

Stock Code: 000028/200028 Short Form of the Stock: Accord Pharm. Accord B
 Notice No.: 2009-05

Shenzhen Accord Pharmaceutical Co., Ltd. Summary of Annual Report 2008

§1. Important Notice

1.1 Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) 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. The Summary of Annual Report is abstracted from the full text of Annual Report; the investors are suggested to read the full text of the Annual Report to understand more details.

1.2 No director, supervisor and senior executive stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

1.3 Other directors attended the meeting on examining the Annual Report except for the following directors.

Name of absent directors	Reason of absence	Name of entrusted
Fu Mingzhong	Due to business	Wu Ai'min
Wei Yulin	Due to business	Wu Ai'min

1.4 Shulun Pan Certified Public Accountants Co., Ltd. issued standard unqualified Auditors' Report for 2008 Financial Report of the Company.

1.5 Principal of the Company Mr. Shi Jinming, General Manager Mr. Yan Zhigang, Person in Charge of Accounting Works Mr. Wei Pingxiao, and Person in Charge of Accounting Organ (Accounting Supervisor) Mr. Chi Guoguang hereby confirm that the Financial Report of the Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	Accord Pharm., Accord-B
Stock code	000028, 200028
Listed stock exchange	Shenzhen Stock Exchange
Registered address	Accord Pharm. Bulg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province
Post code of registered address	518029
Office address	Accord Pharm. Bulg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province
Post code of office address	518029
Internet web site of the Company	http://www.szaccord.com.cn
E-mail	investor@szaccord.com.cn

2.2 Contact person and method

	Secretary of the Board	Securities Affairs Representative
Name	Chen Changbing	
Contact address	Accord Pharm. Bulg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	
Telephone	+(86)755 25875195, 25875222	
Fax	+(86)755 25875147	
E-mail	0028@szaccord.com.cn	

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2008	2007		Increase/decrease this year compared with that of 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		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

3.2 Major financial indexes

Unit: RMB

	2008	2007		Increase/decrease this year compared with that of 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 losses (%)	24.59%	22.49%	22.24%	2.35%	20.41%	20.18%
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

Items of non-recurring gains and losses

√ Applicable □ Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount	Notes(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	

3.3 Differences between CAS and IAS:

□ Applicable √ Inapplicable

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

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	0	83,971,446	Share Merger Reform	May 16, 2008
Shenzhen Baoan District Shiyantown Economic and Development Corporation	9,149,046	9,149,046	0	0	Share Merger Reform	May 16, 2008
Total	121,935,432	37,963,986	0	83,971,446	—	—

4.2 Particulars about shares held by the top ten shareholders and the top ten shareholders with

unrestricted conditions

Unit: Share

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 STOCK FUND	Domestic non-state-owned legal person	2.01%	5,800,000	0	0
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		7,636,374		RMB common share	

PIONEER FUND		
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.	

