



深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

2010 Annual Report

March 2011

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IMPORTANT NOTES

Board of Directors and the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Chairman of the Company Mr. Shi Jinming, General Manager Mr. Yan Zhigang, Chief Financial Officer Mr. Wei Pingxiao and Financial Manager Mr. Chi Guoguang hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

Director Mr. Wei Yulin, Independent Director Mr. He Zhiyi did not attend the meeting due to business, but they entrusted Director Wu Aimin, Independent Director Peng Juan to attend and vote on their behalf, respectively. other directors attended the board meeting on auditing the Annual Report. No director, supervisor and senior executive would claim that he or she could not guarantee the authenticity, accuracy or completeness of the annual report's contents or that he or she holds different opinions.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company audited the Company's Financial Report and issued standard unqualified Report for the Company.

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

CHAPTER I. COMPANY PROFILE

1. Legal Name of the Company

In Chinese: 深圳一致药业股份有限公司

In English: Shenzhen Accord Pharmaceutical Co., Ltd.

Abbr. of English name: Accord Pharm.

2. Legal Representative: Shi Jinming

3. Secretary of the Board of Directors: Chen Changbing

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

Tel: (86) 755-25875195, 25875222

Fax: (86) 755-25875147

E-mail: 0028@szaccord.com.cn

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

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

Post Code: 518029

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

E-mail: investor@szaccord.com.cn

5. Newspapers for Disclosing the Information of the Company in the report period:

Securities Times and Hong Kong Commercial Daily

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

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

The Place Where the Annual Report is Prepared and Placed:

Secretariat of the Board of Directors

6. Stock Exchange Listed with: Shenzhen Stock Exchange

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

Stock Code: 000028/ 200028

7. Other Information about the Company

Initial registration date: August 2, 1986

Initial registration place: Shenzhen, PRC

Registration date after change: December 24, 2001

Registration place after changed: Shenzhen, PRC

Registered number for business license of corporation: 440301103040048

Registered number of taxation: SSD Zi No. 440301192186267

Name of the Certified Public Accountants engaged by the Company:

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Address: 11th Floor Pricewaterhouse Coopers Center 2 Corporate Avenue 202

Hu Bin, Luwan District Shanghai 200021. PRC

CHAPTER II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

Section I. Main business highlights

Unit: RMB/ CNY

	2010	2009		Increase/decrease in this year compared with that in last year (%)	2008	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total operating income(RMB)	13,064,428,148.69	10,949,936,871.58	10,997,074,919.05	18.80%	8,757,514,007.03	8,814,147,752.81
Total profit(RMB)	339,812,368.65	260,786,881.28	260,941,320.54	30.23%	207,908,906.63	208,061,793.40
Net profit attributable to shareholders of the listed company(RMB)	261,116,656.70	192,713,805.92	192,868,245.18	35.39%	159,789,621.10	159,942,507.87
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	245,647,806.23	190,740,616.42	190,740,616.42	28.79%	139,335,035.00	139,335,035.00
Net cash flow arising from operating activities(RMB)	428,159,420.65	270,845,132.05	273,860,877.17	56.34%	251,665,081.32	249,718,408.15
	At the end of 2010	At the end of 2009		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008	
		Before adjustment	After adjustment	After adjustment		
Total assets(RMB)	6,306,793,005.81	5,233,489,407.09	5,268,340,226.07	19.71%	3,944,965,333.83	3,981,028,605.89
Owners' equity attributable to shareholders of listed company(RMB)	1,052,370,309.53	822,666,137.68	847,209,892.83	24.22%	659,537,950.16	683,927,266.05
Share capital(Share)	288,149,400.00	288,149,400.00	288,149,400.00	0.00%	288,149,400.00	288,149,400.00

Section II. Major accounting highlights

Unit: RMB/ CNY

	2010	2009		Increase/decrease in this year compared with that in last year (%)	2008	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Basic earnings per share (RMB/Share)	0.91	0.67	0.67	35.82%	0.55	0.55
Diluted earnings per share (RMB/Share)	0.91	0.67	0.67	35.82%	0.55	0.55

Basic earnings per share after deducting non-recurring gains and losses (RMB/Share)	0.85	0.66	0.66	28.79%	0.48	0.48
Weighted average return on equity (%)	27.17%	25.99%	25.86%	1.31%	25.49%	24.54%
Weighted average return on equity after deducting non-recurring gains and losses (%)	25.56%	26.93%	25.58%	-0.02 %	24.49%	21.40%
Net cash flow arising from operating activities per share (RMB/Share)	1.49	0.94	0.95	56.84%	0.87	0.87
	At the end of 2010	At the end of 2009		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Net asset per share attributable to shareholders of listed company (RMB/Share)	3.65	2.85	2.94	24.15%	2.29	2.37

[Note]Item of deducting non-recurring gains/losses and amount

Unit: RMB/ CNY

Items of non-recurring gains and losses	Amount	Note(If applicable)
Gains and losses from the disposal of non-current assets	1,969,629.82	
Governmental subsidy reckoned into current gains and losses, but closely relevant to the Company's business except for the governmental subsidy enjoyed in quota or ration according to the national general standards	8,221,739.90	
Current net gains/losses of the subsidiaries from period-begin to consolidated date occurred from enterprise merger under the common control	-4,607,349.97	
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	6,926,932.01	
Other non-operating income and expenditure except for the above items	6,374,202.97	
Influenced amount of income tax	-3,132,301.17	
Influenced amount of minority shareholders' equity	-284,003.09	
Total	15,468,850.47	-

Section III. Difference in net profit as audited by Chinese and International Accounting Standard and explanation

Difference in net profit as audited by Chinese and International Accounting Standard and explanation had no influences on net profit as of year 2010 and the net asset ended year 2010 of the Company.

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

Unit: RMB/ CNY

Items	Share capital	Capital reserve	Surplus public reserve	Retained profit	Minority shareholders' equity	Total shareholders' equity
Amount at the	288,149,400.00	31,568,488.40	17,573,057.11	509,918,947.32	55,464,963.74	902,674,856.57

Including: Domestic non-state-owned legal person's shares									
Domestic natural person's shares									
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	6,286	0				-1,572	-1,572	4,714	0
II. Unrestricted shares	288,143 ,114	100%				+1,572	+1,572	288,144 ,686	100%
1. RMB Ordinary shares	233,257 ,514	80.95%				+1,572	+1,572	233,259 ,086	80.95 %
2. Domestically listed foreign shares	54,885, 600	19.05%				0	0	54,885, 600	19.05 %
3. Overseas listed foreign shares									
4. Others									
III. Total shares	288,149 ,400	100.00 %				0	0	288,149 ,400	100%

Statement on changes of restricted shares

Unit: Share

Name of shareholder s	Restricted shares at year-begin	Restricted shares released in current year	Increased restricted shares in current year	Restricted shares at year-end	Reason for restriction	Releasing date
Chen ChangBing	6,286	1,572	0	4,714	Senior executives' shares	2011-01-01
Total	6,286	1,572	0	4,714	—	—

Section II. Issuance and listing of shares

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

2. The change on shares structure of the Company: Nil

Section III. About shareholders

I. Ended Dec. 31, 2010, the Company had totally 15,264 shareholders, including 10,436 shareholders of A-share and 4,828 shareholder of B-share.

II. Particulars about the shares held by the top ten shareholders (Ended Dec. 31, 2010):

Total shareholders						15,264
Particulars about shares held by the top ten shareholders						
Names of shareholders	Nature of shareholder	Proportion of share held	Amount of share held	Amount of restricted shares held	Shares pledged or frozen	
SINOPHARM GROUP CO., LTD.	State-owned legal person	38.33%	110,459,748	0	0	
ICBC — GUANGFA	Domestic	3.14%	9,054,310			

JUFENG STOCK FUND	non-state-owned legal person				
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign legal person	2.44%	7,032,720		
ABC—Greatwall Anxin Return Mixed Fund	Domestic non-state-owned legal person	2.43%	7,000,000		
ICBC—HARVEST THEME NEW POWER STOCK INVESTMENT FUND	Domestic non-state-owned legal person	1.80%	5,192,196		
ICBC—BOSHI SELECTIVE STOCK FUND	Domestic non-state-owned legal person	1.72%	4,963,365		
ICBC—HARVEST STRATEGY GWOOTH MIX STOCK FUND	Domestic non-state-owned legal person	1.71%	4,920,502		
ICBC—GUANGFA STRATEGY SELECTED MIX STOCK FUND	Domestic non-state-owned legal person	1.46%	4,207,399		
CHINA CITIC BANK—MERCHANTS EXCELLENT GWOOTH STOCK FUND	Domestic non-state-owned legal person	1.45%	4,169,921		
ICBC—E-FUND VALUE GROWTH MIX STOCK FUND	Domestic non-state-owned legal person	1.39%	4,000,000		

Particulars about shares held by the top ten unrestricted shareholders

Name of shareholder	Amount of unrestricted shares held	Type of share
SINOPHARM GROUP CO., LTD.	110,459,748	RMB common share
ICBC—GUANGFA JUFENG STOCK FUND	9,054,310	RMB common share
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	7,032,720	Domestically listed foreign share
ABC—Greatwall Anxin Return Mixed Fund	7,000,000	RMB common share
ICBC—HARVEST THEME NEW POWER STOCK INVESTMENT FUND	5,192,196	RMB common share
ICBC—BOSHI SELECTIVE STOCK FUND	4,963,365	RMB common share
ICBC—HARVEST STRATEGY GWOOTH MIX STOCK FUND	4,920,502	RMB common share
ICBC—GUANGFA STRATEGY SELECTED MIX STOCK FUND	4,207,399	RMB common share
CHINA CITIC BANK—MERCHANTS EXCELLENT GWOOTH STOCK FUND	4,169,921	RMB common share
ICBC—E-FUND VALUE GROWTH MIX STOCK FUND	4,000,000	RMB common share
Explanation on	The fund manager of ICBC—HARVEST THEME NEW POWER STOCK	

associated relationship or accordant action among the aforesaid shareholders	INVESTMENT FUND and ICBC – HARVEST STRATEGY GWOTH MIX STOCK FUND all refers to the Harvest 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.
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III. The controlling shareholder of the Company

Name of the controlling shareholder: Sinopharm Group Co., Ltd.

Legal representative: She Lulin

Date of foundation: October 6, 2008

Registered capital: RMB 2,264,568,474

Nature of economic: Limited Liability Company

Business scope: industrial investment holding; management and assets reorganization entrusted by pharmaceutical enterprise; Chinese medicine, Chinese medicine tablets, chemical medicine preparations, chemical raw materials, antibiotics, biochemical drugs, biological products, narcotic drugs, psychotropic substances, toxic drugs for medical use (compatible with the business scope), vaccines wholesale, categories III: injection puncture instruments, hygienic materials & dressings, medical polymer materials and products, categories II: medical X-ray ancillary equipment and components; food marketing management (non-physical way), and domestic trade (other than special licensing), logistics and related consulting services, operating various types of goods and import and export of technology (not attached directory of import and export commodities), but excluded the import and export of goods and technology the State limits or prohibit the company. [In right of exequatur to run if refers to permission operation]

IV. Particulars about the actual controller

Name of the actual controller: China National Pharmaceutical Group Corporation

Legal representative: She Lulin

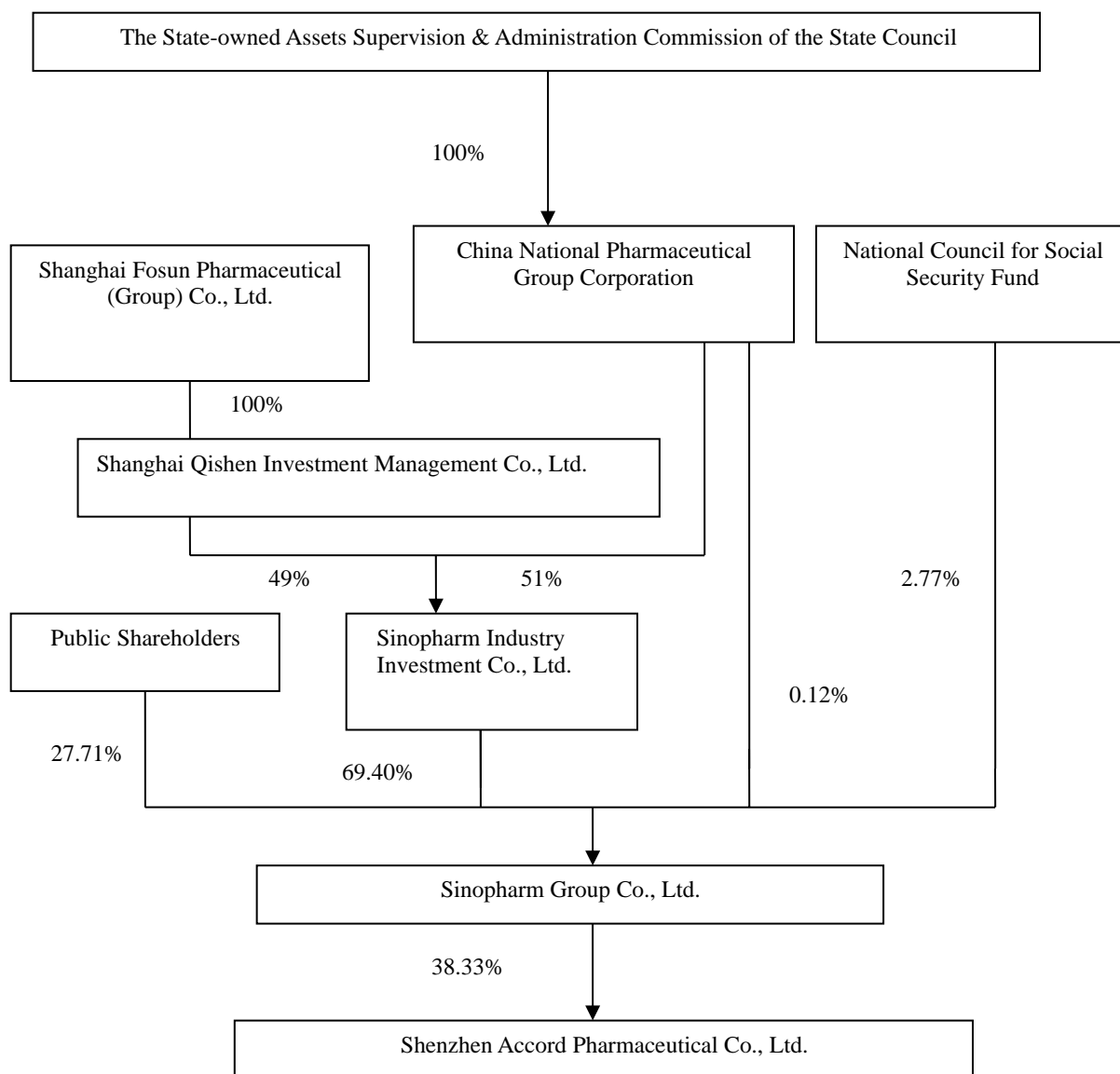
Date of foundation: Nov. 26, 1998

Registered capital: RMB 1,529,200,000

Nature of economic: enterprise owned by the whole people

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

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



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

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

Section I. Directors, supervisors and senior executives

I. Name list of directors, supervisors and senior executives, and the attendance to board meetings

Name	Title	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration drawn from the Company in the report period (RMB'000 0)(before tax)	Drawing remuneration from shareholders' units or other related units or not
Shi	Chairman	Male	43	2007-09-	2011-04-	0	0			Yes

Jinming				11	30					
Wei Yulin	Director	Male	53	2007-09-11	2011-04-30	0	0			Yes
Fu Mingzhong	Director	Female	60	2008-04-25	2011-04-30	0	0			Yes
Wu Ai'min	Director	Male	41	2007-09-11	2011-04-30	0	0			Yes
Yan Zhigang	Director, General Manager	Male	51	2008-12-26	2011-04-30	0	0		124.65	No
Tian Weixing	Director	Female	53	2010-04-16	2011-04-30	0	0			Yes
Chen Shu	Independent Director	Female	56	2007-09-11	2011-04-30	0	0		8.00	No
He Zhiyi	Independent Director	Male	55	2010-06-28	2011-04-30	0	0		4.00	No
Peng Juan	Independent Director	Female	46	2007-09-11	2011-04-30	0	0		8.00	No
Jiang Xiuchang	Supervisor	Male	47	2010-06-28	2011-04-30	0	0			Yes
Guan Xiaohui	Supervisor	Female	40	2007-09-11	2011-04-30	0	0			Yes
Lin Zhaoxiang	Deputy General Manager	Male	43	2008-12-26	2011-04-30	0	0		101.00	No
Tan Guoshu	Deputy General Manager	Male	56	2007-09-11	2011-04-30	0	0		80.05	No
Liu Jun	Deputy General Manager	Female	53	2008-12-26	2011-04-30	0	0		86.00	No
Lin Min	Deputy General Manager	Male	46	2008-12-26	2011-04-30	0	0		86.00	No
Lin Xinyang	Deputy General Manager	Male	46	2007-09-11	2011-04-30	0	0		64.50	No
Deng Baojun	Deputy General Manager	Male	49	2010-12-29	2011-04-30	0	0		0	No
Wei Pingxiao	CFO	Male	47	2007-09-11	2011-04-30	0	0		73.27	No
Chen Changbing	Secretary of the Board	Male	43	2007-09-11	2011-04-30	6286	4714	Sold	39.56	No
Wang Huaiqin	Supervisor	Male	53	2007-09-11	2011-04-30	0	0		37.12	No
Total	-	-	-	-	-	6286	4714	-	712.15	-

Note: The term of office of 5th Session of the Board and Supervisory Committee has expired. The Board and Supervisory Committee have held a meeting on March 18, 2011 for the approval of election of the Board and Supervisory Committee respectively.

Name of the directors	Positions	Due Presence (times)	Presence in person (times)	Attending the meeting in way of communication (times)	Entrusted presence (times)	Absence (times)	Whether attending the meeting in person in successive two times or not
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Shi Jinming	Chairman	12	1	10	1	0	No
Wei Yulin	Director	12	1	10	1	0	No
Fu Mingzhong	Director	12	1	10	1	0	No
Wu Ai'min	Director	12	2	10	0	0	No
Yan Zhigang	Director	12	2	10	0	0	No
Tian Weixing	Director	10	1	9	0	0	No
Chen Shu	Independent Director	12	2	10	0	0	No
He Zhiyi	Independent Director	7	0	6	1	0	No
Peng Juan	Independent Director	12	2	10	0	0	No

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

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

Name	Units with position or concurrent position	Relationship with the Company	Position	Office term
Shi Jinming	Sinopharm Group Co., Ltd.	Controlling shareholder	Deputy General Manager	From Jan. 2009
Wei Yulin	Sinopharm Group Co., Ltd.	Controlling shareholder	Secretary of Party Committee, General Manager	From Dec. 2009
Fu Mingzhong	Sinopharm Group Co., Ltd.	Controlling shareholder	Vice-chairwoman	From Dec. 2009 to Nov. 2010
Wu Aimin	Sinopharm Group Co., Ltd.	Controlling shareholder	Deputy General Manager	From Nov. 2006
			Secretary of the Board	From March 2008
Tian Weixing	Sinopharm Group Co., Ltd.	Controlling shareholder	Minister of Industrial Development Department	From March 2008

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

Name	Units with position or concurrent position	Relationship with the Company	Position
Shi Jinming	Sinopharm Group Hong Kong Co., Ltd.	Affiliated enterprise of the Company	General Manager
	Sinopharm Distribution Center Co., Ltd.	Affiliated enterprise of the Company	Chairman, General Manager
	Sinopharm Group Guizhou Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Yunnan Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Hainan Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Hunan Co., Ltd.	Affiliated enterprise of the Company	Chairman

	Sinopharm Group Hubei Co., Ltd.	Affiliated enterprise of the Company	Chairman
	A-Think Pharmaceutical Co., Ltd.	Affiliated enterprise of the Company	Chairman
	China National South West Medicine Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Jiangxi Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Fuzhou Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Fujian Co., Ltd.	Affiliated enterprise of the Company	Director
	Sinopharm Group Chongqing Co., Ltd.	Affiliated enterprise of the Company	Director
Wei Yulin	Sinopharm Holding Beijing Huahong Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Beijing TianXing Puxin Biological Medicine Co., Ltd.	Affiliated enterprise of the Company	Chairman
	China National medicines Corporation Ltd.	Affiliated enterprise of the Company	Director
Fu Mingzhong	Sinopharm Group Hong Kong Co., Ltd.	Affiliated enterprise of the Company	Chairman
	China National medicines Corporation Ltd.	Affiliated enterprise of the Company	Director
Wu Aimin	Sinopharm Chemical Reagent Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Group Zhejiang Co., Ltd.	Affiliated enterprise of the Company	Chairman
	Sinopharm Guoda Pharmacy Co., Ltd.	Affiliated enterprise of the Company	Director
	Sinopharm Group Hong Kong Co., Ltd.	Affiliated enterprise of the Company	Director
	China National medicines Corporation Ltd.	Affiliated enterprise of the Company	Supervisor

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

1. Member of the Board of Directors

Chairman—*Mr. Shi Jinming*, EMBA of Sun Yat-Sen University, studied in Shanghai University of Finance and Economics majored Commerce Economics from Sep. 1985 to July 1989. He ever worked in China Medicine (Group) Guangzhou Company from July 1989; took the turns of manager of China Medicine (Group) Guangzhou Yuexing Company, manager of medicine department of SINOPHARM Medicine Co., Ltd., deputy GM of China Medicine (Group) Guangzhou Yuexing Company and concurrently manager of Yuexing Company from Mar. 1995; he took the post of GM of Sinopharm Group

(Guangzhou) Co., Ltd. from Apr. 2003 to Dec. 2006; director and GM of the Company from Feb. 2004 to Dec. 2008, took concurrently the post of chairman of Sinopharm Group (Guangzhou) Co., Ltd. from Jan. 2007, and he took the post of chairman of the 5th Board of Directors of the Company from Dec., 2008 and concurrently takes the post of deputy general manager of Sinopharm Group Co., Ltd since Jan. 2009.

Director—*Mr. Wei Yulin*, EMBA, Licensed Pharmacist and senior economist, worked at Tianjing Pharmaceutical Company as salesman from Oct. 1976 to Nov. 1981; centre Lab Technician in Tianjin Hebei Pharmaceutical Plant from Dec. 1981 to Aug. 1984; took the turns of salesman of Leechdom Department in Sinopharm Tianjin Medicine Station, deputy general manager and general manager of pharmaceutical company in development zone from Sep. 1984 to June 1998; deputy general manager, standing deputy general manager, party secretary and general manager and chairman of Sinopharm Tianjing Co., Ltd from July 1998 to April 2006; since March 2008, he held the post of chairman of Sinopharm Logistics Co., Ltd; he was the deputy general manager of Sinopharm Group Co., Ltd. from Jan. 2003 to Dec. 2009 and the general manager(Chairman) of Sinopharm Group Co., Ltd since Dec. 2009; he was the director of the 5th board of directors of the Company since Sep. 2007.

Director—*Ms. Fu Mingzhong*, Postgraduate, senior economist; began to work in Harbin General Pharmaceutical Factory No.2 Factory with taking the post of leader of Crystallization workshop from Oct. 1970; worked in Harbin General Pharmaceutical Factory No.3 Factory with successively taking the posts of director of injection workshop, director of Quality Management Office, director of Office, deputy factory director, member of party committee from June 1972; from March 1992, she was the director of Harbin Pharmaceutical Group LTD, general manager and party secretary of Harbin Pharmaceutical Corporation; deputy general manger and member of party committee of China National Pharmaceutical Group Corporation from Dec. 1997; successively director of China National Pharmaceutical Group General Corporation, and standing deputy general manager and member of party committee of China National Pharmaceutical Industry Corporation from Jan. 1999; chairman, member of party committee, secretary of party committee of China National Medicines Corporation Ltd from Jan. 2001 to Feb. 2008; secretary of party committee and general manager of Sinopharm Group Co., Ltd. from Feb. 2006 to Dec. 2009, vice chairman of Sinopharm Group Co., Ltd. from Dec. 2009 to Nov. 2010 ; she was the chairman of the 5th board of directors of the Company from April 2008 to Dec. 2008; director of the 5th board of directors of the Company since Dec. 2008.

Director—*Mr. Wu Ai'min*, EMBA, accountant, took the turns of senior manager of Jiangsu Property Assessment Firm, copartner of Jiangsu Renhe Property Assessment Company, financial chief supervisor and manager of investment center of Xuzhou Huaihai Food Town, and so on from Aug. 1992; takes the position of financial chief supervisor and deputy general manager(vice chairman) of Sinopharm Group Co., Ltd. from Jul. 2003 till now; from March 2008, took the post of secretary of the board of Sinopharm Group Co., Ltd.; and takes the post of director of the 5th Board of Directors of the Company from Sep. 2007.

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

he is the general manager of the Company; and takes the post of director of the 5th Board of Directors of the Company from Feb. 2009.

Director—Ms. Tian Weixing, bachelor degree and Licensed Pharmacist, took the position of vice-department chief of Quality Department and Enterprise Management Department and department chief of Enterprise Planning of China national Pharmaceutical Company from 1982 to 1995 successively; took the position of vice-manager of Pharmaceutical Department, Director of Enterprise Planning Department of CAPC and Office Director of China National Pharmaceutical Group Corporation from 1995 to 1997 successively; took the marketing manager of China National Pharmaceutical Group Corporation from 1997 to 2000; took the position of Director of Planning Development Department of China National Medicines Corporation Ltd. from 2000 to 2008 and took the position of Director of Industrial Development of SINOPHARM GROUP CO., LTD. since from 2008.

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

Independent director—Mr. He Zhiyi, Doctor Degree of Fudan University, Post doctorate of Beijing University, Professor and PH.D adviser, work presently as the vice Dean of Antai College of Economics & Business Administration of SJTU; Worked as the professor, PH.D adviser and Dean Assistant of Guanghua Administration College of Beijing University and Office Director of Administration Case Research of Beijing University before; worked as the deputy dean of Development & Research of Poverty-zone of Beijing University, executive director of Chinese Enterprise Research Center of Beijing University, executive editor of Business Comments of Beijing University magazine, vice-chairman and secretary of the Chinese Federation for Corporate Social Responsibility, vice-chairman and secretary of CNEMA and Director of IFSAM etc.

Independent director—Ms. Peng Juan, Doctor degree, associate professor, mayor research direction is finance strategy and management, marketing auditing and financing marketing. From July 1988 to July 1997, she was the instructor in Accounting Department of Shanghai Maritime University. From Aug. 1997 taught at financing and accounting department of management institute of Shanghai Jiaotong University till now, now is in charge of deputy dean and concurrently secretary of CPC; and she takes the post of independent director of the 5th Board of Directors of the Company from Sep. 2007.

2. Members of supervisors:

Supervisor—Mr. Jiang Xiuchang, bachelor, senior economist, senior accountant, worked as deputy director of Information Department, deputy director of Transformation System Office, deputy director of Financial Department and deputy director of Pharmaceutical Department of China National Pharmaceutical Group Corporation from July 1986 to March 2002 successively; took the position of deputy director, director and CFO of China National Medicines Corporation Ltd. from March 2002 to April 2010 successively; took the CFO of SINOPHARM GROUP CO., LTD. since from June 2010.

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

supervisory committee of the Company since Sep. 2007.

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

3. Senior executives:

General Manager—*Mr. Yan Zhigang*, referring to the aforesaid introduction of members of directors for details.

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

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

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

Deputy General Manger—*Mr. Lin Min*, born in 1964, senior MBA, Pharmaceutical Engineer, Licensed Pharmacist, worked in GuangDong Medical College from July 1986 to April 1992; took the posts of marketing minister, assistant to general manager of Guangdong Global Pharmaceutical Company Ltd. from April 1992 to Dec. 1997; deputy

factory director of Manufacturing Factory of Guangdong Pharmaceutical University from Jan. 1998 to Dec. 2000; ever worked in China National Pharmaceutical Group Guangzhou Corporation with successively taking the posts of assistant to manager, deputy general manger of Pharmacy Department and deputy general manger of purchasing in Pharmaceutical Company from Jan. 2001 to Nov. 2003; supervisor of Guangzhou pharmacy sales of Sinopharm Group Guangzhou Co., Ltd from Nov. 2003 to Jan. 2005; general manager of Sinopharm Group Liuzhou Co., Ltd from March 2006 to Nov. 2007; from Jan. 2005 till now, deputy general manager of Sinopharm Group Guangzhou Co., Ltd.

Deputy General Manger—*Mr. Lin Xinyang*, MBA, Licensed Pharmacist, from Jan. 1996 took the turns of deputy GM of Nanfang Pharm. Co., deputy GM of China Medicine Group (Guangzhou) Company Yuexing Company, general supervisor of PD of Sinopharm Group Guangzhou Company; took the post of deputy GM of Sinopharm Group Guangzhou Company from Jan. to Dec. 2004; took the post of deputy GM of the Company from Jan. 2005.

