



**深圳一致药业股份有限公司**

**Shenzhen Accord Pharmaceutical Co., Ltd.**

# **二〇〇九年半年度报告**

**Semi-Annual Report 2009**

August, 2009

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## SECTION I. IMPORTANT NOTES

1. Board of Directors and the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives, hereby assures that there are no false records, misleading statements or significant omissions in this report, and it would shoulder any individual as well as joint responsibility concerning to the authenticity, accuracy and completeness of the contents.
2. This report has been compiled in both Chinese and English. Should be any ambiguity arise about the contents of the two versions, the Chinese version shall prevail.
3. No director, supervisor and senior executive would claim that he or she could not guarantee the authenticity, accuracy or completeness of the semi-annual report's contents or that he or she holds different opinions.
4. Director Mr. Wu Aimin did not attend the 10<sup>th</sup> meeting of 5<sup>th</sup> Board of Directors on auditing the semi-annual report but entrusted Director Ms. Fu Mingzhong to vote on his behalf.
5. The semi-annual financial report of the Company has not been audited.
6. Chairman of the Company Mr. Shi Jinming, General Manager Mr. Yan Zhigang, Chief Financial Officer Mr. Wei Pingxiao and Financial Manager Mr. Chi Guoguang hereby declare that they would assure the authenticity and completeness of the financial accounting report in this semi-annual report.

## SECTION II. COMPANY PROFILE

### I. Company information

#### (1) Legal Name of the Company

In Chinese: 深圳一致药业股份有限公司

In English: Shenzhen Accord Pharmaceutical Co., Ltd.

Abbr. of English name: Accord Pharm.

#### (2) Stock Exchange Listed with: Shenzhen Stock Exchange

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

Stock Code: 000028/200028

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

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

Post Code: 518029

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

E-mail: [0028@szaccord.com.cn](mailto:0028@szaccord.com.cn)

#### (4) Legal Representative: Shi Jinming

General Manager: Yan Zhigang

#### (5) Secretary of the Board: Chen Changbing

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

Tel.: +(86) 755 25875195

Fax: +(86) 755 25875147

E-mail: [investor@szaccord.com.cn](mailto:investor@szaccord.com.cn)

#### (6) Newspapers Chosen for Disclosing the Information of the Company: Securities Times and Hong Kong Wen Wei Po

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

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

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

## II. Major financial data and indexes

## (I) Major accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the period-end of last year		Increase/decrease at the end of this report period compared with that in period-end of last year (%)
		Before adjustment	After adjustment	After adjustment
Total assets	4,502,173,841.30	3,683,974,196.77	3,923,236,768.25	14.76%
Owners' equity attributable to shareholders of the listed company	736,047,832.87	627,986,713.06	658,006,016.89	11.86%
Share capital	288,149,400.00	288,149,400.00	288,149,400.00	0.00%
Net assets per share attributable to shareholders of the listed company(RMB/Share)	2.55	2.18	2.28	11.84%
	This report period (Jan. to Jun.)	The same period of last year		Increase/decrease in this report period year-on-year (%)
		Before adjustment	After adjustment	After adjustment
Total operating income	5,038,480,670.21	3,900,391,093.08	4,083,732,248.79	23.38%
Operating profit	135,395,010.28	92,941,493.54	94,741,446.57	42.91%
Total profit	137,410,012.64	101,732,833.65	104,206,465.96	31.86%
Net profit attributable to shareholders of the listed company	98,783,895.04	76,733,229.75	78,894,314.37	25.21%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	95,269,012.77	68,838,495.26	73,276,147.19	30.01%
Basic earnings per share (RMB/Share)	0.343	0.27	0.274	25.18%
Diluted earnings per share (RMB/Share)	0.343	0.27	0.274	25.18%
Return on equity (%)	13.42%	13.68%	13.30%	Increased 0.12 percentage points
Net cash flow arising from operating activities	151,069,889.91	92,784,647.71	105,830,818.76	42.75%
Net cash flow per share arising from operating activities (RMB/Share)	0.524	0.32	0.367	42.78%

【Note】 Items of non-recurring gains and losses and the relevant amount:

Unit: RMB

Items of non-recurring gains and losses	Amount	Note( If applicable)
Gains and losses from the disposal of non-current asset	-137,017.06	
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	1,126,000.00	

standard		
Current net losses of subsidiaries from period-begin to consolidated date occurred by enterprise merger under the same control	2,483,497.55	Net profit as of Jan.-June from purchasing enterprise--Sinopharm Medicine Holding Nanning Co., Ltd. under the same control
Other non-operating income and expenditure beside for the aforementioned items	328,704.81	
Influenced amount of minority shareholders' gains/losses	-74,948.29	
Impact on income tax	-211,354.74	
Total	3,514,882.27	-

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

Unit: RMB

Items	CAS	IAS
Net profit attributable to the owners of parent company	98,783,895.04	98,783,895.04
Equities attributable to the owners of parent company	736,047,832.87	736,047,832.87

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

(III) Supplemental statement of profit

Profit in the report period	Return on equity (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to the owners of parent company	13.42%	13.96%	0.343	0.343
Net profit attributable to the owners of parent company after deducting non-recurring gains and losses	12.94%	13.47%	0.331	0.331

【Note】 The data of profit listed in supplemental statement of profit are calculated according to the requirements of No. 9--- Return on Equity and Earnings per Share (Revision in 2007) of Regulations on the Information Disclosure of Companies Publicly Issuing Shares released by CSRC.

## SECTION III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHARES HELD BY MAIN SHAREHOLDERS

### I. Particulars about change in share capital

1. In the report period, the Company's total shares remained unchanged.

2. Statement of change in share capital

Unit: Share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Amount	Proportion	New shares offering	Bonus share	Capitalization of Public reserve	Other	Sub-total	Amount	Proportion
I. Restricted shares	83,979,827	29.14%				-83,973,541	-83,973,541	6,286	0.00%
1. State-owned shares									
2. State-owned legal person's shares	83,971,446	29.14%				-83,971,446	-83,971,446	0	0.00%
3. Other domestic shares									
Including: Domestic non-state-owned legal person's shares									
Domestic natural person's shares									
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	8,381	0.00%				-2,095	-2,095	6,286	0.00%
II. Unrestricted shares	204,169,573	70.86%				83,973,541	83,973,541	288,143,114	100.00%
1. RMB Ordinary shares	149,283,973	51.81%				83,973,541	83,973,541	233,257,514	80.95%
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%

Explanation on the change of share capital: In the report period, the change was brought by the performance of Share Merger Reform of the Company on releasing the restrictions of tradable shares with restricted conditions, the actual released restricted shares of the tradable shares with restricted conditions which was formally released on May 18, 2009.

II. About shareholders

1. Ended June 30, 2009, the Company had totally 19,586 shareholders, including 12,019 shareholders of A-share and 7,567 shareholders of B-share.

2. Particulars about shares held by the top ten shareholders (ended as June 30, 2009)

Unit: Share

Total shareholder	19,586				
Particulars about shares held by the top ten shareholders					
Full Name of shareholder	Nature of shareholders	Proportion of shares held	Total amount of shares held	Amount of restricted shares held	Amount of shares pledged or frozen
SINOPHARM MEDICINE HOLDING CO., LTD.	State-owned legal person	38.33%	110,459,748	0	0
BANK OF CHINA — FRANKLIN TEMPLETON SEALAND POTENTIAL COMBINATION FUND	Domestic non-state-owned legal person	3.95%	11,387,141	0	
BANK OF CHINA — AIG-HUATAI PROSPEROUS CHINA EQUITY FUND	Domestic non-state-owned legal person	1.77%	5,092,630	0	
CHINA CONSTRUCTION BANK — HUAAN HONGLI STOCK FUND	Domestic non-state-owned legal person	1.74%	5,000,000	0	
Agricultural Bank of China —	Domestic	1.73%	4,977,902	0	

Greatwall Anxin Return Mixed Fund	non-state-owned legal person				
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOSHI SELECTIVE STOCK FUND	Domestic non-state-owned legal person	1.72%	4,963,365	0	
CHINA INDUSTRIAL AND COMMERCIAL BANK – GUANGFA JUFENG STOCK FUND	Domestic non-state-owned legal person	1.62%	4,670,215	0	
BANK OF CHINA – Harvest Theme Selected Mixed Fund	Domestic non-state-owned legal person	1.57%	4,521,288	0	
Agricultural Bank of China – Franklin TEMPLETON SEALAND Flex Cap Fund	Domestic non-state-owned legal person	1.51%	4,345,607	0	
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOC CONTINUOUS GROWTH FUND	Domestic non-state-owned legal person	1.48%	4,275,188	0	
Particulars about the shares held by the top ten unrestricted shareholders					
Full Name of shareholder	Amount of unrestricted shares held		Type of shares		
SINOPHARM MEDICINE HOLDING CO., LTD.	110,459,748		RMB common share		
BANK OF CHINA – FRANKLIN TEMPLETON SEALAND POTENTIAL COMBINATION FUND	11,387,141		RMB common share		
BANK OF CHINA – AIG-HUATAI PROSPEROUS CHINA EQUITY FUND	5,092,630		RMB common share		
CHINA CONSTRUCTION BANK – HUAAN HONGLI STOCK FUND	5,000,000		RMB common share		
Agricultural Bank of China – Greatwall Anxin Return Mixed Fund	4,977,902		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	4,670,215		RMB common share		
BANK OF CHINA – Harvest Theme Selected Mixed Fund	4,521,288		RMB common share		
Agricultural Bank of China – Franklin TEMPLETON SEALAND Flex Cap Fund	4,345,607		RMB common share		
CHINA INDUSTRIAL AND COMMERCIAL BANK – BOC CONTINUOUS GROWTH FUND	4,275,188		RMB common share		
Explanation on associated relationship or accordant action among the aforesaid shareholders	BANK OF CHINA – FRANKLIN TEMPLETON SEALAND POTENTIAL COMBINATION FUND and Agricultural Bank of China – Franklin TEMPLETON SEALAND Flex Cap Fund belong to Franklin Templeton Sealand 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. In the report period, the controlling shareholder of the Company remained unchanged.

The Company's controlling shareholder is Sinopharm Medicine Holding Co., Ltd., while the actual controller is China National Pharmaceutical Group Corporation.

#### SECTION IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES



I. In the report period, Mr. Chen Changbing, Secretary of the Board, legitimately sold 2,095 shares of the Company held by him (accounting for 25% total shares that he held). This change in share-holding of the Company was listed in Declaration for Changing Share-holding, a column in website of Shenzhen Stock Exchange.

II. Alteration in directors, supervisors and senior executives of the Company in the report period: During the report period, the Company had not newly engaged or dismissed directors, supervisors and senior executives.

## SECTION V. DISCUSSION AND ANALYSIS OF THE MANAGEMENT

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

In the first half year of 2009, with the guidance of main theme-integrated operation, and the annual operation target-main business income exceeds RMB 10 billion, the Company overcame influence of global financial crisis, grasped the core of new medical reform policy, held firm confidence, concentrated power and hearts, practiced key works and well accomplished the various operation indexes, taking the followings as main topic: Integration, Focus, Risk and Harmony.

In the first half year, the Company realized main business income of RMB 5.004 billion, total profit of RMB 0.137 billion and basic earning per share of RMB 0.343. Here come the tasks accomplished by various departments in the first half year ended Jun. 30<sup>th</sup>: pharmaceutical business department realized sales income (external) of RMB 0.555 billion, profit of RMB 63.39 million and operational net cash flow of RMB 64.39 million; distribution business department realized sales income (external) of RMB 4.295 billion, total profit of RMB 83.91 million and operational net cash flow of RMB 94.22 million; and logistic business department realized main business income (external) of RMB 31.22 million, and total profit of RMB -2.8 million

The various key works accomplished in the first half year:

(I) Construction for four center management and control systems and platform had been almost finished

Works were successively accomplished, including the 2<sup>nd</sup> organization structure adjustment at year-begin which held improvement of integrated operation of distribution as mainline, and construction for operation management & control mode, finance control system, human resource system and administrative service support platform for integration. The integration management & control groped for development, which provided good guarantee and support for business development.

First, improved management & control mode in operation and optimized operation management elements: (1) devoted in the annual rolling adjustment of the 3-years strategy program of the Company, and in establishment of IT and logistics matching to the program. Periodic appraisal and inspection on implementation of the strategic program was made according to the budget reaching and performance of various industries and departments; (2) unified procedure management, carried out and organized management & control and procedure optimization project; (3) realized link of distribution business based on CMS system and realized unified management over business platform; (4) Promoted optimization of OA system, NC financial system and BI marketing database, advanced management efficiency.

Secondly, strengthened construction of financial control system, and promoted integrated operation: (1) improved budget control system, performed good in close link among finance budget, operation budget and capital budget, reinforced analysis on budget implementation, offered solution scheme and suggestions, promoted successful realization of operation plan and finance budget in business; (2) optimized platform of finance management, strengthened management in statement, strengthened data analysis, to form the entire finance analysis system in overall and diversified point of view.

(3) Established risk-control system, reinforced management in daily risks, established effective risk-analysis system; (4) Promoted construction of finance information system, initialization of account book and optimization of system for the newly-purchased company was completed, function of financial NC system was applied and optimized, accomplished development of commercial intellectual system, and basically realized window inquiry for visual data and any-time inquiry for key management index; (5) built platform for managing capital, and strengthened operation effect of capital integration.

Thirdly, established human resource system, and provided professional and high efficient support: (1) improved internal responsibility system, and defined responsibility for various level and post. According to the adjustment in organization structure, the Company re-ensured position of four management & control centers, smoothed responsibilities for the centers and business departments, emended and perfected explanation for duty of department and post; (2) unified management system and mode for performance, to realize overall cover with performance-related management; (3) unified management system for remuneration, to realize unified management in remuneration for Guangdong and Guangxi; (4) planned as whole and programmed the internal training lesson system, paid attention to accumulation of knowledge and transfer of ability, and emphasized on effect evaluation and resource share.

Fourthly, improved administrative service support platform, enhanced efficiency and quality of administrative service: (1) integrated OA office system, realized the cooperative operation of other centers and business department except for the pharmaceutical department on OA platform; (2) unified plan management system. Plan management instruments already covered all area and industries from the original status-covering single area and industry; (3) unified brand management spirit; (4) unified platform for capital management.

(II) Management type transfer of distribution department from region to line was realized stably

Type transfer of management mode of distribution was an emphasis for 2009 in work of integration. Distribution department has set two important ideas that New EVA Performance View and Detailing Independent Calculation Unit; taking Integration, Innovation, Risk and Efficiency as four themes, the Company insisted on exploration through practice, advance through adjustment. The new mode operation has already paced into a normal orbit and obtained initial effect.

Firstly, it got rid off regional limitation, jumped out from selfish departmentalism, changed thought habit of the Management and employees with spirit of integration, advanced business development of distribution from lines to across regions.

Secondly, it built system and mechanism for supporting integrated operation of distribution.

Thirdly, according to the principle of unified programming, inventory, information as well as management, the Company integrated purchasing resources, and established common management & control and operation platform in aspects of variety programming and product development.

Fourthly, the Company promoted unified service system for customers of hospital, offering balanced service for customers.

Fifthly, it promoted strategic layout for distribution network in south area, furthered networks to strengthen terminal control.

(III) Asset sales and purchase were accomplished as scheduled

(1) Accomplished equity sales of Guangdong Accord Pharmacy;

(2) Accomplished equity purchase of Sinopharm Holdings Nanning Co., Ltd;

(3) Accomplished equity purchase of Dongguan Dongfeng Chinese Traditional Medicine Co., Ltd;

(4) Accomplished 75% equities purchase of Suzhou Wanqing Pharmaceutical Co., Ltd.

(IV) Successfully promoted link between Zhijun Pharmaceutical and Zhijun Wanqing for integrated industry chain

To integrate industry chain integration between Zhijun Pharmaceutical and Zhijun Wanqing, was one of the significant measures to accelerate construction of industry base of raw materials, conform

resource in this industry, power itself with complementary advantages, realize rapid and sustainable development of the Company. In the first half year, the Company arranged special team to conform link, successively output administration experience to Zhijun Wanqing, which made Zhijun Wanqing get rapid improvement in terms of establishment of management system, construction of information system and forging of cultural atmosphere.

(V) Operated Guangzhou Logistic Center on high starting point

Supported by Manhattan system, an advanced system in managing storage with information-based, and owing to the most advanced modern medicine logistic center in south China which possessed solid storage, plane storage and refrigeratory at the same time, and was functioned with storage, classification of disperse and integration, deliver as well as service for big customers, Guangzhou Logistic Center has already become the only one enterprise in Guangdong province obtaining approval from Guangdong Food and Drug Administration to carry out modern medicine logistic center as the third party.

(VI) Established general prevention mechanism, to low down the risks of the Company in aspects of market, talents, capital as well as cost.

Firstly, the Company implemented capital risk prevention with emphasis on daily management, capital operation and capital match.

Secondly, the Company implemented market risk prevention with emphasis on business strategy adjustment. The operation management center, distribution and various lines, Zhijun Pharmaceutical and Zhijun Wanqing all made information analysis in their competition rivals and markets, to promptly and actively hold market tendency.

Thirdly, the Company implemented cost risk prevention with emphasis on general plan of capital, inventory management, and logistic programming operation and saving energy and reducing ejection.

Fourthly, the Company implemented system of managing jackaroo strengthened lessons and tutorship, carried out post shifting and communication, to ensure human resource demand for developing new business in the first half year.

## II. Analysis on the main operating results and financial status

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

### (II) Formation of income from main operations

#### 1. Main operations classified according to industries and products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit ratio year-on-year (%)
Industry — medicine	56,581.05	42,122.64	25.55%	47.32%	47.45%	-0.07%
Commerce — medicine wholesales	482,941.34	461,198.43	4.50%	26.44%	27.45%	-0.76%
Commerce — medicine retail	24,919.55	20,443.11	17.96%	10.17%	14.84%	-3.34%
Non-medicine trade	3,217.78	2,845.28	11.58%	186.87%	282.63%	-22.12%
Lease	687.55	225.09	67.26%	211.35%	153.42%	7.48%
Subtotal	568,347.27	526,834.55	7.30%	27.92%	28.79%	-0.63%
Counteracting	67,984.54	67,786.34	0.29%	79.58%	82.18%	-1.43%

between internal business departments of the Company						
Total	500,362.73	459,048.21	8.26%	23.10%	23.45%	-0.25%
Including: the amount of related transaction	37,040.28	33,361.26	9.93%	20.67%	18.88%	1.36%
Main operations classified according to products						
Respiratory antitussive medicines	7,375.48	1,360.62	81.55%	-6.72%	8.43%	-2.58%
Cef- series products	39,476.90	32,952.58	16.53%	34.23%	22.80%	22.80%
Including: the amount of related transaction	4,107.26	2,099.73	48.88%	8.48%	-13.16%	-13.16%

Of which: In the report period, the total related transaction amount which the listed Company sold products and provided labor forces to the controlling shareholders and its subsidiaries totaled RMB 370,402,819.73.

## 2. Income from main operations classified according to areas

Unit: RMB'0000

Area	operating income	Increase/decrease in operating income year-on-year (%)
Domestic sales	499,872.44	23.09%
Oversea sales	490.29	38.99%

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

1. Shenzhen Zhijun Pharmaceutical Co., Ltd.: wholly-owned subsidiary of the Company with registered capital amounting to RMB 69 million, and it mainly deals with the manufacturing, R & D and operation of chemical medicine. It mainly produced respiratory medicines and anti-infection medicines, possessing main products such as respiratory antitussive medicines and cef- series products, etc. Ended June 30, 2009, the total assets of the company amounted to RMB 673.71 million. It realized main business income of RMB 476.52 million and net profit of RMB 31.52 million in the first half year of 2009.

2. SINOPHARM Medicine Holding (Guangzhou) Co., Ltd.: wholly-owned subsidiary of the Company with registered capital amounting to RMB 50 million. It mainly deals with operation of Chinese patent medicine, chemical preparation, antibiotics, biochemical medicines, biological products, diagnosis drug, as well as therapy and diagnosis biological products. Ended June 30, 2009, the total assets of the company amounted to RMB 2,308.21 million. It realized main business income of RMB 2,754.05 million and net profit of RMB 107.28 million in the first half year of 2009.

### (IV) Operation of share-join company

Unit: RMB'0000

Name	Operation scope	Net profit of share-join company	Investment income distributed from share-join company in this period	Proportion of investment income in net profit of listed company
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Mainly engaged in the development, research and production of anticancer agent and famotidine injection, etc.	2,661.85	936.70	9.48%

SINOPHARM Medicine Holding Shenzhen Chinese Tradition Medicine Co., Ltd.	Mainly engaged in production of granules, lotion, tablet, capsule, liquid and mixture and syrup; production and sales of shampoo and haircare, bath liquid cosmetics, hygiene products (antibacterial lotion); and the production of plastic bottle.	-170.22	-80.67	-0.82%
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## (V) Brief analysis on financial status

## 1. Changes of main financial indexes in the report period

Unit: RMB

Items	Amount in the period	Amount in the same period of last year	Increase/decrease (%)
Income from main operations	5,003,627,291.72	4,064,547,840.97	23.10%
Profit from main operations	407,158,378.01	341,486,300.40	19.23%
Net profit attributable to owners of parent company	98,783,895.04	78,894,314.37	25.21%
Net increase in cash and cash equivalents	117,052,132.53	97,598,919.69	19.93%
Items	Amount at period-end	Amount at year-begin	Increase/decrease (%)
Total assets	4,502,173,841.30	3,923,236,768.25	14.76%
Owners' equity attributable to parent company	736,047,832.87	658,006,016.89	11.86%

## Notes:

(1) Income from main operations: increased by RMB 939.08 million and 23.10% year-on-year, mainly due to the obvious effect of integrated operation, realization of resource share in Guangdong and Guangxi Provinces, and further expansion of sales scale.