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

Applicable Inapplicable

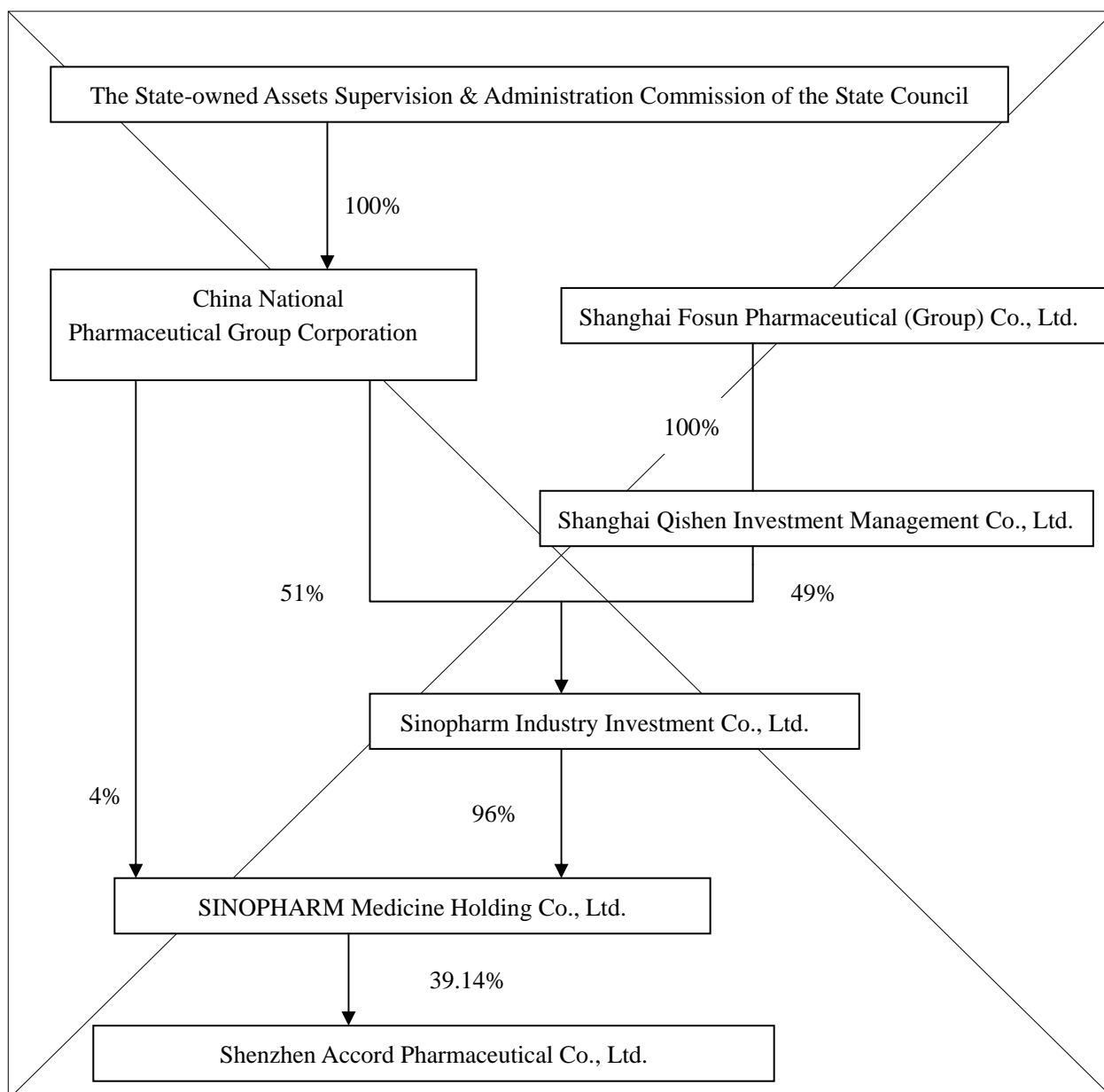
4.3.2 Introduction of especial situation for controlling shareholder and actual controller

<p>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).</p> <p>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</p>

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.

4. 3. 3 Property right and controlling relationships between the actual controller of the Company and the Company is as follows:



§5. Particulars about Directors, Supervisors, Senior Executives

5.1 Particulars about changes in shares held by directors, supervisors and senior executives and their remunerations

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'0000)(before tax)	Drawing remuneration from shareholders' units or other related units or not
Shi Jinming	Chairman	Male	41	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	68.30	No
Fu Mingzhong	Director	Female	58	April 25, 2008	Sep. 11, 2010	0	0	Naught		Yes
Wei Yulin	Director	Male	51	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught		Yes
Lu Jun	Director	Male	50	Sep. 11, 2007	Dec. 26, 2008	0	0	Naught		Yes
Wu Ai'min	Director	Male	39	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught		Yes
Jiang Ning	Director	Male	49	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught		Yes
Chen Shu	Independent Director	Female	54	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	8.00	No
Peng Juan	Independent Director	Female	44	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	8.00	No
Liao Li	Independent Director	Male	42	Sep. 11, 2007	Sep. 11, 2010	0	0	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	Male	41	Sep. 11, 2007	Sep. 11, 2010	11,175	8,381	Legitimate Reduction	28.50	No

