potential ordinary shares} - \text{conversion expenses}) * (1 - \text{income tax rate})] / (S_0 + S_1 + S_i * M_i / M_0 - S_j * M_j / M_0 - S_k + \text{weighted average number of increased ordinary shares arising from warrants, stock options and convertible debts})$

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

- b. Potential ordinary shares which are not diluted in this fiscal year but probably become diluted in later periods**

14 Approval of Financial Statement

This financial statement is passed and issued by the Board of Directors of the Company on March 17, 2009.

Shenzhen Accord Pharmaceutical Co., Ltd.

March 17, 2009

CHAPTER XI. DOCUMENTS FOR REFERENCE

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

Chairman of the Board: Shi Jinming
Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.
March 20, 2009