(2) Profit from main operations: increased by RMB 65.67 million and 19.23% year-on-year, mainly due to the great increase of sales income year-on-year.

(3) Net profit attributable to owners of parent company: increased by RMB 19.89 million and 25.21% year-on-year, mainly due to that: at one side, the Company did good in sales and controlled cost reasonably, which enhanced entire benefit; at the other side, the investment income of RMB 14.2 million obtained from transferring equity of Guangdong Accord Drugstore Co., Ltd. and Guangxi Accord Pharmaceutical Chains Co., Ltd. made a comparatively big contribution for growth of profit.

(4) Total assets: increased by RMB 0.579 billion at period-end, 14.76% up compared to that of year-begin. Main reasons accounting for the increase: firstly, the Company performed well in making profit; secondly, expansion of assets scale was brought from purchasing equity of Zhijun Wanqing and Sinopharm Holdings Nanning Co., Ltd.

(5) Owners' equity attributable to parent company: increased by RMB 78.04 million at period-end, 11.86% up compared to that of year-begin. Main reasons accounting for the increase: owners' equity attributable to parent company increased by RMB 98.78 million due to the profit the Company made; decreased by RMB 28.83 million due to dividend distribution for owners (or shareholders); increased by RMB 39.66 million due to that investment loss had not been confirmed before execution of new accounting principle since the Company transferred Shenzhen Accord and Guangzhou Accord Chains; decreased by RMB 1.53 million due to offset of undistributed profit since the Company purchased equity of Sinopharm Holdings Nanning Co., Ltd., the enterprise under the same control with the Company, with premium at period-end; meanwhile, offset owners' equity of RMB 30.02 million which was increasingly adjusted at period-begin.

## 2. Change in profit constitution year-on-year

Unit: RMB

Item	Amount of this period		Amount for the same period of last year		Change in proportion taken in total profit(%)
	Amount (RMB)	Proportion taken in total profit (%)	Amount (RMB)	Proportion taken in total profit (%)	
Main business profit	407,158,378.01	296.31%	341,486,300.40	327.70%	-31.39%
Other business profit	21,826,957.61	15.88%	16,286,338.55	15.63%	0.25%
Period expense	-310,903,764.85	-226.26%	-273,725,970.23	-262.68%	36.42%
Assets devaluation loss	-5,442,381.41	-3.96%	4,063,290.82	3.90%	-7.86%
Investment income	22,755,820.92	16.56%	6,631,487.03	6.36%	10.20%
Net non-operating income and expenditure	2,015,002.36	1.47%	9,465,019.39	9.08%	-7.61%
Total profit	137,410,012.64	-	104,206,465.96	-	-

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

Note:

1. Period expense: total expense for this period was RMB 310.9 million, increasing by RMB 37.18 million year-on-year, and its proportion taken in total profit climbed 36.42 percentage points year-on-year. Main reasons accounting for the increase: expense for human resources increased by RMB 11.03 million year-on-year due to increase of staffs; expense for logistics increased by RMB 5.54 million due to expansion of sales scale; expense for market development and promotion increased by RMB 11.06 million year-on-year; expense for amortization for fair value of fixed assets and intangible assets of Zhijun Wanqing increased by RMB 6.61 million; expense of RMB 2.99 million was increased for CMS information service.

2. Assets devaluation loss: in this report period, assets devaluation loss was totally withdrew with RMB 5.44 million. In the same period of last year, totally RMB 4.06 million assets devaluation loss was switched back. Its proportion taken in total profit decreased by 7.86 percentage points year-on-year.

3. Investment income: increased by RMB 16.12 million year-on-year, and its proportion taken in total profit increased by 10.2 percentage points year-on-year. Main reasons accounting for the change: the Company obtained disposal income of RMB 14.2 million for transferring equity of Guangdong Accord Drugstore Co., Ltd. and Guangxi Accord Pharmaceutical Chains Co., Ltd in the report period; meanwhile, Shenzhen Main Luck Pharmaceutical Co., Ltd. which the Company invested received a great ascend in operation performance and profit.

4. Net non-operating income and expenditure: decreased by RMB 7.45 million year-on-year, and its proportion taken in total profit decreased by 7.61 percentage points year-on-year. Main reasons accounting for the change: the Company received governmental subsidy for special reserve drugs and scientific research expense amounting to RMB 5.44 million, and Zhijun Pharmaceutical, an underlying subsidiary of the Company, obtained income of RMB 4.52 million for selling old properties in the same period of last year; while as for this report period, the aforesaid subsidy only amounted to RMB 1.7 million.

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

(VII) Main working plan for the later half year

For the later half year of 2009, Integration is still the main theme for all works. With the target of “main business income exceeds RMB 10 billion annually”, the Company is going to actively grasp the opportunity originated from industry integration and national medical system reform, adjust layout of strategic development, held firmly the two main topics Management and Operation, fully function integrated operation as core advantage, realize cross development among the three industries-pharmaceuticals industry, medicine distribution and medicine logistics. The Company continues to perform well in the following main works;

#### 1. Target and measures for management

Firstly, make overall estimation on efficiency of integrated operation, and make prospect research for development strategy and industry policy: (1) accomplishes annual rolling adjustment for the 3-years strategy programming, mainly promotes programming for business departments of pharmaceuticals and logistics, and forms programming scheme with finance, human resources and IT matched; (2) fully carries out research on new medical reform policy and affiliated measures, extends upstream and downstream further to search for new point of profit-yielding; (3) fully carries out collection and selection for information of medical investment projects, preparing well for investment projects.

Secondly, perfects management and control platform for integrated operation: (1) on the basis of unifying operation management system, information management platform and quality management system, the operation management center should pay attention to prospect analysis for operation management, to fully advance efficiency of management and control for operation; (2) the finance management center should be a leader to organize construction for internal control system of the Company, improve budget & risk management system, promote the management pattern of expense budget, and realize the target of Standardization, High Efficiency, Risk and Control; (3) the human resource center should further optimize organization design, optimize and perfect performance and remuneration system, establish incentive mechanism for selecting, training, remaining and encouraging talents, thus to offer high efficient support for integrated operation; (4) the administrative center should further promote establishment and perfection of administrative service platform, and perform well in works relating to various administrative management and service.

Thirdly, strengthens the management factors such as brand, capital and human resources: (1) enhances influence of brand: with guidance from the brand target that: “to be the No.1 medicine brand in South China, and to be an excellent medicine listed company”, the Company tries to figure out its brand characteristics in different industries and regional markets; (2) promotes capital integrated operation: plays the advantage of strategic cooperation with banks, establishes cross-region financing platform to expand its financing resources advantage to Zhijun Wanqing, located outside Shenzhen and Guangzhou, and to companies in Guangxi region; digs for variety financing breeds and cut down capital cost; (3) matches well capital, and enhances effect of input and output; (4) optimizes human resources incentive mechanism, to make good reserve with talented persons.

Fourthly, strives for solution for prominent problems restricting business development: (1) carries out responsibility-asking system in the four centers, strengthens service awareness of centers, enhances special service skill and improves service efficiency; (2) various management level pay attention to development procedure of business, and promptly solves problems existed in the procedure.

Fifthly, strengthens construction of internal control system and social responsibility system: (1) strengthens construction of internal control system, enhances the Company in operation management and fighting against risks, strives for sustainable development; (2) strengthens construction of social responsibility system of the Company, advances soft strength and boost up competitiveness.

#### 2. Target and measures for operation

Takes the chance of industry integration and new medical policy reform, breaks through barriers for

increasing sales, breaks through obstacles for developing market, to strive for realization of sales and market share growth which are higher than average level and rivals.

Firstly, promotes integration of industry chain, and seeks for breakthrough in aspects of industry chain, product line, product technique and quality management, and enhances core competitiveness of pharmaceutical industry.

Secondly, implements the enterprising strategy “Growth, Strive and Develop” in full round, cultivates and develops new business-growth points in terms of tender bidding, community hospitals, the third terminals and agencies, to realize new breakthrough in market expansion and network downstream.

Thirdly, accelerates promotion for programming logistics integration, perfects platform for integration operation, effectively integrates the upstream and downstream resources in medicine marketing channels depending on the advanced logistics establishments, equipments, information technique and purchasing-sales-stock management system, optimizes touches for medicine supply, sales and deliver, and realizes automatization, information, scale and benefit of medicine deliver.

### III. Investment of the Company

#### (I) Main equity investment

1. The Company signed Equity Transfer Contract with Chen Zhongqi and Chen Zhongyao concerning purchasing 100% equities of Dongguan Accord Pharmaceutical Co., Ltd. dated Jan. 5<sup>th</sup> of 2009. The transaction price was confirmed as RMB 2.742 million. The equity transfer was accomplished in June of year 2009.

2. The Company signed Equity Transfer Contract with Yang Qiaoming concerning purchasing 75% equities of Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. dated Feb 18<sup>th</sup> of 2009. The transaction price was confirmed as RMB 103.5 million. The equity transfer was accomplished in March of year 2009.

3. The Company signed Equity Transfer Contract with Sinopharm Holdings Co., Ltd. and Sinopharm Medicine Holdings Shanghai Co., Ltd. concerning purchasing 100% equities of Sinopharm Holdings Nanning Co., Ltd. dated May 25<sup>th</sup> of 2009. The transaction price was confirmed as RMB 30,431,700. The equity transfer was accomplished in June of year 2009.

4. The Company signed Equity Transfer Contract with Sinopharm Holdings Co., Ltd. concerning selling 100% equities of Guangdong Accord Drugstore Co., Ltd. dated May 20<sup>th</sup> of 2009. The transaction price was confirmed as RMB65,613,100. The equity transfer was accomplished in June of year 2009.

5. The Company signed Equity Transfer Contract with its subsidiary Sinopharm Medicine Holdings Liuzhou Co., Ltd. concerning selling 100% equities of Guangxi Accord Drugstore Chains Co., Ltd. dated May 22<sup>nd</sup> of 2009. The transaction price was confirmed as RMB 9,960,900. The equity transfer was accomplished in June of year 2009.

#### (II) Application of raised proceeds

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

2. Actual progress of projects invested with material non-raised proceeds  
Naught.

## SECTION VI. SIGNIFICANT EVENTS

### I. Corporation governance

In the report period, according to the requirements of Company Law, Securities Law and Governing Structure Principle of Listed Company and other relevant laws and regulations, the Company continuously perfected the governance structure, strengthened management work of information



disclosure, standardizes operation, and established modern enterprise system. At present, each governance system of the Company is basically perfect, operation is standard, and legal person governance structure is perfect, which accorded with the requirement of normal document on listed company issued by CSRC. In the report period, the Company made a completed and deep self-inspection of financial system according to the requirement of Notice on Filing Inquiry Questionnaire on Basic Works of Financial Accounting of Listed Company in Shenzhen (SZJGSZ [2008] No.30). Through the self-inspection, the Company completely arranged financial institution setting, system establishment and usage of information system. The result showed that, the Company established a standard and perfect accounting calculation system according to national laws and relevant regulations.

## II. Profit Distribution Plan and Its Implementation

Profit distribution plan 2008 was approved in the Shareholders' General Meeting of 2008 held on Apr. 13, 2009: calculated based on the total shares of 288,149,400, the Company gave cash dividend RMB 1.00 each 10 shares to all shareholders (before tax, and B shares would not deduct tax temporarily). On June 12, 2009, the profit distribution was accomplished and cash dividends of RMB 28,828,019.86 were actually distributed.

## III. Material Lawsuits and Arbitrations

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

## IV. Daily related transactions

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

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

2. Purchasing goods from the related parties:

Unit: RMB

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Holding Co., Ltd.	265,826,487.48	-620.26
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	217,185,865.82	475,856,945.20
China National Medicines Corporation Ltd.	53,010,106.57	54,560,198.67
Guangdong South Pharmaceutical Foreign Trade Corporation	29,424,950.56	17,729,497.75
China Medicine Foreign Trade Corporation	11,822,212.14	8,230,670.82
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	7,513,429.43	6,189,818.91
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	6,678,974.80	5,211,228.25
Sinopharm Medicine Group United Medical Equipment Co., Ltd.	2,506,758.77	1,544,615.93
Shenzhen Main Luck Pharmaceutical Inc.	1,806,047.49	---
Sinopharm Medicine Holding Suzhou Co., Ltd.	474,645.81	---

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Medicine Holding Hunan Co., Ltd.	469,476.92	---
China Medical Materials Group Corporation	417,809.22	1,027,165.18
Sinopharm Medicine Holding Shanghai Co., Ltd.	152,759.53	6,478,850.82
China Medicine Industry Co., Ltd.	129,015.37	---
Sinopharm Medicine Group Shanghai Medical Equipment Co., Ltd.	97,531.81	83,825.76
Sinopharm Group Chemistry Reagent Co., Ltd.	93,777.77	119,145.29
Sinopharm Group Chemistry Reagent Suzhou Co., Ltd.	25,692.89	---
Beijing Zhongxin Medical Operation Company	21,162.82	---
Sinopharm Group Southwest Medicine Co., Ltd.	13,530.47	2,041,846.19
Sinopharm Holding Co., Ltd. Shanghai Branch	30.35	309,936.18
Guangdong Tianliang Medicine Co., Ltd.	---	-41.02
Hubei Yibao International Medicine Co., Ltd.	---	14,010.00
China Medicine Industry Co., Ltd.	---	33,511.11
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	---	188,295.73
China Medicine Foreign Trade Corporation Sales Branch	---	645,286.67
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd	-231.92	1,159,668.58
Sinopharm Medicine Holding Tianjin Co., Ltd.	-8,838.42	7,496,898.31
Total	597,661,195.68	588,920,754.07

Note: The purchasing price is confirmed according to the market price. Till Jun. 30, 2009, the total amount that the Company purchased from its related parties took 45.97% of the limits granted by the shareholders' general meeting held at year begin.

### 3. Goods sold to related parties:

Unit: RMB

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Medicine Holding Shenyang Co.,Ltd.	128,254,395.95	112,178,235.64
Sinopharm Medicine Holding Hubei Co., Ltd.	43,925,158.98	44,003,218.39
Sinopharm Medicine Holding Hunan Co., Ltd.	39,167,791.58	441,128.21
Sinopharm Medicine Holding Tianjin Co., Ltd.	34,448,422.73	28,760,352.32
Sinopharm Medicine Holding Tianjin Co., Ltd. Inner Mongolia Branch	223,220.51	496,820.51
Sinopharm Medicine Holding Tianjin Co., Ltd.Tongliao Dongmeng Branch	-24,384.62	---
Sinopharm Medicine Southwest Medicine Co., Ltd.	33,667,452.39	29,641,958.74

Name of related parties	Amount in this period	Amount in the same period of last year
Sinopharm Medicine Holding Beijing Co., Ltd.	23,830,112.15	15,223,096.16
Hubei Yibao International Medicine Co., Ltd.	13,605,968.75	19,637,697.90
Sinopharm Medicine Holding Ningxia Co., Ltd.	8,019,553.91	---
Sinopharm Medicine Holding Beijing Huahong Co., Ltd.	7,894,944.68	3,395,463.61
Sinopharm Medicine Holding Henan Co., Ltd.	6,109,133.55	---
Tianjin East Bokang Medical Trade Co., Ltd.	5,924,107.52	3,810,580.75
Sinopharm Medicine Holding Co., Ltd.	5,809,967.15	2,046,077.70
Guangxi Guoda Pharmacy Chain Co., Ltd.	5,201,274.94	5,518,954.54
Guangdong Tianliang Medicine Co., Ltd.	3,539,682.74	49,706.84
Sinopharm Medicine Holding Jiangsu Co., Ltd.	3,134,522.69	3,111,625.80
Sinopharm Medicine Holding Shanxi Co., Ltd.	2,750,136.22	1,689,533.92
Sinopharm Group Northwest Medicine Co., Ltd.	1,517,425.64	-570.26
Guotou Medicines Anhui Co., Ltd.	1,346,222.52	---
China National Medicines Corporation Ltd.	1,277,393.29	1,768,348.17
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	1,256,350.10	1,275,485.23
Sinopharm Medicine Holding Zhejiang Co., Ltd.	494,443.74	55,823.58
Sinopharm Medicine Holding Guoda Pharmacy Co., Ltd.	180,403.69	2,157.54
Ningxia Guoda Pharmacy Chain Co., Ltd.	98,787.31	---
Guangxi Wuzhou Huawu Medicinal Materials Co., Ltd	73,990.31	114,260.93
Sinopharm Medicine Holding Shenzhen Chinese Traditional Medicine Co., Ltd.	955.75	---
Sinopharm Medicine Holding Suzhou Co., Ltd.	-7,402.14	190,068.38
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	-1,317,212.30	---
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	---	30,911,000.93
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd. (Note)	---	2,593,198.24
Guangdong Renbo Medical Equipment Co., Ltd.	---	29,204.00
Guangdong South Pharmaceutical Foreign Trade Corporation	---	2,374.78
Total	370,402,819.73	306,945,802.55

Note: The selling price is confirmed according to the market price. Till Jun. 30, 2009, the total amount that the Company sold to its related parties took 38.99% of the limits granted by the shareholders' general meeting held at year begin.

## V. Significant contract and its implementation

### (I) Entrustments, contracts and leases

In the report period, the Company has no significant custody, contract or lease of other companies,

nor occurred in the report period or occurred in previous period and lasted in the report period.

## (II) Significant Guarantees

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related parts (Yes or No)
Total amount of guarantee in the report period						
Total balance of guarantee at the end of the report period						
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period		67,500.00				
Total balance of guarantee for controlling subsidiaries at the end of the report period		95,500.00				
Particulars about the total guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee		95,500.00				
The proportion of the total amount of guarantee in the net assets of the Company		129.75%				
Including:						
Amount of guarantee for shareholders, actual controller and its related parties						
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly		95,500.00				
Proportion of total amount of guarantee in net assets of the Company exceeded 50%		58,697.61				
Total amount of the aforesaid three guarantees		95,500.00				

## (III) Related financial claims and liabilities

Unit: RMB'0000

Affiliated parties	Funds offered to related parties		Funds offered to the listed company by related parties	
	Amount occurred	Balance	Amount occurred	Balance
Notes receivable from affiliated units (debtor)	17,369.90	5,004.04	--	--
Accounts receivable from affiliated units (debtor)	58,347.68	15,302.92	--	--
Other accounts receivable from affiliated units (debtor)	61.70	--	--	--
Accounts paid in advance by affiliated units (debtor)	4,805.97	602.15	--	--
Notes payable to affiliated units (lender)	--	--	67,279.06	36,566.35
Accounts payable to affiliated units (lender)	--	--	78,460.10	12,518.68
Other accounts payable to affiliated units (lender)	--	--	24,233.49	17,441.70
Accounts received in advance from affiliated units (lender)	--	--	376.47	--

Total	80,585.25	20,909.11	170,349.12	66,526.73
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**(IV) Entrustment of cash assets management**

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

**(V) Implementation of Commitments**

Special commitments by the former shareholders of non-tradable shares in Share Merger Reform and the implementation

Shareholders	Special Commitments	Contract implementation	Commitment implementation
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 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).	It reached the requirements of implementation.	The commitment was accomplished implementation on May 18, 2009.

**(VI) Other important contracts**

In the report period, there were no other significant contracts.

**VI. Certified Public Accountants engaged by the Company**

On March 17, 2009, the Company held the 8<sup>th</sup> meeting of the 5<sup>th</sup> board of directors, which decided to continue to engage ShuLun Pan Certified Public Accountants Co., Ltd. as the auditing institutions for the year 2009, and was then approved in the 2008 Shareholders' General Meeting on April 13, 2009.

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

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

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

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

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

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

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

XI. Particular about the shareholders who hold higher than 5% equities of the Company adding restricted shares commitment in 2009

There is no shareholder who hold higher than 5% equities of the Company adding restricted shares commitment in 2009

XII. Index for information notice on significant events

In the report period, notices were disclosed on Securities Times, Hong Kong Wen Wei Po and the website <http://www.cninfo.com.cn>:

1. On Jan. 10, 2009, Notice on Holding the 1<sup>st</sup> Extraordinary Shareholders' General Meeting of 2009 and Supplement Notice on Purchase Proceedings were disclosed;
2. On Jan. 23, 2009, Notice on Reduction of Shares Holding was disclosed;
3. On Feb. 11, 2009, Resolution Notice on the 1<sup>st</sup> Extraordinary Shareholders' General Meeting of 2009 and Legal Opinion Letter of the 1<sup>st</sup> Extraordinary Shareholders' General Meeting of 2009 were disclosed;
4. On Feb. 11, Resolution Notice on the 8<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, Resolution Notice on the 7<sup>th</sup> Meeting of the 5<sup>th</sup> Supervisory Committee, Annual Report 2008 and Summary (Chinese and English Version), Social Responsibility Report in 2008, Audit Report of Financial Report in 2008, Auditing Report of Capital Intercourse of Related Parties, Self-estimation Report of Internal Control in 2008, Work Report of Independent Directors in 2008, Notice on Independent Directors' Opinions, Notice on Daily Related Transaction Plan of 2009, Notice on Applying for Comprehensive Credit Line and Providing Guarantee for Subsidiary Company and Notice Holding Shareholders' General Meeting 2008 were disclosed;
5. On Apr. 14, 2009, Resolution Notice on Shareholders' General Meeting 2008, Legal Opinion Letter of Shareholders' General Meeting 2008 and Articles of Association were disclosed;
6. On Apr. 28, 2009, the First Quarterly Report 2009 was disclosed;
7. On Apr. 30, 2009, Notice on Reduction of Shares Holding was disclosed;
8. On May 15, 2009, Suggestive Notice on Releasing Sale Restriction;
9. On Jun. 3, 2009, Notice on Implementation of Assets Purchase and Sales;
10. On Jun. 4, 2009, Notice on Implementation of Dividend Distribution in 2008.