	Directors									
Wang Huaiqin	Supervisor	Male	51	Sep. 11, 2007	Sep. 11, 2010	0	0	Naught	26.20	No
Total	-	-	-	-	-	-	-	-	592.80	-

Stocks option of the directors, supervisors and senior executives bestowed in the report period

Applicable Inapplicable

5.2 Presences at the meetings of the Board by the directors

Name of the directors	Positions	Due Presence (times)	Presence in person (times)	Attending the meeting in way of communication (times)	Entrusted presence (times)	Absence (times)	Whether attending the meeting in person in successive two times or not
Shi Jinming	Chairman	8	5	3	0	0	No
Fu Mingzhong	Director	7	4	3	0	0	No
Wei Yulin	Director	8	4	3	1	0	No
Jiang Ning	Director	8	3	3	2	0	No
Wu Ai'min	Director	8	4	3	1	0	No
Chen Shu	Independent Director	8	5	3	0	0	No
Peng Juan	Independent Director	8	4	3	1	0	No
Liao Li	Independent Director	8	4	3	1	0	No

Explanations on not attending the meeting of the Board in person in successive two times

Meetings of the Board held during the year (times)	8
Of which: site meetings (times)	5
Meetings held in way of communication (times)	3
Meetings held in way of both site and communication (times)	0

§6. Report of the Board of Directors

6.1 Discussion and analysis from the management team

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 attemper 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 attempers, 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.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Income from operations	Cost of operations	Gross profit ratio (%)	Increase/decrease in income from operations over the last year (%)	Increase/decrease in cost of operations 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-medical	816,457.65	777,742.29	4.74%	20.91%	21.01%	-0.07%

wholesale						
Commerce- medical retail	34,224.58	26,356.95	22.99%	4.55%	6.17%	-1.17%
Non-medicine 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%
Mutual counteract of sales departments between internal enterprises	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%
Anti-infectious cef- series products	60,569.83	52,661.05	13.06%	36.54%	36.94%	-0.26%
Including: related transaction	8,180.56	4,480.46	45.23%	18.16%	12.46%	2.77%

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from operations	Increase/decrease in income from operations over last year (%)
Domestic sales	831,193.14	21.62%
Overseas sales	869.15	55.47%
Total	832,062.29	21.65%

6.4 Items measured by adopting fair value

 Applicable Inapplicable

6.5 Application of the raised proceeds

 Applicable Inapplicable

Particulars about the changed projects

 Applicable Inapplicable

6.6 Application of the proceeds not raised through shares offering

 Applicable Inapplicable

Unit: RMB'0000

Name	Amount	Progress	Earnings
Project on manufacture base of pharmaceutical R&D	20,400.00	100%	The new project was put into operation, the annual sales amount exceeded RMB 0.7 billion.
Project of technical reform	3,561.00	90.62%	The production capacity improved largely, in which annual production capacity of newly-increased 2 domestic Spasmolytic Production Line was estimated to be 200 million branches, annual production

			capacity of newly-increased 2 domestic Anti-infectious Production Line was estimated to be 220 million pieces/granules, it was predicated that the sales income of RMB 65 million.
Total	23,961.00	-	-

6.7 Explanation of the Board of Directors on changes to the accounting policy and accounting estimates, or reasons of modification of material accounting errors and the influences

Applicable Inapplicable

6.8 Explanation of the Board of Directors on the “Qualified Opinion” made by the CPAs

Applicable Inapplicable

6.9 The preplan of the profit distribution and capitalization of capital public reserve of the Board of Directors

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.