Deputy General Manger—*Mr. Deng Baojun*, MBA, senior engineer and Licensed Pharmacist, worked as the doctor in Hospital of Personnel of 8-Bureau of Water-Electricity from July 1983 to July 1988; worked as the development personnel in Shenzhen Pharmaceutical Plant from September 1991 to May 1996; took the position of vice minister and minister of the market department and sales department respectively in Shenzhen Pharmaceutical Plant from May 1996 to September 2000; took the position of assistant of factory manager and sales majordomo in Shenzhen Pharmaceutical from September 2000 to August 2003; took the position of deputy general manager of Shenzhen Zhijun Pharmaceutical Co., Ltd. from August 2003 to December 2008; took the position as General Manager of Shenzhen Zhijun Pharmaceutical Co., Ltd. from December 2008 till now; took the position of deputy general manager and manage of pharmaceutical business department of Shenzhen Accord Pharmaceutical Co., Ltd. since from December 2010.

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

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

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

1. On March 20, 2010, Ms. Tian Weixing was agreed to nominate as the director candidate of 5th Board of Directors on 15th Meeting of 5th Board of Directors Meeting. And the proposal should approve by Shareholders' General Meeting 2009 held on April 16, 2010.
2. On June 11, 2010, Mr. He Zhiyi was agreed to nominate as the independent director candidate of 5th Board of Directors on 17th Meeting of 5th Board of Directors Meeting. And the proposal should approve by 2nd Extraordinary Shareholders' General Meeting 2010 held on June 28, 2010.
3. On June 11, 2010, Mr. Jiang Xiuchang was agreed to nominate as the supervisor candidate of 5th Board of Directors on 15th Meeting of 5th Supervisory Committee. And the proposal should approve by 2nd Extraordinary Shareholders' General Meeting 2010 held on June 28, 2010.
4. On June 11, 2010, Mr. Deng Baojun was agreed to re-engage as the deputy general

manager of the Company on 15th Meeting of 5th Supervisory Committee.

Section II. Number of employees and professional quality

At end of the year 2010, the Company (including the subsidiaries) had totally 4,187 on-the-job employees.

Profession/occupation composition			Education Background		
Profession	Number	Proportion (%)	Education	Number	Proportion (%)
Production personnel	1235	29.50%	Master degree or above	113	2.70%
Salespersons	1707	40.77%	Bachelor degree	1143	27.30%
Technical personnel	77	1.84%	3-years regular college graduate	1030	24.60%
Financing personnel	200	4.78%	Polytechnic school graduate	693	16.55%
Administrative and other personnel	968	23.12%	Senior high school graduate or below	1208	28.85%
Total	4187	100%	Total	4187	100%

CHAPTER V. ADMINISTRATIVE STRUCTURE

Section I. Company Administration

In the report period, strictly in accordance with the requirement from Company Law, Securities Law and CSRC and regulation documentations from Shenzhen Stock Exchange concerning the company administration, the Company continued to strength the system construction, perfected its governance structure, standardized operation and promoted company administration deeply for the purpose of standard of governance improved.

In the report period, performance of the Shareholders' General Meeting, Board of Directors Meeting and Supervisory Committee are still in the effective operation. The procedures of convening/holding, the proposal and decision-making concerning the above mention "Three Meetings" are complied with relevant regulations strictly; The various special committee underlie the Board are in the favorable condition of operation in regulations and responsibility which provided a strong support on the scientific-decision-making towards significant business projects; the Board of the Company responsible for publicly promise, honest and diligence on its duty, supervisors can supervise and examine the Director, senior executives and financial status of the Company efficiency and independently; between the Shareholders' General Meeting, Board, Supervisory Committee and Management executives, separation responsibility have been independently, and operated in a favor condition with mutual restriction. A reasonable and efficiency administration structure of the Company has been in formed.

In conclusion, in the report period, the administration of the Company meets the requirements of relevant regulations of governance on listed company.

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

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

No.	Parties of information reported to	Relationship between parties of information reported to with listed companies	Sort of information	Basis of the reported information	Date or period of reporting
1	Sinopharm Group Co., Ltd.	The 1 st largest shareholder	Financial statement	Demand of consolidated statement of the largest shareholder	Scheduled
2	China National Pharmaceutical Group Corporation	Actual controller	Report of asset evaluation, etc.	Management methods on State-owned equity transfer and equity investment of China National Pharmaceutical Group Corporation	Temporary

According to the requirements of Notice on Strengthening Supervision of Private Information Provide By Listed Companies to Majority Shareholders and Actual Share Controllers and Supplementary Notice on Strengthening Supervision of Private Information Provide By Listed Companies to Majority Shareholders and Actual Share Controllers, the board of directors as well as supervisory committee examined and passed Rules of Procedures for Implementing Inside Information Staff Reserve and Governance of Non Standard Information Disclosure in Sep. 2007, in which agreed the Company send financial reports to its majority shareholders regularly on carrying out related regulations of state-owned asset management, as well as implement secret-keeping systems and inside information staff reserve system when reserving to majority shareholders on disposition of state-owned asset and send *Statistic Table of Non-public Information to Shareholders and Actual Controller* to Shenzhen Securities Regulatory Bureau since from September 2007.

Section III. Performance of the Independent Directors

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

In year 2010, the Company held 12 meetings of board (Including the meetings by communication), and the presences to the meetings of board by independent directors were as follows:

Name of independent directors	Times are supposed to be attended	Presence in person	Entrusted presence	Absence	Remarks
Chen Shu	12	12	0	0	
He Zhiyi	7	6	1	0	(Took the office term from June 2010). Entrusted Peng Juan in written form to attend and vote once
Peng Juan	12	12	0	0	

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

committees in board of directors. At the same time, the Company can ensure rights of knowing for independent directors and other directors.

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

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

1. In respect of business: The Company was completely independent from the controlling shareholder in business, the Company had independent and integrated business system, and autonomous operation capacity; the Company owned independent purchase and sales system. The purchasing center, subsidiaries and production enterprises are responsible for purchasing all medicine, appliance and raw resources used in production and distributing products. Production, supply and distribution departments and R&D were separated from each other. The Company was independent legal person facing the market.

2. In respect of personnel:

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

3. In respect of organization:

The production management and administration management was completely independent with the largest shareholder and actual controller: official organization and production management place separated with the largest shareholder; the Company set complete legal person administration organization, the board of directors, supervisory committee and manager team worked independently and took their own responsibilities according to relevant regulations of Articles of the Association.

4. In respect of assets:

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

5. In respect of finance:

The Company established independent financial department and independent financing checking system; The Company independently opened account in bank, with no particulars about depositing capitals in the account of large shareholders and financial company and accounting department controlled by other related parties; The financial personnel of the Company were independent, who did not take part-time job or draw remuneration from the largest shareholder; The Company paid tax legally and independently.

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

Senior executives of the Company took responsibility for the board of directors, in the report period, the board of directors implemented the performance checking mechanism that the remuneration of senior executives related with their performance checking, with achievement as direction, and made relevant reward and punishment according to target completion. The Company's relevant incentive and restriction mechanism gradually in

order to further exert the enthusiasm and creativity of senior executives, urge the senior executives to perform the obligations of being honest and diligent. The Company had no incentive mechanism for senior executives such as stock option, purchase of management team and equity held by owner.

Section VI. Establishment and Completeness on Internal Control System

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

The Company provided Self-Evaluation Report of Internal Control (Details could be found on Juchao Website <http://www.cninfo.com.cn>).

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

In 2010, the Company hire Deloitte Touche Tohmatsu, the international accounting firm, to advise on the internal control structure and drawing up the internal control manual, manual of internal control self-evaluation and other important documents, on the base of previous, the company established and perfected internal control system according to actual operations. The establishment and content of internal control system complied with relevant regulations and laws as well as relevant requirement from CSRC which formed an integrity and strictly system on internal control of the Company. Internal control system have been established perfect basically in the Company which covered the business control, accounting system control, internal auditing control, information system control and environment control etc. the above mentioned internal control system can meet the requirements from the development of the Company and management adaptation. The internal control of the Company were focused on financial management, related transaction, external guarantee and information disclosure to ensure the orderly operation for the Company, played effective functions on operation risks and protected interests for all shareholders.

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

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

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

CHAPTER VI. PARTICULARS ABOUT THE SHAREHOLDER'S GENERAL MEETING

In the report period, the Company held 5 Shareholders' General Meetings:

I. The 1st Extraordinary Shareholder's General Meeting of 2010

The 1st Extraordinary Shareholder's General Meeting 2010 was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on Feb. 10, 2010. The relevant notice was published on Securities Times and Hong Kong Commercial Daily dated Feb. 11, 2010.

II. The 2009 Annual Shareholders' General Meeting

The 2009 Annual Shareholders' General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on April 16, 2010. The relevant notice was published on Securities Times and Hong Kong Commercial Daily dated April 17, 2010.

III. The 2nd Extraordinary Shareholder's General Meeting of 2010

The 2nd Extraordinary Shareholder's General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on June 28, 2010. The relevant notice was published on Securities Times and Hong Kong Commercial Daily dated June 29, 2010.

IV. The 3rd Extraordinary Shareholder's General Meeting of 2010

The 3rd Extraordinary Shareholder's General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on September 3, 2010. The relevant notice was published on Securities Times and Hong Kong Commercial Daily dated September 4, 2010.

V. The 4th Extraordinary Shareholder's General Meeting of 2010

The 4th Extraordinary Shareholder's General Meeting was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on December 28, 2010. The relevant notice was published on Securities Times and Hong Kong Commercial Daily dated December 29, 2010.

CHAPTER VII. REPORT OF THE BOARD

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

2010 was the last year of the Eleventh Five-Year Plan of Accord Pharmacy, the Company actively grasped the chance brought by the new pharmacy reform surrounding closely the operation theme of Seizing Opportunity, Perfecting Distribution Network, Expanding the Industry Platform, Promoting Rapid Growth of Accord Pharmacy, deeply boost the integration of management and control, integration of distribution and operation as well as integration of industry and industry chain. The head office enhanced management and control on distribution and operation, completed the function support; perfected the network installation of distribution field, constantly optimized business structure, improved the regional marketing position; promoted the platform construction of industry field, deepened industry chain fittings, progressed quality of management. In 2010, significant growth happened in various economical standards, long-term progress occurred in various work, thus the comprehensive strength was further improved.

I. Particulars and characteristic of economic operation of the Company in 2010

(I) Completion of main economic standards

In 2010, Accord Pharmacy completed Total operating income RMB 13.064 billion, up 18.80% over last year; realized Total profit of RMB 0.34 billion, up 30.23% over last year. Including, the distribution business department completed main business income of RMB11.360 billion, up 19.52% over last year; realized Total profit of RMB 0.22 billion, up 50.64% over last year. Pharmacy business department (not included 深圳中药) completed main business income of RMB 1.574 billion, 14.85% up y-o-y; realized Total profit of RMB 0.16 billion, up 64.62% over last year.

(II) Characteristics of economic operation in 2010:

Overall economic operation in 2010 was reflected as five major characteristics:

Firstly, the sales income and total profit kept a rapider growth, respectively increasing 18.71 % and 30.23% respectively over the same time of last year. The profiting space improved 0.17% over the same period of last year and profitability increased. Meeting with the standard of industry, overall development trend of the Company performed well; the net return on assets ranked a higher position, financial expense rate and management and control of inventory was better, but the distribution and operation quality are still

waiting for a promotion, and ultra-red receivable wasn't improved yet; high capital cost and single financing channel added the risk of finance of the Company.

Secondly, the network sink got a significant performance and the amount of customers constantly increased. Business of the new company rapidly expanded, and the amount of customers was promptly increased. Till the end of 2010, new customers increased by 2,398; while the effective members of the Good Gift of Zhijun have amounted to 10,813.

Thirdly, assistance performance of external expansion got a growth, the newly established subsidiaries developed rapidly. Foshan Company, Zhanjiang Company, Dongguan Company and Meizhou Company obtained considerable improvement in sales amount.

Fourthly, equal development of business and products structure, the structure was further optimized. The sales of 6 major types of products of Zhijun Pharmacy took 82.0% of total sales amount, and the products structure developed equally. The distribution products occupied 45% of the sales. Varieties structure was constantly optimized; net hospital sales business took a ratio of 51%, and the proportion was constantly ascending.

Fifthly, risk controlling ability was strengthened further, assets structure was more rational. Through promotion of internal control item, the Company built a series of systemic risk controlling system, and obtained active performance. The risk assets of 2010 the Company took a ratio of 1.55% in current assets, down 0.12% over the beginning of the year.

II. Main work completed in 2010

(I) Compiled the Twelfth Five-Years plan, confirmed the development direction of future
Faced with the future 5 years, the Company established compiling leaders and work team about the Twelfth Five-Years plan, and collected external talents, fully encouraged various staffs to participate in discussions, did research on and judged future development tendency of pharmacy industry, teased opportunity and challenge, and combined self-strengths and weaknesses, formulated the Twelfth Five-Years plan of Accord Pharmacy. The plan defined the position of the Company, distribution business department and pharmacy business department, as well as development goal of the Twelfth Five-Years, thus offered a direction for the future development of the Company.

(II) Completed construction of operation system, improved anti-risk ability

Firstly, the Company took construction of information system as important means for improving operation efficiency and effectively preventing risk. In 2010, the Company accomplished upgrading and approval of NC financial system earlier or later, realized integration of CMS system in Guangzhou and Shenzhen as well as coverage of OA system; upgrading of ERP system of Zhijun Pharmacy has been accomplished, and its up line preparation has been started. Construction and perfection of information platform forcefully supported the development of business. Secondly, the Company constantly optimized capitals calculation, improved utilization efficiency of capitals, and took supplier chain's financing as main line, expanded financing channels, ensuring the timely arrival of capitals and normal operation. Thirdly, the Company should enhance risk appraisal of upper and lower cofferdam customers of distribution through aspects of accounts receivable, gross profit, cost and inventory. Fourthly, intensified audit on internal control, completed internal control system and took effective measurements on problems found in external auditing, thus further improved risk management and control as well as estimate system of Accord Pharmacy.

(III) Speed up distribution network construction, improved regional marketing position

Size of the scale and the perfection degree of branches are key factors for distribution business forming comparative advantage. In 2010, the Company laid stress on enhancing network installation in blank market, earlier or later purchased Zhanjiang Tianfeng Pharmacy, Meizhou New Special Drug and Huizhou Zhongsheng Pharmacy, and set up subsidiaries, further perfected network allocation of distribution; the Company innovated purchasing means, successfully purchased the medicine business of Nanning Pharmacy Company, and purchased Shenzhen Yanfeng Pharmacy for the second time and restructured it, further improved regional marketing position. Meanwhile, the Company earlier or later invocated Shenzhen Logistic Center, started project construction of

Nanning Logistic Center, promoted partial removal and expansion projects of Liuzhou Logistic, and rebuilt home-delivery center of Dongguan, Zhanjiang and Meizhou one by one. The perfection of distribution network and completion of logistic points vigorously improved competitiveness advantage and marketing share of Accord Distribution.

(IV) Further optimization of business structure and varieties structure

In 2010, the Company took various measurements, constantly adjusted business structure and enhanced anti-risk ability. Direct marketing increased rapidly, sales amount reached beyond RMB 8 billion, variety structure was further optimized. At the same time, the Company optimized and integrated the purchase management, effectively promoted the all-in-one of purchase. Quantity of all-in-one variety, amount of purchase largely ascended. All-in-one variety forcefully promoted speedy development of subsidiaries, hugely improved marketing competitiveness of subsidiaries.

(V) Integrated business resources, deepened all-in-one strategy of distribution and operation

The Company deepened to promote all-in-one strategy of distribution and operation this year, boost Guangzhou-Shenzhen business integration, realized united allocation of variety resources, enhanced operating capacity of variety; effectively conformed the business and function of Guangxi distribution, realized the all-in-one operation of Guangxi distribution.

(VI) Had eyes on future development, built development framework of industry platform

In 2010, the Company paid attention to promote building of industry platform. In constant discussion and explore, the Company gradually formed development framework and thought of the Two Major Concentrations, Five Major Platforms, and focused on promoting construction of two major concentrations of R&D and marketing. In aspect of R&D, we boost the R&D cooperation and division of labor between raw materials plants and medicament, and coordinated the two corporation s to start supporting development of cefotetan disodium and faropenem and other products; strengthened external cooperation, speeded up development of new products, and got total 5 clinical certificates and 8 production certificates in the whole year. In aspect of marketing, in 2010 the industry board (Shenzhen Chinese Drugs included) realized over RMB 1.7 billion of sales amount, built 7 products with over RMB 0.7 billion of sale amount, implemented innovated marketing modes, the Zhijun Nice Gift operates well, and the effect of collecting points activities among memberships promoting sales are gradually appearing; effects of regulation on products structure was obvious, sales ratio of important products with high gross profit constantly increased, further enhanced profitability and anti-risk ability of products. At the same time, the Company set up preparation team for marketing center, made overall plan of chemicals marketing of Zhijun Pharmacy and Zhijun Wanqing. The Company laid a foundation for the Guanlan second stage of Zhijun Pharmacy, the technology transformation of the second stage of Zhijun Wanqing was completed, at the same time it went well with the land problem of Accord Pingshan, and construction of 3 bases progressed smoothly. Besides, the Company completed equity purchase of Shenzhen Chinese Drugs, and successively implemented organization frame optimization, rebuilding of marketing system. Till now, the Two Major Concentrations, Five Major Platforms has basically formed.

(VII) Speeded up integration program of industry chain, gradually formed overall competitiveness advantage

Competition in cephalous field has been into stage of industry chain competition. From this year on, joint of industry chain went well generally, presently 4 supporting medicines have been completed, namely cefuroxime, cefixime, cefoxitin and cefminox. The deep conduction of industry chain joint significantly improved the entire competition advantage in cephalous field.

(VIII) Perfected quality management system, comprehensively improved quality of products

Quality of products is the lifeline of corporate development. In 2010, the Company constantly enhanced quality control in production process, improved quality management,

boost quality of products. Deepened auxiliary work of industry chain, move forward the control point of quality management; constantly completed quality management system through technology transformation, craftwork optimization and quality audit; deeply promoted fine production project, fully explored productivity, strictly grasped the quality; at the same time the final spot investigation of European Union's Authentication for lutrelef plants of Zhijun Pharmacy and American FDA Authentication for peinan plant of Zhijun Wanqing will arrive. More perfect quality management system further consolidated the competitiveness of our products in market.

(IX) Innovated pattern of corporate cultural activities, promoted construction of harmony home:

In 2010, the Company organized and led corporations in various regions to conduct construction activities of Party Trades and corporate culture, focused on conducting 4 months of reading activity of the Smell of Book Floating to Accord, Nice Books Recommendation to You, effectively improved work responsibility and execution ability of staffs. Meanwhile, we insisted using cultural innovation to lead reform development of corporation, declared goal and direction of corporate development, reported cultural activities and faces of staffs. The Company did well in care for staffs, practically solved actual difficulties of staffs; meanwhile actively fulfilled social responsibility, initiatively and positively participated in social utility, took part in assistance of education business and kid's welfare work, contributed the society with effort of the Company.

Section II. Main business and operation results of the Company

(I) Main operations: R&D and production of medicine, wholesale and chain retail of Chinese and Western medicine, Chinese herbal medicines, biological products, biological medicine, health products and medical devices.

(II) Formation of income from main operations

1. Formation of income from main operations classified according to industries and products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease in operating income over the last year (%)	Increase/decrease in operating cost over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Industry — medicine	157,093.45	114,934.19	26.84%	19.98%	23.96%	-2.35%
Commerce — medicine wholesales	1,136,469.93	1,070,962.21	5.76%	20.46%	19.84%	0.48%
Commerce — medicine retail	571.62	525.33	8.10%	-96.56%	-95.99%	-12.88%
Non-medicine trade	2,209.89	1,738.81	21.32%	88.56%	74.32%	6.43%
Lease	973.65	612.47	37.10%	41.78%	6.96%	20.48%
Subtotal	1,297,318.54	1,188,773.01	8.37%	18.71%	18.75%	-0.03%
Main operations classified according to products						
Respiratory antitussive medicines	18,279.51	3,910.34	78.61%	-11.83%	-14.46%	0.66%
Cef- series products	137,495.88	110,210.29	19.84%	67.61%	67.46%	0.07%
Including: the amount of related transaction	4,828.32	1,393.82	71.13%	-55.36%	-71.90%	17.00%

2. Income from main operations classified according to areas

Unit: RMB'0000

Area	Income from main operations	Increase/decrease in operating income over the last year (%)
Domestic sales	1,296,394.14	18.75%
Oversea sales	924.40	-17.90%

Total	1,297,318.54	18.71%
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3. Major suppliers and customers.

Unit: RMB'0000

Total amount of purchase of the top five suppliers	240,620.06	Proportion in the total amount of purchase	19.93%
Total amount of sales of the top five sales customers	74,250.22	Proportion in the total amount of sales	5.68%

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

Unit: RMB'0000

Items	2010 -12 -31		2009 -12 -31		Increasing ratio in the total assets
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)	
Total assets	630,679.30	100.00%	526,834.02	100.00%	0.00%
Cash at bank and on hand	71,178.98	11.29%	58,840.57	11.17%	0.12%
Notes receivable	36,916.90	5.85%	36,302.56	6.89%	-1.04%
Accounts receivable	286,682.51	45.46%	245,143.35	46.53%	-1.07%
Advances to suppliers	10,180.60	1.61%	8,579.86	1.63%	-0.02%
Inventories	115,632.97	18.33%	90,907.75	17.26%	1.07%
Fixed assets	49,255.77	7.81%	42,839.00	8.13%	-0.32%
Construction in progress	10,830.13	1.72%	4,614.62	0.88%	0.84%
Intangible assets	12,917.54	2.05%	11,663.78	2.21%	-0.16%
Goodwill	5,355.57	0.85%	3,415.30	0.65%	0.20%
Total liabilities	517,534.76	82.06%	436,566.54	82.87%	-0.81%
Short-term loans	97,547.59	15.47%	94,418.96	17.92%	-2.45%
Notes payable	144,862.25	22.97%	110,495.03	20.97%	2.00%
Accounts payable	200,356.65	31.77%	170,614.23	32.38%	-0.61%
Other payables	34,501.13	5.47%	24,683.53	4.69%	0.78%

Main reasons of the Y-O-Y changes on assets liability constitute:

(1) The proportion of cash at hand and on hand in total assets was 11.29%, up 0.12% over the period-beginning, the reason for change was that: firstly, sales scale enlarged, inward flood of capital at period-end increased; secondly, loan and note discount from bank increased.

(2) The proportion of notes receivable in total assets was 5.85%, down 1.04% over the period-beginning, the reason for change was that: we combined increased corporations, the influence of proportion of notes receivable in total assets was weak.

(3) The proportion of accounts receivable in total assets was 45.46%, down 1.07% over the period-beginning, the reason for change was that: firstly the Company paid attention to management of assets receivable and controlled its scale through credit management. Secondly, we combined increased corporations, the proportion of accounts receivable in total assets was low.

(4) The proportion of advances to suppliers in total assets was 1.61%, down 0.02% over the period-beginning, but the amount of advances to suppliers at period-beginning increased RMB 16,007,400 comparing with that at period-end, the reason for change was

that: the Company put more effort on supporting purchase, purchase loans payable increased.

(5) The proportion of inventories in total assets was 18.33%, up 1.07% over the period-beginning, the reason for change was that: sales scale expanded, amount of inventories increased.

(6) The proportion of fixed assets in total assets was 7.81%, down 0.32% over the period-beginning, but the amount of fixed assets at period-beginning increased RMB 64,167,700 comparing with that at period-end, the reason for change was that: cephalous Guer workshop of subsidiary Zhijun Pharmacy has been completed, newly built asepsis raw materials workshop of Zhijun Wanqing was partially completed, the transferred fixed assets from construction in progress was RMB 76,675,300; usage of partial fixed assets of parent company of the Company Accord Pharmacy and subsidiary Jianmin Company and Huixin Investment have been changed, transferred investment real estate from fixed assets was RMB 23,452,600. Disposal of partial fixed assets in this period made a certain influence on amount of fixed assets.

(7) The proportion of construction in progress in total assets was 1.72%, up 0.84% over the period-beginning, the reason for change was that: invested more RMB 3,188,000 in cephalous guer workshop of subsidiary Zhijun Pharmacy and RMB 31,922,100 was transferred to fixed assets, thus investment in construction in progress decreased by RMB 28,734,100; asepsis raw materials workshop of Zhijun Wanqing and public construction expansion and transformation caused increased investment RMB 75,701,000 in construction in progress; Nanning logistic park of subsidiary Guangxi Chinese Medicine Logistic caused increased investment in construction in progress RMB 14,507,100.

(8) The proportion of intangible assets in total assets was 2.05%, down 0.16% over the period-beginning; the reason for change was that: combined the increased corporations, proportion of intangible assets in total assets was lower.

(9) The proportion of goodwill in total assets was 0.85%, up 0.20% over the period-beginning, the reason for change was that: purchase to Shenzhen Yanfeng Pharmaceutical Co., Ltd., Huizhou Sinopharm Holding Co., Ltd. and Meizhou Sinopharm Holding Co., Ltd which were under different control caused confirmed goodwill RMB 19,402,700.

(10) The proportion of short-term loans in total assets was 15.47%, down 2.45% over the period-beginning, the reason for change was that: in this period the Company took more action on internal funds transfer and usage, thus met the capital demands and saved capital costs.

(11) The proportion of notes payable in total assets was 22.97%, up 2% over the period-beginning, the reason for change was that: sales scale was enlarged thus usage of notes increased.

(12) The proportion of accounts payable in total assets was 31.77%, up 0.61% over the period-beginning, the reason for change was that: in order to enhance cooperation with suppliers and strive for discount and other soft terms, took more actions on payment for purchase.

(13) The proportion of other payables in total assets was 5.47%, up 0.78% over the period-beginning, the reason for change was that: subsidiary Zhijun Wanqing newly increased accounts for projects and equipments payable by RMB 32,878,100 in this period, withholding selling expenses newly increased RMB 6,792,400; subsidiary Zhijun Pharmacy newly increased withholding expenses by RMB 15,016,100 in this period.

VI .Changes on selling and distribution expenses, administration expenses, financial expenses and income taxes.

Unit: RMB'0000

Item	2010	2009	Increase/decrease ratio (%)	Reason for significant change
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Selling and distribution expenses	43,059	40,278	6.90%	Strengthen the sales in market for ration expansion; the expenses on transportation, market development and bidding were soaring y-o-y.
Administration expenses	30,088	25,518	17.91%	①subsidiary Zhijun Wanqing and Zhijun Pharmaceutical strength their investment in R&D which makes the expenses for R&D soaring; ②the sales scale expanded due to the acquisition in the year; the increased employee makes the salary expenses soaring y-o-y; ③Sales scale enlarged makes the taxes expenses soaring y-o-y.
Financial expenses	8,254	5,036	63.90%	Business developed rapidly and capital demands increased which larger the loan amount; the interest expense has y-o-y increased due to the interest rate soaring.
Investment income	2,727	3,258	-16.30%	Totally disposal income of RMB 15,469,200 was received from the equity transformation of Guangdong Accord Drug Store Co., Ltd. and Guangxi Accord Pharmaceutical Chain Co., Ltd. occurred in same period of last year. No significant equity transfer amount occurred in the period.
Non-operating income	2,024	1,027	97.08%	Subordinate subsidiary Zhijun Pharmaceutical disposal out-of-date real estate in the period, subordinate subsidiary of the Company disposal the unpayable account payables with long aged account, the non-operating income increased y-o-y correspondingly.
Income tax	7,559	6,253	20.89%	Profit gains a y-o-y increased caused the increase in income tax.

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

1. Shenzhen Zhijun Pharmaceutical Co., Ltd: wholly-owned subsidiary of the Company with registration capital RMB 0.2 billion. Its main business was production for raw medicine of chemical products, processing for Chinese traditional patent medicine and R&D, production and operation of chemical material of medicine. It mainly produced medicine for respiratory system and anti-infection and the main products are isedyl cough syrup and Cefuroxime Sodium. Till Dec. 31 of 2010, total assets amounted to RMB 945,035,100, operating income RMB 1,191,606,400 of the whole year, net profit RMB 124,539,100.

2. SINOPHARM Group Guangzhou Co., Ltd.: It mainly engaged in import and export of Chinese traditional patent medicine, chemical preparations, antibiotics, bio-chemical medicine, biological medicine, diagnosis medicine, biological medicine with features of treatment and diagnosis, shaped packing food, chemical products, and various commodity and technique hold by self-support and agency with registration capital 0.4 billion yuan. Till Dec. 31 of 2010, total assets amounted to RMB 2,893,737,200, operating profit RMB 121,800,200 and net profit RMB 90,277,300.