## Section VII. Financial Report (Un-audited)

## Balance sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

June 30, 2009

Unit: RMB

Items	Amount at period-end		Amount at year-begin	
	Merger	Parent Company	Merger	Parent Company
Current assets:				
Monetary funds	498,715,551.46	83,065,822.65	381,663,418.93	62,369,583.65
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	222,735,411.70	1,434,252.43	213,830,030.45	254,500.00
Accounts receivable	2,215,551,730.88	293,554,734.42	1,871,252,754.52	243,301,803.10
Accounts paid in advance	39,673,822.95	5,310,666.26	43,142,735.93	4,919,683.46
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividend receivable				
Other receivables	44,599,760.98	389,862,542.16	54,701,481.63	242,415,823.08
Purchase restituted finance asset				
Inventories	724,388,680.96	89,476,945.41	752,146,181.21	94,249,578.90
Non-current asset due within one year				
Other current assets				
Total current assets	3,745,664,958.93	862,704,963.33	3,316,736,602.67	647,510,972.19
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	78,139,321.30	643,372,731.64	69,578,981.80	323,756,562.92

Investment property	26,469,993.04	2,065,026.09	22,848,031.69	2,140,353.75
Fixed assets	431,014,017.94	35,407,159.27	376,881,334.49	36,732,350.96
Construction in progress	24,915,628.27	253,886.24	18,766,355.77	253,886.24
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	104,094,202.25	30,108,035.11	57,607,282.99	30,622,772.31
Expense on Research and Development	235,375.01			
Goodwill	39,668,174.87			
Long-term expenses to be apportioned	7,744,547.20	113,871.83	17,061,272.11	276,057.82
Deferred income tax asset	7,676,353.07		10,716,504.87	
Other non-current asset	36,551,269.42		33,040,401.86	
Total non-current asset	756,508,882.37	711,320,710.18	606,500,165.58	393,781,984.00
Total assets	4,502,173,841.30	1,574,025,673.51	3,923,236,768.25	1,041,292,956.19
Current liabilities:				
Short-term loans	612,015,561.36	179,688,039.50	393,660,380.07	80,171,729.25
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	918,567,079.04	241,912,987.84	838,537,721.27	129,298,292.87
Accounts payable	1,591,875,830.78	291,960,078.44	1,432,873,603.58	268,335,731.42
Accounts received in advance	23,884,264.57	6,615,558.14	18,771,893.29	4,626,342.73
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	50,433,473.22	11,778,608.92	86,764,697.85	14,678,407.64
Taxes payable	36,998,224.28	1,264,044.52	15,121,308.90	-963,780.92
Interest payable	295,942.50		742,393.70	39,700.00
Dividend payable	2,000,000.00		6,646,096.98	
Other accounts payable	355,765,667.14	275,764,992.13	308,422,007.24	119,209,791.88
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Non-current liabilities due within 1 year			57,720,000.00	
Other current liabilities				
Total current liabilities	3,591,836,042.89	1,008,984,309.49	3,159,260,102.88	615,396,214.87
Non-current liabilities:				
Long-term loans	60,000,000.00		30,000,000.00	
Bonds payable				
Long-term account payable	48,640.20		51,261.00	
Special accounts payable	800,000.00	800,000.00	800,000.00	800,000.00
Projected liabilities				
Deferred income tax liabilities	18,557,360.12		12,174,180.87	
Other non-current liabilities	41,561,743.31		41,561,743.31	
Total non-current liabilities	120,967,743.63	800,000.00	84,587,185.18	800,000.00
Total liabilities	3,712,803,786.52	1,009,784,309.49	3,243,847,288.06	616,196,214.87
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00



Capital public reserve	5,030,338.57	2,508,769.94	34,555,838.57	2,508,769.94
Less: Inventory shares				
Reasonable reserve				
Surplus public reserve	9,303,064.31		9,761,340.26	12,781,301.82
Provision of general risk				
Retained profit	433,565,029.99	273,583,194.08	325,539,438.06	121,657,269.56
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	736,047,832.87	564,241,364.02	658,006,016.89	425,096,741.32
Minority interests	53,322,221.91		21,383,463.30	
Total owner's equity	789,370,054.78	564,241,364.02	679,389,480.19	425,096,741.32
Total liabilities and owner's equity	4,502,173,841.30	1,574,025,673.51	3,923,236,768.25	1,041,292,956.19

### Profit statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

June 30, 2009

Unit: RMB

Items	Amount in this period		Amount in last period	
	Merger	Parent Company	Merger	Parent Company
I. Total operating income	5,038,480,670.21	757,466,776.66	4,083,732,248.79	653,420,790.55
Including: Operating income	5,038,480,670.21	757,466,776.66	4,083,732,248.79	653,420,790.55
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	4,925,841,480.85	762,308,233.99	3,995,622,289.25	657,722,145.01
Including: Operating cost	4,603,508,542.38	718,827,487.61	3,721,514,466.21	618,493,823.24
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	5,986,792.21	435,425.94	4,445,143.63	209,531.50
Sales expenses	179,496,362.34	22,428,701.92	136,628,326.51	18,948,664.75
Administration expenses	110,439,263.11	19,227,720.11	108,899,757.28	19,887,757.92
Financial expenses	20,968,139.40	615,973.65	28,197,886.44	795,087.66
Losses of devaluation of asset	5,442,381.41	772,924.76	-4,063,290.82	-612,720.06
Add: Changing income of fair value(Loss is listed with "-")				
Investment income (Loss is listed with "-")	22,755,820.92	195,834,991.30	6,631,487.03	65,120,670.10
Including: Investment income on affiliated company and joint	8,560,339.50	2,933,485.09	6,631,486.03	400,955.15

venture				
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	135,395,010.28	190,993,533.97	94,741,446.57	60,819,315.64
Add: Non-operating income	2,262,026.08	25,372.99	10,163,605.46	2,944,073.40
Less: Non-operating expense	247,023.72	16,696.85	698,586.07	13,489.41
Including: Disposal loss of non-current asset	178,127.36	6,568.35	113,180.23	13,489.41
IV. Total Profit (Loss is listed with “-”)	137,410,012.64	191,002,210.11	104,206,465.96	63,749,899.63
Less: Income tax expense	34,022,824.94		19,962,495.37	
V. Net profit (Net loss is listed with “-”)	103,387,187.70	191,002,210.11	84,243,970.59	63,749,899.63
Net profit attributable to owner’s of parent company	98,783,895.04	191,002,210.11	78,894,314.37	63,749,899.63
Minority shareholders’ gains and losses	4,603,292.66		5,349,656.22	
VI. Earnings per share				
i. Basic earnings per share	0.343		0.274	
ii. Diluted earnings per share	0.343		0.274	

### Cash Flow Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

June 30, 2009

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	5,057,723,400.99	851,316,918.82	4,051,696,658.39	692,142,290.60
Net increase of customer deposit and interbank deposit				
Net increase of loan from central bank				
Net increase of capital borrowed from other financial institution				
Cash received from original insurance contract fee				
Net cash received from reinsurance business				
Net increase of insured savings and investment				
Net increase of disposal of transaction financial asset				
Cash received from interest, commission charge and commission				
Net increase of capital borrowed				
Net increase of returned business capital				
Write-back of tax received	318,538.52		740,041.89	

Other cash received concerning operating activities	80,939,109.98	9,309,029.97	56,083,934.22	11,259,249.84
Subtotal of cash inflow arising from operating activities	5,138,981,049.49	860,625,948.79	4,108,520,634.50	703,401,540.44
Cash paid for purchasing commodities and receiving labor service	4,500,362,856.95	721,175,411.43	3,578,784,668.06	620,749,669.09
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	176,986,108.70	18,350,407.15	161,477,007.24	23,071,987.96
Taxes paid	94,689,690.57	11,009,193.46	83,841,393.69	6,371,863.74
Other cash paid concerning operating activities	215,872,503.36	23,749,786.02	178,586,746.75	26,311,670.45
Subtotal of cash outflow arising from operating activities	4,987,911,159.58	774,284,798.06	4,002,689,815.74	676,505,191.24
Net cash flows arising from operating activities	151,069,889.91	86,341,150.73	105,830,818.76	26,896,349.20
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income		77,532,274.50	4,530,614.03	75,738,455.79
Net cash received from disposal of fixed, intangible and other long-term assets	5,370,470.44	5,172,565.12	9,893,967.63	3,500.00
Net cash received from disposal of subsidiaries and other units	59,957,664.50	65,613,100.00	1.00	
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	65,328,134.94	148,317,939.62	14,424,582.66	75,741,955.79
Cash paid for purchasing fixed, intangible and other long-term assets	39,008,045.04	1,956,908.40	37,960,227.04	395,150.00
Cash paid for investment				
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units	105,629,510.42	171,581,650.00		
Other cash paid concerning investing activities	2,067,342.50	17,877,392.31		
Subtotal of cash outflow from investing activities	146,704,897.96	191,415,950.71	37,960,227.04	395,150.00
Net cash flows arising from investing activities	-81,376,763.02	-43,098,011.09	-23,535,644.38	75,346,805.79
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	334,449,691.57	140,000,000.00	210,000,000.00	80,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	219,141,489.35	503,689,875.93	6,807,575.33	118,100,000.00
Subtotal of cash inflow from financing activities	553,591,180.92	643,689,875.93	216,807,575.33	198,100,000.00
Cash paid for settling debts	344,381,770.26	70,000,000.00	180,022,037.95	50,000,000.00
Cash paid for dividend and profit distributing or interest paying	62,586,461.96	30,950,376.85	20,469,660.29	1,277,548.03
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	99,263,914.42	565,286,399.72	1,011,938.91	199,945,029.95
Subtotal of cash outflow from financing activities	506,232,146.64	666,236,776.57	201,503,637.15	251,222,577.98
Net cash flows arising from financing activities	47,359,034.28	-22,546,900.64	15,303,938.18	-53,122,577.98
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-28.64		-192.87	-192.87
V. Net increase of cash and cash equivalents	117,052,132.53	20,696,239.00	97,598,919.69	49,120,384.14
Add: Balance of cash and cash equivalents at the period -begin	381,663,418.93	62,369,583.65	279,938,259.46	54,841,676.10
VI. Balance of cash and cash equivalents at the period -end	498,715,551.46	83,065,822.65	377,537,179.15	103,962,060.24



1. Owners' devoted capital								32,259,965.95	32,259,965.95									
2. Amount calculated into owners' equity paid in shares																		
3. Others		-25,500.00				-1,533,793.17		-24,500.00	-1,583,793.17			-5,000,000.00						-5,000,000.00
(IV) Profit distribution						-28,828,019.86		-4,900,000.00	-33,728,019.86				9,607,940.08	-12,507,767.01			-218,559.32	-3,118,386.25
1. Withdrawal of surplus reserves													9,607,940.08	-9,607,940.08				
2. Withdrawal of general risk provisions														-2,899,826.93			-218,559.32	-3,118,386.25
3. Distribution for owners (shareholders)						-28,828,019.86		-4,900,000.00	-33,728,019.86									
4. Others																		
(V) Carrying forward internal owners' equity		-29,500,000.00			-458,275.95	-61,027.88			-30,019,303.83								-19,726,633.09	-19,726,633.09
1. Capital reserves conversed to capital (share capital)																		
2. Surplus reserves conversed to capital (share capital)																		
3. Remedying loss with surplus reserve																		
4. Others		-29,500,000.00			-458,275.95	-61,027.88			-30,019,303.83								-19,726,633.09	-19,726,633.09
IV. Balance at the end of the report period	288,149,400.00	5,030,338.57			9,303,064.31	433,565,029.99		53,322,221.91	789,370,054.78	288,149,400.00	34,555,838.57		9,761,340.26	325,539,438.06			21,383,463.30	679,389,480.19

### Statement on Changes of Owners' Equity(Parent Company)

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

June 30, 2009

Unit: RMB

Items	Amount in this report period							Amount in last year						
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	Retained profit	Total owners' equity	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	Retained profit	Total owners' equity
I. Balance at the end of last year	288,149,400.00	2,508,769.94			12,781,301.82	121,657,269.56	425,096,741.32	288,149,400.00	2,508,769.94			7,092,488.00	37,929,690.77	335,680,348.71
Add: Changes of accounting policy														
Error correction of the last period														
Others														
II. Balance at the beginning of this year	288,149,400.00	2,508,769.94			12,781,301.82	121,657,269.56	425,096,741.32	288,149,400.00	2,508,769.94			7,092,488.00	37,929,690.77	335,680,348.71
III. Increase/ Decrease in this year (Decrease is listed with "-")					-12,781,301.82	151,925,924.52	139,144,622.70					5,688,813.82	83,727,578.79	89,416,392.61
(I) Net profit						191,002,210.11	191,002,210.11						93,030,643.10	93,030,643.10
(II) Profits and losses calculating into owners' equity												-3,614,250.49		-3,614,250.49
1. Net changing amount of fair value of financial assets available for sale														
2. Effect of changes of other owners' equity of invested units under equity method														
3. Effect of income tax related to owners' equity														
4. Others												-3,614,250.49		-3,614,250.49

												49		49
Subtotal of (I) and (II)					191,002,210.11	191,002,210.11						-3,614,250.49	93,030,643.10	89,416,392.61
(III) Owners' devoted and decreased capital					-12,781,301.82	-10,248,265.73	-23,029,567.55							
1. Owners' devoted capital														
2. Amount calculated into owners' equity paid in shares														
3. Others					-12,781,301.82	-10,248,265.73	-23,029,567.55							
(IV) Profit distribution						-28,828,019.86	-28,828,019.86					9,303,064.31	-9,303,064.31	
1. Withdrawal of surplus reserves												9,303,064.31	-9,303,064.31	
2. Distribution for owners (shareholders)						-28,828,019.86	-28,828,019.86							
3. Others														
(V) Carrying forward internal owners' equity														
1. Capital reserves converted to capital (share capital)														
2. Surplus reserves converted to capital (share capital)														
3. Remedying loss with surplus reserves														
4. Others														
IV. Balance at the end of the report period	288,149,400.00	2,508,769.94			273,583,194.08	564,241,364.02	288,149,400.00	2,508,769.94				12,781,301.82	121,657,269.56	425,096,741.32



### Statement of Provision for Devaluation of Assets

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

June 30, 2009

Unit: RMB

Item	Balance at year-begin	Withdrawing amount in this period	Decrease in this period		Book balance at period-end
			Switching back	Transferring out	
I. Total of provision for bad debts	16,559,034.40	9,092,318.50	231,253.74		25,420,099.16
II. Provision for falling price of inventory	4,352,678.70	5,118,256.43	3,507,016.90		5,963,918.23
III. Provision for devaluation of financial asset available for sales					
IV. Provision for devaluation of held-to-maturity investment					
V. Provision for devaluation of long-term equity investment	8,556,892.37		396,638.32		8,160,254.05
VI. Provision for devaluation of investing property					
VII. provision for devaluation of fixed assets	1,300,000.00				1,300,000.00
VIII. Provision for devaluation of engineering materials					
IX. Provision for devaluation of construction in progress					
X. Provision for devaluation of productive biological asset					
Including: Provision for devaluation of mature productive biological asset					
XI. Provision for devaluation of oil asset					
XII. Provision for devaluation of intangible asset					
XIII. Provision for devaluation of goodwill					
XIV. Other					
Total	30,768,605.47	14,210,574.93	4,134,908.96		40,844,271.44

Legal representative of the Company: Shi Jinming

Person in charge of accounting works: Wei Pingxiao

Person in charge of accounting institutes: Chi Guoguang

**SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF JAN.1, 2009-JUNE 30, 2009**

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. Ended as June 30, 2009, the total shares amounted to 288,149,400, the tradable shares with restricted condition occurred by share merger reform have been released restriction and went into the market for trade.

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 a 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 follows:

Category	Estimated	Estimated net	Annual
----------	-----------	---------------	--------

	useful life (year)	residual value rate (%)	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**

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%、20% or 25%

## 4.2 Tax reduction

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 TGQX[2009] No. 2 document, Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd, a subsidiary of the Company, enjoys beneficial tax policy in Jiangsu Province 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 20% in 2009. Therefore, the Company and its subsidiaries, Shenzhen Zhijun Pharmaceutical Trade Co., Ltd, Shenzhen Accord Pharmaceutical Materials Co., Ltd, Shenzhen Jianmin Pharmaceutical Co., Ltd, Shenzhen Accord Pharmaceutical Logistics Co., Ltd, are subject to a tax rate of 20%.

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 of 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.

The balance that the combination cost exceeds the fair value of identifiable assets of the party who was purchased is goodwill. The balance that the fair value of identifiable assets of the party who was purchased exceeds the combination cost is calculated into profit and loss in that period.

Subsidiaries adopt the same accounting policy with the parent company.

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

### 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	Net investment in subsidiary in substance	Equity holding percentage (%)	Voting power Totally enjoyed of the Company (%)	Combined statement or not	Remarks
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Shenzhen Zhijun Pharmaceutical Co., Ltd. (Hereinafter refer to as Zhijun Pharmaceutical)	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	Yes	
Shenzhen Jianmin Pharmaceutical Co., Ltd. (Hereinafter refer to as Jianmin Pharmaceutical)	Shenzhen	Commercial industry	500	Wholesale of chemical agent, antibiotics agent, chemical and biological agent, blood products, raw material of chemical product, Chinese medicine and diagnosis products	5,348.29	5,348.29	100	100	Yes	Note 1
Shenzhen Medicine Trade Company (Hereinafter refer to as Shenzhen Medicine Trade)	Shenzhen	Commercial industry	188	Wholesale and retail of drugs and textiles	847.85	847.85	100	100	No	Note 2
Shenzhen Accord Medical Materials Co., Ltd. (Hereinafter refer to as Accord Medicine Material)	Shenzhen	Commercial industry	600	Chinese patent medicine, western medicine, medicine treatment apparatus	816.74	816.74	100	100	Yes	Note 3
Shenzhen Accord Drugstore Chain Co., Ltd. (Hereinafter refer to as Accord Chain)	Shenzhen	Commercial industry	1,080	Chinese patent medicine, western medicine, medicine treatment apparatus	---	---	---	---	No	Note 4

Shenzhen Zhijun Medicine Trade Co., Ltd. (Hereinafter refer to as Zhijun Medicine Trade)	Shenzhen	Commercial industry	189	Purchase and sale of Chinese traditional medicinal materials, Chinese patent medicine, chemical raw material for medical treatment, antibiotic preparation, chemical medicine preparation etc.	373.4	373.4	100	100	Yes	Note 5
Guangdong Accord Drugstore Co., Ltd. (Hereinafter refer to as Accord Drugstore)	Shenzhen	Commercial industry	5,000	Chinese patent medicine, chemical raw material medicine, chemical medicine preparation, antibiotics, biochemical medicine, diagnosis drugs, biological products of treatment and diagnosis	---	---	---	---	No	Note 6
Shenzhen Accord Pharmaceutical Logistics Co., Ltd. (Hereinafter refer to as Accord logistics)	Shenzhen	Service industry	100	Storage service, convey, liquidation of cargo external package and common transportation of road	101.91	101.91	100	100	Yes	Note 7
Guangzhou Accord Medical Business Skills Training Center (Hereinafter refer to as Training Center)	Shenzhen	Service industry	3	Training	3	3	100	100	Yes	



Sinopharm Medicine Holding Guangzhou Co., Ltd. (Hereinafter refer to as Sinopharm Guangzhou)	Guangzhou	Commercial industry	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	Yes	Note 8
Sinopharm Medicine Holding Xinlong (Guangdong) Co., Ltd. (Hereinafter refer to as Guangdong Xinlong)	Guangzhou	Commercial industry	2,000	Drugs, medical apparatus sales	980	980	49	49	Yes	
Guangxi Accord Medicine Co., Ltd.(hereinafter refer to as Guangxi Accord )	Nanning	Commercial industry	500	Drug sales	498.79	498.79	100	100	Yes	

Sinopharm Medicine Holding Liuzhou Co., Ltd. (Hereinafter refer to as Sinopharm Liuzhou)	Liuzhou	Commercial industry	2,053.06	Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license)	2,220.58	2,220.58	51	51	Yes	Note 9
Guangxi Accord Drugstore Chain Co., Ltd. (Hereinafter refer to as Guangxi Chain)	Liuzhou	Commercial industry	200	Sales of Chinese patent medicine, western medicine, medical equipment, daily general merchandise, alcohol, beverage, costume etc.	---	---	---	---	No	Note 10
Guangxi Accord Chinese Herbal Pieces Co., Ltd. (Hereinafter refer to as Guangxi Chinese Herbal Pieces)	Liuzhou	Industry	200	Chinese herbal pieces	---	---	---	---	Yes	Note 11
Guangdong Huixin Investment Co., Ltd. (Hereinafter refer to as Huixin Investment)	Guangzhou	Commercial industry	5,000	Project investment, property management and leasing, medical information consultancy, car park management	12,965.01	12,965.01	100	100	Yes	Note 12

Sinopharm Medicine Holding Foshan Co., Ltd. (Hereinafter refer to as Sinopharm Foshan)	Guangzhou	Commercial industry	200	Drug sales	704.50	704.50	100	100	Yes	Note 13
Guangzhou Accord Drugstore Chain Co., Ltd. (Hereinafter refer to as Guangzhou Chain)	Guangzhou	Commercial industry	200	Drug retail and medicine information consultancy	---	---	---	---	No	Note 14
Guangdong Yuexing Medicine Co., Ltd. (Hereinafter refer to as Yuexing Medicine)	Guangzhou	Commercial industry	300	Sales of medicine and medical treatment apparatus	1,943.67	1,943.67	100	100	Yes	Note 15
Guangdong Hengchang Logistics Co., Ltd. (Hereinafter refer to as Hengchang Logistics)	Guangzhou	Service industry	54	Storage loading and unloading	126.95	126.95	100	100	Yes	Note 16
Sinopharm Medicine Holding Nanning Co., Ltd. (Hereinafter refer to as Sinopharm Nanning)	Nanning	Commercial industry	2,900	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.	3,250.28	3,250.28	100	100	Yes	Note 17

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

Note 2: This company ceased operation since 2003 and is not consolidated.