Particulars about the cash bonus of the Company in previous three years

Unit: RMB

	Amount of cash bonus (tax included)	Net profit attributable to owners of parent company in consolidated statement	Ratio of net profit attributable to owners of parent company in consolidated statement
2007	0.00	124,913,985.45	0.00%
2006	25,902,701.26	80,224,428.47	32.29%
2005	10,940,962.61	36,824,230.25	29.71%

The Company didn't put forward cash profit distribution preplan though the Company achieved the profit in the report period

Applicable Inapplicable

§7. Significant Events

7.1 Purchase of assets

Applicable Inapplicable

Unit: RMB'0000

The other party of transaction or final controller	Assets purchased	Purchase date	Purchase price	Net profit contributed to the Company from the purchase date to the year-end	Net profit contributed to the Company from the year-begin to the year-end(applicable for enterprise merger under the common control)	Related transaction or not(If yes, note the principle of price setting)	Explanation on price setting	Assets rights concerned transferred ownership fully or not	Credit and liability concerned shifted fully or not	The 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

7.2 Sales of assets

Applicable Inapplicable

Influences on the business continuity and stability of management of the Company by the matters 7.1 and 7.2 concerned

The purchased assets involved did not have influences on the business continuity and stability of management of the Company.

7.3 Significant guarantees

Applicable Inapplicable

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 during the report period	96,500.00
Total balance of guarantee for controlling subsidiaries at the end of the report period	113,820.00
Total amount of guarantee of the Company (including guarantee for controlling subsidiaries)	
Total amount of guarantees	113,820.00
Ratio of total guarantee to 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 guarantee in net assets of the Company exceeded 50%	82,420.66
Total amount of the aforesaid three guarantees	113,820.00
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees	The Company had no matters on possibly bearing joint and several liquidating responsibilities for undue guarantees.

7.4 Significant related transaction

7.4.1 Related transaction connected to routine operations

Applicable Inapplicable

Unit: RMB'0000

Related parties	Sell product and supply labor force to the related parties		Purchase 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%
China National Pharmaceutical Group 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 Pharmaceutical 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%
China National Medicines Corporation 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 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 Group 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 Drugstore Chains Co., Ltd.	3.44	0.00%	0.00	0.00%
Sinopharm Group 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.	0.00	0.00%	1,034.73	0.14%
Sinopharm Medicine Holding Shenzhen TCM	0.00	0.00%	113.24	0.02%
China National Pharmaceutical Foreign Trade Corporation	0.00	0.00%	1,947.45	0.26%
Union China National Medical Equipment Corp.	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 the listed companies sold products or supplied labor forced for the controlling shareholders and its subsidiaries was RMB 660,681,200.

7.4.2 Related credits and liabilities current

√ Applicable □ Inapplicable

Unit: RMB'0000

Related parties	Provide fund for related party		Supply fund to the Company from related party	
	Occurring amount	Balance	Occurring 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 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.	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 Guoda Pharmacy Co., Ltd.	44.16	40.20	0.00	0.00
Sinopharm Group 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 Pharmaceutical Co., Ltd.	4,070.31	387.98	0.00	0.00
Guangxi Guoda Drugstore Chains Co., Ltd.	3.89	0.21	0.00	0.00
Sinopharm Group 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 Guoda Pharmacy 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 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 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.	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 Trading 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	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
Union China National Medical Equipment Corp.	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 Guoda Pharmacy Co., Ltd.	0.00	0.00	192.21	192.21
Sinopharm Logistics Co., Ltd.	0.00	0.00	8.91	80.00
Sinopharm Medicine Holding Shenzhen TCM	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.

7.4.3 Occupation and its progress of paying off on the fund in year 2008

Applicable Inapplicable

7.5 Entrusted assets management

Applicable Inapplicable

7.6 Implementation of commitments

Applicable Inapplicable

1. 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 after the 24 months through stock exchange 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 RMB 5.05, of the 30 trading days before Accord Pharmaceutical's Board of Directors publish the Reform Plan (from the day of implementing Non-tradable Shares 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).

Commitment implementation: Implementing

2. Shenzhen Baoan District Shiyan Town Economic and Development Corporation

(1) Not trading or transferring within 12 months from the day when Reform Plan is carried out; on basis of the aforementioned time limited, original non-tradable equities sold through stock exchange take up no more than 5% of the Company's total shares in the following 12 months; (2) no more than 10% within 24 months.

Commitment implementation: Ended May 16, 2008, the commitment has been accomplished already.