3. SINOPHARM Group Nanning Co., Ltd.: wholly-owned subsidiary of the Company with registration capital RMB 0.1 billion. It mainly engaged in import and export of Chinese traditional patent medicine, chemical preparations, diagnosis medicine, biological medicine with features of treatment and diagnosis, and various commodity and technique hold by self-support and agency. Till Dec. 31 of 2010, total assets amounted to RMB 642,721,500, operating income RMB 1,217,520,300 of the whole year, net profit RMB 29,100,700.

4. Shenzhen Zhijun Wanqing Pharmaceutical Co., Ltd: with the registered capital of RMB 80 million with 75% equity held by the Company mainly engaged in the R&D and manufacture of raw materials and preparation of Cephalosporin. Till Dec. 31 of 2010, total assets amounted to RMB 512,192,500, net assets RMB 111,395,700, operating income RMB 509,487,300 of the whole year, net profit RMB 9,915,000.

5. Shenzhen Main Luck Pharmaceuticals INC: with the registered capital of US\$ 5 million and the Company holds its 35.19% equities. Its main business covered development, research, production and operation of anticancer medicine preparations. Till Dec. 31 of

2010, total assets amounted to RMB 459,292,800, operating income RMB 468,348,600 of the whole year, net profit RMB 77,364,500.

Section III. R&D investment and self-innovation

I. Total investment in R&D of the Company

Subordinate industrial corporations of Accord Pharmaceutical Medicine business division insisted developing model through investing more in technology to improve technologic innovation ability. Actual investment of 2010 was RMB 5,768,590, taking 3.35% of total sales amount.

Detailed statement about investment in R&D of Accord Pharmaceutical Medicine business division of 2010

	Income of 2010 (RMB'0000)	Actual income of 2010 (RMB'0000)	Proportion of investment of R&D
Zhijun Pharmacy	120437	3944.93	3.28%
Zhijun Wanqing	47365	1789	3.78%
Shenzhen TCM	4316.8	34.66	0.80%
Total	172118.8	5768.59	3.35%

II. Self-innovation

1. System innovation: in 2010, Zhijun Pharmacy started to explore R&D management model, brought project responsibility system, enhanced appraisal of key points via hi-blue software. The operation went ideally, making a effective try for promotion of industrial R&D management reform of business division.

2. 2010 annual declaration of new medicines: 3 corporations of business division exerted advantage of R&D, promoted it, till 2010 1 clinical parcel and 5 production parcels had been got.

Statistics of parcels of 2010 annual new medicines of various corporations of business division

	Clinical parcels	Production parcels
Zhijun Pharmacy	Lupraph tablet	Cefteram pivoxil
		Cefdinir Dispersible Tablets
Zhijun Wanqing	Naught	Nizatidine Capsules
		Torasemide
		Cefixime tablets
Shenzhen Chinese Medicine	—	—
Total	1	5

3. Technology innovation:

Under the guidance of production cost, the 3 industrial corporations brought in new techniques, and the transformation went smoothly. In 2010 we completed 5 techniques improvement, thus reduced production cost and expanded productivity.

Progress of 2010 important technological transformation of various corporations of business dividend

	Technological transformation	Predicted earnings	Progress of 2010
Zhijun	Tab- letting directly for Zinacef powder	Production efficiency was improved 2 times, thus released productivity	Trial-production

Pharmacy		bottleneck of Zhijun	
	Cefixime Capsules marumcrbation	Amount of accessories was reduced by 25%	Trial-production
Zhijun Wanqing	Combination technique innovation for Cefoxitin	Solved large amount of organic solvent, improved yield coefficient by 15%, at the same time targeted energy-saving and emission-reducing	Trial-production
	Reformation on sulfanilamidum crystallinum sterile of Cefminox Sodium	Effectively reduced ignition residue whose ratio could be basically controlled within 0.1%	Trial-production
Shenzhen Chinese Medicine	Reconstruction totally on GMP of oral liquid agents plant	Entirely passed GMP; productivity was expanded	Smoothly passed GMP
Total	5		

Section IV. Working plan of the Company for 2010

I. 2011 operational ideas

The Company will take over the integrate goal of the Twelfth Five-Years Plan, in accordance with new organization structure, define the duty and labor division of head-office and two business department. In 2010, the Company will focus on operational idea of the Innovate Ideas, Scientific Position, Health Operation, Leaping Development, innovate operational model, value added service and technology, enhance risk management, conduct health operation, deepen to promote integration strategy, build leader position of distribution in southern region; establish dumbbell industry platform around 4 angles, comprehensively complete annual goal of over RMB 16 billion of sales, thus realize leaping development.

II. Major tasks of 2011

1. Do a good work in propagandism, taking and implementation of the Twelfth Five-Years Plan

The Company will pay attention to propagandism of the Twelfth Five-Years Plan, fully make use of various platforms and channel, carry out various forms of propagandism in different levels and lines. The Company should exert subjective initiative of all the staffs, actively and initiatively ensure execution effect of plans.

2. Constantly perfect duty process and optimize organizational structure

In order to promote smooth development of major tasks, we adjusted organization structure of the Company. In 2011, the Company should focus on operation and optimization of new structure, constantly perfect business procedure thus satisfy developing demands of the Twelfth Five-Years Plan.

3. Set up specific goal, effectively allocate resource

In 2011, the Company will focus on staff structure optimization, making it more suitable for development of the Company; build average efficiency pattern, set up specific goal of average efficiency and constantly improve it; enhance bringing-in and appraisal of top-level talents, ensure quality growth of core talents.

4. Perfect distribution network, overtake benchmarking enterprises

From 2010 distribution of Accord was faced with competition situation of surrounding heroes, the Company will further speed up network construction of distribution, promote network sinking. In 2011 we will ensure completion of distribution network, realize coverage of major targets in Guangdong and Guangxi, improve market share, overtake benchmarking enterprises, thus become top distribution brand in southern region.

5. Perfect risk management and control system, boost rapid development of subsidiaries

In 2011, the Company will further perfect process system of merger and integration, ensure stable transition and speedy development of newly established subsidiaries; fully exert platform advantage of integrate operation, offer purchase, customer service, management and talent and other resource for subsidiaries, making subsidiaries larger and

stronger.

6. Make the terminal market finer and more powerful, promote resource integration on basis of supply chain

In 2011, the Company should take customers as guidance, boost deep coordination between business and function department; lay stress on promoting integration based on supply chain, rapidly boost business integration, thus form comparative advantage of distribution of Accord.

7. Innovate customers added value service, develop new business

The Company will strengthen added value service and developing ability, vigorously promote information added value service based on supply chain integration. The project of hospitals chain will be continuously promoted and implemented in several ones in Guangzhou, Shenzhen, and Guangxi, which will form stronger demonstration effect.

8. Promote network construction of logistic, optimize logistic management and improve logistic distribution efficiency

In 2011, we will constantly promote construction and optimization of logistic net points, constantly enhance logistic points management and function allocation; perfect information technology of supply chain platform, ensure electronic supervision of basic medicine; we will choose mature and integrated variety for none inventory management in areas satisfying the requirements; guided under logistic center, coordinate suppliers to conduct delivery and operation from majority warehouses.

9. Perfect internal control system, build effective and coordinated pharmacy business department

In 2011, pharmacy business department will enhance management and control on industrial corporations through teasing system procedure, construction of industrial information platform as well as union of management instruments, thus it can really operate. We should fully play function of supervision, coordination and control, effectively integrate resources, lead various member corporations to conduct comprehensive cooperation in products supporting, future business development and other aspects, thus exert coordination effect of each member corporation, boost operation efficiency, build effective and coordinated pharmacy business department, realize rapid development of industry board.

10. Integrate R&D and marketing resource, build dumbbell pharmacy corporation

In 2011, the Company will focus on promotion of R&D, transfer thoughts and rules of marketing center, integrate good quality resource in aspect of pharmacy business department, boost coordination and labor division of various corporations. Expand cooperation with domestic and foreign institutions in R&D, put more effort on bringing in foreign patented product, and thus accelerate development speed of new products.

11. Promote implementation of various tasks surrounding industry chain supporting

In 2011, the Company should further deeply promote industry chain supporting, regulate various corporations for coordination and labor division of R&D report for approval, assist to integrate supplier resource via upline of ERP system, carry out united bringing-in and purchase of major varieties; support Euro Union Authentication for pink thread workshop and Zhijun Wanqing starts international authentication for raw materials of G workshop; should set up integrate quality sense, comprehensively boost products quality through basic construction and technology transformation as well as improving internal management, together ensure achievement of 80% targets of supporting facilities.

12. Make well with 3 major bases' construction, thus lay a foundation for future development

In order to deal with deficient productivity which has disturbed us for a long time, look for construction of future industry platform, the Company started planning and construction of 3 major bases. The founding of the 3 major bases will effectively improve the productivity scale of industry, thus offer condition for taking over international industry motion. At the same time we should lay stress on promoting construction of Pingshan base of Accord Pharmacy when involving in technology transformation of current project, ensure starting

construction in 2011, promote supporting projects of Guanlan second phase of Zhijun Pharmacy and Zjijun Wanqing second phase according to plan, at the same time, we'll complete the establishment of project in group about Zhijun Wanqing third phase, thus offer firm productivity for future development of industrial platform.

13. Step into new business field, boost sustainable development

In 2011, the Company will make an overall plan for expansion in international main stream market of pharmacy and raw materials variety, start strategy installation of international market, accelerate the implementation of Big Health business; at the same time, we'll pick more strategy styles from the angle of industry chain, thus ensure sustainable development of corporation.

Section VI. Investment and application of raised funds

I. Main investment

In 2010, the Company had no major external investment besides purchasing Shenzhen Yanfeng Pharmaceutical Co., Ltd., Sinopharm Holding Meizhou Co., Ltd, and Sinopharm Holding Huizhou Co., Ltd. and Sinopharm Holding Shenzhen Chinese Medicine Co., Ltd.

II. Application of raised proceeds

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

III. The actual progress of significant non-raised proceeds in the report period

Unit: RMB'0000

Name of the project	Amount of the project	Progress of the project	Earnings of the project
Newly built Nanning Logistic Center Project	14,700.00	10%	It was predicted that the annual operating value realized RMB 6 million and 0.15 million storage amount after completion and operation of the first phase, and total storage amount 0.2 million after the completion of the second phase. After construction of projects, logistics transfer hub of modern logistic system was formed. At that time, it will realize 0.11 million of storage amount per month in logistic storage ability, dealt with 3,000-5,000 orders daily; daily throughput is -4 million and annual one is 3-4 million; approval work zone receives 5,000 daily; over 18,000 goods allocations in parts demolition and election area; nearly ,9000 goods allocations in entire case election area; over 2,800 goods allocations in electron label shelf system.
The 2 nd phase project of Guanlan Base of Zhijun Pharmaceutical	25,000.00	0.58%	1. Expanded two workshops of cephalosporin solid, increasing 1 billion pieces of annual productivity; 2. Newly built a asepis pink powder thread production line, increasing 0.2 billion annual productivity.
Newly built two workshops of cephalous solid	3,620.00	100%	In 2009, started to build two workshops of cephalosporin

			solid, and passed GMP certificate in Apr. of 2010, annual productivity was 0.175 billion pieces/grains/packs, from 2012, with the marketing of new oral cephalosporin with solid type, the annual productivity is predicted 0.5 billion pieces/grains/packs.
Newly built workshop of asepsis raw materials	5,934.00	99%	Construction of cephalosporin asepsis crude medicine workshop will bring an annual productivity 600 tons, solving the bottleneck problem of productivity and meeting the demands of market.
Newly built workshop of solvent recovery	1,744.00	73%	the built-up workshop of new solvent can rise the recovery from 60% to 90%, more than RMB 8 million cost can save in one year.
Power supply workshop transformation project	1,470.00	65%	Completion of power supply workshop transformation project will improve the power supply capacity to 4,000KVA from 2,000KVA, solving energy bottleneck problem of development of the Company; at the same time it owns double electric power source, thus improve the security of production.
Newly built Peinan project	4,000.00	20%	Approval of FDA spot of newly built Peinan project will increase the types of antibiotics, possibly exported to international market, improve the economic efficiency.
Cefoxitin enzyme workshop transformation project	806.00	99%	Completion of cefoxitin enzyme workshop transformation project possibly improves the productivity to 50 tons per year from 25 tons per year, compared with external purchased raw material, reduce production cost RMB 17.5 million per year, improve marketing competitiveness of down-stream products.
Total	57,274.00	-	-

Section VII. Routine work of the Board of Directors

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

1. On January 25, 2010, the Board of Directors held the 14th meeting of the 5th session in telecommunication way, which reviewed and approved the Proposal of Purchasing Medicine Operation Business and Corresponding Assets and Liability of Nanning Pharmacy Co., Ltd.

The decision of the meeting was published on Securities Times and Hong Kong Commercial Daily dated January 26, 2010.

2. On March 20, 2010, the Board of Directors held the 15th meeting of the 5th session

which reviewed and approved the following proposals:

- (1) 2009 Annual Report of Board of Directors
- (2) 2009 Annual Report and Summary
- (3) 2009 Annual Profit Distribution Plan
- (4) 2009 Annual Report of Work of Independent Directors
- (5) 2009 Annual Report of Social Responsibility
- (6) 2009 Annual Self-Estimation Report of Internal Control
- (7) 2010 Annual Budget Plan of Operation
- (8) 2010 Annual Performance Appraisal Plan of Operation
- (9) Proposal of 2010 Annual Amount of Comprehensive Guarantee Applied from Bank and Arranging Guarantee Events
- (10) Proposal of 2010 Annual Daily Related Transaction between the Company and Its Subsidiaries
- (11) Proposal of Investing in Construction of Nanning Logistic Center
- (12) Proposal of Purchasing 51% Equity of Shenzhen Yanfeng Pharmacy Co., Ltd
- (13) Proposal of 2009 Cancellation after Verification of Non-Performing Assets
- (14) Proposal of Setting up Accountability System against Major Errors in Information Disclosure
- (15) Proposal of Management System of Submitting Information to External Units
- (16) Proposal of Supplementing Independent Directors
- (17) Proposal of Regulating Partial Directors
- (18) Proposal of Holding 2009 Annual General Meeting of Shareholders

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on March 23, 2010.

3. On April 26, 2010, the Board of Directors held the 16th meeting of the 5th session in telecommunication way, which reviewed and approved the 1st Seasonal Report 2010.

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on April 27, 2010.

4. On June 11, 2010, the Board of Directors held the 17th meeting of the 5th session in telecommunication way, which reviewed and approved the following proposals:

- (1) Proposal of Revising the Articles of Association
- (2) Proposal of Supplementing Independent Directors
- (3) Proposal of Holding 2nd Extraordinary Shareholders' General Meeting of 2010

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on June 12, 2010.

5. On June 25, 2010, the Board held the Extraordinary Meeting of 5th session in telecommunication way, which reviewed and approved the Proposal of 100% Equity Acquisition from Huizhou Zhongsheng Pharmaceutical Co., Ltd. by Accord Pharmaceutical. The resolution was submitted to Stock Exchange for file

6. On July 20, 2010, the Board of Directors held extraordinary meeting of the 5th Board of Directors in telecommunication way, which reviewed and approved the Proposal That Shenzhen Yanfeng Pharmacy Co., Ltd Apply for Bank Comprehensive Guarantee from China Merchants Bank Anlian Branch.

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on July 22, 2010.

7. On August 16, 2010, the Board of Directors held the 18th meeting of the 5th session in telecommunication way, which reviewed and approved the following proposals:

- (1) 2010 Semi-Annual Report and Summary
- (2) Proposal of Purchasing 52.61% Equity of Sinopharm Holding Shenzhen Chinese Medicine Co., Ltd
- (3) Proposal of Regulating 2010 Annual Line of Bank Credit and Arrange for Guarantee
- (4) Proposal of Shenzhen Zhijun Pharmacy Co., Ltd Changing Land Parcel Nature and Completing Project of Adding Land Parcels
- (5) Proposal of Regulating Staffs Composition of Strategy Committee of Board of

Directors

(6) Proposal of Regulating Staffs Composition of Audit Committee of Board of Directors

(7) Proposal of Regulating Staffs Composition of Remuneration and Appraisal Committee of the Board of Directors

(8) Proposal of Changing the Engage of Audit Institution of Annual Report

(9) Notice of Holding 3rd Extraordinary Shareholders' General Meeting of 2010

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on August 18, 2010.

8. On September 9, 2010, the Board held the Extraordinary Meeting of 5th session in telecommunication way, which reviewed and approved the Proposal of 100% Equity Acquisition from Huizhou Zhongsheng Pharmaceutical Co., Ltd. by Accord Pharmaceutical. The resolution was submitted to Stock Exchange for file.

9. On October 22, 2010, the Board of Directors held the 19th meeting of the 5th session in telecommunication way, which reviewed and approved the 2010 3rd Seasonal Report

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on October 23, 2010.

10. On November 1, 2010, the Board of Directors held the 20th meeting of the 5th session in telecommunication way, which reviewed and approved the following proposals:

(1) Proposal of Increasing Registration Capital of 4 Subordinate Wholly-owned Subsidiaries

(2) Proposal of Implementation of Self-Investigation and Construction of Long-acting Mechanism for Preventing Capital Occupation of Accord Pharmacy

(3) Proposal of Building Management System for Preventing Large Shareholders and Related Parties Occupying Capital of Listed Companies

(4) Reform Report that Accord Pharmacy 2010 Conducted Special Activity for Normalizing Basic Work of Financial Accounting

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on June 12, 2010.

11. On December 7, 2010, the Board of Directors held the 21st meeting of the 5th session in telecommunication way, which reviewed and approved the following proposals:

(1) Regulation Plan for Organization Structure 2011 Accord Pharmacy

(2) Proposal of Supporting Projects for Suzhou Zhijun Wanqing Pharmacy Co., Ltd

(3) Proposal of Budget Regulation for Second Phase of Technology Transformation of Suzhou Zhijun Wanqing Pharmacy Co., Ltd

(4) Proposal of Offering Guarantee for Fixed Assets Investment Loan of Guangxi Sinopharm Logistic Co., Ltd Applied from Guangxi Branch Bank of Communication

(5) Proposal of Offering Guarantee for Line of Credit of Sinopharm Holding Liuzhou Co., Ltd Applied from Bank of Communication

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on December 9, 2010.

12. On December 29, 2010, the Board of Directors held the 22nd meeting of the 5th session in telecommunication way, which reviewed and approved the Proposal of Newly Engaging Senior Management Talent.

The decisions made in meetings were published on Securities Time and Hong Kong Commercial Daily on December 31, 2010.

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

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

During the report period, the Proposal on Daily Related Transaction between the Company and Related enterprise has been examined and approved by the 2009 General Shareholders' Meeting of the Company dated April 16, 2010. In 2010, the Company actually has purchased goods from the related enterprises total RMB 1,371,491,900, and RMB 1,051,843,900 for selling goods. These two occurring amounts are respectively

88.48% and 84.15% of the granted amounts authorized by the General Shareholders' Meeting.

(2) Implementation of the profit distribution plan

2009 Annual General Shareholders' Meeting was held on April 16, 2010, in which examined and approved to send cash dividends of RMB 1.00(tax included) per every 10 shares to its all shareholders, taking the total shares 288,149,400 of the Company at the end of 2009 as the base. The Board has released the notice of Implementation of the 2009 Dividend Distribution of the Company on June 5, 2010 (published on Securities Times and Hong Kong Commercial Daily and the website <http://www.cninfo.com.cn> dated June 5, 2010.) the Company implemented the 2009 profit distribution plan and the dividends for public shareholders have been already sent to their accounts respectively on June 17, 2010(A-share) and June 21, 2010 (B-share).

(3) Implementation of plan on issuing new shares

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

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

In 2010, audit committee strictly performed its responsibility based on the Work System of Audit Committee of the Board of Accord Pharmaceutical, supervised the independency of auditing department as well as the implementation of internal system. In the prepared procedure of annual report, the audit committee issued written opinion respectively before the annual auditor came-by and after primary auditing opinion from annual auditing CPA, and decided the Annual Financial Accounting Report of 2010 by conference with approval by the Board. In addition, audit committee conclusion the annual auditing work of 2010 performed by Pricewaterhouse Zhongtian CPA Co., Ltd., a re-appointment proposal was submitted to the Board.

I. Work of audit committee of the Board

The audit committee of the Board responsible for the communication, supervises and verification work on the auditing in and out of the Company. During the annual auditing work for this year, audit committee plays its role in supervisory and protected the independency of the auditing:

1. confirmed the auditing schedule with the CPA that auditing the annual financial work of the Company by communication;
2. issued written opinion on the financial accounting statement prepared by the Company before the CPA auditing;
3. Strength communication with CPA, supervise the CPA to submitted Annual Report on schedule by urgency letter;
4. Issued written opinion on the primary auditing opinion from CPA after reviewing the enterprise financial accounting statement again;
5. The audit committee convened the Work Meeting of 2010 for the followed proposals that submitted to Board for approved as the Company's Financial Accounting Report, Conclusion Report on the Auditing Work from CPA and Re-appointment the PWC CPA Co., Ltd. as the auditing institution.

II. Written opinion from Audit Committee of the Board, Conclusion Report of Annual Auditing and Resolutions

1. Written opinion of the financial accounting statement-- issued by the Company, from audit committee before annual CPA auditing

According to relevant regulation of Work System of Audit Committee of the Board of Accord Pharmaceutical, the audit committee responsible for the duty of supervisor and verification during the preparation and disclosure of the annual report. After the primary auditing opinion issued by annual CPAs, the audit committee takes the opinions after reviewing the Annual Financial Accounting Statement of Accord Pharmaceutical 2010:

- (1) Preparation of the financial accounting statement is complied with the accounting

policy of the Company. The policy were in a properly implementation and with a reasonable accounting estimation which meet the requirements of new Accounting Standard for Business Enterprises, enterprise accounting system and relevant regulations from Ministry of Finance;

(2) The companies consolidated in consolidation statement and contents are in a complete-ness situation and the base of statement consolidation is accuracy;

(3) Content of the financial accounting statement is objective, truth-ness, accuracy and without significant errors and omission information.

Concerning the abundance of time between the reviewing date and date of report as well as the disclosure date, we required the financial department focus on the events occurred after the date of balance sheet date according to the new Accounting Standard for Business Enterprise. Guarantee the fair-ness, truth-ness and integrity. The financial accounting report may submit to annual CPA for approval.

Audit Committee of the Board
December 30, 2010

2. Written opinion of the financial accounting statement-- issued by the Company, from audit committee after primary auditing opinion issued by annual CPA

According to relevant regulation of Work System of Audit Committee of the Board of Accord Pharmaceutical, the audit committee responsible for the duty of supervisor and verification during the preparation and disclosure of the annual report. Through the sufficient communication with annual CPAs in early period and based on the production business of the Company as well as its significant events, after the primary auditing opinion issued by annual CPAs, we reviewed the Annual Financial Accounting Statement of Accord Pharmaceutical 2010, keep the original proposal opinion with that:

The Company strictly complied with the regulation of financial system of the Company and new Accounting Standard for Business Enterprises. The preparation procedure on the financial accounting statement are in a reasonable and regulated situation and reflected the assets, liabilities, equity and business results ended as December 31, 2010 fair-ness with truth-ness, accuracy and integrity content.

The Financial Accounting Statement 2010 primary approved by CPAs should submit to Audit Committee for decision.

Audit Committee of the Board
February 18, 2011

3. Conclusion Report from Audit Committee on Annual Auditing by CPA Co., Ltd.

Proposed by the 18th Meeting of 5th Board and approved by 3rd Extraordinary Shareholders' General Meeting 2010, the Company appointed Pricewaterhouse Certified Public Accountants Co., Ltd as the auditing institution for financial accounting statement 2010 of the Company.

On July 9, 2010, the time schedule for financial report auditing 2010 has been confirmed by communication with PWC Zhongtian CPA Co., Ltd. by audit committee. The auditors from PWC Zhongtian CPA Co., Ltd. were entered the field for auditing due to the above mentioned schedule on January 10, 2011. From January 10, 2011 to January 31, 2011, auditors completed the field auditing in various companies that in the consolidation scope. And communication continuously and fully with the managements of the Company and members of the audit committee on the statement consolidation, accounting adjustment, counting policy adoption and accounting problems need perfection that found during the auditing work. Based on the importance and prudential principle, the operation situation, financial status processing and implementation and adoption on new Accounting Standards for Business Enterprises should be fully understanding between the Company and auditors for the purpose of lay out a mature judgment on the provision of fair-ness auditing results from CPAs. The above mentioned auditing makes sure that the financial

information of the Company is carried in a truth, accuracy and complete-ness way.

During the period of auditing from annual auditing CPA, members of audit committee perform their responsibilities on supervision and verification according to the Work System of Audit Committee of the Board of Accord Pharmaceutical. Focus on the problems found in auditing and urge the CPA completed the preparation work in time schedule, guarantee the annual report carried in a truth, accuracy and integration way.

A standard unqualified auditor's report was issued by the annual auditing CPA on schedule. We believed that the annual auditing CPA strictly complied with the regulations of Independent Auditing Criterion for Chinese Registered Accounts for auditing. The issued auditing conclusion corresponding actual situation of the Company, the auditing statement reflected real financial status of the Company dated December 31, 2010, business results of 2010 and cash flow of 2010 fair-ness and completely, with a sufficient time, reasonable personnel allocation and qualified execution.

Audit Committee of the Board
February 18, 2011

4. Meeting Resolution of Work 2010 from Audit Committee of Board

Meeting was held on February 18, 2011 by the audit committee of the Board. Three people for legal attendance, and three people for actual attendance. Followed proposals were approved by the audit committee:

(1) Pass the Financial Report of 2010 with 3 affirmative votes, 0 abstention, 0 dissenting vote;

(2) Pass the Conclusion Report of auditing work 2010 on the Company from Pricewaterhouse Zhongtian CPA Co., Ltd. with 3 affirmative vote, 0 abstention, 0 dissenting vote;

(3) Pass the Proposal of Re-appointment of CPAs with 3 affirmative vote, 0 abstention, 0 dissenting vote. In 2011, the Company plans to engaged Pricewaterhouse Zhongtian CPA Co., Ltd. which owns the relevant business qualification of securities and futures for accounting statement audition with one-year term.

The above mentioned proposals should submit to Board for approval.

Audit Committee of the Board
February 18, 2011

Section X. Remuneration and appraisal committee's audit opinion on senior management persons

Remuneration and appraisal committee actually fulfilled responsibility, mainly responsible for formulating appraisal standard of directors and managers and took appraisal on them, formulated and reviewed remuneration policy of directors and managers, and guided the board of directors to complete the remuneration system.

Section XI. Preplan on Profit Distribution and Converting Capital Reserve into Share Capital in 2010

The 2010 Financial Settlement of the Company has been audited and confirmed by Pricewaterhouse Zhongtian Certified Public Accountants Co., Ltd. The net profit realized by the parent company in 2010 was RMB 224,082,114.41, in accordance with the regulation of Company Law and Articles of the Association, withdrawal of surplus public reserve was RMB 22,408,211.44 based on 10% of net profit, undistributed profit offset by purchasing enterprise under the common control was RMB 7,209,272.00, dividend distributed was RMB 28,814,940.00, plus the undistributed profit at year-begin RMB

234,901,348.57, the Company has profit of RMB 400,551,039.54 available for distribution for shareholders ended as Dec. 31, 2010.

The 2010 Preplan Profit Distribution of the Company is: taking the total 288,149,400 shares as of Dec. 31, 2010 as the radix, cash bonus of RMB 1.2(before tax) each 10 share will be distributed to the whole shareholders. It is predicated that the distributed dividend would be RMB 34,577,928.00, and the remained profit RMB 365,973,111.54 would be transferred to the next year.

The Company did not convert capital reserve into share capital in 2010.

The aforementioned distribution plan should be submitted to the 2010 Annual Shareholders' General Meeting for consideration and approval.

2. Particulars about the distribution of the Company in previous three years

Amount of annual cash dividend of listed companies should be amount including tax and contain amount of cash dividend in middle of current year (if applicable); net profit should be calculated on basis of current year's net profit in consolidated statements attributable to shareholders of listed companies after regulation.

Unit: RMB

Year for bonus distribution	Amount of cash bonus (tax included)	Net profit attributable to shareholders of listed company in consolidated statement of bonus year	Ratio of net profit attributable to shareholders of listed company in consolidated statement	Distributable profit during the year
2009	28,814,940.00	192,868,245.18	14.94%	509,918,947.32
2008	28,828,019.86	159,894,713.28	18.03%	330,516,252.41
2007	0.00	126,501,853.42	0.00%	184,074,070.88
The proportion of accumulative cash bonus during recent three years in latest annual average net profit (%)				36.08%

Note: 1. The Company should definitely disclose amount of cash dividend and ratio of net profit in recent 3 years in form of listing.