Note 3: In 2008, the Company purchased 10% equity held by Zhijun Pharmaceutical, and this company became the wholly-owned subsidiary of the Company.

Note 4: This company was respectively held by the Company with 75% shares and subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd. with 25% shares before. In May 2007, the shareholders of the Company alternated to 10% shares are held by the Company and 90% shares are held by subordinate subsidiary Guangdong Accord Drugstore Co., Ltd. In 2008, the Company transferred 10% equity to Accord Drugstore, and then this company became the wholly-owned subsidiary of Accord Drugstore, and was sold in June of 2009.

Note 5: This company was respectively held by the Company with 47.09% shares and subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd. with 52.91% shares. In 2008, the Company purchased 52.91% equity held by Zhijun Pharmaceutical, and then this company became the wholly-owned subsidiary of the Company.

Note 6: In 2008, the Company purchased 10% equity held by Sino Pharmaceutical Guangzhou, and this company became the wholly-owned subsidiary of the Company. In June of 2009, the Company sold 100% equity of Guangdong Accord to Sino Pharmaceutical Holding Co., Ltd.

Note 7: This company was respectively held by the Company with 90% shares and subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd. with 10% shares. In 2008, the Company purchased 10% equity held by Zhijun Pharmaceutical, and then this company became the wholly-owned subsidiary of the Company.

Note 8: In 2008, the Company purchased 10% equity held by China Pharmaceutical Group Shanghai Company, and then this company became the wholly-owned subsidiary of the Company.

Note 9: 51% equity of this company was held by subordinate subsidiary of the Company – Sino Pharmaceutical Guangzhou. The Company purchased 51% equity from Sino Pharmaceutical Guangzhou, and the other equity was held by other unrelated parties.

Note 10: This company was the wholly-owned subsidiary of Sino Pharmaceutical Liuzhou – the subordinate subsidiary of the Company. In June of 2009, Sino pharmaceutical Liuzhou sold 100% equity of the Guangxi Accord Chain to Sino Pharmaceutical Holding Co., Ltd.

Note 11: This company was the wholly-owned subsidiary of Sino Pharmaceutical Liuzhou – the subordinate subsidiary of the Company.

Note 12: This company was the wholly-owned subsidiary of Sino Pharmaceutical Guangzhou – the subordinate subsidiary of the Company. In Jan., 2009, the Company purchased 100% equity held by Sino Pharmaceutical Guangzhou, and this company became the wholly-owned subsidiary of the Company.

Note 13: This company was the wholly-owned subsidiary of Huixin Investment. in 2008, it changed its nature into limited liability company invested solely by legal person and changed its name into Guangdong Guoxing Medicine Co., Ltd., and later changed its name into Sino Pharmaceutical Foshan Co., Ltd. in Feb., 2009, the Company purchased 100% equity held by Huixin Investment - the subordinate subsidiary of the Company, and this company became the wholly-owned subsidiary of the Company.

Note 14: This company was the wholly-owned subsidiary of Huixin Investment. In 2008, Accord Drugstore purchased 100% equity, and it became the wholly-owned subsidiary of Accord Drugstore, which was sold in Jun of 2009.

Note 15: This company was the wholly-owned subsidiary of Sino Pharmaceutical Guangzhou – the subordinate subsidiary of the Company. In Jan., 2009, the Company purchased 100% equity held by Sino Pharmaceutical Guangzhou, and this company became the wholly-owned subsidiary of the Company.

Note 16: This company was the wholly-owned subsidiary of Huixin Investment. In Jan., 2009, the Company purchased 100% equity held by Huixin Investment, and this company became the wholly-owned subsidiary of the Company.

Note 17: This company was together invested and found by Sino Pharmaceutical Holding Co., Ltd and Nanning Medicine Wholesale House of Guangxi Zhuang Autonomous Region in Mar., 2004, with registered capital of RMB 29 million. In Feb. 2007, Nanning Medicine Wholesale House of Guangxi

Zhuang Autonomous Region transferred totally 40% equity to Sinopharm Medicine Holding Shanghai Co., Ltd. In June of 2009, the Company purchased 60% equity held by Sino Pharmaceutical Holding Co., Ltd. and 40% equity held by Sinopharm Medicine Holding Shanghai Co., Ltd., and then this company became the wholly-owned subsidiary of the Company.

### 1. Judgment criteria of Enterprise Mergers Under the Same Control

Enterprise mergers under the same control means corporations taken into consolidation were under the same ultimate control before and after consolidation, and the control is not temporary.

### 2. 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 Sinopharm Medicine Holding Co., Ltd.

## 5.2 Subsidiaries acquired through business combination under different control

Full name of the invested company	Place of registration	Nature	Registered capital	Scope of business	Actual investment as at end of the year	Net investment in subsidiary in substance	Equity holding percentage (%)	Voting power Totally enjoyed of the Company (%)	Voting power consolidated (%)	Combined statement or not	Remarks
Dongguan Accord Medicine Co., Ltd. (Hereinafter refer to as Dongguan Accord)	Wholly-owned subsidiary	Dongguan	Commercial	280	Wholesales of Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material; sales of daily general merchandise and health protection food	274.20	274.20	100%	100%	Yes	Not e 1
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. (Hereinafter refer to as Zhijun Wanqing)	Controlling subsidiary	Taicang	Industry	8,000	Production and sales of general raw materials of medicine, raw medicine and preparation of cephalosporin; export business of production and technology of the Company	13,644.81	13,644.81	75%	75%	Yes	Not e 2

Note 1: In Jan., 2009, the Company purchased 90% equity held by Chen Zhongqi and 10% equity of Dongguan Dongfeng Chinese Traditional Medicine Co., Ltd. held by Chen Zhongyao, which was

changed its name into Dongguan Accord Pharmaceutical Co., Ltd.

Note 2: In Mar., 2009, the Company purchased 75% equity of Suzhou Wanqing Pharmaceutical Co., Ltd. held by Yang Qiaoming, and the other 25% equity was still held by Yang Qiaoming. In Mar., 2009, the Company increased investment of RMB 30.75 million to this company, and Yang Qiaoming increased investment of RMB 10.25 million to this company, after which, the registered capital of this company changed into RMB 80 million from RMB 39 million. In Mar., 2009, this Company changed its name into Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.

### 1. Judgment criteria of Enterprise Mergers Under Different Control

Enterprise mergers under different control means corporations taken into consolidation were not under ultimate control of the same party or parties before and after consolidation.

### 2. Actual controlling party of Different Controller

To the subsidiaries acquired through business combination under different control, the purchase date was the date when purchaser gained the control right of the part purchased, that was the date happened control right transfer in the process of combination transaction.

### 5.3 Subsidiaries increased/decreased in this period

#### 1. Subsidiaries increased in enterprise merger under the same control

(1) Book value of assets and debt of consolidated party on balance sheet date in last accounting period and on consolidation day, judgment criteria of Enterprise mergers Under the Same Control and actual controller

<u>Names of subsidiaries</u>	<u>Book value of total assets</u>		<u>Book value of total debt</u>		<u>Judgment criteria of enterprise mergers Under the Same Control</u>	<u>Actual controller under the same control</u>
	<u>On balance sheet date in last accounting period</u>	<u>On Consolidation date</u>	<u>On balance sheet date in last accounting period</u>	<u>On Consolidation date</u>		
Sino Pharmaceutical Nanning	252,747,966.31	299,475,232.94	222,728,662.48	266,972,431.56	Corporations taken into consolidation were under the same ultimate control before and after consolidation, and the control is not temporary.	Sino Pharmaceutical Holding Co., Ltd.

#### (2) Income, net profit and cash flow of consolidated party from the period-begin to the consolidation date:

<u>Names of subsidiaries</u>	<u>Consolidation date</u>	<u>From the period-begin to the consolidation date</u>			
		<u>Operating income</u>	<u>Net profit</u>	<u>Net cash flow</u>	<u>Operating net cash flow</u>
Sino Pharmaceutical Nanning	Jun.30, 2009	292,638,124.01	2,483,497.55	8,551,046.21	13,958,903.13

#### 2. Subsidiaries increased in equity purchase under different control

Names of subsidiaries	Purchase date	Confirmation method of purchase date	Consolidation cost	Fair value of identifiable assets of the party purchased	Amount of goodwill	Confirmation method of fair value
		According to qualification of				
Dongguan Accord	Jan.31, 2009	Accounting Standard for Enterprises	2,742,000.00	2,727,240.53	---	Evaluation
		According to qualification of				
Zhijun Wanqing	Mar.31, 2009	Accounting Standard for Enterprises	136,448,072.71	129,039,863.79	39,668,174.87	Evaluation

Book value and fair value of assets and debt of the purchased party on purchase date, confirmation method and process of goodwill of corporations consolidation under different control:

Names of Subsidiaries	Items	On purchase date	
		Book value	Fair value
Zhijun Wanqing	Total assets	273,629,519.80	323,830,501.15
	Total liabilities	190,410,490.16	194,790,637.36
	Net asset	83,219,029.64	129,039,863.79

The Company accomplished to purchase 75 percent equities of Zhijun Wanqing on March 31, 2009, consolidated cost included the investment amount of RMB 134,250,000.00 (additional investment amount of RMB 30,750,000) and gains/losses attributable to original shareholders from evaluation base date to equity transfer date of RMB 2,198,072.71 which totaled up to RMB 136,448,072.71. The fair value of identifiable net assets of Zhijun Wanqing on purchase date was RMB 129,039,863.79. The amount enjoyable was RMB 96,779,897.84 calculated based on shareholding proportion of 75%. Goodwill was the balance between the consolidation cost and fair value of identifiable net assets of Zhijun Wanqing on purchase date amounted to RMB 39,668,174.87.

#### 5.4 Changes of the range of consolidation statement in the report period

1. Three consolidated units were increased this year, and the reasons were as follows:

The Company purchased Dongguan Accord Pharmaceutical Co., Ltd., Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. and Sinopharm Medicine Holding Nanning Co., Ltd. in the first half year of 2009.

2. Four consolidated units were decreased in statement of gains/losses of this report period, and the reasons were as follows:

The Company sold the underling subsidiary-- Guangdong Accord Drugstore Co., Ltd. and its underling subsidiaries-- Shenzhen Accord Pharmaceutical Chains Co., Ltd. and Guangzhou Accord Drugstore Chains Co., Ltd. in June of year 2009.

The underling subsidiary of the Company-- Sinopharm Medicine Holding Liuzhou Co., Ltd. sold its subsidiary Guangxi Accord Drugstore Chains Co., Ltd. in June of year 2009.

3. Companies newly brought into the range of consolidation in the report period

<u>Names of subsidiaries</u>	<u>Total proportion of holding shares</u>	<u>Net assets on purchase date</u>	<u>Net assets at period-end</u>	<u>Net profit from the purchase date to the period-end</u>
Sino Pharmaceutical Nanning	100%	32,502,801.38	32,502,801.38	---
Dongguan Accord	100%	2,727,240.53	2,198,824.85	-528,415.68
Zhijun Wanqing	75%	129,039,863.79	129,595,735.70	555,871.91

#### 4. Companies not brought into the range of consolidation in the report period

<u>Names of subsidiaries</u>	<u>Original total proportion of holding shares</u>		<u>Net assets at year-begin</u>	<u>Net assets on disposal date</u>	<u>Net profit from the disposal date to the period-end</u>
	<u>holding shares</u>	<u>proportion of shares</u>	<u>year-begin</u>	<u>date</u>	<u>period-end</u>
Guangdong Accord Drugstore Co., Ltd.	100%		50,076,261.47	50,042,608.68	-6,563.96
Shenzhen Accord Drugstore Chains Co., Ltd.	---		-24,434,416.21	-24,547,509.37	-113,093.16
Guangzhou Accord Drugstore Chains Co., Ltd.	---		-7,827,018.23	-7,951,883.46	-124,865.23
Guangxi Accord Drugstore Chains Co., Ltd.	---		3,702,520.18	4,062,961.32	360,441.14

#### 5.5 Rights and Interests, profit and loss of minority shareholders

<u>Rights and Interests of minority shareholders</u>	<u>Amount at period-begin</u>	<u>Minority shareholders in this period</u>	<u>Other increase or decrease</u>		<u>Amount at period-end</u>
		<u>Increase or decrease</u>	<u>Profit distribution</u>	<u>Other equity change</u>	
Sino Pharmaceutical Liuzhou Co., Ltd.	21,383,463.30	4,464,324.68	-4,900,000.00	-24,500.00	20,923,287.98
Zhijun Wanqing	---	138,967.98	---	32,259,965.95	32,398,933.93
<b>Total</b>	21,383,463.30	4,603,292.66	-4,900,000.00	32,235,465.95	53,322,221.91

Note: other equity change was the increase of minority shareholders' rights and interests due to the Company purchasing 75% equity of Zhijun Wanqing.

### 6 Notes to the main items of financial statements

(Monetary unit is RMB and the amount is the year-begin balance unless otherwise stated.)

#### 6.1 Monetary fund

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Cash in stock	504,282.83	479,324.68
Deposit in bank	444,554,871.09	314,467,210.06
Other monetary funds	53,656,397.54	66,716,884.19
<b>Total</b>	<b>498,715,551.46</b>	<b>381,663,418.93</b>





Over 3 years	---	---	---	---	---	---	---	---
<b>Total</b>	<u>2,220,304,571.15</u>	100.00%	<u>4,752,840.27</u>		<u>1,874,623,069.56</u>	100.00%	<u>3,370,315.04</u>	

<u>Category</u>	<u>Amount in period-end</u>				<u>Amount in year-begin</u>			
	<u>Book balance</u>	Proportion in total amount	Provision for bad debt	<u>Provision rate for bad debt</u>	<u>Book balance</u>	Proportion in total amount	Provision for bad debt	<u>Provision rate for bad debt</u>
1) Significant individual amount with separate provision for impairment loss	15,272,178.37	0.69%	2,056,330.33	13.46%	25,245,382.74	1.35%	408,783.47	1.62%
2) Insignificant individual amount with separate provision for impairment loss	4,782,135.72	0.22%	2,311,979.91	48.35%	3,836,743.82	0.20%	1,481,596.90	38.62%
3) Other amounts which are classified into the same group with similar credit risk features	2,200,250,257.06	99.09%	384,530.03	0.02%	1,845,540,943.00	98.45%	1,479,934.67	0.08%
Among which: significant individual amount	284,501,154.21	12.81%	---	---	721,227,555.67	38.47%	---	---
Insignificant individual amount	1,915,749,102.85	86.28%	384,530.03	0.02%	1,124,313,387.33	59.98%	1,479,934.67	0.13%
Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	---	---
<b>Total</b>	<u>2,220,304,571.15</u>	100.00%	<u>4,752,840.27</u>		<u>1,874,623,069.56</u>	100.00%	<u>3,370,315.04</u>	

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

Year	<u>Book balance in year-begin</u>	<u>Provision in current period</u>	<u>Amount decreased in this period</u>		<u>Book balance in period-end</u>
			<u>Switch back</u>	<u>Written off</u>	
2009	3,370,315.04	1,406,525.23	24,000.00		4,752,840.27

(c) Accounts receivable actually written off in this year amounted to 0.

(d) Among the accounts receivable in period-end, the accounts, which are attributed to the shareholders that hold over 5 % (inclusive) voting share of the Company, amount to RMB 2,697,797.44.

(e) Accounts receivable of related parties amount to RMB 153,029,211.70 in period-end, which accounts for 6.89% of the balance in period-end in the accounts receivable. For particulars see Note 8.

(f) Top five of accounts receivable in period-end:

<u>Rank of creditor</u>	<u>Amount</u>	<u>Account age</u>	<u>Proportion of total accounts receivable</u>
No. 1 Hospital Affiliated to Guangxi Medical University	45,276,223.20	Within 1 year	2.04%
No. 3 Hospital Affiliated to Sun Yat-sen University	32,112,013.16	Within 1 year	1.45%
Guangdong People's Hospital	29,741,666.36	Within 1 year	1.34%
The People's Hospital of Guangxi Zhuang Autonomous Region	26,659,184.91	Within 1 year	1.20%
No. 2 Hospital Affiliated to Sun Yat-sen University	25,521,844.35	Within 1 year	1.15%

## 6.4 Accounts paid in advance

(a) Analysis of account age

Account age	<u>Amount in period-end</u>		<u>Amount in year-begin</u>	
	<u>Amount</u>	<u>Proportion in total amount</u>	<u>Amount</u>	<u>Proportion in total amount</u>
Within one year (inclusive)	38,630,514.14	97.37%	40,854,624.37	94.70%
1-2 years(2 years inclusive)	663,318.81	1.67%	2,288,111.56	5.30%
2-3 years(3 years inclusive)	100,400.00	0.26%	--	--
Over 3 years	279,590.00	0.70%	--	--
<b>Total</b>	<u>39,673,822.95</u>	100.00%	<u>43,142,735.93</u>	100%

(b) There is no shareholders' amount with more than 5% (including 5%) voting shares of the Company in accounts paid in advance in period-end.

(c) Account paid in advance to associated parties in period-end was RMB 6,021,515.24 with accounting for 15.18% in account paid in advance in period-end amount. Please see Notes 8 for details.

(d) Top five of accounts paid in advance in period-end:

<u>Rank of creditor</u>	<u>Amount</u>	<u>Account age</u>	<u>Proportion of total accounts paid in advance</u>
Shanghai Sinopharm Wai Gao Qiao Co.,	5,861,406.43	Within 1 year	14.77%

Ltd.				
Finance Branch Bureau of Shuangfeng Town, Taicang City	2,000,000.00	Within 1 year	5.04%	
Suzhou Jinyao Colour Steel Plate Purifying Co., Ltd.	1,967,507.00	Within 1 year	4.96%	
Shanghai Simcere Pharmaceutical Co., Ltd.	1,952,003.20	Within 1 year	4.92%	
Shanghai Hongbao Medical Device Co.,Ltd	1,937,440.00	Within 1 year	4.88%	

## 6.5 Other receivables

### (a) Structure of other receivables

<u>Account age</u>	<u>Amount in period-end</u>				<u>Amount in year-begin</u>			
	<u>Book balance</u>	<u>Proportion</u>	Provision for bad debt	<u>Provision</u>	<u>Book balance</u>	<u>Proportion</u>	Provision for bad debt	<u>Provision</u>
		<u>in total</u>		<u>rate for</u>		<u>in total</u>		<u>rate for</u>
Within one year (inclusive)	37,909,283.80	58.08%	899,411.38	2.37%	33,557,178.25	49.43%	433,632.83	1.29%
1-2 years(2 years inclusive)	5,456,191.95	8.36%	204,969.57	3.76%	2,149,297.65	3.17%	302,092.21	14.06%
2-3 years(3 years inclusive)	751,396.38	1.15%	393,295.07	52.34%	308,232.54	0.45%	93,370.86	30.29%
Over 3 years	21,150,147.74	32.41%	19,169,582.87	90.64%	31,875,492.55	46.95%	12,359,623.46	38.77%
<b>Total</b>	<u>65,267,019.87</u>	100.00%	<u>20,667,258.89</u>	--	<u>67,890,200.99</u>	100.00%	<u>13,188,719.36</u>	---

<u>Item</u>	<u>Amount in period-end</u>				<u>Amount in year-begin</u>			
	<u>Book balance</u>	<u>Proportion</u>	Provision for bad debt	<u>Provision</u>	<u>Book balance</u>	<u>Proportion</u>	Provision for bad debt	<u>Provision</u>
		<u>in total</u>		<u>rate for</u>		<u>in total</u>		<u>rate for</u>
1) Significant individual amount with separate provision for impairment loss	13,374,579.90	20.49%	13,374,579.90	100%	35,517,343.29	52.31%	12,036,747.94	33.89%

2)									
Insignificant individual amount with separate provision for impairment loss	2,869,244.86	4.40%	2,791,866.67	97.30%	989,284.27	1.46%	989,284.27	100%	
3) Other amounts which are classified into the same group with similar credit risk features	49,023,195.11	75.11%	4,500,812.32	9.18%	31,383,573.43	46.23%	162,687.15	0.52%	
Among which: significant individual amount	---	---	---	---	---	---	---	---	---
Insignificant individual amount	49,023,195.11	75.11%	4,500,812.32	9.18%	31,383,573.43	46.23%	162,687.15	0.52%	
Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	---	---	---
<b>Total</b>	<u>65,267,019.87</u>	100.00%	<u>20,667,258.89</u>		<u>67,890,200.99</u>	100.00%	<u>13,188,719.36</u>		

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

Year	<u>Book balance</u> in year-begin	<u>Provision in</u> current period	<u>Amount decreased in</u> current period		<u>Book balance</u> in period-end
			<u>Switch back</u>	<u>Written off</u>	
2009	13,188,719.36	7,685,793.27	207,253.74	---	20,667,258.89

In this period, increases of RMB 6,264,588.15 in the provision for bad debt in other receivables mainly resulted from merging Zhijun Wanqing Pharm.