Commitments made by the Company or the shareholders with holding above 5% shares in the report period or lasting until the report period.

Applicable Inapplicable

Commitments	Content of commitments	Implementation
Commitments for Share Merger Reform	(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 after the 24 months through stock exchange take up no more than 10% of the Company's total shares in the following 12 months, and	Implementing

	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 implementing Non-tradable Shares 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).	
Commitments made in Acquisition Report or Reports on Change in Interests	Naught	Naught
Commitments made in Material Assets Reorganization	Naught	Naught
Commitments made in issuing	Naught	Naught
Other commitments made for medium and small shareholders of the Company	Naught	Naught

7.7 Significant lawsuit and arbitrations

Applicable Inapplicable

7.8 Other significant events and analysis on their influences and solutions

7.8.1 Particulars about securities investment

Applicable Inapplicable

7.8.2 Equity of other listed companies held

Applicable Inapplicable

7.8.3 Equity of non-listed financial enterprises

Applicable Inapplicable

7.8.4 Particulars about the purchases and selling on equity of other listed company

Applicable Inapplicable

§8. Report of the Supervisory Committee

Applicable Inapplicable

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.

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.

§9. Financial Report

9.1 Auditor's opinions

Auditor's report	Standard unqualified auditor's opinions
Text of Auditor's Report	
Auditors' report	
Shulun Pan BaoZi(2009) No. 10598	
To the shareholders of Shenzhen Accord Pharmaceutical Co., Ltd., We have audited the accompanying financial statements of Shenzhen Accord Pharmaceutical Co., Ltd. ("the Company"), including balance sheet and consolidated balance sheet of 31 December 2008,	

and profit statement and consolidated profit statement, and cash flow statement and consolidated cash flow statement, and statement on changes of owners' equity and consolidated statement on changes of owners' equity for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with the Enterprises Accounting Standards and Enterprises Accounting System. The responsibility includes: (1) designing, performing and maintaining internal control related to the preparation and fair presentation of the financial statements, which are free from material misstatements whether due to frauds or errors; (2) choosing and applying right accounting policies; (3) making reasonable accounting estimates.

II. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We performed our audit in accordance with Chinese Certified Public Accountants' Auditing Standards. Those standards require us to comply with professional ethics, and to plan and perform our audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the consolidated financial statements due to frauds or errors. When evaluating risk, we consider internal control related to financial statements, in order to design auditing procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Auditing opinion

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present, in all material respects, the financial position of the Company as of December 31, 2008, and its operation results and cash flows for the year ended.

Shulun Pan Certified Public Accountants Co., Ltd.
Shanghai, P.R.C
March, 2009

China Accountant: Lu Guohao
China Accountant: Tan Hongmei

9.2 Financial statement

9.2.1 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	627,986,713.06	425,096,741.32	489,117,090.59	335,680,348.71

parent company				
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

9.2.2 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	492,133.28	32,132.03	626,437.92	307,564.63

non-current asset				
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

9.2.3 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	56,762,100.00	56,762,100.00	4,788,000.00	

financing activities				
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

9.2.4 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		

(shareholders)															01.26		8.50	999.76
4. Others																		
(V) Carrying forward internal owners' equity								-19,726,633.09	-19,726,633.09									
1. Capital reserves converted to capital (share capital)																		
2. Surplus reserves converted to capital (share capital)																		
3. Remedying loss with profit surplus																		
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

9.3 Explanation on changes of accounting policy, accounting estimation and settlement method compared with the latest annual report

Applicable Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

Applicable Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

Applicable Inapplicable

<p>1. One consolidated unit was increased this year, and the reasons were as follows: The Company purchased Guangxi Accord Pharmaceutical Co., Ltd in 2008.</p> <p>2. Two consolidated units were decreased this year, and the reasons were as follows: The subsidiaries Guangzhou Qingyun Hotel Co., Ltd. and Guangdong Dongshi Enterprise Development Co., Ltd which were invested by Huixin---- the subordinate company of the Company had been written off in 2007.</p>