2. Average distributable profit refers to average amount of total annual distributable profit in recent 3 years

Section XII. Other disclosure events

On July 13, 2010, Ministry of Finance located at Financial Ombudsman Office of Shenzhen performed a routine investigated on the 2009 annual accounting information quality of the Company. The Company submit the re-struction report to office of ombudsman for the problems esits. Concerning the involved relevant data, which makes no influenced on the consolidation balance sheet 2009, consolidation profit statement and consolidation cash flow statement, the Company have revised the involved date of same period of last year carried in the financial notes.

CHAPTER VIII. REPORT OF THE SUPERVISORY COMMITTEE

I. Works of the Supervisory Committee

In 2010, the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. earnestly performed its duty according to the regulations of the Company Law, the Article of Association of the Company and Rules of Procedure of the Supervisory Committee. Totally 7 meetings have been held by the Supervisory Committee of the Company during the report period and followed the details:

1. The 13th Meeting of 5th Supervisory Committee was held on March 20, 2010 for the followed proposals approved:

- (1) Annual Report 2009 and Summary of Annual Report 2009;
- (2) Report of the Board of Directors 2009;

- (3) Report of the Supervisory Committee 2009;
- (4) Profit Distribution Plan 2009;
- (5) Social Responsibility Report 2009;
- (6) Self-Evaluation Report on Internal Control 2009;
- (7) Plan of Operation 2010;
- (8) Plan of Operation Performance Evaluation 2010;
- (9) Proposal of General Credit Limit Application to Bank and Guarantee Arrangements 2010;
- (10) Proposals of Daily Related Transactions between the Company, Subordinate Enterprise and Related Parties in 2010;
- (11) Proposal of the Establishment of China National Nanning Logistic Center;
- (12) Proposal of 51% Equity Acquisition from Shenzhen Yanfeng Medicine Co., Ltd.;
- (13) Proposal of 2009 Non-Performing Assts Verification;
- (14) Proposal of the Establishment of Responsibility System on Significant Errors in Annual Information Disclosure;
- (15) Proposal of the Establishment of Management System on Information Submit to External Units;

The resolutions were published in Securities Times and Hong Kong Commercial Daily dated March 23, 2010.

2. The 14th Meeting of 5th Supervisory Committee was held on April 26, 2010 for approved the First Quarterly Report 2010.

Resolutions were published in Securities Times and Hong Kong Commercial Daily dated April 27, 2010.

3. The 15th Meeting of 5th Supervisory Committee was held on June 10, 2010 for the following proposals approved:

- (1) Proposal of <Article of Association> Modification
 - (2) Proposal of the Changes on Parts of the Supervisors
- Resolutions were published in Securities Times and Hong Kong Commercial Daily dated June 12, 2010.

4. The 16th Meeting of 5th Supervisory Committee was held on August 16, 2010 for the followed proposals approved:

- (1) Proposal of Election of Convener of Board of Supervisors (1)
- (2) 2010 Semi-Annual Report and Summary
- (3) Proposal of Purchase of 52.61% Equity of Sinopharm Holding Shenzhen Chinese Medicine Co., Ltd
- (4) Proposal of Regulation of 2010 Annual Bank Credit Line and Arrange for Guarantee
- (5) Proposal that Shenzhen Zhijun Pharmacy Co., Ltd Changed Land Nature and Completed Combination of Lands
- (6) Proposal of Re-engaging Audit Institution of Annual Report

Notices of decision made in meetings have been published on Securities Times and Hong Kong Commercial Daily on August 18, 2010.

5. On October 22, 2010, the Company held the 17th meeting of the 5th Board of Directors, which reviewed and approved the 3rd Quarterly Report 2010

Notice of decision made in meetings has been published on Securities Times and Hong Kong Commercial Daily on October 23, 2010.

6. The 18th Meeting of 5th Supervisory Committee was held on November 1, 2010 for the following proposals approved:

- (1) Proposal of Investing More Registration Capital in 4 Wholly-Owned Subsidiaries
- (2) Notice of Construction of Permanent Mechanism for Preventing Capital Occupation and Implementation of Self-Investigation of Accord Pharmacy
- (3) Proposal of Construction of Management System of Preventing Capital Occupation of Listed Companies form Large Shareholders and Related Parties
- (4) Notice of Rectification of Special Activities for Normalizing Basic Work of Financial Accounting of Accord Pharmacy in 2010

Notice of decision made in meetings has been published on Securities Times and Hong Kong Commercial Daily on November 3, 2010.

7. On December 7, 2010, the Company held the 19th meeting of the 5th Board of Supervisors, which reviewed and approved the following proposals:

- (1) Proposal of Rectification of Organization Structure of Accord Pharmacy 2011
- (2) Proposal of Supporting Projects of Suzhou Zhijun Wanqing Pharmacy Co., Ltd
- (3) Proposal of Regulating Budget for Partial Projects of the 2nd Technology Transformation of Suzhou Zhijun Wanqing Pharmacy Co., Ltd
- (4) Proposal of Offering Guarantee for Fixed Assets Investment Loan of Guangxi Sinopharm Logistic Co., Ltd from Bank of Communication Guangxi Branch
- (5) Proposal of Offering Guarantee for Credit Line of Sinopharm Holding Liuzhou Co., Ltd from Bank of Communication

Notice of decision made in meetings has been published on Securities Times and Hong Kong Commercial Daily on December 9, 2010.

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

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

(I) Operation by law

In 2010, according to the relevant regulations of the Company Law, Securities Law, Listing Rules of Stock Market and Articles of Association, the board of directors legally managed, operated, made decisions in law and constructed and perfected internal control system. The procedures of holding shareholders' meeting and meeting of the board of directors accorded with relevant regulations, and there was no behavior breaking relevant regulations and laws of the Article of Association of the Company and behavior violating the profit of the Company and shareholders when the directors and managers implemented their office duty.

(II) Check on financial management of the Company

In the report period, the Supervisory Committee seriously checked the financial status of the Company and thought that the financial management was standardized, the financial report objectively and truly reflected the financial status and operation achievement of the Company and the profit distribution plan for 2010 complied with the actual condition of the Company. The financial report 2010 was true and accurate, and fairly reflected the present financial status and operation achievement. The audit report with standard unqualified opinion issued by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. was objective and just.

(III) Application of raised proceeds

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

(IV) The purchases and sales of assets

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

(V) Related transaction

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

(VI) Self-evaluation of internal control

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

CHAPTER IX. SIGNIFICANT EVENTS

Section I. Significant lawsuits and arbitrations (administration department)

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

Section II. Purchases and sales of assets

1. Purchases of assets

Unit: RMB'0000

The other party of transaction or final controller	Assets purchased	Purchase date	Purchase price	Net profit contributed to the Company from the purchase date to the year-end (applicable for enterprise merger under the uncommon control)	Net profit contributed to the Company from the year-begin to the year-end (applicable for enterprise merger under the common control)	Related transaction or not	Explanation on price setting	Assets rights concerned transferred ownership fully or not	Credit and liability concerned shifted fully or not	The related relationship (applicable for related transaction)
China National Pharmaceutical Group Corporation	52.61% equity of Sinopharm TCM Co., Ltd.	2010-11-22	2,714.13	0.00	-1,434.65	Yes	Taking the book amount of net asset as of Dec. 31, 2009 as the reference evidence, the price was formed by open bidding in Assets and Equity Exchange.	Yes	Yes	The same final controlling shareholder
Shenzhen Kaijiefeng Industrial Co., Ltd.	Shenzhen Yanfeng Pharmaceutical Co., Ltd controlled its 51% equity	2010-04-30	2,800.78	213.02	0.00	No	Taking the book amount of net asset as of Dec. 31, 2009 as the referen	Yes	Yes	Naught

								ce evidenc e, the price was formed by open bidding in Assets and Equity Exchan ge.			
Shi Xianqiang , Shi Jianwen	Traditiona l Pharmace utical Meizhou Co., Ltd	2010-07-31	448.19	3.45	0.00	No		Taking the book amount of net asset as of Mar. 31, 2010 as the referen ce evidenc e, the price was formed by open bidding in Assets and Equity Exchan ge.	Yes	Yes	Naught
Yan Minneng, Xu Jianbin	Traditiona l Pharmace utical Huizhou Co., Ltd	2010-11-30	564.42	0.08	0.00	No		Taking the book amount of net asset as of July 31, 2010 as the referen ce evidenc e, the price was formed by open bidding in	Yes	Yes	Naught

							Assets and Equity Exchange.			
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2. Sales of assets

Unit: RMB'0000

The other party of transaction or final controller	Assets sold	Sales date	Sales price	Net profit contributed to the Company from the year-begin to the sales date	Gains/losses from sales	Related transaction or not	Explanation on price setting	Assets rights concerned transferred ownership fully or not	Credit and liability concerned shifted fully or not	The related relationship (applicable for related transaction)
Shenzhen Jinhua Industry Co., Ltd	0.1759% equity of Guangzhou Shenzhen Joint Pharmaceutical (Group) Co., Ltd.	2010-04-26	32.54	0.00	4.12	No	Taking the book amount of net asset as of Dec. 31, 2008 as the reference evidence, the price was formed by open bidding in Assets and Equity Exchange.	Yes	Yes	Naught

Section III. Important related transactions

I. Daily related transactions

Unit: RMB'0000

Related parties	Sell product and supply labor force to the related parties		Purchase product and accept labor force from related parties	
	Transaction amount	Proportion in the amount of the same transaction	Transaction amount	Proportion in the amount of the same transaction
Sinopharm Holding Shengyang Co., Ltd.	11,565.96	0.89%	0.00	0.00%
Guangdong Accord Drugstore Co., Ltd,	9,176.02	0.71%	103.58	0.01%
Sinopharm Holding Hunan Co., Ltd.	8,545.61	0.66%	0.00	0.00%
Sinopharm Holding Hubei Co., Ltd.	8,328.66	0.64%	0.00	0.00%
Chongqing Yaoyou	7,879.49	0.61%	382.24	0.03%

Pharmaceutical Co., Ltd.				
Sinopharm Group Southwest Pharmacy Co., Ltd.	6,765.47	0.52%	74.31	0.01%
Sinopharm Holding Beijing Co., Ltd.	6,670.99	0.51%	94.43	0.01%
Sinopharm Holding Tianjin Co., Ltd.	5,338.07	0.41%	0.00	0.00%
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	4,050.69	0.31%	0.00	0.00%
Guangxi Accord Drugstore Chain Co., Ltd	3,204.36	0.25%	0.00	0.00%
Sinopharm Holding Hainan Co., Ltd.	3,196.42	0.25%	4.61	0.00%
Sinopharm Holding Beijing Huahong Co., Ltd.	2,780.68	0.21%	0.00	0.00%
Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	2,755.04	0.21%	2.22	0.00%
Sinopharm Group Co., Ltd.	2,576.10	0.20%	82,082.21	6.80%
Sinopharm Holding Yunnan Co., Ltd.	2,283.94	0.18%	0.00	0.00%
Sinopharm Holding Henan Co., Ltd.	2,201.50	0.17%	0.00	0.00%
Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	1,852.18	0.14%	0.00	0.00%
Sinopharm Holding Fujian Co., Ltd.	1,448.65	0.11%	1,922.98	0.16%
Sinopharm Holding Ningxia Co., Ltd.	1,437.56	0.11%	0.00	0.00%
Guangdong East Uptodate & Special Medicines Co.,Ltd.	1,393.30	0.11%	809.06	0.07%
Sinopharm Holding Shijiazhuang Co., Ltd.	1,018.96	0.08%	0.00	0.00%
Sinopharm Holding Jiangsu Co., Ltd.	964.05	0.07%	0.00	0.00%
Sinopharm Group Northwest Co., Ltd.	930.41	0.07%	0.00	0.00%
Sinopharm Holding Zhejiang Co., Ltd.	890.66	0.07%	0.00	0.00%
Sinopharm Holding Shandong Co., Ltd.	848.03	0.07%	0.00	0.00%
Sinopharm Holding Guizhou Co., Ltd.	786.70	0.06%	34.00	0.00%
Sinopharm Holding Shanxi Co., Ltd.	781.73	0.06%	0.00	0.00%
China National Medicines Co., Ltd.	744.83	0.06%	14,558.78	1.21%
Guangxi Guoda Durg Store Chain Co.,Ltd.	726.12	0.06%	0.00	0.00%
Guangzhou Accord Drug Store Chain Co., Ltd.	644.39	0.05%	0.00	0.00%
Sinopharm Holding Hubei Yibao Co., Ltd.	346.13	0.03%	0.00	0.00%
Sichuan Hexin Pharmaceutical Co.,Ltd.	317.42	0.02%	0.00	0.00%
Sinopharm Holding Anhui Co., Ltd.	276.59	0.02%	13.95	0.00%
Sinopharm Holding Jilin Co., Ltd.	270.37	0.02%	0.00	0.00%
Wenzhou Biomedicin-appliances supplies co., Ltd	268.79	0.02%	0.00	0.00%

Sinopharm Holding Inner Mongolia Co., Ltd.	256.64	0.02%	0.00	0.00%
Sinopharm National Pharmacy Co.,Ltd.	210.26	0.02%	0.00	0.00%
Sinopharm Holding Jiangxi Co., Ltd.	203.30	0.02%	0.00	0.00%
Sinopharm Holding Gansu Co., Ltd.	194.10	0.01%	0.00	0.00%
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	166.32	0.01%	8,977.24	0.74%
Sinopharm Holding Fuzhou Co., Ltd.	150.13	0.01%	9.72	0.00%
Shenzhen Accord Pharmaceutical Chain Co., Ltd	150.05	0.01%	0.00	0.00%
Sinopharm Holding Suzhou Co., Ltd.	128.60	0.01%	11.84	0.00%
Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	74.09	0.01%	0.00	0.00%
Shanghai Chaohui Pharmecurical Co., Ltd.	69.79	0.01%	81.38	0.01%
China National Group Corporation of Traditional & Hebal Medical	66.26	0.01%	433.38	0.04%
Sinopharm Holding Meiluo (Dalian) Co., Ltd	63.77	0.00%	12.46	0.00%
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	63.15	0.00%	0.00	0.00%
Sinopharm Holding Tianjin Co., Ltd. Inner Mongolia Branch	60.59	0.00%	0.00	0.00%
Sinopharm Holding Chongqing Co., Ltd.	38.15	0.00%	20.96	0.00%
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	18.53	0.00%	0.38	0.00%
Sinopharm Group Baida Pharmaceutical Co., Ltd.	2.35	0.00%	74.90	0.01%
Ningxia Guoda Durg Store Chain Co., Ltd.	1.24	0.00%	0.00	0.00%
Sinopharm Holding Shenyang Co., Ltd. Changchun Branch	1.20	0.00%	0.00	0.00%
Sinopharm Holding Sub Marketing Center Co., Ltd	0.00	0.00%	13,662.53	1.13%
China National Pharmaceutical Industry CorporationLtd. Beijing sales branch	0.00	0.00%	607.48	0.05%
Chengdu Rongsheng Pharmacy Co., Ltd	0.00	0.00%	510.16	0.04%
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	0.00	0.00%	62.11	0.01%
Sichuan Jiang You Zhong Ba Science and Technology Development Co.,Ltd.	0.00	0.00%	51.44	0.00%
Sinopharm Group Chemical Reagent Co., Ltd.	0.00	0.00%	41.70	0.00%
China National Pharmaceutical Industry CorporationLtd.	0.00	0.00%	36.02	0.00%
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	0.00	0.00%	21.44	0.00%
Sinopharm Yixin Pharmacy Co.,	0.00	0.00%	6.30	0.00%

Ltd.					
Sinopharm Group Shanghai Medicine Device Co., Ltd.	0.00	0.00%	6.11	0.00%	
Guangdong Tianliang Medicine Co., Ltd.	0.00	0.00%	-0.28	0.00%	
Sino-Swed Pharmaceutical Corp.Ltd.	0.00	0.00%	6,042.05	0.50%	
Shenzhen Main Lusk Pharmaceutical Inc.	0.00	0.00%	2,840.49	0.24%	
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	0.00	0.00%	1,158.36	0.10%	
Qinghai Pharmaceutical (Group) Co.,Ltd.	0.00	0.00%	1,108.17	0.09%	
Sinopharm Group United Medicine Device Co., Ltd.	0.00	0.00%	806.85	0.07%	
Chongqing Haisiman Pharmaceutical Co.,Ltd.	0.00	0.00%	375.68	0.03%	
Guilin Pharmaceutical Works	0.00	0.00%	68.10	0.01%	
Guilin Pharmaceutical Co., Ltd.	0.00	0.00%	16.01	0.00%	
Shenyang Hongqi Pharmaceutical Co., Ltd.	0.00	0.00%	7.94	0.00%	
China National Pharmaceutical Foreign Trade Co., Ltd.	0.00	0.00%	-0.39	0.00%	
Shanghai Sailun Biological Technology Co.,Ltd.	0.00	0.00%	11.88	0.00%	
Yichang Humanwell Pharmaceutical Co.,Ltd.	0.00	0.00%	3.52	0.00%	
Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	0.00	0.00%	0.89	0.00%	
Total	105,184.39	8.10%	137,149.19	11.37%	

Of which: In the report period, the related transaction amount of the Company selling products and providing labor service to the controlling shareholders and its subsidiaries was RMB 966,827,600.

II. Other related transactions

(1) Guarantee provided for the related parties: until Dec. 31st, 2010, the contingent liability formed by the guarantee for loans of the related parties and other units provided by the Company

Unit: RMB (0000)

Units providing guarantee	Units guaranteed	Guarantee amount	Used part	Beginning day of guarantee	End date of guarantee	Financial influence of the Company
Zhijun Pharmaceutical, Sinopharm Guangzhou	The Company	37,500.00	12,934.30	2010-6-21	2011-6-21	No disadvantage influence
Zhijun Pharmaceutical	The Company	5,000.00	4,907.81	2010-6-1	2011-6-1	No disadvantage influence
Zhijun Pharmaceutical	The Company	10,000.00	385.73	2010-7-7	2011-6-23	No disadvantage influence
Zhijun Pharmaceutical	The Company	15,000.00	2,624.56	2009-12-18	2010-12-18	No disadvantage influence
Zhijun Pharmaceutical	The Company	16,000.00	2,015.39	2010-4-23	2010-12-31	No disadvantage influence

Zhijun Pharmaceutical	The Company	10,000.00	8,605.08	2009-12-30	2010-12-30	No disadvantage influence
Zhijun Pharmaceutical	Zhijun Medical Trade	3,300.00	383.96	2010-8-25	2011-8-24	No disadvantage influence
Zhijun Pharmaceutical	Zhijun Medical Trade	2,500.00	1,103.72	2010-9-16	2011-9-16	No disadvantage influence
The Company	Zhijun Pharmaceutical	10,000.00	6,632.44	2009-12-30	2010-12-30	No disadvantage influence
The Company	Zhijun Pharmaceutical	5,000.00	1,600.11	2010-6-1	2011-6-1	No disadvantage influence
The Company	Sinopharm Guangzhou	65,000.00	41,473.18	2010-3-13	2011-3-13	No disadvantage influence
The Company	Sinopharm Guangzhou	32,500.00	21,403.82	2010-4-13	2011-4-13	No disadvantage influence
The Company	Guangdong Yuexing	3,500.00	2,439.61	2010-4-13	2011-4-13	No disadvantage influence
The Company	Sinopharm Guangzhou	10,000.00	10,000.00	2010-9-17	2011-9-16	No disadvantage influence
The Company	Sinopharm Guangzhou	18,000.00	12,327.82	2010-6-18	2011-6-18	No disadvantage influence
The Company	Sinopharm Guangzhou	10,000.00	0.00	2010-11-23	2011-11-22	No disadvantage influence
The Company	Sinopharm Guangzhou	10,000.00	5,461.03	2010-4-30	2011-4-30	No disadvantage influence
The Company	Sinopharm Guangzhou	10,000.00	3,399.95	2010-11-5	2011-11-4	No disadvantage influence
The Company	Sinopharm Guangzhou	5,000.00	4,932.92	2010-10-26	2011-10-25	No disadvantage influence
The Company	Sinopharm Nanning	5,000.00	4,516.54	2009-12-30	2010-12-30	No disadvantage influence
The Company	Sinopharm Nanning	6,000.00	4,732.72	2010-1-13	2011-1-13	No disadvantage influence
The Company	Sinopharm Liuzhou	5,000.00	5,000.00	2009-12-30	2010-12-30	No disadvantage influence
The Company	Yanfeng Pharmaceutical	3,000.00	1,997.91	2010-7-27	2011-7-27	No disadvantage influence
The Company	Zhijun Wanqing	6,000.00	4,009.36	2010-4-23	2011-4-22	No disadvantage influence
The Company	Zhijun Wanqing	5,000.00	5,000.00	2009-12-30	2010-12-30	No disadvantage influence
The Company	Zhijun Wanqing	6,000.00	2,809.12	2010-7-19	2011-12-31	No

						disadvantage influence
The Company	Zhijun Wanqing	6,000.00	3,000.00	2010-8-1	2013-8-1	No disadvantage influence

(The above related guarantee events had been reviewed and approved in the 15th meeting of the 5th Board of Directors held on Mar. 20 of 2010, annual general meeting of shareholders held on Apr. 16 of 2010, the 5th Extraordinary Board of Directors held on July 20 of 2010, and 2010 the 3rd Extraordinary General Meeting fo Shareholders held on Sep. 3 of 2010.)

(2) Subsidiary Sinopharm Holding Guangzhou Co., Ltd rented houses and equipments from Sinopharm Group Medicine Logistic Co., Ltd, and took total RMB 14.58 million of lease fees in 2010. The related lease event had been reviewed and passed on the 10th meeting of the 5th Board of Directors held on Aug. 26 of 2009.

(3) Subsidiary of the Company, Yanfeng Pharmaceutical lease house to the family member of its minority shareholders Wang Yang. RMB 220,500 lent was carried in the year of 2010.

(4) The Company borrowed RMB 650 million from Sinopharm Holding Co., Ltd through Bank of Communication Shanghai, and took RMB 6,217,100 of interest expense in 2010; subsidiary Sinopharm Holding Guangzhou borrowed RMB 300 million form Sinopharm Holding Co., Ltd through Shanghai Bank of Communication, taking RMB 6,368,900 of interest expenses. The related lease event had been reviewed and passed on the 15th meeting of the 5th Board of Directors held on Mar. 20 of 2010.

(5) In 2010, subsidiary of the Company, Sinopharm Guangzhou Co., Ltd. beared the followed buyer discount arise of note payable discount from its affiliated companies: RMB 1,655,400 from Sinopharm Distribution Center Co., Ltd.; RMB 7,787,800 from SINOPHARM GROUP CO., LTD. and RMB 173,300 from China National Medicines Corporation Ltd. the relevant related transaction have been approved by the 15th Meeting of 5th Board of Directors held on March 20, 2010.

(6) the Company and its subordianted subsidiary Sinopharm Guangzhou used the CMS system owned by Shanghai Tongyu Information Technology Co., Ltd. in the year, and beared RMB 3 million and RMB 1.8668 million expenses respectively.

(7) the Company and its subordianted subsidiary Zhijun Wanqing paid exhibition expenses of RMB 80,400 and RMB 77,000 to Reed Sinopharm Exhibitions Co., Ltd. and China National Pharmaceutical Industry Corporation Ltd. respectively.

(8)The Company purchased 52.61% equity of Shenzhen Chinese Medicine held by Chinese Medicine Group with RMB 27,141,300. The related transaction had been reviewed and passed on the 18th meeting of the 5th Board of Directors held on Aug. 16 of 2010

(9) Subsidiary Sinopharm Holding Guangzhou Co., Ltd offered consulting service for Sinopharm Group Pharmacy Co., Ltd, intaking RMB 228,000 of consulting fees.

(10) Subsidiary Huixin Investment leased houses to Guangzhou Accord Drug Store Chain Co., Ltd and Sinopharm Group United Medical Device Co., Ltd, respectively intaking RMB 394,200 and RMB 175,200 of lease charge.

(11) The Company leased houses to Shenzhen Accord Chain Co., Ltd and Guangdong Accord Drug Store Co., Ltd, respectively intaking RMB 492,600 and RMB 403,000 of lease charge.

(12) Subsidiary Guangxi Logistic and Sinopharm Holding Liuzhou leased houses to Guangxig Accord Drug Store Co., Ltd, respectively intaking RMB 303,800 and RMB 1,048,400 of lease charge.

(13) Subsidiary Hengchang Logistic offered distribution and transport service for Guangdong Accord Drug Store Co., Ltd, Guangzhou Accord Drug Store Chain Co., Ltd, Sinopharm Holding Pharmacy Logistic Co., Ltd and Sinopharm Group Pharmacy Co., Ltd, respectively intaking RMB RMB 2,704,700, RMB 317,700, RMB 4,537,800 and RMB 2,433,100 of distribution and transport fees; subsidiary Accord Logistic offered distribution and transport service for Guangdong Accord Drug Store Co., Ltd, Guangdong Accord Drug Store Co., Ltd, intaking RMB 642,900 of distribution and transport fees.

The above mentioned related transactions item(6), (9) to (13) have been approved by the 23rd Meeting of 5th Board of Directors held on March 18, 2011.