(c) Other receivables actually written off in this period amounted to 0.

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

(e) There are no other accounts receivable of related parties in period-end.

(f) Top five debtors in other accounts receivable in period-end:

Rank of debtor	Nature/Content	Amount	Account age	Proportion of total amount
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Allowance on sales	9,801,682.72	Within 1 year	15.02%
Shenzhen Yinghai Technology Investment Co., Ltd.	Receivables from equity transaction	8,980,000.00	Over 3 years	13.76%
Shenzhen Medicines and Health Products I/E Co., Ltd..	Current account	4,394,579.90	Over 3 years	6.73%
Korean Yuhan Corporation	Payment for patent cooperation	3,529,434.95	1-2 years	5.41%
Suzhou Xinda Pharmaceutical Ltd.	Current account	3,275,000.00	Over 3 years	5.02%

## 6.6 Inventories and provision for inventory devaluation

Item	Amount in period-end		Amount in year-begin	
	Book balance	Devaluation provision	Book balance	Devaluation provision
Raw materials	143,671,067.98	580,776.65	68,775,616.60	1,626,979.60
Low cost and short-lived articles	453,429.03	---	828,925.46	---
Merchandise inventory	583,654,538.21	5,366,227.34	680,917,977.05	2,666,172.10
Sent out merchandise	2,573,563.97	16,914.24	5,976,340.80	59,527.00
<b>Total</b>	<b>730,352,599.19</b>	<b>5,963,918.23</b>	<b>756,498,859.91</b>	<b>4,352,678.70</b>

### (a) Provision for inventory devaluation

Category of inventory	Book balance in year-begin	Amount		Amount decreased in current period		Book balance in period-end
		increased in current period	Switch back	Written off	---	
Raw materials	1,626,979.60	580,776.65	1,626,979.60	---	---	580,776.65
Low cost and short-lived articles	---	---	---	---	---	---

Merchandise inventory	2,666,172.10	4,520,565.54	1,820,510.30	---	5,366,227.34
Sent out merchandise	<u>59,527.00</u>	<u>16,914.24</u>	<u>59,527.00</u>	---	<u>16,914.24</u>
<b>Total</b>	<u><u>4,352,678.70</u></u>	<u><u>5,118,256.43</u></u>	<u><u>3,507,016.90</u></u>	---	<u><u>5,963,918.23</u></u>

**(b) Inventories actually written off in this year amounted to 0.**

### 6.7 Long-term equity investments

	<u>Amount in period-end</u>		<u>Amount in year-begin</u>	
	<u>Book balance</u>	Devaluation provision	<u>Book balance</u>	Devaluation provision
Long-term equity investments recognized by equity method	75,960,247.60	---	67,399,908.10	---
Long-term equity investments recognized by cost method	<u>10,339,327.75</u>	<u>8,160,254.05</u>	<u>10,735,966.07</u>	<u>8,556,892.37</u>
<b>Total</b>	<u><u>86,299,575.35</u></u>	<u><u>8,160,254.05</u></u>	<u><u>78,135,874.17</u></u>	<u><u>8,556,892.37</u></u>

### (a) Main information of invested units

<u>Name of invested unit</u>	<u>Registr</u>	<u>Business</u>	<u>Shares</u> <u>in the</u> <u>register</u> <u>of the</u> <u>invested</u> <u>unit</u> <u>(%)</u>	<u>the Company's</u> <u>voting share in</u> <u>invested unit of</u>	<u>Total amount of n</u> <u>et assets in period</u> <u>-end</u>	<u>Total sales a</u> <u>mount of</u> <u>current period</u>	<u>Net profit of</u> <u>current year</u>
Associated enterprises							
China Associate Co., Ltd.	Shenzh en	---	0.17%	---	---	---	---
Shenzhen Futian Pharmaceutical Co., Ltd.	Shenzh en	---	40.00%	---	---	---	---
Liaoning & Accord Pharm Chain Store Co., Ltd.	Liaoni ng	Com merc e	30.00%	0.00%	---	---	---
SinoPharm Holdings Chinese Medicine Co., Ltd.	Shenzhen en	Indu stry	47.39%	47.39%	44,642,643.82	21,142,539.04	-1,702,234.3 3
Shenzhen Wanle Pharmaceutical Co., Ltd.	Shenzh en	Indu stry	35.19%	35.19%	153,687,905.33	186,444,512.2 8	26,618,450.3 0

**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</u>	<u>Voting share</u>	
	<u>shareholding</u>		
Liaoning & Accord Pharm. Chain Store Co., Ltd.	30.00%	0.00%	No actual control and intend to sell out

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

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Balance in year-begin</u>	<u>Increases/decreases</u>		<u>Balance in period-end</u>
			<u>Total</u>	<u>Including: distributed cash dividends</u>	
Associated enterprises					
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd.	20,939,177.10	21,955,562.26	-806,693.16	---	21,148,869.10
Shenzhen Main Luck Pharmaceutical Co., Ltd.	37,209,101.02	45,444,345.84	9,367,032.66	---	54,811,378.50
<b>Total</b>	58,148,278.12	67,399,908.10	8,560,339.50	---	75,960,247.60

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

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Book balance in year-begin</u>	<u>Increases/decreases</u>		<u>Provision for impairment loss</u>
			<u>invested in current period</u>	<u>Book balance in period-end</u>	
China Associate Co., Ltd.	284,173.70	284,173.70	---	284,173.70	---
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	---	---
Liaoning & Accord Pharm. Chain Store Co., Ltd.	1,894,900.00	1,894,900.00	---	1,894,900.00	---
Shenzhen Medicine Trade Co., Ltd.	7,689,226.69	7,689,226.69	---	7,689,226.69	7,689,226.69
<b>Total</b>	12,589,327.75	10,735,966.07	-396,638.32	10,339,327.75	8,160,254.05

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

<u>Name of invested unit</u>	<u>Amount in year-begin</u>	<u>Increase in current period</u>	<u>Decrease in current</u>	<u>Amount in period-end</u>	<u>Reasons for withdrawal</u>
------------------------------	-----------------------------	-----------------------------------	----------------------------	-----------------------------	-------------------------------



				<u>period</u>		
Shenzhen Pharmaceutical Co., Ltd.	Futian	471,027.36	---	---	471,027.36	Note 1
Dongyuan & Accord Pharm. Chain Store Co., Ltd.		396,638.32	---	396,638.3 2	---	Note 2
Shenzhen Medicine Co., Ltd.	Trade	7,689,226.6	---	---	7,689,226.6	Note 3
		<u>9</u>	<u>---</u>	<u>---</u>	<u>9</u>	
<b>Total</b>		8,556,892.3	---	396,638.3	8,160,254.0	
		<u>7</u>	<u>---</u>	<u>2</u>	<u>5</u>	

Note 1: 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 2: Dongyuan & Accord Pharm. Chains Co., Ltd. was invested by Shenzhen Accord Pharmaceutical Chains Co., Ltd. which was a former subsidiary of the Company. In the report period, the equity of Shenzhen Accord Pharmaceutical Chains Co., Ltd. was transferred, so the provision for impairment loss long-term equity investment for Dongyuan Accord decreased.

Note 3: 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>Balance in year-begin</u>	<u>Increases</u>		<u>Decreases</u>		<u>Balance in year-end</u>
		<u>Purchase</u>	<u>Real estate for self-use property or transferred from inventory</u>	<u>Disposal</u>	<u>Investment real estate transferred into real estate for self-use</u>	
<b>1. Total original value</b>	30,900,691.88	---	5,604,376.71			36,505,068.59
(1) Constructions rented out	27,818,331.63	---	5,109,434.95			32,927,766.58
(2) Land use right rented out	3,082,360.25	---	494,941.76			3,577,302.01
<b>2. Total depreciation provided or accumulated amortization</b>	8,052,660.19	---	1,982,415.36			10,035,075.55
(1) Constructions rented out	7,679,228.35	---	1,912,605.45			9,591,833.80
(2) Land use right rented out	373,431.84	---	69,809.91			443,241.75
<b>3. Total depreciation or amortization of current year</b>	1,633,823.15	---	763,333.12			2,397,156.27
(1) Constructions rented out	1,507,751.58	---	752,986.86			2,260,738.44
(2) Land use right rented out	126,071.57	---	10,346.26			136,417.83
<b>4. Accumulated provision for</b>		---				

Item	Balance in year-begin	Increases		Decreases		Balance in year-end
		Purchase	Real estate for self-use property or transferred from inventory	Disposal	Investment real estate transferred into real estate for self-use	
impairment loss on investment real estate						
(1) Constructions rented out		---				
(2) Land use right rented out		---				
<b>5. Total book value of investment real estate</b>	22,848,031.69	---	3,621,961.35			26,469,993.04
(1) Constructions rented out	20,139,103.28	---	3,196,829.50			23,335,932.78
(2) Land use right rented out	2,708,928.41	---	425,131.85			3,134,060.26

## 6.9 Original price of fixed assets and accumulated depreciation

### (a) Original price of fixed assets

Category	Original price in year-begin	Increases	Decreases	Original price in period-end
Buildings and constructions	315,455,748.70	29,399,567.07	12,757,379.57	332,097,936.20
Machinery equipment	131,393,693.22	67,662,874.42	2,965,239.16	196,091,328.48
Transportation equipment	34,524,144.99	6,910,158.84	3,049,504.57	38,384,799.26
Other equipment	99,357,002.09	9,090,990.92	7,971,444.01	100,476,549.00
Fixed assets fitment	7,619,325.33	1,757,060.02		9,376,385.35
<b>Total</b>	<b>588,349,914.33</b>	<b>114,820,651.27</b>	<b>26,743,567.31</b>	<b>676,426,998.29</b>

Among which: transferred from Construction In Progress: RMB 6,411,940.34.

### (b) Accumulated depreciation

Category	Amount in year-begin	Increases	Decreases	Amount in period-end
Buildings and constructions	93,671,390.88	9,290,599.03	1,290,791.18	101,671,198.73
Machinery equipment	54,575,221.35	23,188,347.81	1,508,020.72	76,255,548.44
Transportation equipment	17,170,593.21	2,060,657.72	1,106,844.52	18,124,406.41
Other equipment	40,684,221.73	7,750,851.66	5,407,260.38	43,027,813.01
Fixed assets fitment	4,067,152.67	966,861.09	---	5,034,013.76
<b>Total</b>	<b>210,168,579.84</b>	<b>43,257,317.31</b>	<b>9,312,916.80</b>	<b>244,112,980.35</b>

**(c) Provision for impairment loss on fixed assets**

<u>Category</u>	<u>Amount in year-begin</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount in period-end</u>
Buildings and constructions	1,300,000.00	---	---	1,300,000.00

**(d) Book value of fixed assets**

<u>Category</u>	<u>Amount in year-begin</u>	<u>Amount in period-end</u>
Buildings and constructions	220,484,357.82	229,126,737.47
Machinery equipment	76,818,471.87	119,835,780.04
Transportation equipment	17,353,551.78	20,260,392.85
Other equipment	58,672,780.36	57,448,735.99
Fixed assets fitment	3,552,172.66	4,342,371.59
<b>Total</b>	<b>376,881,334.49</b>	<b>431,014,017.94</b>

**6.10 Construction in progress**

Projects	<u>Amount in period-end</u>			<u>Amount in year-begin</u>		
	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	6,750,695.20	---	6,750,695.20
Renovation of old buildings	5,497,689.52	---	5,497,689.52	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
No. 2 workshop of anti-infectious cef- series solid and No. 2 workshop of non-anti-infectious cef- series solid	456,232.55	---	456,232.55	---	---	---
Technical Innovation	11,947,751.96	---	11,947,751.96	10,572,505.74	---	10,572,505.74
Power supply project of tearing down power distribution house to box transformer substation	9,372.80	---	9,372.80	9,372.80	---	9,372.80
<b>Total</b>	<b>24,915,628.27</b>	<b>---</b>	<b>24,915,628.27</b>	<b>18,766,355.74</b>	<b>---</b>	<b>18,766,355.74</b>

Name of project	Budget	<u>Amount in</u>	Increases	Decreases	<u>Amount in</u>	Fund resources	Proportion
-----------------	--------	------------------	-----------	-----------	------------------	----------------	------------

		<u>year-begin</u>		Transfer into fixed assets	Other decrease	<u>year-end</u>		of project input in budget
Chepuo Project	Naught	6,750,695.20	---	---	---	6,750,695.20	Self funds	N/A
Renovation of old buildings	Naught	1,179,895.79	4,691,721.73	---	373,928.00	5,497,689.52	Self funds	N/A
Planting of cassia and honeysuckle	Naught	253,886.24	---	---	---	253,886.24	Fiscal appropriation	N/A
Technical Innovation	36,200,000	10,572,505.74	3,896,489.43	2,521,243.21	---	11,947,751.96	Self funds and loan from financial institution	99.91%
No. 2 workshop of anti-infectious cef- series solid and No. 2 workshop of non-anti-infectiou s cef- series solid	Naught	---	4,346,929.68	3,890,697.13	---	456,232.55	Self funds	N/A
Power supply project of tearing down power distribution house to box transformer substation	Naught	9,372.80	---	---	---	9,372.80	Self funds	N/A
<b>Total</b>		18,766,355.77	12,935,140.84	6,411,940.34	373,928.00	24,915,628.27		

## 6.11 Intangible assets

### (a) Original price of intangible assets

<u>Item</u>	<u>Original price in</u> <u>year-begin</u>	<u>Increases</u>	<u>Decreases</u>	<u>Original price in</u> <u>period-end</u>
Software	8,426,591.20	564,315.44	337,982.38	8,652,924.26
Land use right	58,158,136.89	12,048,659.31	---	70,206,796.20
Trade mark use right	156,050.00	24,000.00	---	180,050.00
Proprietary technology	---	49,000,000.00	---	49,000,000.00
<b>Total</b>	<u>66,740,778.09</u>	<u>61,636,974.75</u>	<u>337,982.38</u>	<u>128,039,770.46</u>

**(b) Accumulated amortization**

<u>Item</u>	<u>Amount in year-begin</u>	<u>Increases</u>	<u>Amortization</u>	<u>Decreases</u>	<u>Amount in period-end</u>
Software	5,181,456.85	---	1,780,278.06	216,074.00	6,745,660.91
Land use right	3,873,881.33	44,195.94	817,208.56	---	4,735,285.83
Trade mark use right	78,156.92	---	13,014.24	---	91,171.16
Proprietary technology	---	---	12,373,450.31	---	12,373,450.31
<b>Total</b>	<b>9,133,495.10</b>	<b>44,195.94</b>	<b>14,983,951.17</b>	<b>216,074.00</b>	<b>23,945,568.21</b>

**(c) Book value of intangible assets**

<u>Item</u>	<u>Amount in year-begin</u>	<u>Amount in period-end</u>	<u>Remained amortization Period</u>
Software	3,245,134.35	1,907,263.35	5-60 months
Land use right	54,284,255.56	65,471,510.37	37-50 years
Trade mark use right	77,893.08	88,878.84	10-43 months
Proprietary technology	---	36,626,549.69	2-52 months
<b>Total</b>	<b>57,607,282.99</b>	<b>104,094,202.25</b>	

**6.12 Long-term deferred expenses**

<u>Item</u>	<u>Original occurred amount</u>	<u>Amount in year-begin</u>	<u>Increases</u>	<u>Amortization</u>	<u>Decreases</u>	<u>Accumulated amortization</u>	<u>Amount in period-end</u>	<u>Remained amortization on Period</u>
Leasehold improvement	16,567.4	15,704.52	1,034.0	1,086.1	9,014.46	9,929,395.99	6,638,033.23	1-96 months
Management consulting expenses	1,325.27	114,557.0	---	114,557.01	---	1,325,273.60	---	---
Others	3,840.44	1,242.1	1,573.7	359,401.71	1,350.00	2,733,926.98	1,106,513.97	11-199 months
<b>Total</b>	<b>21,733.1</b>	<b>17,061,272.1</b>	<b>2,607.8</b>	<b>1,560.0</b>	<b>10,364.4</b>	<b>13,988,596.5</b>	<b>7,744,547.2</b>	
	<b>43.77</b>	<b>11</b>	<b>14.58</b>	<b>74.64</b>	<b>64.85</b>	<b>7</b>	<b>20</b>	

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

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Provision for bad debt on accounts receivable	709,898.88	374,497.46
Provision for bad debt on other receivables	85,026.98	261,651.71

<u>Item</u>	<u>Amount in</u> <u>period-end</u>	<u>Amount in</u> <u>year-begin</u>
Provision for inventory devaluation	295,684.06	127,925.62
Provision for impairment loss on long-term equity investments	325,420.55	94,205.47
Provision for impairment loss on fixed assets	---	188,130.65
Loss brought forward	---	---
Employee benefits payable (unpaid)	233,500.00	2,965,250.00
Income tax paid accrued sales expenses	3,648,365.14	3,788,255.14
Compensation for retired employees	320,911.47	500,610.82
Estimated expenditure of early retirement staff	1,232,447.49	1,304,750.00
Make up to pay medical insurance of retired employees	533,750.00	533,750.00
Management expenses of socialization of retired employees	291,348.50	577,478.00
<b>Total</b>	<u>7,676,353.07</u>	<u>10,716,504.87</u>

**(b) Recognized deferred income tax liabilities**

<u>Item</u>	<u>Amount in</u> <u>period-end</u>	<u>Amount in</u> <u>year-begin</u>
Difference for assets verification amortization	18,557,360.12	12,174,180.87

**6.14 Other non-current assets**

<u>Item</u>	<u>Amount in</u> <u>year-begin</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount in</u> <u>period-end</u>
Specific reserved medicine	33,040,401.86	151,790,277.77	148,279,410.21	36,551,269.42

**6.15 Provision for impairment loss of assets**

<u>Item</u>	<u>Book balance</u> <u>in year-begin</u>	<u>Provision</u>	<u>Decreases</u>		<u>Book balance</u> <u>in period-end</u>
			Switch back	Written-off	
1)Provision for bad debt	16,559,034.40	9,092,318.50	231,253.74	---	25,420,099.16
2)Provision for inventory devaluation	4,352,678.70	5,118,256.43	3,507,016.90	---	5,963,918.23
3)Provision for impairment loss of long-term equity investment	8,556,892.37	---	396,638.32	---	8,160,254.05
4) Provision for impairment loss of fixed assets	1,300,000.00	---	---	---	1,300,000.00
<b>Total</b>	30,768,605.47	14,210,574.93	4,134,908.96	---	40,844,271.44

**6.16 Short-term loan**

<u>Category</u>	<u>Amount in</u>	<u>Amount in</u>
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	<u>period-end</u>	<u>year-begin</u>
Mortgage loan	3,000,000.00	8,212,078.69
Guaranteed loan	375,954,537.83	236,655,052.56
Discounted bank acceptance bills	113,009,771.01	41,409,595.83
Discounted commercial acceptance bills	120,051,252.52	107,383,652.99
<b>Total</b>	<u>612,015,561.36</u>	<u>393,660,380.07</u>

### 6.17 Notes payable

<u>Category</u>	<u>Amount in</u> <u>period-end</u>	<u>Amount in</u> <u>year-begin</u>
Bank acceptance bills	552,115,183.44	570,390,375.00
Commercial acceptance bills	366,451,895.60	268,147,346.27
<b>Total</b>	<u>918,567,079.04</u>	<u>838,537,721.27</u>

(a) Among balance in period-end, the bill payable, which are attributed to the shareholder SINOPHARM Medicine Holding Co., Ltd. that hold over 5 % (inclusive) voting share of the Company, amount to RMB 131,413,742.35.

(b) Among balance in period-end, the bill payable, which are attributed to related parties, amounted to RMB365,663,549.18 with accounting for 39.81% in notes payable in period-end amount. Please see Notes 8 for details.

### 6.18 Accounts payable

<u>Amount in year-end</u>	<u>Amount in year-begin</u>
1,591,875,830.78	1,432,873,603.58

(a) Among balance in period-end, the accounts payable, which are attributed to the shareholder SINOPHARM Medicine Holding Co., Ltd. that hold over 5 % (inclusive) voting share of the Company, amount to RMB 89,690,394.77.

(b) Among balance in period-end, the accounts payable, which are attributed to related parties, amounted to RMB 125,186,774.80 with accounting for 7.86% in account payable in period-end amount. For particulars see Note 8.

(c) Among balance in period-end, the accounts payable with the aging over 3 years amount to RMB 42,120,245.75, which include large number of enterprises with little amount of payables and hereby will not be specifically listed.

### 6.19 Accounts receive in advance

<u>Amount in period-end</u>	<u>Amount in year-begin</u>
23,884,264.57	18,771,893.29

(a) Among balance in period-end, there are no accounts receive in advance attributable to shareholders which hold over 5% (inclusive) of the voting share of the Company.

(b) Among balance in period-end, the accounts receive in advance, which are attributed to

related parties, amounted to RMB 9. It is the owed amount of normal purchase and selling activities for Ningxia Guoda Pharmacy Chains Co., Ltd.