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

Unit: RMB'0000

Related parties	Capital provided for related parties		Capital provided by related parties to the Company	
	Occurrence amount	Balance	Occurrence amount	Balance
Total	180,675.99	23,262.20	390,860.73	72,403.79

The details were as follows:

Unit: RMB'0000

Related parties	Capital provided for related parties		Capital provided by related parties to the Company	
	Occurrence amount	Balance	Occurrence amount	Balance
Account receivable:	0.00	0.00	0.00	0.00
Sinopharm Holding Beijing Co., Ltd	7,805.06	2,042.52	0.00	0.00
Chongqing Yaoyou Pharmaceutical Co., Ltd.	9,219.00	1,872.00	0.00	0.00
Sinopharm Holding Hunan Co., Ltd	9,998.59	1,865.21	0.00	0.00
Sinopharm Group Southwest Pharmacy Co., Ltd	7,746.15	1,758.29	0.00	0.00
Guangdong Accord Drug Store Co., Ltd	10,978.66	1,338.14	0.00	0.00
Sinopharm Holding Beijing Huahong Co., Ltd	3,253.40	943.07	0.00	0.00
Guangxi Accord Drug Store Chain Co., Ltd	3,733.70	904.29	0.00	0.00
Sinopharm Holding Hubei Co., Ltd	9,744.53	835.00	0.00	0.00
Sinopharm Holding (Tianjin) Eastern Bokang Pharmacy Co., Ltd	4,739.30	694.27	0.00	0.00
Sinopharm Group Co., Ltd	3,014.04	608.57	0.00	0.00
Sinopharm Holding Hainan Co., Ltd	4,122.18	577.00	0.00	0.00
Sinopharm Holding Zhejiang Co., Ltd	1,042.07	510.79	0.00	0.00
Sinopharm Holding Tianjin Co., Ltd	6,245.54	510.59	0.00	0.00
Sinopharm Holding Yunnan Co., Ltd	2,672.22	379.56	0.00	0.00

Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	3,223.39	376.82	0.00	0.00
Sinopharm Holding Shenyang Co., Ltd	13,532.22	328.27	0.00	0.00
Guangdong East Uptodate & Special Medicines Co.,Ltd.	1,393.32	279.14	0.00	0.00
Sinopharm Holding Ningxia Co., Ltd	2,185.28	241.60	0.00	0.00
Sinopharm Holding Shijiazhuang Co., Ltd	1,071.29	495.02	0.00	0.00
Sinopharm Holding Henan Co., Ltd	2,572.64	225.91	0.00	0.00
Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	2,167.05	215.52	0.00	0.00
Sinopharm Holding Fujian Co., Ltd	1,916.13	205.78	0.00	0.00
Sinopharm Holding Guizhou Co., Ltd	431.45	183.64	0.00	0.00
Sinopharm Holding Shanxi Co., Ltd	914.62	170.26	0.00	0.00
China National Medicines Corporation Ltd	1,114.76	151.90	0.00	0.00
Sinopharm Holding Jiangsu Co., Ltd	1,127.94	148.85	0.00	0.00
Wenzhou Biomedicin-appliances supplies co., Ltd	490.89	108.15	0.00	0.00
Guangzhou Accord Drug Store Chain Co., Ltd	785.66	103.14	0.00	0.00
Sinopharm National Pharmacy Co., Ltd.	222.98	74.95	0.00	0.00
Sinopharm Holding Gansu Co., Ltd	227.09	59.56	0.00	0.00
Sinopharm Holding Jiangxi Co., Ltd	389.22	50.95	0.00	0.00
Sinopharm Group Medicine Logistic Co., Ltd.	453.78	48.63	0.00	0.00
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	194.59	46.34	0.00	0.00
Sinopharm Group Northwest Co., Ltd	1,088.59	40.70	0.00	0.00
Shanghai Chaohui Pharmecurical Co., Ltd.	81.66	37.64	0.00	0.00
Sinopharm Holding Shandong Co., Ltd	992.45	33.71	0.00	0.00
Sinopharm Holding Meiluo (Dalian) Co., Ltd	210.80	30.24	0.00	0.00
Sinopharm Holding Chongqing Co., Ltd	281.34	28.77	0.00	0.00
China National Group Corporation of Traditional & Hebal Medical	77.52	25.92	0.00	0.00
Sinopharm Holding Inner Mongolia Co., Ltd.	317.39	24.57	0.00	0.00
Sinopharm Holding Suzhou Co., Ltd	150.46	23.53	0.00	0.00
Sinopharm Holding Shenyang Co., Ltd Dalian Branch	86.69	19.14	0.00	0.00
Sinopharm Holding Fuzhou Co., Ltd	175.66	16.95	0.00	0.00
Sinopharm Holding Jilin Co.,	629.86	6.42	0.00	0.00

Ltd				
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	11.22	0.60	0.00	0.00
Sinopharm Holding Anhui Co., Ltd	323.61	0.09	0.00	0.00
Shenzhen Accord Pharmaceutical Chain Co., Ltd	175.53	0.00	0.00	0.00
Sinopharm Holding Tianjin Co.,Ltd. Inner Mongolia Branch	0.00	0.00	0.00	0.00
Sinopharm Group Shanghai Likang Medicines Co., Ltd.	0.00	0.00	0.00	0.00
Sinopharm Holding Shenyang Co., Ltd. Changchun Branch	1.40	0.00	0.00	0.00
Sinopharm Hubei Yibao Co., Ltd.	404.98	0.00	0.00	0.00
Shanghai Sinopharm Medical Materials Co., Ltd.	0.00-	0.00	0.00	0.00
Guangxi Guoda Durg Store Chain Co., Ltd.	811.10	0.00	0.00	0.00
Guangdong Tianliang Medicine Co., Ltd.	0.00-	0.00	0.00	0.00
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	73.88	0.00	0.00	0.00
Sinopharm Group Baida Pharmaceutical Co., Ltd.	2.75	0.00	0.00	0.00
Ningxia Guoda Durg Store Chain Co., Ltd.	1.45	0.00	0.00	0.00
Sichuan Hexin Pharmaceutical Co., Ltd.	371.38	0.00	0.00	0.00
Other accounts receivable:	0.00	0.00	0.00	0.00
Sinopharm Group Medicine Logistic Co., Ltd	0.00	121.50	0.00	0.00
Wang Lei	90.51	90.51	0.00	0.00
China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	1.61	1.61	0.00	0.00
SINOPHARM GROUP CO., LTD.	0.00	0.00	0.00	0.00
Guangdong Accord Drug Store Co., Ltd.	0.00	0.00	0.00	0.00
China National Medicines Co., Ltd.	22.80	0.00	0.00	0.00
China National Group Corporation of Traditional & Hebal Medical	0.00	0.00	0.00	0.00
Sino TCM Wuhan Medicine Design Institution	22.00	0.00	0.00	0.00
Shenzhen Main Luck Pharmaceuticals Inc.	2.16	0.00	0.00	0.00
Yang Qiaoming	0.00	0.00	0.00	0.00
Accounts paid in advance:	0.00	0.00	0.00	0.00
Qinghai Pharmaceutical (Group) Co., Ltd.	1,278.17	540.83	0.00	0.00
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	6,647.25	261.68	0.00	0.00
Sinopharm Group United Medicine Device Co., Ltd.	1,059.58	243.56	0.00	0.00
Shanghai Sailun Biological	1.65	0.03	0.00	0.00

Technology Co., Ltd.				
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	25.08	0.00	0.00	0.00
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	32.58	0.00	0.00	0.00
Sinopharm Group Chemical Reagent Co., Ltd.	1.80	0.00	0.00	0.00
SINOPHARM GROUP CO., LTD.	0.33	0.00	0.00	0.00
Sino-Swed Pharmaceutical Corp. Ltd.	97.76	0.00	0.00	0.00
Sinopharm Qianjing Dental Technology (Beijing) Co., Ltd.	1.04	0.00	0.00	0.00
China National Group Corporation of Traditional & Hebal Medical	0.00	0.00	0.00	0.00
Chengdu Rongsheng Pharmacy Co., Ltd	596.89	0.00	0.00	0.00
Sino TCM Wuhan Medicine Design Institution	12.00	0.00	0.00	0.00
Reed Sinopharm Exhibitions Co., Ltd.	8.04	0.00	0.00	0.00
China National Pharmaceutical Industry Corporation Ltd.	7.70	0.00	0.00	0.00
Notes receivable:	0.00	0.00	0.00	0.00
Chongqing Yaoyou Pharmaceutical Co., Ltd.	8,825.61	1,136.00	0.00	0.00
Sinopharm Holding Hubei Co., Ltd	7,317.08	698.86	0.00	0.00
Sinopharm Holding Guizhou Co., Ltd	796.92	684.00	0.00	0.00
Sinopharm Holding Hunan Co., Ltd	9,562.49	406.29	0.00	0.00
Sinopharm Holding Tianjin Co., Ltd	244.94	244.94	0.00	0.00
Sinopharm Holding Henan Co., Ltd	1,067.07	50.00	0.00	0.00
Sinopharm Holding Hainan Co., Ltd	1,849.21	47.47	0.00	0.00
Sinopharm Holding Fuzhou Co., Ltd	32.57	32.57	0.00	0.00
Sinopharm Holding Chongqing Co., Ltd	24.24	24.24	0.00	0.00
Sinopharm Holding Jiangxi Co., Ltd	85.85	20.26	0.00	0.00
Sinopharm Holding Shenyang Co., Ltd	10,836.98	7.73	0.00	0.00
Sinopharm Holding Anhui Co., Ltd	42.14	6.91	0.00	0.00
Sinopharm Holding Shandong Co., Ltd	298.95	1.20	0.00	0.00
SINOPHARM GROUP CO., LTD.	200.27	0.00	0.00	0.00
China National Guorui Pharmaceutical Co., Ltd.	73.78	0.00	0.00	0.00
China National Xinjiang New Special National Medicine Co., Ltd	89.26	0.00	0.00	0.00
Sinopharm Holding Beijing Huahong Co., Ltd	633.56	0.00	0.00	0.00

Sinopharm Holding Beijing Co., Ltd.	2,832.15	0.00	0.00	0.00
Sinopharm Holding Gangsu Co., Ltd.	39.04	0.00	0.00	0.00
Sinopharm Holding Hubei Yibao Co., Ltd.	169.71	0.00	0.00	0.00
Sinopharm Holding Shanxi Co., Ltd.	25.00	0.00	0.00	0.00
Sinopharm Holding Yunnan Co., Ltd.	70.44	0.00	0.00	0.00
Sinopharm Holding Zhejiang Co., Ltd.	76.70	0.00	0.00	0.00
Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	300.00	0.00	0.00	0.00
Sinopharm Group Baida Pharmaceutical Co., Ltd.	0.00	0.00	0.00	0.00
Guangdong Tianliang Medicine Co., Ltd.	0.00	0.00	0.00	0.00
Shanghai Chaohui Pharmecurical Co., Ltd.	44.01	0.00	0.00	0.00
Sichuan Hexin Pharmaceutical Co., Ltd.	230.61	0.00	0.00	0.00
Accounts payable:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd	0.00	0.00	187,425.43	10,959.88
Sinopharm Holding Sub Marketing Center Co., Ltd	0.00	0.00	10,928.26	1,697.85
China National Medicines Co., Ltd.	0.00	0.00	34,593.71	1,165.01
Guang dong South National Pharmaceutical Foreign Trade Co., Ltd.	0.00	0.00	28,123.00	1,026.77
Sino-Swed Pharmaceutical Corp. Ltd.	0.00	0.00	971.60	971.60
Main Luck	0.00	0.00	421.56	421.56
Jiangsu Wanbang Pharmacy Marketing Co., Ltd	0.00	0.00	2,576.53	208.32
China National Group Corporation of Traditional & Hebal Medical	0.00	0.00	145.23	105.05
Chongqing Yaoyou Pharmaceutical Co., Ltd.	0.00	0.00	870.56	100.62
Sinopharm Group United Medicine Device Co., Ltd	0.00	0.00	2,183.00	96.37
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.00	0.00	808.11	92.77
Sinopharm Holding Beijing Co., Ltd	0.00	0.00	193.51	60.93
Guangdong East Uptodate & Special Medicines Co., Ltd.	0.00	0.00	1,810.64	51.09
Sinopharm Holding Guizhou Co., Ltd	0.00	0.00	48.85	35.88
Shanghai Chaohui Pharmecurical Co., Ltd.	0.00	0.00	185.52	34.59
Sichuan Jiang You Zhong Ba Science and Technology Development Co., Ltd.	0.00	0.00	59.82	34.13
Sinopharm Group Medicine Logistic Co., Ltd	0.00	0.00	115.90	12.82
Sinopharm Holding Suzhou Co., Ltd	0.00	0.00	27.71	12.01
China National Pharmaceutical	0.00	0.00	29.86	11.99

Industry CorporationLtd. Beijing sales branch				
Sinopharm Holding Meiluo (Dalian) Co., Ltd	0.00	0.00	93.22	10.75
Sinopharm Holding Fujian Co., Ltd	0.00	0.00	4,454.00	7.01
Guilin Pharmaceutical Works	0.00	0.00	146.83	5.25
Sinopharm Holding Hainan Co., Ltd	0.00	0.00	8.98	5.17
Shanghai Sailun Biotechnology Co., Ltd.	0.00	0.00	5.04	5.04
Sinopharm Group Southwest Pharmacy Co., Ltd	0.00	0.00	156.93	3.81
Yichang Humanwell Pharmaceutical Co., Ltd.	0.00	0.00	3.34	3.34
Sinopharm Yixin Pharmacy Co., Ltd	0.00	0.00	2.95	2.95
China National Pharmaceutical Industry CorporationLtd.	0.00	0.00	79.90	2.87
Shenyang Hongqi Pharmaceutical Co., Ltd.	0.00	0.00	18.59	1.86
Sinopharm Group Shanghai Medicine Device Co., Ltd	0.00	0.00	13.72	1.84
Jiangsu Wanbang Bio-Chemical Medicine Co., Ltd.	0.00	0.00	0.00	1.49
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	0.00	0.00	173.45	1.45
Sinopharm Group Beijing Medicine Device Co., Ltd	0.00	0.00	0.00	0.88
Guangdong Tianliang Medicine Co., Ltd.	0.00	0.00	1.06	0.68
Guilin Pharmaceutical Co., Ltd.	0.00	0.00	34.75	0.68
Sinopharm Group Chemical Reagent Co., Ltd.	0.00	0.00	93.96	0.51
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	0.00	0.00	0.98	0.38
Sinopharm Holding Jiangsu Co., Ltd	0.00	0.00	0.00	0.37
Sinopharm Holding Anhui Co., Ltd	0.00	0.00	32.20	0.31
China Otsuka Pharmaceutical Co., Ltd.	0.00	0.00	0.21	0.21
Shanghai Fosun Long March Medical Science Co., Ltd.	0.00	0.00	0.18	0.18
China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	0.00	0.00	0.13	0.13
Guangdong Accord Drug Store Co., Ltd	0.00	0.00	117.02	0.10
Shanghai Fosun Pharmaceutical Co., Ltd.	0.00	0.00	0.00	0.02
Sinopharm Qianjing Dental Technology (Beijing) Co., Ltd.	0.00	0.00	0.01	0.01
China Sinopharm Foreign Trade Co., Ltd.	0.00	0.00	-0.98	-0.98
Other accounts payable:	0.00	0.00	0.00	0.00
Shenzhen Kaijiefeng Industrial Co., Ltd.	0.00	0.00	481.09	481.09
Sinopharm Holding Co., Ltd	0.00	0.00	0.00	389.39

Sinopharm Group Pharmacy Holding Shanghai Co., Ltd	0.00	0.00	0.00	166.04
Shanghai Chaohui Medicines Co., Ltd.	0.00	0.00	0.00	0.02
Notes payable:	0.00	0.00	0.00	0.00
Sinopharm Holding Co., Ltd	0.00	0.00	27,266.78	21,009.56
China National Medicines Co., Ltd.	0.00	0.00	2,826.42	1,240.95
Sinopharm Holding Sub-Marketing Center Co., Ltd	0.00	0.00	1,318.26	531.22
Sinopharm Holding Fujian Co., Ltd	0.00	0.00	503.61	503.61
Jiangsu Wanbang Pharmacy Marketing Co., Ltd	0.00	0.00	510.69	224.08
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.00	0.00	258.98	53.32
Main Luck	0.00	0.00	38.84	38.84
Sinopharm Group Baida Pharmaceutical Co., Ltd.	0.00	0.00	34.89	34.89
Guilin Pharmaceutical Works	0.00	0.00	13.65	13.65
Guilin Pharmaceutical Co., Ltd.	0.00	0.00	2.58	2.58
Accounts received in advance:	0.00	0.00	0.00	0.00
Sinopharm HoldingGuizhou Co., Ltd	0.00	0.00	537.00	537.00
Interest payable:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd	0.00	0.00	112.67	22.00
Short-term loan	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd	0.00	0.00	80,000.00	30,000.00
Total	180,675.99	23,262.20	390,860.73	72,403.79

Of which: In the report period, the occurring amount which the Company provided funds to the controlling shareholder and its subsidiaries was RMB1,437,161,100 and the balance was RMB 1,813,400. In the report period, the Company has not provided non-operating capital for the controlling shareholder and its subsidiaries.

Section IV. Important contracts and implementation

I. Significant contracts

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

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

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

83461900 yuan will be paid for equipments purchase contract signed by subsidiaries of the Company Shenzhen Zhijun Pharmaceutical Co., Ltd, Sinopharm Group Nanning Co., Ltd and Guangxi Traditional Medicine Logistic Co., Ltd, and this account belonged to the necessary expenditure for the normal operation of the Company.

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

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

Period	Lease amount payable
Within a year	25,648,300

1 to 2 years	10,577,600
2 to 3 years	8,835,100
Above 3 years	77,502,300
Total	122,563,300

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

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

(VII) There was no other significant financial commitment.

(VIII) Implementation of commitment in the past.

All commitments had been implemented according to contract.

II. Significant guarantee

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)								
Name of the Company guaranteed	Disclosure date and number of related notices of guarantee amount	Guarantee amount	Actual date of happening (Date of signing agreement)	Actual line of credit	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (Yes or not)
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-3-20 2010-07	37,500.00	2010-06-21	12,934.30	Guaranty	2010.06.21 -2011.06.21	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-3-20 2010-07	5,000.00	2010-06-01	4,907.81	Guaranty	2010.06.01 -2011.06.01	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-3-20 2010-07	10,000.00	2010-07-07	385.73	Guaranty	2010.07.07 -2011.06.23	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2009-08-26 2009-21 2010-3-20 2010-07	15,000.00	2009-12-18	2,624.56	Guaranty	2009.12.18 -2010.12.18	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2010-3-20 2010-07	16,000.00	2010-04-23	2,015.39	Guaranty	2010.04.23 -2010.12.31	No	Yes
Shenzhen Accord Pharmaceutical Co., Ltd.	2009-08-26 2009-21 2010-3-20 2010-07	10,000.00	2009-12-30	8,605.08	Guaranty	2009.12.30 -2010.12.30	No	Yes
Shenzhen Zhijun Medical Trade Co., Ltd.	2010-3-20 2010-07	3,300.00	2010-08-25	383.96	Guaranty	2010.08.25 -2011.08.24	No	Yes
Shenzhen Zhijun Medical Trade Co., Ltd.	2010-8-16 2010-22	2,500.00	2010-09-16	1,103.72	Guaranty	2010.09.16 -2011.09.16	No	Yes
Total external guarantee amount approved in reporting period(A1)		74,300.00		Total actual external guarantee amount approved in reporting period(A2)		125,771.92		
Total external guarantee amount approved at the end		99,300.00		Total actual balance of external guarantee amount		32,960.55		

of reporting period(A3)					approved at the end of reporting period(A4)			
Guarantee of the Company for the controlling subsidiaries								
Name of the Company guaranteed	Disclosure date and number of related notices of guarantee amount	Guarantee amount	Actual date of happening (Date of signing agreement)	Actual line of credit	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (Yes or not)
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2009-08-26 2009-21 2010-3-20 2010-07	10,000.00	2009-12-30	6,632.44	Guaranty	2009.12.30 -2010.12.30	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2010-3-20 2010-07	5,000.00	2010-06-01	1,600.11	Guaranty	2010.06.01 -2011.06.01	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2009-08-26 2009-21 2010-3-20 2010-07	65,000.00	2010-03-13	41,473.18	Guaranty	2010.3.13- 2011.3.13	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-3-20 2010-07	32,500.00	2010-04-13	21,403.82	Guaranty	2010.4.13- 2011.4.13	No	Yes
Guangdong Yuexing Pharmaceutical Co., Ltd.	2010-3-20 2010-07	3,500.00	2010-04-13	2,439.61	Guaranty	2010.4.13- 2011.4.13	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-8-16 2010-22	10,000.00	2010-09-17	10,000.00	Guaranty	2010.9.17- 2011.9.16	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-3-20 2010-07	18,000.00	2010-06-18	12,327.82	Guaranty	2010.6.18 -2011.6.18	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-3-20 2010-07	10,000.00	2010-11-23	0.00	Guaranty	2010.11.23 -2011.11.22	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-3-20 2010-07	10,000.00	2010-04-30	5,461.03	Guaranty	2010.4.30- 2011.4.30	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-3-20 2010-07	10,000.00	2010-11-05	3,399.95	Guaranty	2010.11.5- 2011.11.4	No	Yes
Sinopharm Holding Guangzhou Co., Ltd	2010-8-16	5,000.00	2010-10-26	4,932.92	Guaranty	2010.10.26 -2011.10.25	No	Yes
Sinopharm Holding Nanning Co., Ltd	2009-08-26 2009-21 2010-3-20 2010-07	5,000.00	2009-12-30	4,516.54	Guaranty	2009.12.30 -2010.12.30	No	Yes
Sinopharm Holding Nanning Co.,	2010-3-20 2010-07	6,000.00	2010-01-13	4,732.72	Guaranty	2010.1.13- 2011.1.13	No	Yes

Ltd								
Sinopharm Holding Liuzhou Co., Ltd	2009-08-26 2009-21 2010-3-20 2010-07	5,000.00	2009-12-30	5,000.00	Guaranty	2009.12.30 -2010.12.30	No	Yes
Shenzhen Yanfeng Pharmaceutical Co., Ltd.	2010-7-20 2010-18	3,000.00	2010-07-27	1,997.91	Guaranty	2010.7.27- 2011.7.27	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-20 2010-07	6,000.00	2010-04-23	4,009.36	Guaranty	2010.04.23 -2011.04.22	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2009-08-26 2009-21 2010-3-20 2010-07	5,000.00	2009-12-30	5,000.00	Guaranty	2009.12.30 -2010.12.30	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-20 2010-07	6,000.00	2010-07-19	2,809.12	Guaranty	2010.07.19 -2011.12.31	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-20 2010-07	6,000.00	2010-08-01	3,000.00	Guaranty	2010.08.01 -2013.08.1	No	Yes
Total guarantee amount for subsidiaries approved in reporting period			196,000.00		Total actual guarantee amount for subsidiaries approved in reporting period			1,448,417.92
Total guarantee amount for subsidiaries approved at the end of reporting period			221,000.00		Total actual balance of guarantee amount for subsidiaries approved at the end of reporting period			140,736.53
Total guarantee of the Company (Total the former two items)								
Total guarantee amount approved in reporting period			270,300.00		Total actual guarantee amount approved in reporting period			1,574,189.84
Total guarantee amount approved at the end of reporting period			320,300.00		Total actual balance of guarantee amount approved at the end of reporting period			173,697.08
Proportion of the total actual guarantee amount in net assets of the Company					165.05%			
Including:								
Line of credit for shareholders, actual controller and its related parties					0.00			
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly					131,993.75			
Proportion of total line of credit in net assets of the Company exceed 50%					121,078.56			
Total amount of the aforesaid three guarantees					253,072.31			
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees					Naught			

Note: "Guarantee of the Company for the controlling subsidiaries" carried above mention statement including the guarantee only for subsidiaries. Other situations as guarantee for other enterprise, guarantee for other enterprise by subsidiaries and guarantee for another subsidiary by the subsidiaries were carried in "external guarantee of the Company". Among which, the external guarantee amount of subsidiaries calculated with the external guarantee amount times the share equity proportion of such subsidiary held by the Company.

III. Entrustment of cash assets management

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

Section V. Commitments of the Company or shareholders holding over 5% shares of the Company

Shareholders and actual controllers or other relevant parties holding over 5% equity of the Company had no committee events in reporting period or lasting to reporting period.

Section VI. Engagement of Certified Public Accountants

I. Engagement of Certified Public Accountants

On Aug. 16 of 2010, the 18th meeting of the 5th board of directors decided to re-hire Pricewaterhouse Zhongtian CPA Company Limited as 2010 annual audit institution of the Company, which was passed on the 3rd extraordinary general meeting of shareholders held on Sep. 3 of 2010. Relevant notice was respectively published on Securities Times and Hong Kong Commercial Daily on Aug. 18 of 2010 and Sep. 4 of 2010.

II. Remuneration paid to Certified Public Accountants

The auditing fees the Company paid to the Certified Public Accountants for the Annual Report 2010 totaled to RMB 1.25 million(business tax and surcharge included), and the fees for the business trips the Certified Public Accountants took for the Company's auditing affairs had been paid by the Company.

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

Since initially signing audit business agreement in 2010, PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. has provided auditing service consistently for the Company for 1 year.

Section VII. Other important events

In the report period, the Company, the board of directors, supervisory committee, senior executives, shareholders, and actual controllers did not be inspected or administratively punished by CSRC, not be prohibited by security market, cognized as improper to be punished by other administrative department or be publicly criticized by Stock Exchange.

Section VIII. In the report period, the received research and interview of the Company

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

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

The received date	The received place	The received way	The received parties	Contents discussed and materials supplied
2010-10-29	Accord Pharmaceutical Building	On-the-spot investigations	Anxin Securities	Got to know the reform development of pharmaceutical industry, no materials were supplied.
2010-11-08	Accord Pharmaceutical Building	On-the-spot investigations	SW Securities, Taishin Investment Trust	Got to know the reform development of pharmaceutical industry, no materials were supplied.
2010-11-09	Accord	On-the-spot	Tianzhi Funds	Got to know the reform

	Pharmaceutical Building	ot investigations		development of pharmaceutical industry, no materials were supplied.
2010-11-28	Accord Pharmaceutical Building	On-the-spot investigations	Yifangda Fund, China Merchants Securities, Dacheng Fund, Zhongtou Securities, China Post Fund, Everbright Pramerica	Got to know the reform development of pharmaceutical industry, no materials were supplied.
2010-12-15	Accord Pharmaceutical Building	On-the-spot investigations	Anxin Securities, UBS SDIC Fund	Got to know the reform development of pharmaceutical industry, no materials were supplied.

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

(I) Change of accounting policy

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

(II) Change in accounting estimation

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

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

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

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

1. Newly-increased consolidated units in this year were 4 ones, the reasons were:

Sinopharm TCM Co., Ltd., Shenzhen Yanfeng Medicine Co., Ltd, Sinopharm Meizhou Co., Ltd and Sinopharm Huizhou Co., Ltd. were purchased by the Company in 2010.

In prepared the comparative statement of 2009, the Sinopharm TCM Co., Ltd. was newly for added due to combining the enterprise under same control.

Section XII. Index for information notice on significant events

No.	Disclosure date	Events disclosed
1	2010-01-26	Notice of Acquisition the Medical Business of Nanning Medical Co., Ltd. and relevant assets and liabilities; Notice of Holding the 1 st Extraordinary Shareholders' General Meeting of 2010
2	2010-02-11	Attorney Opinion Letter of 1 st Extraordinary Shareholders' General Meeting of 2010; Resolution of 1 st Extraordinary Shareholders' General Meeting of 2010
3	2010-03-23	Social Responsibility Report of 2009; Notice of Daily Related Transactions between the Company, Subordinate enterprise and Related Parties; Notice of External Investment; Notice of General Credit Limit Application to Bank in 2010 and Guarantee Arrangement; Notice of 51% Equity Acquisition from Shenzhen Yanfeng Medicine Co., Ltd and Capital Increased; Activities Report of Independent Directors 2009; Notice of Opinions from Independent Directors; Responsibility System on Significant Errors in Annual Information Disclosure; Management System of the Information Delivered to External Units(March 2010); Independent Opinions on Director Appointment; Full-Text of Annual Report 2009 and Summary of Annual Report 2009; Self-Evaluation Report of Internal Control 2009; Verification Report on the Capital Contact with Related Parties; Resolutions of the 13 th Meeting of 5 th Supervisory Committee; Resolutions of the 15 th Meeting of 5 th Board of Directors; Auditing Report of 2009;

		Notice of Holding the Shareholders' General Meeting of 2009; Notice of Independent Director Resignation
4	2010-04-17	Resolutions of the Shareholders' General Meeting of 2009 Attorney Opinion Letter of Shareholders' General Meeting 2009
5	2010-04-27	First Quarterly Report of 2010
6	2010-06-05	Implementation Notice of Profit Distribution of 2009
7	2010-06-12	Statement of the Candidate of Independent Director (HE ZHI YI) ; Notice of Holding the 2 nd Extraordinary Shareholders' General Meeting of 2010; Resolutions of the 15 th Meeting of 5 th Supervisory Committee; Resolutions of the 17 th Meeting of 5 th Board of Directors; Statement on the Nomination of Independent Director
8	2010-06-29	Article of Association (June 2010) Resolutions of the 2 nd Extraordinary Shareholders' General Meeting 2010; Attorney Opinion Letter of 2 nd Extraordinary Shareholders' General Meeting 2010
9	2010-07-22	Notice of Guarantee for Controlling Subsidiary
10	2010-08-18	Financial Report of Semi- Annual Report 2010; Adjustment of Bank Credit Limit for 2010 and Guarantee Arrangement; Resolutions of the 16 th Meeting of 5 th Supervisory Committee; Resolutions of the 18 th Meeting of 5 th Board of Directors; Full-Text of Semi-Annual Report 2010 and Summary of Semi-Annual Report 2010; Notice of Holding the 3 rd Extraordinary Shareholders' General Meeting of 2010; Notice of 52.61% Equity Acquisition from Sinopharm TCM Co., Ltd.
11	2010-08-19	Notice of Re-registration on Industry Classification
12	2010-09-04	Attorney Opinion Letter of 3 rd Extraordinary Shareholders' General Meeting of 2010; Resolution of 3 rd Extraordinary Shareholders' General Meeting of 2010;
13	2010-09-09	Notice of Strategic Co-operation Frame Agreement signed between China national Pharmaceutical Corp. and Shenzhen People's Government
14	2010-10-14	Notice of Progress of Equity Acquisition
15	2010-10-23	Third Quarterly Report of 2010
16	2010-11-03	Capital Increase to Four Subordinate Wholly-owned Subsidiaries of the Company; Resolution of 20 th Meeting of 5 th Board; Management System on Capital Occupying Prevention to Largest Shareholders and Related Parties (November 2010) Resolution of 18 th Meeting of 5 th Supervisory Committee;
17	2010-12-09	Resolutions of the 19 th Meeting of 5 th Supervisory Committee; Resolutions of the 21 st Meeting of 5 th Board of Directors; Notice of Guarantee for Controlling Subsidiary from the Company Notice of Holding the 4 th Extraordinary Shareholders' General Meeting of 2010;
18	2010-12-29	Resolution of 4 th Extraordinary Shareholders' General Meeting of 2010; Attorney Opinion Letter of 4 th Extraordinary Shareholders' General Meeting of 2010;
19	2010-12-30	Independent Opinions on Re-appointment of Executive Managers of the Company from Independent Directors; Resolutions of the 22 nd Meeting of 5 th Board of Directors;

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

CHAPTER X. FINANCIAL REPORT

Section I. Auditors' Report

To the Shareholders of Shenzhen Accord Pharmaceutical Co., Ltd.:

We have audited the accompanying consolidated financial statements of Shenzhen Accord Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated and company income statements, the consolidated and company cash flows statements and the consolidated and company statements of changes in owners' equity for the year then ended and notes to these financial statements.

Management's Responsibility for the Financial Statements

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

- 1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- 2) selecting and applying appropriate accounting policies; and
- 3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2010 and the financial performance and cash flows of the Group and the Company for the year then ended in accordance with the Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited
Company

Certified Public
Accountant of China
CHEN GENG TAO,

Shanghai, the People's Republic of China

Certified Public
Accountant of China
TANG ZHEN FENG

18 March 2011

ASSETS	Notes	Consolidated		Company	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009
Current assets					
Cash at bank and on hand	V(1)	711,789,775.66	588,405,672.15	135,498,819.87	125,541,203.80
Notes receivable	V(2)	369,169,030.47	363,025,601.60	5,038,459.89	1,758,275.85
Accounts receivable	V(3), XIII(1)	2,866,825,102.78	2,451,433,461.71	282,597,465.23	301,349,886.88
Advances to suppliers	V(4)	101,806,030.92	85,798,584.95	3,798,560.90	1,042,226.64
Dividends receivable	V(5)	-	8,271,829.94	-	-
Other receivables	V(6), XIII(2)	43,110,999.74	63,596,027.23	557,324,957.67	379,622,614.20
Inventories	V(7)	1,156,329,658.80	909,077,496.35	117,829,120.30	96,332,120.70
Total current assets		5,249,030,598.37	4,469,608,673.93	1,102,087,383.86	905,646,328.07
Non-current assets					
Long-term equity investments	V(8), XIII(3)	85,275,251.06	58,334,840.95	1,272,402,665.15	642,597,981.98
Investment properties	V(10)	87,293,333.76	57,973,532.97	12,033,619.61	7,572,670.36
Fixed assets	V(11)	492,557,743.43	428,390,030.21	35,677,614.01	28,578,457.35
Construction in progress	V(12)	108,301,338.12	46,146,183.50	253,886.24	253,886.24
Intangible assets	V(13)	129,175,366.09	116,637,778.29	28,837,698.02	29,653,420.36
Development costs	V(13)	2,580,662.85	235,375.01	-	-
Goodwill	V(14)	53,555,677.09	34,153,027.89	-	-
Long-term prepaid expenses	V(15)	19,811,611.24	7,456,046.95	9,161,222.49	184,277.86
Deferred income tax assets	V(16)	31,083,592.24	12,871,196.24	2,958,699.75	-
Other non-current assets	V(18)	48,127,831.56	36,533,540.13	-	-
Total non-current assets		1,057,762,407.44	798,731,552.14	1,361,325,405.27	708,840,694.15
TOTAL ASSETS		6,306,793,005.81	5,268,340,226.07	2,463,412,789.13	1,614,487,022.22

LIABILITIES AND OWNER'S EQUITY	Notes	Consolidated		Company	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009
Current liabilities					
Short-term loans	V(19)	975,475,884.21	944,189,604.46	349,183,556.07	347,023,220.37
Notes payable	V(20)	1,448,622,490.72	1,104,950,330.28	227,394,114.09	167,985,468.09
Accounts payable	V(21)	2,003,566,517.62	1,706,142,277.91	238,636,669.29	246,909,317.09
Advances from customers	V(22)	100,322,387.21	82,498,031.55	48,490.62	7,015,577.03
Employee benefits payable	V(23)	127,191,717.25	110,138,050.76	22,612,110.63	21,952,780.15
Taxes payable	V(24)	39,720,311.72	36,717,779.36	2,957,612.62	122,667.32
Interests payable	V(25)	2,122,314.90	589,050.00	596,047.97	361,845.00
Other payables	V(26)	345,011,293.80	246,835,253.81	874,380,433.82	263,570,295.56
Current portion of long-term loans	V(27)	-	30,000,000.00	-	-
Total current liabilities		5,042,032,917.43	4,262,060,378.13	1,715,809,035.11	1,054,941,170.61
Non-current liabilities					
Long-term loans	V(28)	30,000,000.00	30,000,000.00	-	-
Long-term payables		40,777.80	46,019.40	-	-
Payables for specific projects	V(29)	4,755,000.00	2,555,000.00	1,320,000.00	1,320,000.00
Deferred income tax liabilities	V(16)	22,709,093.70	25,525,421.76	3,773,319.00	3,773,319.00
Other non-current liabilities	V(30)	75,809,855.74	45,478,550.21	-	-
Total non-current liabilities		133,314,727.24	103,604,991.37	5,093,319.00	5,093,319.00
Total liabilities		5,175,347,644.67	4,365,665,369.50	1,720,902,354.11	1,060,034,489.61
OWNERS' EQUITY					
Share capital	V(31)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital surplus	V(32)	5,030,338.57	31,568,488.40	13,828,726.93	13,828,726.93
Surplus reserve	V(33)	39,981,268.55	17,573,057.11	39,981,268.55	17,573,057.11
Undistributed profits	V(34)	719,209,302.41	509,918,947.32	400,551,039.54	234,901,348.57
Total equity attributable to equity holders of the Company		1,052,370,309.53	847,209,892.83	742,510,435.02	554,452,532.61
Minority interest	V(35)	79,075,051.61	55,464,963.74	-	-
Total owners' equity		1,131,445,361.14	902,674,856.57	742,510,435.02	554,452,532.61
TOTAL LIABILITIES AND OWNERS' EQUITY		6,306,793,005.81	5,268,340,226.07	2,463,412,789.13	1,614,487,022.22

The accompanying notes form an integral part of these financial statements.

Legal
representative:

Principal in charge
of accounting :

Head of accounting
department:

Items	Notes	Consolidated		Company	
		Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2009
Sales	V(36), XIII(4)	13,064,428,148.69	10,997,074,919.05	1,793,332,482.65	1,643,866,356.16
Less: Cost of sales	V(36), XIII(4)	(11,925,655,507.94)	(10,041,207,840.07)	(1,703,659,976.45)	(1,562,600,505.75)
Taxes and surcharges	V(37)	(19,918,513.42)	(15,870,831.05)	(2,537,599.61)	(1,276,051.88)
Selling and distribution expenses	V(38)	(430,588,573.47)	(402,780,881.44)	(55,411,427.41)	(49,720,215.81)
Administration expenses	V(39)	(300,875,369.90)	(255,178,530.07)	(36,690,738.84)	(46,318,174.91)
Financial expenses - net	V(40)	(82,538,641.49)	(50,356,642.60)	(25,081,726.33)	(3,035,528.61)
Asset impairment losses	V(41)	(9,217,962.21)	(12,330,073.25)	5,826,408.97	(3,643,443.09)
Add: Investment income	V(42), XIII(5)	27,265,825.11	32,577,605.29	241,256,657.31	194,681,096.90
Including: Share of profits of associates		27,224,583.81	20,878,151.35	23,078,755.17	17,186,060.02
Operating profit		322,899,405.37	251,927,725.86	217,034,080.29	171,953,533.01
Add: Non-operating income	V(43)	20,244,943.93	10,271,959.88	6,830,676.01	3,931,661.39
Less: Non-operating expenses	V(44)	(3,331,980.65)	(1,258,365.20)	(322,844.62)	(154,623.30)
Including: Loss on disposal of non-current assets		(548,476.80)	(544,477.77)	(10,332.02)	(16,973.47)
Total profit		339,812,368.65	260,941,320.54	223,541,911.68	175,730,571.10
Less: Income taxes expenses	V(45)	(75,587,949.59)	(62,527,277.15)	540,202.73	-
Net profit		264,224,419.06	198,414,043.39	224,082,114.41	175,730,571.10
Including: (Net losses)/net profit of the acquiree entity in a business combination involving enterprises under common control before the combination date		(8,757,555.55)	263,508.02	-	-
Attributable to equity holders of the Company		261,116,656.70	192,868,245.18	224,082,114.41	175,730,571.10
Minority interest		3,107,762.36	5,545,798.21	-	-
Earnings per share	V(46)				
Basic earnings per share		0.91	0.67	不适用	不适用
Diluted earnings per share		0.91	0.67	不适用	不适用
Other comprehensive income		-	-	-	-
Total comprehensive income		264,224,419.06	198,414,043.39	224,082,114.41	175,730,571.10
Attributable to equity holders of the Company		261,116,656.70	192,868,245.18	224,082,114.41	175,730,571.10
Minority interest		3,107,762.36	5,545,798.21	-	-

The accompanying notes form an integral part of these financial statements.

Legal
representative:

Principal in charge
of accounting :

Head of accounting
department:

Items	Notes	Consolidated		Company	
		Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2009
I. Cash flows from operating activities:					
Cash received from sales of goods or rendering of services		13,371,120,839.94	12,006,759,276.41	2,000,448,923.57	1,586,303,501.03
Refund of taxes and surcharges		1,011,514.12	766,339.85	-	-
Cash received relating to other operating activities	V(47)(a)	40,506,959.14	30,146,665.13	33,946,251.43	42,365,406.95
Sub-total of cash inflows		13,412,639,313.20	12,037,672,281.39	2,034,395,175.00	1,628,668,907.98
Cash paid for goods and services		(12,071,170,836.94)	(10,792,536,493.55)	(1,814,811,040.08)	(1,578,692,564.42)
Cash paid to and on behalf of employees		(369,596,005.66)	(317,574,769.18)	(32,286,351.44)	(35,442,437.59)
Payments of taxes and surcharges		(289,543,090.68)	(227,174,658.46)	(24,337,680.93)	(21,012,066.83)
Cash paid relating to other operating activities	V(47)(b)	(254,169,959.27)	(426,525,483.03)	(68,362,099.93)	(119,308,513.34)
Sub-total of cash outflows		(12,984,479,892.55)	(11,763,811,404.22)	(1,939,797,172.38)	(1,754,455,582.18)
Net cash flows from operating activities	V(48)(a) XIII(6)(a)	428,159,420.65	273,860,877.17	94,598,002.62	(125,786,674.20)
II. Cash flows from investing activities					
Cash received from disposal of investments		-	-	45,000,000.00	-
Cash received from returns on investments		8,271,829.94	3,618.16	120,525,780.70	157,015,678.55
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,584,335.70	6,924,402.43	66,884.11	5,243,565.12
Cash received from disposal of subsidiaries and other business units		325,415.00	59,988,453.43	-	65,613,100.00
Cash received relating to other investing activities		-	-	527,181,026.96	-
Sub-total of cash inflows		17,181,580.64	66,916,474.02	692,773,691.77	227,872,343.67
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(177,992,154.66)	(103,671,283.81)	(24,348,271.94)	(3,523,755.18)
Cash paid to acquire investments		-	-	(593,660,000.00)	(30,750,000.00)
Net cash paid to acquire subsidiaries and other business units	V(48)(b)	(127,971,282.96)	(112,284,233.53)	(65,675,390.00)	(256,327,901.88)
Cash paid relating to other investing activities	V(47)(c)	-	(8,100,000.00)	(688,107,915.16)	(5,000,000.00)
Sub-total of cash outflows		(305,963,437.62)	(224,055,517.34)	(1,371,791,577.10)	(295,601,657.06)
Net cash flows from investing activities		(288,781,856.98)	(157,139,043.32)	(679,017,885.33)	(67,729,313.39)

Items	Notes	Consolidated		Company	
		Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2009
III. Cash flows from financing activities					
Cash received from capital contributions		9,800,000.00	-	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		9,800,000.00	-	-	-
Cash received from loans		711,726,701.18	1,524,036,889.20	970,000,000.00	703,710,793.61
Cash received relating to other financing activities	V(47)(d)	950,000,000.00	-	1,018,500,644.34	505,816,825.31
Sub-total of cash inflows		1,671,526,701.18	1,524,036,889.20	1,988,500,644.34	1,209,527,618.92
Cash repayments of borrowings		(704,180,953.09)	(1,264,359,623.02)	(1,010,000,000.00)	(436,859,302.49)
Cash payments for interest expenses and distribution of dividends or profits		(106,597,670.36)	(87,440,842.08)	(69,084,760.92)	(43,410,324.18)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		-	(4,900,000.00)	-	-
Cash payments relating to other financing activities	V(47)(e)	(900,000,000.00)	(95,000,000.00)	(310,038,384.64)	(477,570,384.51)
Sub-total of cash outflows		(1,710,778,623.45)	(1,446,800,465.10)	(1,389,123,145.56)	(957,840,011.18)
Net cash flows from financing activities		(39,251,922.27)	77,236,424.10	599,377,498.78	251,687,607.74
IV. Effect of foreign exchange rate changes on cash and cash equivalents					
		(440.37)	(3,389.48)	-	-
V. Net increase in cash and cash equivalents					
Add: Cash and cash equivalents at beginning of the period		100,125,201.03	193,954,868.47	14,957,616.07	58,171,620.15
		582,750,672.15	388,795,803.68	120,541,203.80	62,369,583.65
VI. Cash and cash equivalent at end of the period	V(48)(d) XIII(6)(c)	682,875,873.18	582,750,672.15	135,498,819.87	120,541,203.80

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting :	Head of accounting department:
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Items	Notes	Attributable to the shareholders of the Company				Minority interest	Total owners' equity
		Share capital	Capital surplus	Surplus reserve	Undistributed profits		
As at 31 December 2008		288,149,400.00	31,624,522.44	9,303,064.31	330,460,963.41	21,383,463.30	680,921,413.46
Business combination under common control	IV(3)(d)	-	26,538,149.83	-	(2,148,833.94)	-	24,389,315.89
As at 1 January 2009		288,149,400.00	58,162,672.27	9,303,064.31	328,312,129.47	21,383,463.30	705,310,729.35
Increase/(decrease)							
Net profit		-	-	-	192,868,245.18	5,545,798.21	198,414,043.39
Other comprehensive income		-	-	-	-	-	-
Capital contribution by owners							
- Business combination under non-common control		-	-	-	-	33,460,202.23	33,460,202.23
- Others		-	(26,568,683.87)	(9,303,064.31)	(4,497,799.33)	-	(40,369,547.51)
Appropriation							
- Transfer to surplus reserve	V(33)	-	-	17,573,057.11	(17,573,057.11)	-	-
- Dividends	V(34)	-	-	-	(28,828,019.86)	(4,900,000.00)	(33,728,019.86)
- Others	V(32)	-	(25,500.00)	-	39,637,448.97	(24,500.00)	39,587,448.97
As at 31 December 2009		288,149,400.00	31,568,488.40	17,573,057.11	509,918,947.32	55,464,963.74	902,674,856.57

Items	Notes	Attributable to the shareholders of the Company				Minority interest	Total owners' equity
		Share capital	Capital surplus	Surplus reserve	Undistributed profits		
As at 31 December 2009		288,149,400.00	5,030,338.57	17,573,057.11	511,913,342.00	55,464,963.74	878,131,101.42
Business combination under common control	IV(3)	-	26,538,149.83	-	(1,994,394.68)	-	24,543,755.15
As at 1 January 2010		288,149,400.00	31,568,488.40	17,573,057.11	509,918,947.32	55,464,963.74	902,674,856.57
Increase/(decrease)							
Net profit		-	-	-	261,116,656.70	3,107,762.36	264,224,419.06
Other comprehensive income		-	-	-	-	-	-
Capital contribution by owners							
- Capital injection		-	-	-	-	20,502,325.51	20,502,325.51
- Others	IV(3)	-	(26,538,149.83)	-	(603,150.17)	-	(27,141,300.00)
Appropriation							
- Transfer to surplus reserve		-	-	22,408,211.44	(22,408,211.44)	-	-
- Dividends		-	-	-	(28,814,940.00)	-	(28,814,940.00)
As at 31 December 2010		288,149,400.00	5,030,338.57	39,981,268.55	719,209,302.41	79,075,051.61	1,131,445,361.14

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting :	Head of accounting department:
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Items	Notes	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
As at 1 January 2009		288,149,400.00	2,508,769.94	12,781,301.82	121,657,269.56	425,096,741.32
Increase/(decrease)						
Net profit		-	-	-	175,730,571.10	175,730,571.10
Other comprehensive income		-	-	-	-	-
Capital contribution by owners						
- Others		- 11,319,956.99	(12,781,301.82)	(16,085,415.12)	(17,546,759.95)	
Appropriation						
- Transfer to surplus reserve		-	-	17,573,057.11	(17,573,057.11)	-
- Dividends		-	-	-	(28,828,019.86)	(28,828,019.86)
As at 31 December 2009		<u>288,149,400.00</u>	<u>13,828,726.93</u>	<u>17,573,057.11</u>	<u>234,901,348.57</u>	<u>554,452,532.61</u>
As at 1 January 2010		288,149,400.00	13,828,726.93	17,573,057.11	234,901,348.57	554,452,532.61
Increase/(decrease)						
Profit for the year		-	-	-	224,082,114.41	224,082,114.41
Other comprehensive income		-	-	-	-	-
Capital contribution by owners						
- Others	IV(3)	-	-	-	(7,209,272.00)	(7,209,272.00)
Appropriation						
- Transfer to surplus reserve		-	-	22,408,211.44	(22,408,211.44)	-
- Dividends		-	-	-	(28,814,940.00)	(28,814,940.00)
As at 31 December 2010		<u>288,149,400.00</u>	<u>13,828,726.93</u>	<u>39,981,268.55</u>	<u>400,551,039.54</u>	<u>742,510,435.02</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting :	Head of accounting department:
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I General information

Shenzhen Accord Pharmaceutical Co., Ltd. ('the Company'), formerly known as Shenzhen Health Mineral Water Co., Ltd., was approved by the People's Government of Shenzhen with SFBF (1993) No.356 document to establish on February 1, 1993 through stock restructure as a company limited by shares. In March 1993, with the approval from the Shenzhen Branch of the People's Bank of China, the Company issued 30 million A-shares (including 16.5 million public shares, 3.5 million employee shares and 10 million corporation shares) and 20 million B-shares. After this issuance, the Company's share capital was Rmb105 million. Through transfer of capital surplus to share capital and bonus issues for years, the share capital of the Company increased to Rmb288,149,400 up to December 31, 2010. The employee shares, domestic public shares and foreign public shares have all been listed on the Shenzhen Stock Exchange.

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

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

On April 14, 2006, the Company's proposal on reformation of segregated stocks was approved. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of April 27, 2006, the Company issued bonus shares on April 28, 2006 at the ratio of 3 shares to every 10 A-shares to liquidated A-share holders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of share holdings. As at December 31, 2010, there were 288,149,400 shares in total and all are shares without selling restriction.

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

I General information (continued)

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

These financial statements were authorised for issue by the board of directors of the Company on 18 March 2011.

II Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The Group adopted the Accounting Standards for Business Enterprises (comprising one basic standard and 38 specific standards) promulgated by the Ministry of Finance on 15 February 2006, the application guidance and interpretation to the Accounting Standards for Business Enterprises and other relative regulations subsequently promulgated by Ministry of Finance (here in after collectively as referred to the “CAS”). The rules of Compilation Rules for Information Disclosures by Companies That Offer Securities to the Public No.15 - General Provisions for Financial Reports(2010 revised edition) promulgated by China Securities Regulatory Commission has adopted as well.

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

The financial statements of the Company for the year ended 31 December 2010 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 31 December 2010 and the operating results, cash flows and other information for the year then ended of the Group and the Company.

(3) Accounting period

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

(4) Recording currency

The recording currency is Renminbi (RMB).

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

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

(b) Business combinations involving enterprises not under common control

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

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

(6) Preparation of consolidated financial statements

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

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

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

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

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

(7) Cash and cash equivalents

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

(8) Foreign currency translation

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

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

(9) Financial Instruments

(a) Financial assets

(i) Classification

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

(ii) Recognition and measurement

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

(iii) Impairment of financial assets

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

(iv) Derecognition of financial assets

Financial assets are derecognised when: i) the contractual rights to receive the cash flows

from the financial assets have expired; or ii) all substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

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

(9) Financial Instruments (continued)

(a) Financial assets(continued)

(iv) Derecognition of financial assets(continued)

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

(b) Financial liabilities

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

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

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

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

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

(10) Receivables

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

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

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

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

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

II Summary of significant accounting policies and accounting estimates (continued)**(10) Receivables (continued)**

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

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

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

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

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

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

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

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

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

(11) Inventories

- (a) Classification

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

II Summary of significant accounting policies and accounting estimates (continued)**(11) Inventories (continued)****(b) Determination of cost**

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

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

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

(d) The Group adopts the perpetual inventory system.**(e) Amortization method for low cost consumables and packaging materials**

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

(12) Long-term equity investments

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

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

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

(a) Initial recognition

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

II Summary of significant accounting policies and accounting estimates (continued)**(12) Long-term equity investments (continued)****(b) Subsequent measurement**

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

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

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

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

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

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note II (20)).

(13) Investment properties

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

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

(13) Investment properties (continued)

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

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

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

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

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

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

(14) Fixed assets

(a) Recognition

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

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

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

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

(14) Fixed assets (continued)

(b) Depreciation

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

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

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

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

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

(d) Disposal

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

(15) Construction in progress

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

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

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

(16) Borrowing costs

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

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

(17) Intangible assets

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

(a) Land use rights

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

(b) Computer softwares

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

(c) Trademarks and proprietary technology

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

(d) Periodical review of useful life and amortisation method

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

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

II Summary of significant accounting policies and accounting estimates (continued)**(17) Intangible assets (continued)****(e) Research and development**

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

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

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

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

(f) Impairment

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

(18) Long-term prepaid expenses

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

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

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

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

(20) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, Long-term prepaid expenses and investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

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

(21) Employee benefits

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

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

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

(22) Profit distribution

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

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

(23) Revenue recognition

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

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Transfer of asset use rights

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

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

(24) Government grants

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

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

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

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

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

(25) Deferred tax assets and deferred tax liabilities

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

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

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

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

(26) Operating leases

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

(27) Segment information

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

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

satisfy certain conditions, they are aggregated into one single operating segment.

II Summary of significant accounting policies and accounting estimates (continued)**(28) Changes in significant accounting policies**

The Group has no changes in significant accounting policies in 2010.

(29) Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

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

(i) Accounting estimates on impairment of goodwill

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

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

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

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

(ii) Income taxes

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

II Summary of significant accounting policies and accounting estimates (continued)**(29) Critical accounting estimates and judgments (continued)****(iii) Accounting estimates on impairment of accounts receivable**

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

(iv) Accounting estimates on impairment of inventories

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

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

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

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

III Taxation

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

Type	Taxable base	Tax rate
Enterprise income tax("EIT")	Taxable income	15%、22% or 25%
Value added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	0%、3%、13% or 17%
Business tax	Rental income, storage income and etc.	5%
Business tax	Freight income	3%
City maintenance and construction tax	VAT and business tax	1% or 7%
Education surcharge	VAT and business tax	3% or 4%

(2) Tax preferences

The company, Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. ('Zhijun Trade'), Shenzhen Accord Pharmaceutical Materials Co., Ltd. ('Accord Material'), Shenzhen Jianmin Pharmaceutical Co., Ltd. ('Jianmin Pharm'), Shenzhen Accord Pharmaceutical Logistics Co., Ltd. ('Accord Logistics'), Shenzhen Yanfeng Medical Co., Ltd. ('Yanfeng Medical') and Sinopharm Shenzhen Medicine Co., Ltd ('Shenzhen Medicine'), qualify as foreign investment manufacturing enterprises established in a special economic zone. As approved by the tax authorities, the aforesaid companies' original applicable enterprise income tax rates are 15%. Under relevant requirements of the Corporate Income Tax Law and Guo Fa [2007]39, the enterprise income tax rate applicable to those companies will increase gradually to 25% within 5 years from 2008 to 2012. Their applicable income tax rate for the current year is 22% (Year 2009: 20%).

In 2008, Shenzhen Zhijun Pharmaceutical Co., Ltd. ('Zhijun Pharm') and Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. ('Suzhou Wanqin'), subsidiaries of the Company, separately obtained the certificate of High and New Technology Enterprises with effective period of 3 years. Under the relevant regulations of article 28 of the Corporate Income Tax Law, the applicable tax rates for Zhijun Pharm and Suzhou Wanqin are 15%(Year 2009: 15%).

IV Business combinations and consolidated financial statements

(1) Subsidiaries

(a) Subsidiaries acquired under common control

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

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired under common control(continued)

Guangdong Accord Pharmaceutical Vocational Skills Training Center (‘Training Center’)	Direct	Shenzhen	Service	3.0		Non-Enterprise	Tan Guoshu
					Training service		
Sinopharm Medicine Holding Guangzhou Co., Ltd. (‘Sinopharm Guangzhou’)	Direct	Guangzhou	Commercial	40,000.0	Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalized packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills.	Limited company	Shi Jinming
Guangdong Accord Hengxing Pharmaceutical Co., Ltd. (Hengxing Pharm’)	Direct	Guangzhou	Commercial	2,000.0	Drugs, medical apparatus sales	Limited company	Lin Zhaoxiong
Guangxi Accord Pharmaceutical Co., Ltd.(‘Guangxi Accord’)	Direct	Nanning	Commercial	500.0	Drug sales	Limited company	Zhou Ruili
Sinopharm Medicine Holding Liuzhou Co., Ltd. (‘Sinopharm Liuzhou’)	Direct	Liuzhou	Commercial	2,053.1	Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license)	Limited company	Lin Zhaoxiong

IV Business combinations and consolidated financial statements (continued)**(1) Subsidiaries (continued)****(a) Subsidiaries acquired under common control(continued)**

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

IV Business combinations and consolidated financial statements (continued)**(1) Subsidiaries (continued)****(a) Subsidiaries acquired under common control(continued)**

	Year-End balance of investment (Rmb'0000)	Other assets constitute investment in substance	Equity interest held (%)	Voting rights held (%)	Consolidated or not	Minority interests (Rmb'0000)	Loss shared by minority interests
Zhijun Pharm	23,706.2	-	100	100	Yes	-	-
Jianmin Pharm	5,348.3	-	100	100	Yes	-	-
Shenzhen Trade(i)	847.9	-	100	100	Yes	-	-
Accord Material	816.7	-	100	100	Yes	-	-
Zhijun Trade	373.4	-	100	100	Yes	-	-
Accord Logistics	101.9	-	100	100	Yes	-	-
Training Center	3.0	-	100	100	Yes	-	-
Sinopharm Guangzhou	48,388.8	-	100	100	Yes	-	-
Hengxing Pharm	1,714.2	-	100	100	Yes	-	-
Guangxi Accord	498.8	-	100	100	Yes	-	-
Sinopharm Liuzhou	2,220.6	-	51	51	Yes	2,307.4	-
Guangxi Chinese Herbal Pieces (ii)	-	-	51	100	Yes	-	-
Huixin Investment	6,441.7	-	100	100	Yes	-	-
Sinopharm Foshan	699.5	-	100	100	Yes	-	-
Yuxing Pharm	4,345.9	-	100	100	Yes	-	-
Hengchang Logistics	559.6	-	100	100	Yes	-	-
Sinopharm Nanning	10,404.9	-	100	100	Yes	-	-
Guangxi Logistics(iii)	-	-	100	100	Yes	-	-
Shenzhen Medicine(iv)	4,808.1	-	100	100	Yes	-	-

(i) Shenzhen Trade ceased its operation in 2003.

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

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

(iv) Shenzhen Medicine originally was an associate of the Company, with an equity interest held of 47.39%. In 2010, the Company acquired the remaining 52.61% equity of Shenzhen Medicine from Sinopharm, the ultimate shareholders. As a result, Shenzhen Medicine became a subsidiary of the Company.

IV Business combinations and consolidated financial statements (continued)**(1) Subsidiaries (continued)****(b) Subsidiaries acquired not under common control**

	The holding type of investment	Place of registration	Nature of business	Registered capital (Rmb'0000)	Principal activities	Enterprise Type	Legal Representative
Suzhou Wanqin	Direct	Suzhou	Manufacturing	8,000.00	Production and sales of general raw materials of medicine, raw medicine and preparation of cephalosporin; do export business of production and technology of the Company	Limited company	Shi Jinming
Dongguan Accord Pharmaceutical Co., Ltd. ('Dongguan Accord')	Direct	Dongguan	Commercial	280.00	Wholesales of Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material; sales of daily general merchandise and health protection food	Limited company	Lin Xinyang
Sinopharm Medicine Holding Zhanjiang Co., Ltd. ('Sinopharm Zhanjiang')	Direct	Zhanjiang	Commercial	60.00	Wholesale of medicine	Limited company	Lin Xinyang
Yanfeng Medical	Direct	Shenzhen	Commercial	3,000.00	Wholesale of medicine	Limited company	Lin Zhaoxiong
Sinopharm Medicine Holding Meizhou Co., Ltd. ('Sinopharm Meizhou')	Direct	Meizhou	Commercial	120.00	Wholesale of medicine	Limited company	Yang Yan
Sinopharm Medicine Holding Huizhou Co., Ltd. ('Sinopharm Huizhou')	Direct	Huizhou	Commercial	700.00	Wholesale of medicine	Limited company	Yang Yan
	Year-end balance of investment (Rmb'0000)	Other assets constitute investment in substance	Equity interest held (%)	Voting rights held (%)	Consolidated or not	Minority interests (Rmb'0000)	Loss shared by minority interests
Suzhou Wanqin	13,425.0	-	75	75	Yes	3,445.5	-
Dongguan Accord	274.2	-	100	100	Yes	-	-
Sinopharm Zhanjiang	137.0	-	100	100	Yes	-	-
Yanfeng Medical	3,504.85	-	51	51	Yes	2,154.6	-
Sinopharm Meizhou	313.7	-	100	100	Yes	-	-
Sinopharm Huizhou	444.4	-	100	100	Yes	-	-

IV Business combinations and consolidated financial statements (continued)**(2) New subsidiaries included in the scope of consolidation in the current year:**

	Net assets as at 31 December 2010	Net profit/(loss) after acquisition
Under common control		
- Shenzhen Medicine (Note IV(3))	32,261,842.89	(5,588,987.73)
Not under common control		
- Yanfeng Medical (Note IV(4)(a))	43,971,665.76	2,130,185.12
- Sinopharm Meizhou (Note IV(4)(b))	2,905,580.83	34,500.29
- Sinopharm Huizhou (Note IV(4)(c))	4,721,814.07	798.74

(3) Business combination involving entities under common control

	Identifying a business combination	Common control party
Shenzhen Medicine	Shenzhen Medicine and the Company are ultimately controlled by CNPGC both before and after the business combination, and that control is not transitory.	CNPGC

Shenzhen Medicine originally was an associate of the Company, with an equity interest held of 47.39%. In 2010, the Company acquired the remaining 52.61% equity of Shenzhen Medicine from Sinopharm, the ultimate shareholders.