(c) Among balance in period-end, the accounts receive in advance with the aging over 1 year amounted to RMB 1,747,197.60

## 6.20 Employee benefits payable

<u>Item</u>	<u>Amount in</u> <u>year-begin</u>	<u>Increases</u>	<u>Paid during</u> <u>current year</u>	<u>Amount in</u> <u>period-end</u>
1. Salary, bonus and allowance	59,569,433.34	95,479,559.10	128,053,166.82	26,995,825.62
2. Welfare expenses for staff	461,938.00	11,194,955.02	11,315,436.32	341,456.70
3. Social insurance fees	816,782.13	13,818,697.15	13,626,075.49	1,009,403.79
including: (1) Medical insurance	6,149.83	3,576,803.67	3,494,872.66	88,080.84
(2) Basic old-age insurance	812,595.03	8,443,408.25	8,684,598.56	571,404.72
(3) Annuity payment	---	1,040,645.48	710,885.48	329,760.00
(4) Unemployment insurance	724.00	241,946.70	231,313.60	11,357.10
(5) Work injury insurance	19,577.28	250,599.17	265,972.35	4,204.10
(6) Maternity insurance	-22,264.01	265,293.88	238,432.84	4,597.03
4. Housing fund	486,079.58	3,755,620.61	3,520,830.96	720,869.23
5. Trade union expenses and staff education expenses	7,435,352.74	3,324,212.64	3,489,338.78	7,270,226.60
6. Non-monetary welfare				
7. Compensation for the cancellation of work relationship	17,535,912.00	1,176,005.59	5,866,855.22	12,845,062.37
8. Worker bonus and benefits fund		---		
9. Others	459,200.06	5,011,455.92	4,220,027.07	1,250,628.91
Including: Shares paid in cash	---			
<b>Total</b>	<u>86,764,697.85</u>	<u>133,760,506.03</u>	<u>170,091,730.66</u>	<u>50,433,473.22</u>

## 6.21 Taxes payable

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in</u> <u>year-begin</u>
VAT	3,403,786.64	-2,892,250.53
Business tax	796,753.00	968,861.79
City maintenance & construction tax	241,402.69	238,286.04
Income tax	23,605,158.24	13,272,754.46
Real estate tax	286,343.82	282,980.01
Stamp duty	30,607.89	99,746.13
Land use tax	233,985.88	423,633.76



<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Individual income tax	5,786,876.59	810,138.20
Education surcharge	123,862.21	131,548.20
River maintenance expenses	---	2,254.20
Flood prevention and security fund	367,800.16	1,528,490.03
Others	2,121,647.16	254,866.61
<b>Total</b>	<b>36,998,224.28</b>	<b>15,121,308.90</b>

## 6.22 Interests payable

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Interests of bank loan	168,367.50	742,393.70
Interests of share-holding company	127,575.00	---
<b>Total</b>	<b>295,942.50</b>	<b>742,393.70</b>

## 6.23 Dividends payable

<u>Name of investor</u>	<u>Unpaid dividends in period-end</u>	<u>Reason</u>
Zhou Fuying	2,000,000.00	Unpaid

## 6.24 Other payables

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Other payables	355,765,667.14	308,422,007.24

(a) Among balance in period-end, the accounts attributable to the shareholders that hold more than 5%(including 5%) shares of the Company amounted to RMB 168,644,306.73.

(b) Among balance in period-end, the accounts attributable to related parties amounted to RMB 174,416,961.37 with accounting for 49.03% in other account payable in period-end amount. For particulars see Note 8.

### (c) Significant other payables

<u>Item</u>	<u>Amount</u>	<u>Nature/Content</u>
Sinopharm Medicine Holding Co. Ltd	168,644,306.73	Loan of RMB 160,000,000, special funds of RMB 6,481,400 for disaster relief allocated by Sinopharm Medicine Holding Co., Ltd., RMB 2,162,900 profits payable to original shareholders from purchasing Nanning Company according to the agreement from

evaluation base date to the date of completing equity transfer

Sales expenses (unpaid sales expenses)	132,240,104.43	Unpaid sales expenses
Yang Qiaoming	10,350,000.00	Unpaid amount of equity transfer
Sino-American Shanghai Squibb Pharmaceuticals Co., Ltd.	3,371,824.54	Sales discount
Shantou Chuangmei Pharmaceuticals Co., Ltd.	2,031,278.66	Sales discount

### 6.25 Non-current liabilities maturing within one year

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Long-term loan	---	57,720,000.00

#### (a) Long-term loan maturing within one year

<u>Category of loan</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Guaranteed loan	---	57,720,000.00

Name of loaner	Beginning date	Ending date	<u>Amount in period-end</u>			<u>Amount in year-begin</u>		
			Interest rate	Currency	Amount	Interest rate	Currency	Amount
China Merchants Bank, Anlian Branch	2006.8.24	2009.8.24	---	---	---	6.804 %	RM B	57,720,000.00

### 6.26 Long-term loan

<u>Loan units</u>	<u>Currency</u>	<u>Term of loan</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
China Merchants Bank, Anlian Branch	RMB	Guaranteed	60,000,000.00	30,000,000.00

Name of loaner	Beginning date	Ending date	<u>Amount in period-end</u>			<u>Amount in year-begin</u>		
			Interest rate	Currency	Amount	Interest rate	Currency	Amount
China Merchants	2008.8.21	2011.8.21	4.86%	RMB	30,000,000.00	7.56%	RMB	30,000,000.00

Bank, Anlian Branch								0
China Merchants Bank, Anlian Branch	2009.4.30	2011.4.30	4.86%	RMB	30,000,000.00	---	---	---
<b>Total</b>					60,000,000.00			30,000,000.00

### 6.27 Long-term payables

<u>Category</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Financial compensation for employees	48,640.20	51,261.00

### 6.28 Specific items payable

<u>Project name of appropriation</u>	<u>Amount in year-begin</u>	<u>Increases</u>	<u>Carry-over</u>	<u>Amount in period-end</u>
Specific funds appropriation from government	800,000.00	---	---	800,000.00
<b>Total</b>	<u>800,000.00</u>	<u>---</u>	<u>---</u>	<u>800,000.00</u>

### 6.29 Other non-current liabilities

<u>Item</u>	<u>Amount in period-end</u>	<u>Amount in year-begin</u>
Central Medicine reserve fund	35,061,743.31	35,061,743.31
Guangxi Public Finance Office (local medical reserve fund)	6,500,000.00	6,500,000.00
<b>Total</b>	41,561,743.31	41,561,743.31

### 6.30 Share capital

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

	<u>Amount in period-end</u>		<u>Amount in year-begin</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:

	Before this change		Increases (+) or Decreases (-)					After this change	
	Amount	Proportion	Issuance of new shares	Gift share	Shares transferred from public reserve fund	Other	Subtotal	Amount	Proportion
1. Shares with trading restriction	83,979,827	29.14%				-83,973,541	-83,973,541	6,286	0.00%
(1) State-owned shares									
(2) State-owned legal entity shares	83,971,446	29.14%				-83,971,446	-83,971,446	0	0.00%
(3) Other domestic shares									
including : Shares held by non-state-owned legal entity									
Domestic natural person's shares									
(4) Foreign shares									
including: Foreign legal entity shares									
Foreign natural person's shares									
(5) Execusitive shares	8,381	0.00%				-2,095	-2,095	6,286	0.00%
2. Shares with no trade restriction	204,169,573	70.86%				83,973,541	83,973,541	288,143,114	100.00%
(1) CNY ordinary shares	149,283,973	51.81%				83,973,541	83,973,541	233,257,514	80.95%
(2) Domestically listed foreign shares	54,885,600	19.05%						54,885,600	19.05%
(3) Overseas listed foreign shares									
(4) Others									
Total shares with no trade restriction	288,149,400	100.00%						288,149,400	100.00%

Note: In accordance with the *Notice of Implementation of the Share Merger Reform Prospectus 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 28, 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 28, 2009). As of June 30, 2009 ended, 161,912,520 shares with trade restrictions can be listed for circulation.

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; the third batch of circulation share with trade restrictions amounting to 83,971,446 shares have been listed for circulation on May 18, 2009 Listed in circulation

### 6.31 Capital reserves

<u>Item</u>	<u>Amount in</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount in per</u>
	<u>year-begin</u>			<u>iod-end</u>

## 1. Capital premium (share premium)

(1) Influences of consolidation of enterprises under the same control	---	---	---	---
	29,500,000.00	---	29,500,000.00	---
Subtotal	---	---	---	---
2. Other capital reserves	---	---	---	---
(1) Other changes in owner's equity except net profit and loss in invested units	2,405,516.57	---	25,500.00	2,380,016.57
(2) Others	2,650,322.00	---	---	2,650,322.00
Subtotal	5,055,838.57	---	---	5,055,838.57
<b>Total</b>	<u>34,555,838.57</u>	<u>---</u>	<u>29,525,500.00</u>	<u>5,030,338.57</u>

**6.32 Surplus reserves**

<u>Item</u>	<u>Amount in year-begin</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount in period-end</u>
Statutory Surplus Reserves	9,761,340.26	---	458,275.95	9,303,064.31

The surplus reserves increased RMB 458,275.95 in year-begin and decreased RMB 458,275.95 in this period, which was mainly due to purchase enterprise Sinopharm Medicine Holding Nanning Co., Ltd. under the same control.

**6.33 Undistributed profit**

<u>Item</u>	<u>Amount</u>
Balance at the end of last year	325,539,438.06
Plus: Changes in accounting policies	----
Mistakes in last period rectified	----
Balance at the beginning of this year	325,539,438.06
Plus: Net profit attributable to the parent company of current year	98,783,895.04
Charge to the gains of the possessors' equity directly	39,664,537.80
Minus: Extract for statutory surplus reserves	----
Extract for arbitrary surplus reserves	----
The possessors reduce the capital	1,533,793.17
Distribution to the possessors and shareholders	28,828,019.86
Equity of possessors inner carry forward	61,027.88
Plus: Others carry in	---
Plus: Surplus reserves cover the deficit	---
Balance at the end of this period	433,565,029.99

Note: Due to purchase enterprise Sinopharm Medicine Holding Nanning Co., Ltd. under the same

control in the report period, the beginning balance of current year grew by RMB 61,027.88 than the ending balance of last year.

### 6.34 Operating revenue and cost

<u>Item</u>	Current period		The same period of previous year	
	<u>Revenue</u>	<u>Cost</u>	<u>Revenue</u>	<u>Cost</u>
Principal business	5,003,627,291.72	4,590,482,121.50	4,064,547,840.97	3,718,616,396.94
Other business	34,853,378.49	13,026,420.88	19,184,407.82	2,898,069.27
<b>Total</b>	<b>5,038,480,670.21</b>	<b>4,603,508,542.38</b>	<b>4,083,732,248.79</b>	<b>3,721,514,466.21</b>

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

<u>Item</u>	Operating revenue		Operating cost	
	Current period	The same period of previous year	Current period	The same period of previous year
Industry — Medicine	565,810,519.21	384,067,534.64	421,226,367.16	285,681,530.15
Commerce - Medicine wholesale	4,829,413,399.00	3,819,436,674.30	4,611,984,347.96	3,618,671,820.74
Commerce - Medicine retail	249,195,475.02	226,193,642.34	204,431,144.67	178,016,550.26
Non-medicine trade	32,177,790.38	11,216,772.22	28,452,773.29	7,436,225.28
Leasehold	6,875,468.90	2,208,245.35	2,250,911.98	888,165.63
Subtotal	5,683,472,652.51	4,443,122,868.85	5,268,345,545.06	4,090,694,292.06
Writing-off in the Company	679,845,360.79	378,575,027.88	677,863,423.56	372,077,895.12
<b>Total</b>	<b>5,003,627,291.72</b>	<b>4,064,547,840.97</b>	<b>4,590,482,121.50</b>	<b>3,718,616,396.94</b>

#### (b) Top five clients in operating revenue of principal business of the Company

Name or rank of clients	Total revenue of principal business	Proportion in the total revenue of principal business of the the Company
Guangdong People's Hospital	84,370,045.18	1.69%
No. 1 Hospital Affiliated to Sun Yat-sen University	52,295,647.94	1.05%
The First Affiliated Hospital of Guangxi Medical University	50,918,305.51	1.02%
Shantou Chuangmei Pharmaceutical Co., Ltd.	49,474,735.43	0.99%
Shenzhen No. 2 People's Hospital	45,881,734.67	0.92%

### 6.35 Taxes and surcharges on operations

<u>Item</u>	Current period	The same period of previous year
Business tax	3,056,199.67	1,321,071.50

City maintenance & construction tax	980,411.50	1,592,219.98
Education surcharge	1,331,629.52	1,371,678.04
Others	618,551.52	160,174.11
<b>Total</b>	<b>5,986,792.21</b>	<b>4,445,143.63</b>

### 6.36 Financial expenses

<u>Category</u>	Current period	The same period of previous year
Interest expenses	18,713,836.03	27,829,480.09
Less: Interest income	882,829.53	2,060,341.11
Exchange loss	110,384.48	---
Less: Exchange gain	438,416.71	618,126.85
Others	3,465,165.13	3,046,874.31
<b>Total</b>	<b>20,968,139.40</b>	<b>28,197,886.44</b>

### 6.37 Impairment loss on assets

<u>Item</u>	Current period	The same period of previous year
Bad debt loss	2,079,999.10	-861,746.33
Impairment loss on inventory	3,362,382.31	-3,201,544.49
Impairment loss on long-term equity investments	---	---
Others	---	---
<b>Total</b>	<b>5,442,381.41</b>	<b>-4,063,290.82</b>

### 6.38 Investment income

<u>Subject or name of the invested unit</u>	Current period	The same period of previous year
1、Investment income of financial assets		
(1) Investment income from holding of financial assets available for sale	---	---
(2) Investment income from disposal of financial assets available for sale	---	---
2. Income from long-term equity investment		
(1) Recognized with cost method (1 company in total )	---	---
(2) Recognized with equity method (2 companies in total )	8,560,339.50	6,631,487.03
(3) Investment income from disposal of long-term equity investment	14,195,481.42	---

<b>Total</b>	22,755,820.92	6,631,487.03
--------------	---------------	--------------

Among which

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

Name of invested unit	Current period	The same period of previous year
China Associate Co., Ltd.	---	---

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

Name of invested unit	Current period	The same period of previous year
Shenzhen Main Luck Pharmaceutical Co., Ltd.	9,367,032.66	6,230,530.88
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd.	-806,693.16	400,955.15
<b>Total</b>	8,560,339.50	6,631,486.03

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

Name of invested unit	Current period	The same period of previous year
Guangdong Yizhi Pharmaceutical Co., Ltd.	8,247,542.74	---
Guangxi Yizhi Pharmaceutical Chain Co., Ltd.	5,947,938.68	---
Shenzhen Yizhi Pharmaceutical Chain Co., Ltd.	---	1.00
<b>Total</b>	14,195,481.42	1.00

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

### 6.39 Non-operating profit

<u>Item</u>	Current period	The same period of previous year
1. Total income from disposal of non-current assets	41,110.30	4,630,453.03
Including: Income from disposal of fixed assets	41,110.30	4,630,453.03
Income from disposal of intangible assets	---	---
2. Subsidy from government	1,698,590.20	5,436,255.00
3. Others	522,325.58	96,897.43
<b>Total</b>	2,262,026.08	10,163,605.46



**6.40 Non-operating expenses**

<u>Item</u>	Current period	The same period of previous year
1. Total loss for disposal of non-current assets	178,127.36	113,433.04
including: Loss for disposal of fixed assets	178,127.36	113,433.04
2. Beneficent donation	---	371,311.93
3. Loss for inventory shortage	---	200.00
4. Others	68,896.36	213,641.10
<b>Total</b>	<u>247,023.72</u>	<u>698,586.07</u>

**6.41 Income tax expenses**

<u>Item</u>	Current period	The same period of previous year
Income tax expenses of the report period	32,025,221.22	20,363,801.03
Deferred income tax expenses	1,997,603.72	-401,305.66
<b>Total</b>	<u>34,022,824.94</u>	<u>19,962,495.37</u>

**6.42 Government subsidies**

Category and amount of subsidies from government

<u>Category</u>	Current period	The same period of previous year
Medicine reserve appropriation	572,590.20	2,926,500.00
Financial support to enterprises for R & D investment	---	469,755.00
Financial support to enterprise technical center	500,000.00	---
Subsidies for R&D	---	1,800,000.00
Medicine reserve appropriation	570,000.00	---
Others	56,000.00	240,000.00
<b>Total</b>	<u>1,698,590.20</u>	<u>5,436,255.00</u>

**6.43 Notes to cash flow statement****(a) Other cash receipts related to operating activities**

<u>Item</u>	Current period
Interest income	4,092,754.67
Government subsidies	1,698,590.20
Current account	54,277,251.10
Others	20,870,514.01

<b>Total</b>	<b>80,939,109.98</b>
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**(b) Other cash payments related to operating activities**

<u>Item</u>	Current period
Transportation expenses	25,345,763.90
Rentals	22,973,830.11
R& D expenses	6,935,896.46
Advertisement expenses	8,155,583.30
Service charge	3,185,081.62
Other expenses	149,276,347.97
<b>Total</b>	<b>215,872,503.36</b>

**(c) Other cash receipts related to financing activities**

<u>Item</u>	Current period
Loan from Sinopharm Holdings	219,141,489.35

**(d) Other cash payments related to financing activities**

<u>Item</u>	Current period
Return loan from Sinopharm Holdings	99,263,914.42

**(e) Supplementary information of cash flow statement**

<u>Item</u>	Current period	The same period of previous year
1. Adjust net profit to the cash flow of operating activities		
Net profit	103,387,187.70	84,243,970.59
Plus: Provision for asset impairment	5,442,381.41	-4,063,290.82
Depreciation of fixed assets, depletion of oil and natural gas assets and depreciation of bearer biological assets	14,787,584.97	21,190,400.68
Amortization of intangible assets	6,867,126.50	1,181,380.57
Amortization of long-term deferred expenses	3,784,007.44	2,883,431.61
Loss from disposals of fixed assets, intangible assets and other long-term assets (income is listed with “- ”)	137,017.06	-4,472,812.01
Loss on discarding of fixed assets (income is listed with “- ”)	---	71,766.24
Loss from changes in fair values (income is listed with “- ”)	---	---
Financial expenses (income is listed with “- ”)	18,713,836.03	30,195,661.30
Investment loss (income is listed with “- ”)	-22,755,820.92	-6,631,487.03
Decreases in deferred income tax assets (increase is listed with “- ”)	3,040,151.80	1,408,952.87

Increases in deferred income tax liabilities (decrease is listed with “- ”)	6,383,179.25	-146,969.13
Decreases in inventories (income is listed with “- ”)	26,146,260.72	-105,983,374.39
Decreases in operating receivables (increase is listed with “- ”)	-348,496,221.00	-280,836,210.02
Increases in operating payables (decrease is listed with “- ”)	333,633,198.95	366,789,398.30
Others	---	---
Net cash flows from operating activities	151,069,889.91	105,830,818.76
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	498,715,551.46	377,513,385.06
Deduct: Beginning balance of cash	381,663,418.93	279,915,342.78
Plus: ending balance of cash equivalents	---	---
Deduct: beginning balance of cash equivalents	---	---
Net increases of cash and cash equivalents	117,052,132.53	97,598,042.28

## 7 Notes to the main items of financial statement of parent company (Monetary unit is RMB and the amount is the ending balance unless otherwise stated.)

### 7.1 Accounts receivable

#### (a) Structure of accounts receivable

<u>Account age</u>	<u>Amount in period-end</u>				<u>Amount in year-begin</u>			
	<u>Book balance</u>	<u>Proportion</u>	<u>Provision for</u>	<u>Provision</u>	<u>Book balance</u>	<u>Proportion</u>	<u>Provision for</u>	<u>Provision</u>
		<u>in total</u>		<u>rate for</u>		<u>in total</u>		<u>rate for</u>
Within one year (inclusive)	295,235,521.30	100%	1,680,786.88	0.57%	244,968,183.47	100.00%	1,666,380.37	0.68%

<u>Category</u>	<u>Amount in period-end</u>				<u>Amount in year-begin</u>			
	<u>Book balance</u>	<u>Proportion</u>	<u>Provision for</u>	<u>Provision</u>	<u>Book balance</u>	<u>Proportion</u>	<u>Provision for</u>	<u>Provision</u>
		<u>in total</u>		<u>rate for</u>		<u>in total</u>		<u>rate for</u>
1) Significant individual amount with separate provision for impairment loss	---	---	---	---	25,245,382.74	10.30%	408,783.47	1.62%

2) Insignificant individual amount with separate provision for impairment loss	1,680,786.88	0.57%	1,680,786.88	100%	2,859,980.56	1.17%	1,257,596.90	43.97%
3) Other amounts which are classified into the same group with similar credit risk features	293,554,734.42	99.43%	---	---	216,862,820.17	88.53%	---	---
Among which: significant individual amount	153,072,146.78	51.85%	---	---	85,996,833.45	35.11%	---	---
Insignificant individual amount	140,482,587.64	47.58%	---	---	130,865,986.72	53.42%	---	---
Among which: Insignificant individual amounts which have high risk after classified into the same group with similar credit risk features	---	---	---	---	---	---	---	---
Total	<u>295,235,521.30</u>	---	<u>1,680,786.88</u>	---	<u>244,968,183.47</u>	100.00%	<u>1,666,380.37</u>	

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

	<u>Book balance in</u>	<u>Provision in</u>	<u>Decreases</u>		<u>Book balance in</u>
	<u>year-begin</u>	<u>current period</u>	<u>Returned</u>	<u>Written off</u>	<u>period-end</u>
The year of 2008	1,314,112.28	363,845.97	---	11,577.88	1,666,380.37
The year of 2009	1,666,380.37	14,406.51	---	---	1,680,786.88

**(c) There is no accounts receivable actually written off in this period.**

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

**(e) In the end of the period, accounts receivable due to related parties amount to RMB 29,321,101.96, which accounts for 9.93% of the year-end balance of accounts receivable.**

**(f) Top five of accounts receivable in the year-end**

<u>Rank of debtors</u>	<u>Amount</u>	<u>Account age</u>	<u>Proportion of total amount</u>
Shenzhen People's Hospital	18,237,880.90	Within one year	6.18%
Shenzhen No. 2 People's Hospital	17,756,700.69	Within one year	6.01%
Shenzhen Accord Pharmaceutical Chains Co., Ltd.	14,449,031.57	Within one year	4.89%
Shenzhen Hospital Affiliated to Beijing University	11,753,724.52	Within one year	3.98%

Shenzhen Traditional Chinese 10,223,154.75 3.46%  
 Medicine Hospital Within one year

## 7.2 Other receivables

### (a) Structure of other receivables

Account age	Amount in period-end				Amount in year-begin			
	Book balance	Proportion	Provision for bad debts	Provision	Book balance	Proportion	Provision for bad debts	Provision
		in total amoun		rate for bad debt		in total amoun		rate for bad debt
Within one year (inclusive)	389,797,813.91	96.67%	---	---	240,313,262.87	94.44%	---	---
1-2 years(2 years inclusive)	68,135.00	0.01%	3,406.75	5.00%	68,135.00	0.03%	3,406.75	5.00%
2-3 years(3 years inclusive)	1,179.81	0.00%	1,179.81	100%	1,179.81	0.00%	1,179.81	100.00%
Over 3 years	13,374,579.90	3.32%	13,374,579.90	100%	14,074,579.90	5.53%	12,036,747.94	85.52%
Total	403,241,708.62	100%	13,379,166.46	----	254,457,157.58	100%	12,041,334.50	----

Category	Amount in period-end				Amount in year-begin			
	Book balance	Proportion	Provision for bad debts	Provision	Book balance	Proportion	Provision for bad debts	Provision
		in total amoun		rate for bad debt		in total amoun		rate for bad debt
1) Significant individual amount with separate provision for impairment loss	13,374,579.90	3.32%	13,374,579.90	100.00%	14,074,579.90	5.53%	12,036,747.94	85.52%
2) Insignificant individual amount with separate provision for impairment loss	1,179.81	-----	1,179.81	100.00%	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	389,865,948.91	96.68%	3,406.75	0.00%	240,381,397.87	94.47%	3,406.75	0.00%
Among which:								
significant individual amount	387,221,191.02	96.00%	--	--	225,441,663.00	88.60%	---	---
Insignificant individual amount	2,644,757.89	0.68%	3,406.75	0.13%	14,939,734.87	5.87%	3,406.75	0.02%

Among which:  
Insignificant  
individual amounts  
which have high  
risk after classified  
into the same  
group with similar  
credit risk features

	---	---	---	---	---	---	---
Total	<u>403,241,708.62</u>	100%	<u>13,379,166.46</u>	--	<u>254,457,157.58</u>	100%	<u>12,041,334.50</u>

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

	<u>Book balance</u> <u>in year-begin</u>	<u>Provision in</u> <u>current</u> <u>period</u>	<u>Decreases</u>		<u>Book balance</u> <u>in period-end</u>
			<u>Returned</u>	<u>Written off</u>	
The year of 2008	14,634,222.45	---	2,592,887.95	---	12,041,334.50
The year of 2009	12,041,334.50	1,337,831.96	---	---	13,379,166.46

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

<u>Rank of significant individual</u> <u>accounts</u>	<u>Amount</u>	<u>Provision</u> <u>rate</u>	<u>Reason</u>
Shenzhen Yinghai Technology Investment Co., Ltd.	8,980,000.00	100%	Uncertainty in recovery
Shenzhen Pharmaceutical Health Products Imp. & Exp. Co., Ltd.	4,394,579.90	100%	Uncertainty in recovery
Shenzhen Pharmaceutical Manufacture & Supply General Company	1,179.81	100%	Uncertainty in 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 the report period**

<u>Name of company</u>	<u>Amount of</u> <u>recovery or</u> <u>claim</u>	<u>Way of</u> <u>recovery</u>	<u>Reason for previous provision</u> <u>proportion</u>	<u>Reasonableness</u> <u>for previous</u> <u>provision</u> <u>proportion</u>
Shenzhen Pharmaceutical Health Products Import & Export Co., Ltd.	700,000.00	Cash	Unreturned for a long-term	Reasonable

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

**(g) Other accounts receivable in year-end which are due to related parties amount to RMB 387,231,436.19, which accounts for 96.03% of the ending balance of other accounts receivable.**

**(h) Top five other receivables**

<u>Rank of creditor</u>	<u>Nature/Content</u>	<u>Amount</u>	<u>Aging</u>	<u>Proportion of total amount</u>
Sinapharm Medicine Holding (Guangzhou) Co., Ltd.	Current account	235,139,079.00	Within one year	58.30%
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Current account	57,074,252.63	Within one year	14.15%
Guangzhou Pharmaceutical Co., Ltd.	Yuexing Current account	22,000,000.00	Within one year	5.45%
Suzhou Zhijun Pharmaceutical Co., Ltd.	Wanqing Current account	17,000,000.00	Within one year	4.21%
Shenzhen Jianmin Medicine Co., Ltd.	Current account	15,694,550.85	Within one year	3.89%

**7.3 Long-term equity investments**

	<u>Amount in period-end</u>		<u>Amount in year-begin</u>	
	<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	578,816,997.83	---	299,906,100.66	---
Long-term equity investments calculated on an equity basis	62,660,833.81	---	21,955,562.26	---
Long-term equity investments calculated on a cost basis	9,584,126.69	7,689,226.69	9,584,126.69	7,689,226.69
Total	<u>651,061,958.33</u>	<u>7,689,226.69</u>	<u>331,445,789.61</u>	<u>7,689,226.69</u>

**(a) Investment in subsidiaries**

Name of subsidiaries	Initial amount	Balance in the year-begin	Increases	Decreases	Balance in the period-end
Zhijun Pharm.	73,903,284.87	73,903,284.87	---	---	73,903,284.87
Jianmin Medicine	45,054,911.04	45,054,911.04	---	---	45,054,911.04
Accord Medical Materials	5,400,000.00	6,450,875.93	---	---	6,450,875.93
Accord Logistics	900,000.00	1,019,062.68	---	---	1,019,062.68
Sinopharm Guangzhou	58,283,114.68	85,440,323.63	---	---	85,440,323.63
Accord Drugstore	45,135,253.97	50,183,346.51	---	50,183,346.51	---
Zhijun Medicine Trade	3,006,866.42	3,006,866.42	---	---	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	4,987,919.71	---	---	4,987,919.71
Sinopharm Liuzhou	21,407,965.79	21,407,965.79	---	---	21,407,965.79
Huixin Investment	129,650,141.40	---	129,650,141.40	---	129,650,141.40
Hengchang Logistics	1,269,502.30	---	1,269,502.30	---	1,269,502.30
Yuexing Pharm.	19,436,738.82	---	19,436,738.82	---	19,436,738.82
Sinopharm Foshan	7,044,987.07	---	7,044,987.07	---	7,044,987.07
Dongguan Accord	2,742,000.00	---	2,742,000.00	---	2,742,000.00
Zhijun Wanqing Pharm.	136,448,072.71	---	136,448,072.71	---	136,448,072.71
Sinopharm Nanning	32,502,801.38	---	32,502,801.38	---	32,502,801.38
<b>Total</b>	<b>595,625,104.24</b>	<b>299,906,100.66</b>	<b>329,094,243.68</b>	<b>50,183,346.51</b>	<b>578,816,997.83</b>

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

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Balance in year-begin</u>	<u>Increases/decreases of equity</u>		<u>Balance in period-end</u>
			<u>Total</u>	<u>Including: distributed cash dividends</u>	
Joint ventures:					
Sinopharm Holdings					
Shenzhen Chinese Medicine Co., Ltd.	20,939,177.10	21,955,562.26	-806,693.16	---	21,148,869.10
Shenzhen Main Luck Pharmaceuticals Co., Ltd.	37,209,101.02	---	41,511,964.71	---	41,511,964.71
<b>Total</b>	<b>58,148,278.12</b>	<b>21,955,562.26</b>	<b>40,705,271.55</b>	<b>---</b>	<b>62,660,833.81</b>

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

<u>Name of invested unit</u>	<u>Initial investment amount</u>	<u>Book balance in year-begin</u>	<u>Increases or decreases</u>	<u>Book balance in period-end</u>	<u>Provision for impairment</u>
Liaoning & Accord Pharm. Chain Store Co., Ltd.	1,894,900.00	1,894,900.00	---	1,894,900.00	---
Shenzhen Medicine Trade Co., Ltd.	7,689,226.69	7,689,226.69	---	7,689,226.69	7,689,226.69
<b>Total</b>	<b>9,584,126.69</b>	<b>9,584,126.69</b>	<b>---</b>	<b>9,584,126.69</b>	<b>7,689,226.69</b>



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

<u>Name of invested unit</u>	<u>Amount in year-begin</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount in period-end</u>
Shenzhen Medicine Trade Co.Ltd.	7,689,226.69	---	---	7,689,226.69

**7.4 Operating revenue and cost**

<u>Item</u>	<u>Amount in the period</u>		<u>Amount in the same period of last year</u>	
	<u>Revenue</u>	<u>Cost</u>	<u>Revenue</u>	<u>Cost</u>
Principal business	755,626,160.89	718,662,831.64	651,785,101.70	618,395,338.59
Other business	1,840,615.77	164,655.97	1,635,688.85	98,484.65
Total	<u>757,466,776.66</u>	<u>718,827,487.61</u>	<u>653,420,790.55</u>	<u>618,493,823.24</u>

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

<u>Item</u>	<u>Revenue of principal business</u>		<u>Cost of principal business</u>	
	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>
Commerce - Medicine wholesale	755,626,160.89	651,785,101.70	718,662,831.64	618,395,338.59

**(b) Top five clients in operating revenue of principal business of the Company**

<u>Name or rank of clients</u>	<u>Total revenue of principal business</u>	<u>Proportion in the total revenue of principal business of the the Company</u>
Shenzhen Jianmin Medicine Co., Ltd.	116,407,491.84	15.41%
Shenzhen People's Hospital	42,510,282.42	5.63%
Shenzhen No. 2 People's Hospital	41,169,033.00	5.45%
Shenzhen Accord Pharmaceutical Chains Co., Ltd.	38,276,337.29	5.07%
Shenzhen Hospital Affiliated to Beijing University	32,911,264.32	4.36%

**7.5 Investment income**

<u>Item</u>	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>
Income from long-term equity investment		
(1) Recognized with cost method (13 companies in total)	177,066,870.99	64,719,714.95

(2) Recognized with equity method (2 companies in total)	3,496,170.53	400,955.15
(3) Investment income from disposal of long-term equity investment	15,271,949.88	---
Total	195,834,991.30	65,120,670.10

Among which:

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

<u>Name of invested unit</u>	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>
Zhijun Pharm.	85,812,844.18	63,172,883.92
Zhijun Medicine Trade	828,538.78	197,121.50
Jianmin Medicine	580,312.43	---
Accord Medical Materials	1,641,503.37	1,008,897.99
Accord Logistics	119,049.45	11,961.59
Sinopharm Guangzhou	66,867,908.99	---
Accord Drugstore	27,088.83	328,849.95
Guangxi Accord Pharm.	54,026.63	---
Sinopharm Liuzhou	5,100,000.00	---
Huixin Investment	11,035,034.81	---
Guangdong Yuexing Pharm.	4,756,630.35	---
Hengchang Logistics	128,507.18	---
Sinopharm Foshan	115,425.89	---
Total	177,066,870.89	64,719,714.95

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

<u>Name of invested unit</u>	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd.	-806,693.16	400,955.15
Shenzhen Main Luck Pharmaceuticals Co., Ltd.	3,740,178.25	---
Total	2,933,485.09	400,955.15

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

<u>Name of invested unit</u>	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>
Guangdong Accord Drugstore Co., Ltd.	15,271,949.88	---

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

## 7.6 Supplementary information of cash flow statement

<u>Item</u>	<u>Amount in the period</u>	<u>Amount in the same period of last year</u>
1. Adjust net profit to the cash flow of operating activities		
Net profit	191,002,210.11	63,749,899.63
Plus: Provision for asset impairment	---	-624,297.94
Depreciation of fixed assets, depletion of oil and natural gas assets and depreciation of bearer biological assets	2,788,534.15	2,703,822.35
Amortization of intangible assets	665,232.92	637,678.61
Amortization of long-term deferred expenses	16,515.36	17,731.88
Loss from disposals of fixed assets, intangible assets and other long-term assets (income is listed with “- ”)	26,362.97	13,489.41
Loss on discarding of fixed assets (income is listed with “- ”)	---	---
Loss from changes in fair values (income is listed with “- ”)	---	---
Financial expenses (income is listed with “- ”)	615,973.65	795,087.66
Investment loss (income is listed with “- ”)	-195,834,991.30	-65,120,670.10
Decreases in deferred income tax assets (increase is listed with “- ”)	---	---
Increases in deferred income tax liabilities (decrease is listed with “- ”)	---	---
Decreases in inventories (income is listed with “- ”)	5,351,947.20	-8,063,572.98
Decreases in operating receivables (increase is listed with “- ”)	-11,144,718.07	-70,616,045.58
Increases in operating payables (decrease is listed with “- ”)	92,854,083.74	103,403,226.26
Others	---	---
Net cash flows from operating activities	86,341,150.73	26,896,349.20
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	83,065,822.65	103,962,060.24
Deduct: Beginning balance of cash	62,369,583.65	54,841,676.10
Plus: ending balance of cash equivalents	---	---
Deduct: beginning balance of cash equivalents	---	---
Net increases of cash and cash equivalents	20,696,239.00	49,120,384.14

## 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 required), logistics and relevant consultation	Controlling shareholder of the Company	Limited liability company (state-owned controlling)	She Lulin	74618434-4

The proportion of shareholding and voting power held by the parent company in the Company are 38.33% and 38.33% respectively. The ultimate holding company of the Company is China National Pharmaceutical Group Corporation

For related parties controlled by the Company, see Note 5.

**(b) Registered capital and changes in registered capital of related party with controlling relationship (in RMB '0000)**

Name of company	Amount in year-begin	Increases	Decreases	Amount in period-end
Sinopharm Medicine Holding Co., Ltd.	163,704	---	---	163,704
Shenzhen Zhijun Pharmaceutical Co., Ltd.	6,900	---	---	6,900
Shenzhen Jianmin Medicine Co., Ltd.	500	---	---	500
Shenzhen Accord Medical Materials Co., Ltd.	600	---	---	600
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	189	---	---	189
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 Chinese Herbal Pieces Co., Ltd.	200	---	---	200
Guangdong Huixin Investment Co., Ltd.	5,000	---	---	5,000
Sinopharm Holdings Foshan Co., Ltd.	200	---	---	200
Guangdong Yuexing Pharmaceutical Co., Ltd.	300	---	---	300
Guangdong Hengchang Logistics Co., Ltd.	54	---	---	54
Training Center	3	---	---	3

Name of company	Amount in year-begin	Increases	Decreases	Amount in period-end
Guangxi Accord Pharmaceutical Co., Ltd.	500	---	---	500
Dongguan Accord Pharmaceutical Co., Ltd.	280	---	---	280
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	3,900	4,100	---	8,000
Sinopharm Holdings Nanning Co., Ltd.	2,900	---	---	2,900

**(c) Shareholdings and changes in shareholdings of related parties with controlling relationship (in RMB '0000)**

Name of Company	Amount in year-begin		Increases		Decreases		Amount in period-end	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Sinopharm Medicine Holding Co., Ltd.	11,278.64	39.14	---	---	232.67	0.81	11,045.97	38.33
Shenzhen Zhijun Pharmaceutical Co., Ltd.	6,900.00	100	---	---	---	---	6,900.00	100
Shenzhen Jianmin Medicine 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. Chains 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
Sinopharm Holdings Guangzhou Co., Ltd.	5,000.00	100	---	---	---	---	5,000.00	100
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. Chains Co., Ltd.	200.00	100	---	---	200.00	100	---	---
Guangxi Accord Chinese Herbal Pieces Co., Ltd.	200.00	100	---	---	---	---	200.00	100
Guangdong Huixin	5,000.00	100	---	---	---	---	5,000.00	100

Name of Company	Amount in year-begin		Increases		Decreases		Amount in period-end	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Investment Co., Ltd.								
Sinopharm Holdings Foshan Co., Ltd.	200.00	100	---	---	---	---	200.00	100
Guangzhou Accord Pharm. Chains 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
Training Center	3.00	100	---	---	---	---	3.00	100
Guangxi Accord Pharmaceutical Co., Ltd.	500.00	100	---	---	---	---	500.00	100
Dongguan Accord Pharmaceutical Co., Ltd.	---	---	280.00	100	---	---	280.00	100
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	---	---	6,000.00	75	---	---	6,000.00	75
Sinopharm Holdings Nanning Co., Ltd.	2,900.00	100	---	---	---	---	2,900.00	100

**(d) Related parties without controlling relationship**

<u>Name of company</u>	<u>Relationship</u>
Beijing Zhongxin Pharmaceutical Co.	Same ultimate controlling shareholder
Guangdong East Uptodate & Special Medicines Co.	Same ultimate controlling shareholder
Guangdong Renbo Medical Equipment Co., Ltd.	Same ultimate controlling shareholder
Guangdong Tianliang Pharmaceutical 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
Sinopharm Chemical Reagent Co., Ltd. (Suzhou)	Same controlling shareholder
Union China National Medical Equipment Corp.	Same ultimate controlling shareholder
Sinopharm Beijing Medical Equipment Co., Ltd.	Same ultimate controlling shareholder
Sinopharm Shanghai Medical Equipment Co., Ltd.	Same ultimate controlling shareholder
China National Pharmaceutical Industry Co., Ltd.	Same ultimate controlling shareholder

<u>Name of company</u>	<u>Relationship</u>
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 Shanxi Co., Ltd.	Same controlling shareholder
Sinopharm Medicine Holding Shanghai Co., Ltd.	Same controlling shareholder
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	Same ultimate controlling shareholder and 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 Main Luck Pharmaceuticals 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
China Medicine Industry Co., Ltd.	Same ultimate controlling shareholder
Guangxi Zhuang Autonomous Region Nanning Pharmaceutical Wholesale Station	Same ultimate controlling shareholder
Guangxi Guoda Drugstore Chain Co., Ltd.	Same ultimate controlling shareholder
China Pharmaceutical Foreign Trade Co., Ltd.	Same ultimate controlling shareholder
Ningxia Guoda Drugstore Chain Co., Ltd.	Same controlling shareholder
Guangdong Accord Drugstore Co., Ltd	Same controlling shareholder
Shenzhen Accord Pharmaceutical Chains Co., Ltd.	Same controlling shareholder
Guangzhou Accord Drugstore Chains Co., Ltd.	Same controlling shareholder
Guangxi Accord Drugstore Chains Co., Ltd.	Same controlling shareholder
SinoPharm Holdings Ningxia Co., Ltd.	Same controlling shareholder

<u>Name of company</u>	<u>Relationship</u>
Reed Sinopharm Exhibitions Co., Ltd.	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**

Unit: (RMB) Yuan

Name of Company	Amount in the period	Amount in the same period of last period
Sinopham Medicine Holding Co.,Ltd.	265,826,487.48	-620.26
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	217,185,865.82	475,856,945.20
China National Medicines Co., Ltd.	53,010,106.57	54,560,198.67
Guangdong South Pharmaceutical Foreign Trade Corporation	29,424,950.56	17,729,497.75
China Pharmaceutical Foreign Trade Co., Ltd.	11,822,212.14	8,230,670.82
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	7,513,429.43	6,189,818.91
Guangdong East Uptodate & Special Medicines Co.	6,678,974.80	5,211,228.25
Union China National Medical Equipment Co., Ltd.	2,506,758.77	1,544,615.93
Shenzhen Main Luck Pharmaceuticals Co., Ltd.	1,806,047.49	---
Sinopham Medicine Holding Suzhou Co.,Ltd.	474,645.81	---
Sinopham Medicine Holding Hunan Co.,Ltd.	469,476.92	---
China National Group Co. of Traditional & Herbal Medicine	417,809.22	1,027,165.18
Sinopham Medicine Holding Shanghai Co.,Ltd.	152,759.53	6,478,850.82
China Medicine Industry Co., Ltd.	129,015.37	---
Sinopharm Shanghai Medical Equipment Co., Ltd.	97,531.81	83,825.76
Sinopharm Chemical Reagent Co., Ltd.	93,777.77	119,145.29
Sinopharm Chemical Reagent Co., Ltd. (Suzhou)	25,692.89	---
Beijing Zhongxin Pharmaceutical Co.	21,162.82	---
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	13,530.47	2,041,846.19
Sinopham Medicine Holding Co.,Ltd., Shanghai Branch	30.35	309,936.18
Guangdong Tianliang Pharmaceutical Co., Ltd.	---	-41.02
Hubei Yibao International Medicines Co., Ltd.	---	14,010.00
China Medicine Industry Co., Ltd.	---	33,511.11