(a) Consideration for the business combinations and book value for the acquired net assets are as follows.

Cost of combination -	
Cash paid	27,141,300.00
Original investment cost	17,918,802.62
Consideration in total	<u>45,060,102.62</u>
Less: book value for the acquired net assets (b)	(37,850,830.62)
Amount adjusted to undistributed profits	<u>7,209,272.00</u>

(b) The carrying amounts of assets and liabilities of Shenzhen Medicine at the date of the combination and 31 December 2009 are as follows:

	Carrying amount	
	22 November 2010	31 December 2009
Cash at bank and on hand	17,342,363.10	8,933,758.67
Notes receivable	17,220.00	3,605,849.21
Accounts receivable	12,304,192.45	12,906,517.04
Advances to suppliers	631,448.06	152,045.87
Other receivables	218,971.37	15,420,621.45
Inventories	4,819,329.25	5,143,108.77
Fixed assets	9,765,606.70	9,609,822.70
Intangible assets	486,511.96	405,342.64
Long-term prepaid expenses	1,132,579.11	738,383.65
Less:Accounts payable	(4,036,233.19)	(4,598,417.43)
Advances from customers	-	(637,436.18)
Accrued payroll and welfare benefits	(2,574,212.62)	(2,742,008.80)
Taxes payable	(122,148.96)	(389,830.55)
Other payables	(2,134,796.61)	(1,939,370.87)
Net assets acquired	<u>37,850,830.62</u>	<u>46,608,386.17</u>

IV Business combinations and consolidated financial statements (continued)**(3) Business combination involving entities under common control (continued)**

- (c) Revenue, net profit and cash flows of Shenzhen Medicine for the period from the date of combination and for the year ended 31 December 2009 are as follows:

	For the period from 1 January 2010 to date of combination	2009
Sales	40,191,560.89	47,138,047.47
Net (loss)/profit	(8,757,555.55)	263,508.02
Cash flows from operating activities	(4,648,700.04)	(1,984,254.88)
Net cash flows	<u>8,408,604.43</u>	<u>2,344,239.68</u>

- (d) Impact on opening balances

Based on the balances of owners' equity of Shenzhen Medicine as at 1 January 2009, the Group increases its capital surplus with RMB26,538,149.83 and decreased retained earnings with RMB2,148,833.94(note V(34)(a)) as at 1 January 2009 respectively. At the consolidation date, the Group reversed its capital surplus RMB26,538,149.83(note V(32)) and retained earnings RMB603,150.17 (note V(34)(b)) according to the total consideration of RMB27,141,300.00.

(4) Business combination involving entities not under common control

	Goodwill	Calculation of Goodwill
Yanfeng Medical(a)	16,868,644.87	Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill.
Sinopharm Meizhou(b)	1,610,819.66	
Sinopharm Huizhou(c)	<u>923,184.67</u>	

Details of costs and goodwill recognised are as follows:

	Yanfeng Medical	Sinopharm Meizhou	Sinopharm Huizhou
Cost of combination -			
Cash paid	24,848,500.00	3,137,330.00	4,444,200.00
Cash payable	<u>3,159,300.00</u>	<u>1,344,570.00</u>	<u>1,200,000.00</u>
Total cost of combination	28,007,800.00	4,481,900.00	5,644,200.00
Less: Fair value of the identifiable net assets acquired	<u>(11,139,155.13)</u>	<u>(2,871,080.34)</u>	<u>(4,721,015.33)</u>
Goodwill	<u>16,868,644.87</u>	<u>1,610,819.66</u>	<u>923,184.67</u>

- (a) Yanfeng Medical

On 6 April 2010, the Company acquired 51% of Yanfeng Medical's equity interest from Shenzhen Kaijiefeng Co., Ltd.('Kaijiefeng'). On 30 April 2010, the Company obtained the controlling rights of Yanfeng Medical in substance.

IV Business combinations and consolidated financial statements (continued)**(4) Business combination involving entities not under common control (continued)****(a) Yanfeng Medical(continued)**

(i) The carrying amounts of assets and liabilities of Yanfeng Medical at the date of the combination are as follows:

	Carrying amount	
	Acquisition Date	31 December 2009
Cash at bank and on hand	2,492,754.13	11,938,563.01
Accounts receivable	64,986,966.02	57,819,604.77
Advances to suppliers	-	215,128.61
Other receivables	3,429,471.26	6,593,848.65
Inventories	13,355,611.49	11,869,988.39
Fixed assets	2,849,473.80	3,070,713.07
Less: short-term loans	(21,257,359.13)	(22,180,953.09)
accounts payable	(41,123,745.76)	(43,850,880.48)
advances from customers	(1,698.68)	(504,609.97)
taxes payable	(665,690.87)	(2,856,187.65)
other payables	(2,224,301.62)	(273,734.67)
Net assets	21,841,480.64	21,841,480.64
Less: minority interest	(10,702,325.51)	-
Net assets acquired	11,139,155.13	21,841,480.64

As the fair value of Yanfeng Medical's identifiable net assets was nearly the same with its book value on purchase date, the Company used its book value to calculate goodwill directly.

Consideration paid	24,848,500.00
Less: cash at bank and on hand from acquiree	(2,492,754.13)
Net cash outflows for the acquisition	22,355,745.87

(ii) Revenue, net profit and cash flows of Yanfeng Medical for the period from 1 January 2010 to the date of combination to 31 December 2010 are as follows:

Sales	212,974,206.13
Net profit	2,130,185.12
Cash flows from operating activities	7,519,041.48
Net cash flows	20,337.83

(b) Sinopharm Meizhou

On 30 June 2010, the Company acquired 100% equity interest of Sinopharm Meizhou from Mr. Shi Zhiqiang and Mr. Shi Jianwen. The effective date of obtaining the controlling rights was 31 July 2010.

Consideration paid in cash	3,137,330.00
Less: Cash at bank and on hand from acquiree	(2,716,880.99)
Net cash outflows for the acquisition	420,449.01

IV Business combinations and consolidated financial statements (continued)**(4) Business combination involving entities not under common control (continued)****(c) Sinopharm Huizhou**

On 10 September 2010, the Company acquired 100% of Sinopharm Huizhou's equity interest from Mr. Yan Minneng and Mr. Xu Jianbin. The effective date of obtaining the controlling rights was 30 November 2010.

Consideration paid in cash	4,444,200.00
Less: Cash at bank and on hand from acquiree	<u>(2,412,332.55)</u>
Net cash outflows for the acquisition	<u>2,031,867.45</u>

(5) Business combination involving operating unit not under common control

	Goodwill	Calculation of Goodwill
Nanning Medical Co., Ltd. Medical('Nanning Medical')- trading business	-	Where the cost of the combination exceeds the acquirer's interest in the fair value of the business acquired's identifiable net assets, the difference is recognised as goodwill.

- (a) On 28 February 2010, the Group acquired trading business of Nanning Medical. The cost of consideration is recognised on the carrying amount of net assets up to 28 February 2010.

Details of consideration and goodwill recognised are as follows:

Cost of combination -	
Cash paid	64,330,110.00
Cash payable	<u>9,824,621.08</u>
Total cost of combination	74,154,731.08
Less: Fair value of the identifiable net assets acquired	<u>(74,154,731.08)</u>
Goodwill	<u>-</u>

- (b) The carrying amounts of assets and liabilities of Nanning Medical Business at the date of the combination are as follows:

	Purchase date	
	Fair value	Carrying amount
Accounts receivable	107,446,767.52	107,446,767.52
Other receivables	302,000.00	302,000.00
Inventories	28,101,231.84	28,101,231.84
Less: Accounts payable	<u>(61,695,268.28)</u>	<u>(61,695,268.28)</u>
Net assets acquired	<u>74,154,731.08</u>	<u>74,154,731.08</u>

The Group recognised accounts receivable, other receivables and accounts payable at the amount agreed by all the related party involved. Inventories recognised base on the quantities count and market prices, considering the physical condition as well.

V Notes to the consolidated financial statements**(1) Cash at bank and on hand**

	31 December 2010	31 December 2009
Cash on hand		
	146,710.56	335,820.91
Cash at bank	682,729,162.62	470,647,654.89
Other cash balances	28,913,902.48	117,422,196.35
	<u>711,789,775.66</u>	<u>588,405,672.15</u>

As at 31 December 2010, except a deposit of USD which was equivalent to RMB17,977.46(31 December 2009: RMB18,513.57), all other cash at bank and on hand are in RMB. Other cash balances of RMB28,617,918.88(31 December 2009: RMB112,301,177.34) represents deposits of the Group for the purpose of applying for bank acceptance notes.

(2) Notes receivable

	31 December 2010	31 December 2009
Trade acceptance notes	212,196,387.14	161,273,604.35
Bank acceptance notes	156,972,643.33	201,751,997.25
	<u>369,169,030.47</u>	<u>363,025,601.60</u>

(a) Pledged notes receivable

As at 31 December 2010, notes receivable of RMB2,530,302.00 (31 December 2009: Nil) is pledged as collateral for the Group's short-term borrowings of RMB2,400,000.00 (31 December 2009: Nil (Note V(19) (a))); other notes receivable of RMB14,170,035.00 (31 December 2009: Nil) is pledged for the purpose of applying for bank acceptance notes of RMB15,553,416.40. The top five pledged notes receivable is listed as below.

Issuer	Issue date	Expiry date	Amount
Sinopharm Holding Guizhou Co., Ltd.	28 October 2010	28 April 2011	6,840,000.00
Shanghai Haikuoquanjiao Pharmaceutical Co. Ltd.	9 October 2010	9 January 2011	1,672,578.00
Hainan Hemei Pharmaceutical Co. Ltd.	27 October 2010	27 January 2011	1,336,905.00
Jinan iron & steel Co. Ltd.	26 September 2010	26 March 2011	1,000,000.00
Shandong Kanghui Pharmaceutical Co. Ltd.	27 August 2010	27 February 2011	1,000,000.00
			<u>11,849,483.00</u>

(b) Endorsed undue notes receivable

As at 31 December 2010, the Group endorsed the undue notes receivable of RMB578,715,918.12. The top five notes receivable are analysed as below.

Issuer	Issue date	Expiry date	Amount
Sinopharm Holding Shenyang Co., Ltd.	17 November 2010	17 February 2011	5,412,360.00
Nanjing Medicine Hefei TianXing Co. Ltd.	22 December 2010	22 March 2011	4,565,547.36
Sinopharm Holding Hunan Co., Ltd	19 November 2010	19 February 2011	4,494,355.26
Guangdong Jiuzhoutong Pharmaceutical Co. Ltd.	8 November 2010	8 February 2011	3,518,466.03
Sinopharm Holding Tianjin Co., Ltd	23 November 2010	23 February 2011	2,760,000.00

20,750,728.65

V Notes to the consolidated financial statements (continued)**(3) Accounts receivable (continued)**

(c) As at 31 December 2010, impairment provision for accounts receivable individually significant are analysed as below.

	Carrying amount	Bad debt provision	Rate	Assessment for impairment
Guangdong Liyuan Pharmaceutical Co. Ltd.	15,686,460.93	(15,686,460.93)	100.00%	Disputed receivable with higher risk of recoverability.
BeiHai People's Hospital	15,288,208.17	(1,528,820.82)	10.00%	Disputed receivable with higher risk of recoverability.
LiuZhou Municipal LiuTie Central Hospital	9,068,898.12	(210,838.78)	2.32%	Disputed receivable with higher risk of recoverability.
NanNing Second People's Hospital	7,797,344.32	(779,734.43)	10.00%	Disputed receivable with higher risk of recoverability.
NanNing Medicine Wholesale Center	5,450,021.30	(5,450,021.30)	100.00%	Ageing over 5 years.
	<u>53,290,932.84</u>	<u>(23,655,876.26)</u>		

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Within 1 year	2,830,921,285.80	99.92%	-	-	2,348,660,961.52	99.95%	-	-
1 to 2 years	2,221,996.63	0.08%	(111,099.82)	5.00%	1,235,555.40	0.05%	(61,777.77)	5.00%
	<u>2,833,143,282.43</u>	<u>100.00%</u>	<u>(111,099.82)</u>	<u>0.004%</u>	<u>2,349,896,516.92</u>	<u>100.00%</u>	<u>(61,777.77)</u>	<u>0.003%</u>

(e) As at 31 December 2010, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

	Carrying amount	Bad debt provision	Rate	Assessment for impairment
GuangXi JiaZhao Pharmaceutical Co. Ltd.etc.	9,528,110.02	(9,528,110.02)	100.00%	Ageing is above 3 years.
ShenZhen Ophthalmology Hospital	1,914,912.37	(169,434.82)	8.85%	Uncertainty in recoverability
ShenZhen NanShan District SheKou Hospital	907,806.04	(250,000.00)	27.54%	Uncertainty in recoverability
ShenZhen Bao'An District GuanLan Hospital	904,110.15	(64,972.60)	7.19%	Uncertainty in recoverability
AnHui Province FuYang KangTai Pharmaceutical Co. Ltd.	730,851.19	(93,687.19)	12.82%	Uncertainty in recoverability
HuiZhou QuanYi Pharmaceutical Franchise Co. Ltd.	443,692.12	(443,692.12)	100.00%	Uncertainty in recoverability
JiangYin KaiHong Pharmaceutical Co. Ltd.	354,600.00	(354,600.00)	100.00%	Uncertainty in recoverability
AnHui BoYang Medicine supplied center Co. Ltd.	307,777.68	(71,760.00)	23.32%	Uncertainty in recoverability
SuZhou KangXin Pharmaceutical Co. Ltd.	23,580.00	(15,480.00)	65.65%	Uncertainty in recoverability
JiangSu WeiKang Pharmaceutical Co. Ltd.	19,200.00	(7,380.00)	38.44%	Uncertainty in recoverability
HeBei AiPu Herbs&Pharmaceutical Co. Ltd.	4,800.00	(4,800.00)	100.00%	Uncertainty in recoverability
JiangSu Province YanCheng Pharmaceutical Co. Ltd.	120,992.60	(98,651.83)	81.54%	Uncertainty in recoverability
	<u>15,260,432.17</u>	<u>(11,102,568.58)</u>		

V Notes to the consolidated financial statements (continued)**(3) Accounts receivable (continued)**

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

	Reason for recoverability	Original assessment for providing impairment	Recovered bad debt provisions	Recovered amount
ShenZhen Health Food I&E Co. Ltd.ETc.	Amount received	Disputed amount with uncertainty in recoverability	6,926,932.01	6,926,932.01
The Guangxi Zhuang Autonomous Region Pharmaceutical Co. Ltd. Etc.	Amount received	Long ageing with higher risk in recoverability	936,137.00	936,137.00
			<u>7,863,069.01</u>	<u>7,863,069.01</u>

- (g) Accounts receivable written off in current year are analysed as below:

	Nature of the receivable	Amount	Reason	Related party transaction or not
ShiJiaZhuang Medicine Purchased&supplie d center etc.	Receivable for medicine sold	1,775,833.87	No amount would be recovered after the lawsuit	No

- (h) Accounts receivable due from shareholders with more than 5% (including 5%) of the Company's equity interest are analysed as below:

	31 December 2010	31 December 2009
Sinopharm Group(Note VII(6))	<u>6,085,670.42</u>	<u>4,044,001.00</u>

- (i) As at 31 December 2010, the top five accounts receivable by customer are analysed as below:

	Relationship with the Group	Amount	Ageing	% of the total accounts receivable
The Third Affiliated Hospital of ZhongShan University	Third party	47,863,207.06	Within 1 year	1.65%
GuangDong Province People's Hospital	Third party	37,134,849.79	Within 1 year	1.28%
The First Affiliated Hospital of GuangXi Medical University	Third party	33,497,211.98	Within 1 year	1.15%
The First Affiliated Hospital of ZhongShan University	Third party	28,953,661.82	Within 1 year	1.00%
The Southern Hospital of Southern Medical University	Third party	28,400,843.26	Within 1 year	0.98%
		<u>175,849,773.91</u>		<u>6.06%</u>

- (j) Accounts receivable due from related party

As at 31 December 2010, there are accounts receivable of RMB186,420,123.66 due from related party (31 December 2009: RMB231,188,100.00), which is 6.42% of the total accounts receivable (31 December 2009: 9.33%) (Note VII(6)).

- (k) In 2010, accounts receivable of RMB212,476,188.14 are derecognized given that irrevocable factoring contracts agreed with financial institute(2009: RMB58,600,000.00).

V Notes to the consolidated financial statements (continued)**(3) Accounts receivable (continued)**

- (l) As at 31 December 2010, accounts receivable of RMB30,941,730.97 is pledged as collateral for the Group's short-term borrowings of RMB27,847,557.88 (31 December 2009: Nil) (Note V(19)(a)).

(4) Advances to suppliers

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

	31 December 2010		31 December 2009	
	amount	% of total balance	amount	% of total balance
Within 1 year	98,067,411.72	96.33%	82,220,250.00	95.83%
1 to 2 years	202,384.25	0.20%	3,577,434.95	4.17%
2 to 3 years	3,536,234.95	3.47%	900.00	-
	<u>101,806,030.92</u>	<u>100.00%</u>	<u>85,798,584.95</u>	<u>100.00%</u>

As at 31 December 2010, advances to suppliers of RMB3,738,619.20 with ageing over 1 years (31 December 2009: RMB3,578,334.95) mainly represented prepayment for patent.

- (b) As at 31 December 2010, the top five advances to suppliers by customer are analysed below:

	Relationship with the Group	Amount	Proportion	Ageing	Reason for unsettlement
ShangHai NuoHua Trading Co. Ltd.	Third party	17,346,548.35	17.04%	Within 3 months	Advances for imported VAT
YunNan BaiYao Group Co. Ltd.	Third party	11,963,198.00	11.75%	Within 3 months	Advances for procurement
QingHai Pharmaceutical Co Ltd.	Third party	5,408,378.67	5.31%	Within 1 year	Advances for procurement
GuangZhou Outsell Trading Co. Ltd.	Third party	5,086,261.30	5.00%	Within 1 year	Advances for procurement
ShenWei Pharmaceutical (HaiNan) Co. Ltd.	Third party	4,159,128.00	4.09%	Within 3 months	Advances for procurement
		<u>43,963,514.32</u>	<u>43.19%</u>		

- (c) Advances due from related party

As at 31 December 2010, there are advances of RMB10,460,996.03 due from related party (31 December 2009: RMB18,805,100.00), which is 10.28% of the total advances to suppliers (31 December 2009: 21.92%), and no bad debt provision was provided (31 December 2009: Nil). (Note VII(6)).

V Notes to the consolidated financial statements (continued)**(5) Dividends receivable**

	31 December 2009	Decreases	31 December 2010
Shenzhen Medical ('Wanle Medical')(Note V(8)(a))	8,271,829.94	(8,271,829.94)	-

(6) Other receivables

	31 December 2010	31 December 2009
Deposit	10,238,481.87	11,550,534.72
Purchase rebate	9,502,788.69	11,489,381.96
Receivable of equity transaction(c)	8,980,000.00	8,980,000.00
Petty cash advance to employees	7,195,539.52	8,224,565.98
Receivable due from related party(i)	2,136,200.00	24,139,225.00
Others	22,847,234.41	19,965,076.00
	<u>60,900,244.49</u>	<u>84,348,783.66</u>
Less: provision for bad debts (Note V(17))	<u>(17,789,244.75)</u>	<u>(20,752,756.43)</u>
	<u>43,110,999.74</u>	<u>63,596,027.23</u>

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

	31 December 2010	31 December 2009
Within 1 year	41,876,178.36	60,794,541.01
1 to 2 years	1,179,247.56	1,197,290.30
2 to 3 years	1,052,432.85	246,105.80
Over 3 years	16,792,385.72	22,110,846.55
	<u>60,900,244.49</u>	<u>84,348,783.66</u>

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant are subject to separate impairment assessment	8,980,000.00	14.75%	(8,980,000.00)	100.00%	8,980,000.00	10.65%	(8,980,000.00)	100.00%
Receivable accounts within similar credit risk group	43,215,849.71	70.96%	(104,849.97)	0.24%	63,880,867.50	75.73%	(577,039.76)	0.90%
Individually not significant but individually evaluated for impairment	8,704,394.78	14.29%	(8,704,394.78)	100.00%	11,487,916.16	13.62%	(11,195,716.67)	97.46%
	<u>60,900,244.49</u>	<u>100.00%</u>	<u>(17,789,244.75)</u>	<u>29.21%</u>	<u>84,348,783.66</u>	<u>100.00%</u>	<u>(20,752,756.43)</u>	<u>24.60%</u>

V Notes to the consolidated financial statements (continued)**(6) Other receivables (continued)**

- (c) As at 31 December 2010, impairment provision for other receivables individually significant are analysed as below.

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

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Within 1 year	41,876,178.36	96.90%	-	0.00%	60,630,641.05	94.91%	-	0.00%
1 to 2 years	1,015,347.60	2.35%	(50,767.38)	5.00%	322,633.00	0.51%	(16,131.65)	5.00%
2 to 3 years	107,821.60	0.25%	(10,782.16)	10.00%	246,105.80	0.39%	(24,610.58)	10.00%
Over 3 year	216,502.15	0.50%	(43,300.43)	20.00%	2,681,487.65	4.20%	(536,297.53)	20.00%
	<u>43,215,849.71</u>	<u>100.00%</u>	<u>(104,849.97)</u>	<u>0.24%</u>	<u>63,880,867.50</u>	<u>100.00%</u>	<u>(577,039.76)</u>	<u>0.90%</u>

- (e) As at 31 December 2010, other receivables individually not significant but individually evaluated for impairment are analysed below:

	Amount	Bad debt provision	Rate	Assessment for impairment
ShenZhen Health Food I&E Co. Ltd.	1,157,860.00	(1,157,860.00)	100%	Uncertainty in recoverability Aged over 3 years, high risk in recoverability
YiZhouShi People's Hospital etc.	4,874,988.57	(4,874,988.57)	100%	high risk in recoverability Aged over 3 years, high risk in recoverability
GuangXi Autonomous Region People's Hospital	800,000.00	(800,000.00)	100%	Long ageing and high risk in recoverability
Service fee etc.	<u>1,871,546.21</u>	<u>(1,871,546.21)</u>	100%	high risk in recoverability
	<u>8,704,394.78</u>	<u>(8,704,394.78)</u>		

V Notes to the consolidated financial statements (continued)**(6) Other receivables (continued)**

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

	Nature	Amount	Reason for written off	Related party transaction or not
GuangXi BanZhou Company Limited By Share etc.	Withdrawal for the procurement	1,210,483.66	No amount would be recovered after the lawsuit	No

(g) Other receivables due from shareholders with more than 5% (including 5%) of the Company's equity interest are analysed as below:

	31 December 2010		31 December 2009	
	Amount	Bad debt provision	Amount	Bad debt provision
Sinopharm Group(note VII(6))	-	-	731,846.06	-

(h) As at 31 December 2010, the top five other receivables by customer are analysed below:

	Relationship with the Group	Amount	Ageing	% of the total other receivable
ShenZhenShi YingHai Technology&Investment Co. Ltd.	Third party	8,980,000.00	Over 5 years	14.75%
Bayer Health Food Co. Ltd.	Third party	4,963,936.12	Within 1 year	8.15%
ZheJiang TianYuan Biological Pharmaceutical Co. Ltd.	Third party	2,457,548.51	Within 1 year	4.04%
LiuZhouShi Housing Provident Fund Management Center-Specific Account for Housing Fund	Third party	1,991,298.98	Over 5 years	3.27%
GuangXi Autonomous Region Housing system Reformed Department	Third party	1,904,439.38	4 to 5 years	3.13%
		<u>20,297,222.99</u>		<u>33.33%</u>

(i) Other receivables due from related party

As at 31 December 2010, there are other receivables of RMB2,136,200.00 due from related party (31 December 2009: RMB24,139,225.00), which is 3.51% of the total other receivables(31 December 2009: 28.62%), without any bad debt provided (31 December 2009: Nil). (note VII(6)).

V Notes to the consolidated financial statements (continued)**(7) Inventories**

(a) Inventories by category are analysed as below:

	31 December 2010			31 December 2009		
	Book value	Provision	Net book Value	Book value	Provision	Net book Value
Raw materials	165,679,203.91	(3,358,112.02)	162,321,091.89	104,213,488.59	(2,039,571.51)	102,173,917.08
Packaging materials	655,633.83	-	655,633.83	311,542.41	-	311,542.41
Consigned processing materials	1,366,855.16	-	1,366,855.16	3,114,494.76	-	3,114,494.76
Finished goods	877,562,151.03	(4,961,799.59)	872,600,351.44	735,669,492.92	(6,446,155.71)	729,223,337.21
Goods in transition	75,453,155.42	(2,006,680.46)	73,446,474.96	55,577,275.70	(635,513.76)	54,941,761.94
Work in progress	45,068,088.99	-	45,068,088.99	18,545,109.18	-	18,545,109.18
Low cost consumables	871,162.53	-	871,162.53	767,333.77	-	767,333.77
	<u>1,166,656,250.87</u>	<u>(10,326,592.07)</u>	<u>1,156,329,658.80</u>	<u>918,198,737.33</u>	<u>(9,121,240.98)</u>	<u>909,077,496.35</u>

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

	31 December 2009	Increases	Decreases		31 December 2010
			Reversal	Written off	
Raw materials	2,039,571.51	1,366,250.70	-	(47,710.19)	3,358,112.02
Finished goods	6,446,155.71	7,711.54	(777,778.95)	(714,288.71)	4,961,799.59
Goods in transition	<u>635,513.76</u>	<u>1,371,166.70</u>	<u>-</u>	<u>-</u>	<u>2,006,680.46</u>
	<u>9,121,240.98</u>	<u>2,745,128.94</u>	<u>(777,778.95)</u>	<u>(761,998.90)</u>	<u>10,326,592.07</u>

(8) Long-term equity investments

	31 December 2010	31 December 2009
Associates - Without quoted price (a)	85,275,251.06	58,050,667.25
Other long-term equity investments (b)	<u>-</u>	<u>284,173.70</u>
	<u>85,275,251.06</u>	<u>58,334,840.95</u>

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

V Notes to the consolidated financial statements (continued)**(8) Long-term equity investments (continued)****(a) Associates**

	Accounting method	Original investment cost	31 December 2009	Increases/(Decreases)			31 December 2010	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held	
				Additional investment cost	Share of profit of associate Note V(42)	Profit/Cash dividends declared by associate					Other changes in equity
Wanle Medical	Equity method	4,457,400.00	58,050,667.25	-	27,224,583.81	-	-	85,275,251.06	35.19	33.33	Board of the directors is the highest decision making organization, which is formed by 3 shareholders of Wanle Medical evenly,

(b) Other long-term equity investments

	Accounting method	Original investment cost	31 December 2009	Increases/(Decreases)	31 December 2010	Equity interest held (%)	Voting rights held (%)	Impairment
ShenZhen China Associate Pharmaceutical Company Limited By Share	Costing method	284,173.70	284,173.70	(284,173.70)	-	-	-	-

(9) Investment in associates

	Equity interest held (%)	Voting rights held (%)	31 December 2010			For the year ended 31 December 2010	
			Total assets	Total liabilities	Net assets	Revenues	Net profit
Wanle Medical	35.19	33.3	459,292,775.96	227,923,839.96	231,368,936.00	468,348,634.56	77,364,546.20

V Notes to the consolidated financial statements (continued)**(10) Investment properties**

	31 December 2009	Current year additions	Current year disposals	31 December 2010
Cost	107,608,544.28	60,099,709.41	(1,793,491.23)	165,914,762.46
Buildings	104,375,970.55	47,913,729.58	(1,793,491.23)	150,496,208.90
Land use rights	3,232,573.73	12,185,979.83	-	15,418,553.56
Accumulated depreciation/ amortisation	(49,635,011.31)	(29,830,673.12)	844,255.73	(78,621,428.70)
Buildings	(49,176,032.53)	(28,750,373.35)	844,255.73	(77,082,150.15)
Land use rights	(458,978.78)	(1,080,299.77)	-	(1,539,278.55)
Net book value	57,973,532.97			87,293,333.76
Buildings	55,199,938.02			73,414,058.75
Land use rights	2,773,594.95			13,879,275.01

In 2010, the amount of depreciation expense and amortization were RMB9,498,256.09 (2009: RMB2,921,646.13), and no provision for impairment was provided (2009: Nil).