Name of Company	Amount in the period	Amount in the same period of last period
Sinopham Medicine Holding Hunan Tianjian Co.,Ltd.	---	188,295.73
China National Pharmaceutical Foreign Trade Corporation Sales Affiliate	---	645,286.67
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	-231.92	1,159,668.58
Sinopham Medicine Holding Tianjin Co.,Ltd.	-8,838.42	7,496,898.31
Total	597,661,195.68	588,920,754.07

**(d) Sales to related parties**

Unit: (RMB) Yuan

Name of Company	Amount in the period	Amount in the same period of last period
Sinopharm Medicine Holding Shenyang Co., Ltd.	128,254,395.95	112,178,235.64
Sinopharm Medicine Holding Hubei Co., Ltd.	43,925,158.98	44,003,218.39
Sinopharm Medicine Holding Hunan Co., Ltd.	39,167,791.58	441,128.21
Sinopharm Medicine Holding Tianjin Co., Ltd.	34,448,422.73	28,760,352.32
Sinopharm Medicine Holding Tianjin Co., Ltd. Mongolia Branch	223,220.51	496,820.51
Sinopharm Medicine Holding Tianjin Co., Ltd. Tongliao Dongmeng Branch	-24,384.62	---
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	33,667,452.39	29,641,958.74
Sinopharm Medicine Holding Beijing Co., Ltd.	23,830,112.15	15,223,096.16
Hubei Yibao International Medicines Co., Ltd.	13,605,968.75	19,637,697.90
SinoPharm Medicine Holdings Ningxia Co., Ltd.	8,019,553.91	---
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	7,894,944.68	3,395,463.61
Sinopharm Medicine Holding Henan Co., Ltd.	6,109,133.55	---
Tianjin East Bokang Medicine Trade Co., Ltd.	5,924,107.52	3,810,580.75
Sinopharm Medicine Holding Co., Ltd.	5,809,967.15	2,046,077.70
Guangxi Guoda Drugstore Chain Co., Ltd.	5,201,274.94	5,518,954.54
Guangdong Tianliang Pharmaceutical Co., Ltd.	3,539,682.74	49,706.84
Sinopharm Medicine Holding Jiangsu Co., Ltd.	3,134,522.69	3,111,625.80
Sinopharm Medicine Holding Shanxi Co., Ltd.	2,750,136.22	1,689,533.92
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	1,517,425.64	-570.26
Guotou Pharmaceutical Anhui Co., Ltd.	1,346,222.52	---

Name of Company	Amount in the period	Amount in the same period of last period
China National Medicines Co., Ltd.	1,277,393.29	1,768,348.17
Guangdong East Uptodate & Special Medicines Co. Ltd.	1,256,350.10	1,275,485.23
Sinopharm Medicine Holding Zhejiang Co., Ltd.	494,443.74	55,823.58
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	180,403.69	2,157.54
Ningxia Guoda Drugstore Chain Co., Ltd.	98,787.31	---
Guangxi Wuzhou Huawu Medicine Co., Ltd.	73,990.31	114,260.93
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	955.75	---
Sinopharm Medicine Holding Suzhou Co., Ltd.	-7,402.14	190,068.38
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	-1,317,212.30	---
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	---	30,911,000.93
Sinopharm Medicine Holding Hubei Xinlong Medicine Co., Ltd. (Note)	---	2,593,198.24
Guangdong Erbo Medical Equipment Co., Ltd.	---	29,204.00
Guangdong South Pharmaceutical Foreign Trade Co. Ltd.	---	2,374.78
Total	370,402,819.73	306,945,802.55

Note: the company has become unrelated party this year.

#### (e) Balance of current account of related parties

Item	Amount in the period-end (‘0000)		Or: Percentage in total receivables (payables) (%)	
	June 30, 2009	Dec. 31, 2009	June 30, 2009	Dec. 31, 2009
<b>Notes receivable:</b>				
Sinopharm Medicine Holding Hunan Co., Ltd.	1,340.34	---	0.06	---
Sinopharm Medicine Holding Tianjian Co., Ltd.	238.08	---	0.01	---
Sinopharm Medicine Holding Shenyang Co., Ltd.	3,385.62	---	0.15	---
Hubei Yibao International Medicine Co., Ltd.	40.00	---	---	---
Total	5,004.04	---	0.22	---
<b>Account receivables:</b>				
Sinopharm Medicine Holding Shenyang Co., Ltd.	4,461.10	5,601.39	2.01	2.99
Sinopharm Medicine Holding Hunan Co., Ltd.	1,566.58	1,321.52	0.71	0.70
Shenzhen Accord Medicine Chain Co., Ltd.	1,525.41	---	0.69	---
Sinopharm Medicine Southwest Pharmaceutical Co.,	1,391.98	1,321.60	0.63	0.70

Item	Amount in the period-end ( '0000)		Or: Percentage in total receivables (payables) (%)	
	June 30, 2009	Dec. 31, 2009	June 30, 2009	Dec. 31, 2009
Ltd.				
Sinopharm Medicine Holding Hubei Co., Ltd.	1,269.03	5.64	0.57	0.00
Sinopharm Medicine Holding Beijing Co., Ltd.	956.48	809.73	0.43	0.43
Guangdong Accord Drugstore Co., Ltd	924.12	---	0.42	---
Sinopharm Medicine Holding Tianjin Co., Ltd.	823.52	916.92	0.37	0.49
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	367.96	84.95	0.17	0.05
Tianjin East Bokang Medicine Trade Co., Ltd.	311.43	133.58	0.14	0.07
Sinopharm Medicine Holding Ningxia Co., Ltd.	304.43	100.53	0.14	0.05
Sinopham Medicine Holding Co., Ltd	269.78	103.73	0.12	0.06
Hubei Yibao International Medicines Co., Ltd.	255.72	387.98	0.12	0.21
Guangdong Tianliang Pharmaceutical Co., Ltd.	226.14	---	0.10	---
Sinopharm Medicine Holding Shanxi Co., Ltd.	105.81	171.73	0.05	0.10
Sinopharm Medicine Northwest Pharmaceutical Co., Ltd.	103.10	17.41	0.05	0.01
Sinopharm Medicine Holding Henan Co., Ltd.	89.82	92.21	0.04	0.05
Sinopharm Medicine Holding Jiangsu Co., Ltd.	87.96	92.81	0.04	0.05
Guangxi Guoda Drugstore Chain Co., Ltd	84.23	0.21	0.04	---
Guotou Pharmaceutical Anhui Co., Ltd.	63.77	---	0.03	---
China National Medicines Co., Ltd.	25.47	38.27	0.01	0.02
Sinopharm Medicine Holding Zhejiang Co., Ltd.	25.25	1.43	0.01	---
Guangdong East Uptodate & Special Medicines Co. Ltd.	22.01	55.11	0.01	0.03
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	19.35	40.20	0.01	0.02
Guangzhou Accord Pharm Chain Store Co., Ltd.	14.89	---	0.01	---
Sinopharm Medicine Holding Tianjin Co., Ltd. Mongolia Branch	5.81	---	0.00	---
Guangxi Wuzhou Huawu Medicine Co., Ltd.	1.79	---	0.00	---
Sinopharm Medicine Holding Nanning Co., Ltd.	---	288.86	---	0.15
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	---	154.11	---	0.09
Sinopharm Medicine Holding Suzhou Co., Ltd.	---	4.54	---	---
Total	15,302.92	11,744.46	6.89	6.26
<b>Advance to suppliers:</b>				
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	586.14	---	14.77	---

Item	Amount in the period-end ( '0000)		Or: Percentage in total receivables (payables) (%)	
	June 30, 2009	Dec. 31, 2009	June 30, 2009	Dec. 31, 2009
China National Medicines Co., Ltd.	15.35	---	0.39	---
Reed Sinopharm Exhibitions Co., Ltd.	0.66	---	0.02	---
Total	602.15	---	15.58	---
<b>Notes payable:</b>				
China National Medicines Co., Ltd.	1,323.64	---	0.01	---
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	21,737.76	---	0.24	---
Sinopharm Medicine Holding Co., Ltd.,	13,141.37	---	0.14	---
China National Pharmaceutical Foreign Trade Corporation	261.82	---	---	---
Sinopharm Medicine Union Medical Treatment Equipment Company Limited	101.77	---	---	---
Total	36,566.35	---	0.40	---
<b>Accounts payable:</b>				
Sinopharm Medicine Group Shanghai Co., Ltd.	0.73	---	0.00	---
China Medicine Industry Co., Ltd.	5.73	---	0.00	---
China National Pharmaceutical Foreign Trade Corporation	464.22	535.92	0.29	0.37
China National Group Corp. of Traditional & Herbal Medicine	12.21	---	0.01	---
Shenzhen Main Luck Pharmaceutical Co. Ltd,	358.05	47.09	0.22	0.03
Shanghai Sinopharm Wai Gao Qiao Co., Ltd.	1,506.94	11,022.08	0.95	7.69
Hubei Yibao International Medicines Co., Ltd.	0.67	---	0.00	---
Sinopham Medicine Holding Co.,Ltd., Shanghai Branch	34.50	---	0.02	---
Sinopham Medicine Holding Tianjin Co.,Ltd.	0.16	80.64	0.00	0.06
Sinopham Medicine Holding Suzhou Co.,Ltd.	55.55	---	0.03	---
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	1.02	0.93	0.00	---
Sinopham Medicine Holding Nanning Co.,Ltd.	---	252.86	0.00	0.18
Sinopham Medicine Holding Jiangsu Co.,Ltd.	0.37	---	0.00	---
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	25.00	344.36	0.02	0.24
Sinopharm Medicine Holding Co., Ltd.	8,969.04	1,850.56	5.63	1.29
Sinopham Medicine Holding Beijing Co.,Ltd.	2.86	0.40	0.00	---
Sinopharm Medicine Logistics Co., Ltd.	18.25	---	0.01	---

Item	Amount in the period-end (‘0000)		Or: Percentage in total receivables (payables) (%)	
	June 30, 2009	Dec. 31, 2009	June 30, 2009	Dec. 31, 2009
China National Medicines Co., Ltd.	738.36	641.80	0.46	0.45
Sinopharm Medicine Southwest Pharmaceutical Co., Ltd.	0.00	---	0.00	---
Sinopharm Shanghai Medical Equipment Co., Ltd.	7.45	1.62	0.00	---
Union China National Medical Equipment Co., Ltd.	31.55	-21.08	0.02	-0.01
Sinopharm Chemical Reagent Co., Ltd.	1.89	---	0.00	---
Sinopharm Chemical Reagent Co., Ltd. (Suzhou)	2.57	---	0.00	---
Sinopharm Beijing Medical Equipment Co., Ltd.	0.88	0.88	0.00	---
Guangxi Wuzhou Huawu Medicine Co., Ltd.	0.28	---	0.00	---
Guangdong Accord Drugstore Co., Ltd.	1.43	---	0.00	---
Guangdong Tianliang Pharmaceutical Co., Ltd.	1.98	---	0.00	---
Guangdong Renbo Medical Equipment Co., Ltd.	0.05	0.05	0.00	---
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	19.49	---	0.01	---
Guangdong East Uptodate & Special Medicines Co. Ltd.	232.49	234.70	0.15	0.16
Beijing Zhongxin Pharmaceutical Co.	24.97	7.14	0.02	---
Sinopharm Medicine Group Shanghai Co., Ltd.	0.73	---	0.00	---
China Medicine Industry Co., Ltd.	5.73	---	0.00	---
China National Pharmaceutical Foreign Trade Corporation	464.22	535.92	0.29	0.37
China National Group Corp. of Traditional & Herbal Medicine	12.21	---	0.01	---
Sinopham Medicine Holding Shanghai Co.,Ltd.	---	438.81	---	0.31
<b>Total</b>	<b>12,518.68</b>	<b>14,999.94</b>	<b>7.86</b>	<b>10.47</b>
<b>Account received in advance:</b>				
Ningxia Guoda Pharmacy Chains Co., Ltd.	---	---	---	---
<b>Other payables:</b>				
Sinopharm Medicine Holding Co., Ltd.	16,864.43	6,000.00	47.40	19.45
Sinopharm Medicine Holding Guoda Drugstore Co., Ltd.	192.21	192.21	0.54	0.62
Guangxi Zhuang Autonomous Region Nanning Pharmaceutical Wholesale Station	158.37	---	0.45	---
Sinopham Medicine Holding Shanghai Co.,Ltd.	144.20	---	0.41	---
Sinopharm Medicine Logistics Co., Ltd.	80.00	80.00	0.22	0.26

Item	Amount in the period-end ( '0000)		Or: Percentage in total receivables (payables) (%)	
	June 30, 2009	Dec. 31, 2009	June 30, 2009	Dec. 31, 2009
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	2.49	2.49	0.01	---
Sinopharm Medicine Group Shanghai Co., Ltd.	---	1,533.06	---	4.97
Sichuan Industrial Institute of Antibiotics Co., Ltd.	---	285.18	---	0.92
Total	17,441.70	8,092.94	49.03	26.24

Note 1: 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 from Jan. to Jun., 2009.: China National Medicines Co., Ltd. RMB 139,100, Shanghai Sinopharm Wai Gao Qiao Co., Ltd. RMB 2,004,500 and Sinopharm Medicine Holding Co., Ltd. RMB 763,600.

(3) Sinopharm Holdings Guangzhou Co., Ltd., a subsidiary of the Company, has capital borrowings from Sinopharm Holdings Co., Ltd. with a total amount of capital occupancy charges RMB 3,927,500 from Jan. to Jun., 2009; Sinopharm Holdings Nanning Co., Ltd., a subsidiary of the Company, has capital borrowings from Sinopharm Holdings Co., Ltd. The total capital occupancy charges for Jan. to Jun., 2009 amount to RMB 1,100,100.

(4) The Company purchases 100% shares of Sinopharm Nanning which were previously held by Sinopharm Medicine Holding Co., Ltd. and Sinopharm Medicine Holding Shanghai Co.,Ltd., with a price of RMB 30,431,700 in this period.

(5) The Company transferred 100 percent equities of Guangdong Accord Drugstore Co., Ltd (including underling Shenzhen Accord Pharmaceutical Chains Co., Ltd. and Guangzhou Accord Drugstore Co., Ltd.) to Sinopharm Medicine Holding Co., Ltd. with the price of RMB 65,613,100 The subsidiary of the Company Sinopharm Medicine Holding Liuzhou Co., Ltd. transferred 100 percent equities of Guangxi Accord Drugstore Chains Co., Ltd. to Sinopharm Medicine Holding Co., Ltd. with the price of RMB 9,960,900.

## 9 Contingencies

Up to June 30,2009, the contingent liabilities of the Company from providing debt guarantee for related parties and other units are as follows:

Name of Guarantor	Name of Guarantee	Guarantee Amount (RMB'0000)	Start Date of Guarantee	Due Date of Guarantee	Influence on Financial Status of the Company
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Name of Guarantor	Name of Guarantee	Guarantee Amount (RMB'0000)	Start Date of Guarantee	Due Date of Guarantee	Influence on Financial Status of the Company
Shenzhen Accord Pharmaceutical Co., Ltd.	Shenzhen Zhijun Pharmaceutical Co., Ltd.	6,000	Aug. 21, 2008	Aug. 21, 2011	No unfavorable influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	10,000	Dec. 29, 2007	Dec. 29, 2009	No unfavorable influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	8,000	Aug. 28, 2008	Aug. 28, 2009	No unfavorable influence
Sinopharm Guangzhou Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	30,000	April 30, 2009	April 30, 2010	No unfavorable influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	5,000	May 27, 2009	May 27, 2010	No unfavorable influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	5,000	March 13, 2009	March 13, 2010	No unfavorable influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	8,000	May 26, 2009	Dec. 26, 2009	No unfavorable influence
Shenzhen Accord Pharmaceutical Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	10,000	Dec. 10, 2008	Dec. 10, 2009	No unfavorable influence
Shenzhen Accord Pharmaceutical Co., Ltd.	Sinopharm Liuzhou Co., Ltd.	3,000	Dec. 17, 2008	Dec. 16, 2009	No unfavorable influence
Shenzhen Accord Pharmaceutical Co., Ltd.	Sinopharm Liuzhou Co., Ltd.	5,000	April 1, 2009	April 1, 2010	No unfavorable influence
Shenzhen Accord Pharmaceutical Co., Ltd.	Sinopharm Guangzhou Co., Ltd.	40,000	April 13, 2009	April 13, 2010	No unfavorable influence

Name of Guarantor	Name of Guarantee	Guarantee Amount (RMB'0000)	Start Date of Guarantee	Due Date of Guarantee	Influence on Financial Status of the Company
					influence
Shenzhen Accord Pharmaceutical Co., Ltd.	Sinopharm Guangzhou Co., Ltd.	22,500	April 13, 2009	April 13, 2010	No unfavorable influence
Shenzhen Accord Pharmaceutical Co., Ltd.	Sinopharm Guangzhou Co., Ltd.	8,000	Sep. 1, 2008	Sep. 1, 2009	No unfavorable influence
Shenzhen Accord Pharmaceutical Co., Ltd., Sinopharm Medicine Holding Co., Ltd.	Sinopharm Guangzhou Co., Ltd.	21,000	Sep. 3, 2008 (the guarantee expiration for Sinopharm Medicine Holding); Nov. 11, 2008 (the guarantee expiration of RMB 50,000,000 for Shenzhen Accord Pharmaceutical Co., Ltd.	Sep. 3, 2009	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 Significant outsourcing contracts signed and being or to be executed:

Amount payables under significant outsourcing contracts of workshop renovation for Shenzhen Zhijun Pharmaceutical Co., Ltd., a subsidiary of the Company and office building decoration for Sinopharm Liuzhou 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	<u>6,685,600</u>
1-2 years	<u>338,000</u>
<u>Total</u>	<u>7,023,600</u>

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

Amount payables under an equipment purchasing contract signed by the subsidiaries of the Company, Shenzhen Zhijun Pharmaceutical Co., Ltd. and Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd., are as follows. This is a necessary expenditure in the normal course of the Company's operation.

<u>Period</u>	<u>Amount payable</u>
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Within one year 5,967,000

#### 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	6,796,000
1-2 years	976,400
2-3 years	976,400
Above 3 years	1,122,800
Total	9,871,600

#### 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 Other significant financial commitments

Shenzhen Zhijun Pharmaceutical Co., Ltd., a subsidiary of the Company, has pledged fixed asset such as house and building with original cost of RMB 52,466,044.11 as of June 30, 2009 to provide guarantee for the long-term bank loan of RMB 60,000,000.00. Meanwhile the loan was guaranteed by the Company.

#### 10.8 Execution of prior commitments

All have been executed according to the contracts.

#### 11 Future balance sheet accounting matters

There is no future balance sheet accounting matters should be explained.

#### 12 Other events

The Company purchased Sinopham Medicine Holding Nanning Co.,Ltd. under the same control in this period. According to Accounting Standard for BusinessEnterprise No. 20—Enterprise Merger, the Company made retroactive adjustment to the consolidated amount of the profit sheet and cash flow statement disclosed in Semi-annual report 2008 and the consolidated amount of balance sheet and statement of owners' equity changes in 2008 annual report.

#### 13 Supplementary Materials

##### 13.1 Non-recurring profit and loss attributable to ordinary shareholders of the year (profit +, loss —):

Item	Amount
1. Profit and loss of non-current assets disposal, including the offset amount which has been provided for asset impairment loss	-137,017.06
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	1,126,000.00
4. Fund possession cost reported in the current profit and loss and charged by non-financial enterprises	---

Item	Amount
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	2,483,497.55
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.	---
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	328,704.81
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	-74,948.29
23. Influence of income tax	-211,354.74
Total	3,514,882.27

### 13.2 Return on equity and earnings per share

Profit of the reporting period	Return on equity		Earnings per share (Yuan)	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	13.42%	13.96%	0.343	0.343
Net profit attributable to ordinary shareholders of the Company after	12.94%	13.47%	0.331	0.331

deducting non-recurring gain or loss

### (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

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; E<sub>0</sub> is the year beginning equity attributable to ordinary shareholders of the Company; E<sub>i</sub> 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<sub>j</sub> is reduced equity attributable to ordinary shareholders of the Company due to stock repurchase or cash dividend in the reporting period; M<sub>0</sub> is the number of months of the reporting period; M<sub>i</sub> is the number of months from the next month that equity is increased to the year end of the reporting period; M<sub>j</sub> is the number of months from the next month that equity is decreased to the year end of the reporting period; E<sub>k</sub> is the change of equity resulting from other transactions or events; M<sub>k</sub> 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

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; S<sub>0</sub> is the total number of shares at the beginning of the year; S<sub>1</sub> is the number of increased shares as a result of capitalization of reserves or scrip dividend during the reporting period; S<sub>i</sub> 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<sub>j</sub> is the number of reduced shares as a result of stock repurchase; S<sub>k</sub> is the number of consolidated shares in the reporting period; M<sub>0</sub> is the number of months of the reporting period; M<sub>i</sub> 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<sub>j</sub> 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 report period but probably become diluted in following periods**

#### **14 Approval of Financial Statement**

This financial statement was passed and issued by the Board of Directors of the Company on August 27, 2009.

**Shenzhen Accord Pharmaceutical Co., Ltd.**

August 27, 2009

## SECTION VIII. DOCUMENTS AVAILABLE FOR REFERENCE

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

**Chairman of the Board: Shi Jinming**  
**Board of Directors of**  
**Shenzhen Accord Pharmaceutical Co., Ltd.**  
August 28, 2009