In 2010, the Group changed the use of buildings with net book value of RMB348,061.25 (cost of RMB489,797.80) to owner-occupied properties, and therefore, such investment properties were transferred to fixed assets at the dates of transfers.

In 2010, the Group changed the use of buildings with net book value of RMB23,452,582.40 (cost of RMB42,899,850.79) and land use rights with net book value of RMB11,300,831.22 (cost of RMB12,185,979.86) to lease-out properties, and therefore, such assets were transferred from fixed assets and intangible assets to investment properties at the dates of transfers.

In 2010, the Group disposed of investment properties with net book value of RMB601,174.25 (cost of RMB 1,303,693.43) and recognised a gain of RMB2,984,999.68.

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

	31 December 2009	Current year additions	Current year disposals	31 December 2010
Cost	688,012,581.97	148,766,811.47	(53,437,579.63)	783,341,813.81
Buildings	312,195,700.26	28,312,215.44	(48,217,180.48)	292,290,735.22
Machinery and equipment	214,912,021.20	76,714,989.38	(558,908.23)	291,068,102.35
Motor vehicles	39,703,709.90	16,510,547.56	(2,867,823.59)	53,346,433.87
Other	105,339,510.91	16,141,052.48	(1,439,421.33)	120,041,142.06
Leasehold improvements	15,861,639.70	11,088,006.61	(354,246.00)	26,595,400.31
		Current year other additions	Current year depreciation	Current year disposals
Accumulated depreciation	(258,322,551.76)	(141,736.55)	(57,419,738.59)	26,399,956.52 (289,484,070.38)
Buildings	(93,160,551.94)	(141,736.55)	(10,443,588.70)	22,050,403.74 (81,695,473.45)
Machinery and equipment	(89,382,653.00)	-	(21,149,248.86)	474,274.49 (110,057,627.37)
Motor vehicles	(19,416,613.07)	-	(5,574,265.63)	2,510,951.02 (22,479,927.68)
Other	(49,467,827.20)	-	(17,256,878.54)	1,341,891.07 (65,382,814.67)
Leasehold improvements	(6,894,906.55)	-	(2,995,756.86)	22,436.20 (9,868,227.21)
Carrying value	429,690,030.21			493,857,743.43
Buildings	219,035,148.32			210,595,261.77
Machinery and equipment	125,529,368.20			181,010,474.98
Motor vehicles	20,287,096.83			30,866,506.19
Other	55,871,683.71			54,658,327.39
Leasehold improvements	8,966,733.15			16,727,173.10
Provision for impairment loss	(1,300,000.00)	-	-	(1,300,000.00)
Buildings	(1,300,000.00)	-	-	(1,300,000.00)
Machinery and equipment	-	-	-	-
Motor vehicles	-	-	-	-
Other	-	-	-	-
Leasehold improvements	-	-	-	-
Net book value	428,390,030.21			492,557,743.43
Buildings	217,735,148.32			209,295,261.77
Machinery and equipment	125,529,368.20			181,010,474.98
Motor vehicles	20,287,096.83			30,866,506.19
Other	55,871,683.71			54,658,327.39
Leasehold improvements	8,966,733.15			16,727,173.10

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

In 2010, details of the amount of depreciation expense charged is below:

	31 December 2010	31 December 2009
Cost of goods sold	31,740,044.28	26,588,421.81
Selling expenses	3,338,028.18	5,115,957.87
General and administrative expenses	18,848,850.43	21,248,340.58
Research and development expenses	3,492,815.70	480,044.14
	<u>57,419,738.59</u>	<u>53,432,764.40</u>

In 2010, fixed assets transferred from construction in progress were RMB76,675,258.73(2009: RMB16,196,140.32).

(12) Construction in progress

	31 December 2010	31 December 2009
Asepsis Materials Plant Project	20,828,473.64	5,204,063.10
Nanning Logistics Center Project	14,507,130.59	-
Menstruum Recycling Plant Project	12,773,423.00	-
Power Station Improvement Project	9,625,754.12	-
Cefoxitin Plant Improvement Project	8,055,862.00	-
Chebei Project	6,915,595.20	6,750,695.20
Multifunctional Warehouse project	6,847,719.64	-
Peinan Project	8,084,242.40	3,911,064.47
Cephalo Plant II Project	-	28,734,111.57
Zhijun Zhiyao Guanglan Stage II Project	1,441,384.55	456,232.55
Reconstruction of Wastewater Treatment Project and others	14,513,077.86	663,189.10
Greening Design Programme and others	4,708,675.12	426,827.51
	<u>108,301,338.12</u>	<u>46,146,183.50</u>

V Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

Changes of construction in progress in 2010 are below:

Name of project	Budget of project	31 December 2009	Current year additions	Transfer to fixed assets during current year	31 December 2010	Cost up to date out of budget (%)	Construction progress (%)	Accumulated capitalised borrowing cost	Borrowing cost capitalised in 2010	Weighted average interest rate (%)	Financed by
Asepsis Materials Plant Project	59,340,000.00	5,204,063.10	54,144,395.90	(38,519,985.36)	20,828,473.64	99	99	151,356.86	151,356.86	5.04	Working capital and loans
Nanning Logistics Center Project	147,000,000.00	-	14,507,130.59	-	14,507,130.59	10	10	738,779.67	738,779.67	4.94	Working capital and loans from related party
Menstruum Recycling Plant Project	17,440,000.00	-	12,773,423.00	-	12,773,423.00	73	73	-	-	-	Working capital
Power Station Improvement Project	14,700,000.00	-	9,625,754.12	-	9,625,754.12	65	65	-	-	-	Working capital
Cefoxitin Plant Improvement Project	8,060,000.00	-	8,055,862.00	-	8,055,862.00	99	99	-	-	-	Working capital
Chebei Project	11,810,000.00	6,750,695.20	164,900.00	-	6,915,595.20	0	0	-	-	-	Working capital
Multifunctional Warehouse Project	10,670,000.00	-	6,847,719.64	-	6,847,719.64	64	64	-	-	-	Working capital
Peinan Project	40,000,000.00	3,911,064.47	4,173,177.93	-	8,084,242.40	20	20	-	-	-	Working capital
Cephalo Plant II project	36,200,000.00	28,734,111.57	3,187,954.86	(31,922,066.43)	-	100	100	1,563,300.00	611,550.00	4.86	Working capital and loans
Zhijun Zhiyao Guanglan Stage II Project	250,000,000.00	456,232.55	985,152.00	-	1,441,384.55	0.58	0.58	-	-	-	Working capital
Reconstruction of Wastewater Treatment Project and others	24,606,541.20	663,189.10	18,973,884.00	(5,123,995.24)	14,513,077.86	80	80	-	-	-	Working capital
Greening Design Programme and others	-	426,827.51	5,391,059.31	(1,109,211.70)	4,708,675.12	-	-	-	-	-	Working capital
	<u>619,826,541.20</u>	<u>46,146,183.50</u>	<u>138,830,413.35</u>	<u>(76,675,258.73)</u>	<u>108,301,338.12</u>						

V Notes to the consolidated financial statements (continued)**(13) Intangible assets**

	31 December 2009	Current year additions	Current year decreases	31 December 2010
Cost	167,574,605.48	39,939,149.92	(12,185,979.86)	195,327,775.54
Land use rights	104,808,837.92	37,222,525.98	(12,185,979.86)	129,845,384.04
Computer software	10,284,984.23	1,916,623.94	-	12,201,608.17
Proprietary technology	52,283,933.33	800,000.00	-	53,083,933.33
Trademarks	196,850.00	-	-	196,850.00
Accumulated amortization	(50,936,827.19)	(16,100,730.90)	885,148.64	(66,152,409.45)
Land use rights	(23,755,277.38)	(2,235,869.97)	885,148.64	(25,105,998.71)
Computer software	(6,522,280.69)	(1,587,899.23)	-	(8,110,179.92)
Proprietary technology	(20,552,500.86)	(12,239,036.10)	-	(32,791,536.96)
Trademarks	(106,768.26)	(37,925.60)	-	(144,693.86)
Net book value	116,637,778.29			129,175,366.09
Land use rights	81,053,560.54			104,739,385.33
Computer software	3,762,703.54			4,091,428.25
Proprietary technology	31,731,432.47			20,292,396.37
Trademarks	90,081.74			52,156.14

In 2010, the amount of amortization expense was RMB16,100,730.90(2009: RMB12,272,751.72).

As at 31 December 2010, the carrying amount of land use right located on Ping Shan of Longgang district was RMB26,811,850.95 (initial cost : RMB30,020,106.63). The land is still pending for development due to the change of functional planning of the industrial park by the government. As a result, the Bureau of Planning, Land and Resources of Shenzhen Municipality has recognised it as vacant land. The Company is in the process of applying administrative re-examination and appeals the bureau to withhold the title of vacant land. According to the Company's plan, the land will be developed as Shenzhen Accord Ping Shan pharmaceutical centre specializing in manufacturing and R&D.

Expenditures on research and development incurred in 2010 are listed as below:

	31 December 2009	Current year additions	31 December 2010
Development costs	<u>235,375.01</u>	<u>2,345,287.84</u>	<u>2,580,662.85</u>

Expenditures on research and development incurred in 2010 amount to RMB55,176,057.07 (2009: RMB33,961,185.22) in total, of which RMB52,830,769.23 (2009: RMB33,725,810.21) is recognised in profit or loss for the current period, RMB2,345,287.8 (2009: RMB235,375.01) is recognised as development costs. The development costs accounted for 4.25% (2009: 0.69%) of the total expenditures on research and development incurred in 2010.

V Notes to the consolidated financial statements (continued)**(14) Goodwill**

	31 December 2009	Current year additions	31 December 2010
Goodwill	34,153,027.89	19,402,649.20	53,555,677.09
Less: provision for impairment (a)	-	-	-
	<u>34,153,027.89</u>	<u>19,402,649.20</u>	<u>53,555,677.09</u>

Goodwill recognised in 2010 arose from acquisition of 51% of the equity interests in Yanfeng Medical, 100% of the equity interests in Sinopharm Meizhou and 100% of the equity interests in Sinopharm Huizhou (Note IV (4)).

Impairment

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

	31 December 2010	31 December 2009
Pharmaceutical distribution-		
Yanfeng Medical	16,868,644.87	-
Sinopharm Meizhou	1,610,819.66	-
Sinopharm Huizhou	923,184.67	-
Sinopharm Zhanjiang	282,135.55	282,135.55
Dongguan Accord	1,499.02	1,499.02
Pharmaceutical manufacturing - Suzhou Wanqin	<u>33,869,393.32</u>	<u>33,869,393.32</u>
	<u>53,555,677.09</u>	<u>34,153,027.89</u>

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

The main assumptions applied in calculating discounted future cash flows are as follows:

	Pharmaceutical distribution	Pharmaceutical manufacturing
Gross margin	6%	15%
Discount rate	15%	12%

Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups within the corresponding operating segment. As at 31 December 2010, management of the Group considered there was no impairment to goodwill recognised after the impairment assessment.

V Notes to the consolidated financial statements (continued)**(15) Long-term prepaid expenses**

	31 December 2009	Current year additions	Current year amortisation	31 December 2010
Leasehold improvements	6,219,765.91	16,000,514.28	(3,610,360.02)	18,609,920.17
Others	<u>1,236,281.04</u>	<u>298,833.78</u>	<u>(333,423.75)</u>	<u>1,201,691.07</u>
	<u>7,456,046.95</u>	<u>16,299,348.06</u>	<u>(3,943,783.77)</u>	<u>19,811,611.24</u>

(16) Deferred income tax assets and deferred income tax liabilities**(a) Deferred income tax assets**

	31 December 2010		31 December 2009	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provision for accounts receivable	4,745,194.38	19,246,624.26	1,435,756.10	5,953,219.63
Provision for other receivables	2,739,278.52	12,089,435.27	319,768.64	2,006,658.37
Provision for declines in value of inventories	1,711,016.77	10,089,072.64	1,188,969.56	6,103,884.42
Provision for fixed assets impairment	174,571.68	698,286.70	181,351.17	725,404.66
Accrued expenses	5,541,124.17	31,872,047.07	2,931,780.74	17,785,204.93
Accrued payroll	10,948,931.14	53,300,710.61	6,540,926.89	29,036,924.20
Deferred revenue	4,722,984.13	28,751,822.73	131,431.03	876,206.90
Others	<u>500,491.45</u>	<u>2,723,589.31</u>	<u>141,212.11</u>	<u>564,848.44</u>
	<u>31,083,592.24</u>	<u>158,771,588.59</u>	<u>12,871,196.24</u>	<u>63,052,351.55</u>

(b) Deferred income tax liabilities

	31 December 2010		31 December 2009	
	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences
Business combination involving entities not under common control	4,817,694.42	32,117,962.85	6,509,229.00	43,394,860.06
Changes in fair value	14,118,080.28	56,472,321.11	15,242,873.76	60,971,495.02
Others	<u>3,773,319.00</u>	<u>15,093,276.00</u>	<u>3,773,319.00</u>	<u>15,093,276.00</u>

<u>22,709,093.70</u>	<u>103,683,559.96</u>	<u>25,525,421.76</u>	<u>119,459,631.08</u>
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V Notes to the consolidated financial statements (continued)**(16) Deferred income tax assets and deferred income tax liabilities (continued)**

- (c) As at 31 December 2010, the Group has not recognised deferred tax assets in respect of deductible losses and other deductible temporary differences are listed as below.

	31 December 2010	31 December 2009
Deductible losses(i)	34,682,363.78	6,725,785.99
Other deductible temporary differences	6,307,666.93	2,732,243.02
	<u>40,990,030.71</u>	<u>9,458,029.01</u>

For those loss making subsidiaries, the Group does not recognize deferred tax assets arising from accumulated losses amounting to RMB34,682,363.78 which are tax deductible under the tax law within 2011 to 2015. The reason of un-recognition is mainly due to the uncertainty in: a) obtaining available taxable profit in the future which will be used against the deductible tax loss; and b) successfully getting the approval from the in-charge tax bureau. In addition, similar to consideration of uncertainty of a) mentioned above, the Group does not recognize the deferred tax assets arising from deductible temporary differences amounting RMB6,307,666.93, including accrual of sale commission and unpaid payroll, either.

- (i) As at 31 December 2010, the unrecognised deferred tax assets in respect of deductible losses will be expired as follows:

Year	31 December 2010	31 December 2009
2011	-	199,236.14
2012	2,255,000.05	2,255,000.05
2013	201,029.87	201,029.87
2014	2,672,990.11	4,070,519.93
2015	29,553,343.75	-
	<u>34,682,363.78</u>	<u>6,725,785.99</u>

(17) Provision for asset impairment

	31 December 2009	Increases	Decreases		31 December 2010
			Reversal	Written off	
Bad debt provision	47,785,101.73	17,712,952.70	(9,852,947.49)	(2,986,317.53)	52,658,789.41
Including: Provision for accounts receivable	27,032,345.30	17,610,456.73	(7,997,423.50)	(1,775,833.87)	34,869,544.66
Provision for other receivables	20,752,756.43	102,495.97	(1,855,523.99)	(1,210,483.66)	17,789,244.75
Provision for declines in value of inventories	9,121,240.98	2,745,128.94	(777,778.95)	(761,998.90)	10,326,592.07
Provision for fixed assets impairment	1,300,000.00	-	-	-	1,300,000.00
	<u>58,206,342.71</u>	<u>20,458,081.64</u>	<u>(10,630,726.44)</u>	<u>(3,748,316.43)</u>	<u>64,285,381.48</u>

V Notes to the consolidated financial statements (continued)**(18) Other non-current assets**

	31 December 2010	31 December 2009
Medical reserve fund	<u>48,127,831.56</u>	<u>36,533,540.13</u>

(19) Short-term loans**(a) Category**

	Currency	31 December 2010	31 December 2009
Entrusted loans(Note VII (6))	RMB	300,000,000.00	250,000,000.00
Guaranteed loans(i)	RMB	118,348,996.25	57,443,266.96
Unsecured loans(ii)	RMB	442,266,992.42	264,821,130.47
Pledged loans(iii)	RMB	30,247,557.88	-
Discounted notes	RMB	<u>84,612,337.66</u>	<u>371,925,207.03</u>
		<u>975,475,884.21</u>	<u>944,189,604.46</u>

(i) As at 31 December 2010, bank loans of RMB118,348,996.25 (31 December 2009: 57,443,266.96) are guaranteed by Sinopharm Group.

(ii) As at 31 December 2010, unsecured loans of RMB442,266,992.42(31 December 2009: RMB264,821,130.47) are guaranteed by the Company and its subsidiaries.

(iii) As at 31 December 2010, bank borrowings of RMB30,247,557.88 (31 December 2009: Nil) are secured by current assets, including notes receivable with a carrying amount of RMB2,530,302.00(Note V(2)(a)) and accounts receivable with a carrying amount of RMB30,941,730.97 (Note V (3)(l)).

As at 31 December 2010, the weighted average interest rate of short-term borrowings is 4.93% per annum (31 December 2009:4.58%).

(b) As at 31 December 2010, there were no expired bank loans (31 December 2009: Nil).

(20) Notes payable

	31 December 2010	31 December 2009
Trade acceptance notes	336,739,137.60	348,860,174.45
Bank acceptance notes	<u>1,111,883,353.12</u>	<u>756,090,155.83</u>
	<u>1,448,622,490.72</u>	<u>1,104,950,330.28</u>

As at 31 December 2010, notes receivable of RMB1,448,622,490.72 would be expired within 1 year (31 December 2009: RMB1,104,950,330.28).

V Notes to the consolidated financial statements (continued)**(21) Accounts payable**

	31 December 2010	31 December 2009
Accounts payable	<u>2,003,566,517.62</u>	<u>1,706,142,277.91</u>

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

	31 December 2010	31 December 2009
Sinopharm Group(Note VII (6))	<u>109,598,841.49</u>	<u>89,246,550.04</u>

- (b) Accounts payable due to related party

As at 31 December 2010, there are accounts payable of RMB171,555,542.58 due to related party (31 December 2009: RMB144,346,600.00), which accounts for 8.56% of the total accounts payable(31 December 2009: 8.46%).(Note VII(6)).

- (c) As at 31 December 2010, accounts payable of RMB60,550,672.66 (31 December 2009: RMB66,246,814.61) were aged over 1 year, which were mainly for medicine procurement. Before the financial statement is approved, no such long aged accounts payable have been settled.

(22) Advances from customers

	31 December 2010	31 December 2009
Advances from customers	<u>100,322,387.21</u>	<u>82,498,031.55</u>

As at 31 December 2010, there are advances of RMB5,370,000.00 due to related party (31 December 2009: Nil), which accounts for 5.35% of the total accounts payable(31 December 2009: Nil). (Note VII(6)).

As at 31 December 2010, advances from customers of RMB2,379,071.02 (31 December 2009: RMB1,872,088.36) were aged over 1 year. Before the financial statement is approved, no such long aged advances have been settled.

V Notes to the consolidated financial statements (continued)**(23) Employee benefits payable**

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Wages and salaries, bonuses, allowances and subsidies	86,891,988.17	295,716,403.54	(279,295,918.57)	103,312,473.14
Staff welfare	500,000.00	25,280,617.14	(25,608,441.14)	172,176.00
Social security contributions	944,120.88	33,348,861.04	(32,867,042.87)	1,425,939.05
Including:				
Medical insurance	110,417.20	8,133,991.80	(8,082,421.71)	161,987.29
Basic pensions, Supplemental pensions, Unemployment insurance	790,241.29	21,369,137.75	(21,175,491.57)	983,887.47
Work injury insurance	-	1,743,100.00	(1,567,520.00)	175,580.00
Maternity insurance	29,558.31	809,616.96	(759,361.65)	79,813.62
Housing funds	5,065.09	523,542.88	(519,816.10)	8,791.87
Labor union funds and employee education funds	8,838.99	769,471.65	(762,431.84)	15,878.80
Compensation for employee dismissal	543,205.32	9,593,075.22	(9,754,492.38)	381,788.16
Early retirement benefits	8,160,285.15	9,488,746.33	(8,375,474.47)	9,273,557.01
Others	4,212,977.06	448,993.57	(1,184,223.57)	3,477,747.06
	7,843,024.24	617,795.18	(1,731,561.83)	6,729,257.59
	1,042,449.94	13,211,620.06	(11,835,290.76)	2,418,779.24
	<u>110,138,050.76</u>	<u>387,706,112.08</u>	<u>(370,652,445.59)</u>	<u>127,191,717.25</u>

As at 31 December 2010, there are no payroll payables in arrears. Most part of the payroll payables would be paid out in the coming year 2011.

(24) Taxes payable

	31 December 2010	31 December 2009
Enterprise income tax payable	35,944,942.69	24,612,308.00
Value-added-tax payable	(5,010,377.31)	3,170,577.34
Business tax payable	1,380,716.94	1,470,714.51
City maintenance and construction tax payable	537,550.82	495,947.05
Real estate tax payable	399,097.44	390,791.68
Stamp duty tax payable	1,094,469.16	669,629.79
Land use rights	83,178.55	189,448.22
Individual income tax payable	2,411,409.52	2,311,912.95
Educational surcharge payable	235,523.80	369,697.57
Rivers management fee	2,152,879.39	1,768,478.55
Anti-flood fund	469,902.57	148,805.72
Others	21,018.15	1,119,467.98
	<u>39,720,311.72</u>	<u>36,717,779.36</u>

V Notes to the consolidated financial statements (continued)**(25) Interests payable**

	31 December 2010	31 December 2009
Interests payable	<u>2,122,314.90</u>	<u>589,050.00</u>

(26) Other payables

	31 December 2010	31 December 2009
Accrued selling expenses	148,869,382.91	124,351,840.74
Payables for construction in progress	48,899,435.34	12,562,793.93
Amount collected on behalf of third party	32,338,391.74	10,519,288.13
Deposit	14,037,304.36	5,136,038.04
Others	<u>100,866,779.45</u>	<u>94,265,292.97</u>
	<u>345,011,293.80</u>	<u>246,835,253.81</u>

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

	31 December 2010	31 December 2009
Sinopharm Group(Note VII (6))	<u>3,893,939.65</u>	<u>3,333,939.65</u>

- (b) Other payables due to related party

As at 31 December 2010, there are other payables of RMB10,365,391.15 due to related party (31 December 2009: RMB22,446,400.00), which accounts for 3.00% of the total other payables (31 December 2009: 9.09%). (Note VII(6)).

- (c) As at 31 December 2010, other payables of RMB61,897,416.02 (31 December 2009: RMB47,055,011.76) were aged over 1 year, which were mainly for accrued selling expenses. Before the financial statement is approved, other payables of RMB11,572,136.60 have been paid out (Note X(1)).

V Notes to the consolidated financial statements (continued)**(27) Current portion of long-term loans**

	31 December 2010	31 December 2009
Current portion of long-term loans		
- Pledged bank loans	<u>-</u>	<u>30,000,000.00</u>

(28) Long-term loans

	Currency	31 December 2010	31 December 2009
Pledged loans	RMB	-	30,000,000.00
Unsecured loans	RMB	<u>30,000,000.00</u>	<u>-</u>
		<u>30,000,000.00</u>	<u>30,000,000.00</u>

As at 31 December 2010, long-term loans of RMB30,000,000.00(31 December 2009: Nil) are guaranteed by Suzhou Wanqin, a subsidiary of the Company. Interest is payable every month and the principal is due for repayment on 5 September 2013.

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

	Borrowing date	Repayment date	Currency	Interest rate per annum (%)	31 December 2010	31 December 2009
Agricultural Bank of China	6 September 2010	5 September 2013	RMB	5.265	10,000,000.00	-
Agricultural Bank of China	13 October 2010	5 September 2013	RMB	5.265	10,000,000.00	-
Agricultural Bank of China	16 December 2010	5 September 2013	RMB	5.265	10,000,000.00	-
China Merchants Bank Anlian Branch	30 April 2009	21 July 2013	RMB	4.865	-	30,000,000.00
					<u>30,000,000.00</u>	<u>30,000,000.00</u>

(b) The long-term borrowings are repayable as follows:

	31 December 2010	31 December 2009
Between 1 to 2 years	-	30,000,000.00
Between 2 to 5 years	<u>30,000,000.00</u>	<u>-</u>
	<u>30,000,000.00</u>	<u>30,000,000.00</u>

As at 31 December 2010, the weighted average interest rate of long-term borrowings is 5.040%(per annum (31 December 2009: 4.865%).

V Notes to the consolidated financial statements (continued)**(29) Payables for specific projects**

	31 December 2009	Addition	Reclassification	31 December 2010
Others	1,600,000.00	-	(800,000.00)	800,000.00
Government grants for ERP system construction	955,000.00	-	-	955,000.00
Industrial technology funds	-	3,000,000.00	-	3,000,000.00
	<u>2,555,000.00</u>	<u>3,000,000.00</u>	<u>(800,000.00)</u>	<u>4,755,000.00</u>

(30) Other non-current liabilities

	31 December 2010	31 December 2009
Deferred income(Note a)	30,382,512.43	876,206.90
Medical reserve funds (Note b)	45,427,343.31	44,602,343.31
	<u>75,809,855.74</u>	<u>45,478,550.21</u>

(a) Deferred income

	31 December 2010	31 December 2009
Government grants related to assets		
- R&D library (in progress)	5,000,000.00	-
- Medical R&D center II (in progress)	5,000,000.00	-
- Shared logistics center(completed)	4,102,107.25	-
- Other projects(in progress)	2,277,489.70	876,206.90
Promotion rewards program	14,002,915.48	-
	<u>30,382,512.43</u>	<u>876,206.90</u>

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

V Notes to the consolidated financial statements (continued)**(32) Capital surplus**

	31 December 2009	Current year reductions (Note IV (3)(a))	31 December 2010
Share premium			
Business combination under common control (Note a)	26,538,149.83	(26,538,149.83)	-
Other Capital surplus			
Share of changes in equity other than profits of investees	2,380,016.57	-	2,380,016.57
Transfer of capital surplus recognised under the previous accounting system	2,650,322.00	-	2,650,322.00
	<u>31,568,488.40</u>	<u>(26,538,149.83)</u>	<u>5,030,338.57</u>
Share premium			
Business combination under common control (Note a)	53,106,833.70	(26,568,683.87)	26,538,149.83
Other Capital surplus			
Share of changes in equity other than profits of investees	2,405,516.57	(25,500.00)	2,380,016.57
Transfer of capital surplus recognised under the previous accounting system	2,650,322.00	-	2,650,322.00
	<u>58,162,672.27</u>	<u>(26,594,183.87)</u>	<u>31,568,488.40</u>

- (a) In 2010, business combination involving Shenzhen Medicine (2009: Sinopharm Nanning) under common control led to changes in capital surplus of RMB26,538,149.83 (2009: RMB26,568,683.87).

(33) Surplus reserve

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Statutory surplus reserve	17,573,057.11	22,408,211.44	-	39,981,268.55
Share premium				
	31 December 2008	Current year additions	Current year reductions	31 December 2009
Statutory surplus reserve	9,303,064.31	17,573,057.11	(9,303,064.31)	17,573,057.11

In accordance with the Company Law of PRC and the Company's constitution, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB 22,408,211.44 for the year 2010, (2009: 10% of the net profit for year, amounting to RMB 17,573,057.11) to the statutory surplus reserve.

V Notes to the consolidated financial statements (continued)**(34) Undistributed profits**

	2010		2009	
	Amount	Appropriation rate	Amount	Appropriation rate
Opening balance of retained earnings(before adjusted)	511,913,342.00		330,460,963.41	
Changes from business combination under common control (a)	(1,994,394.68)		(2,148,833.94)	
Opening balance of retained earnings(after adjusted)	509,918,947.32		328,312,129.47	
Add:net profit attributable to the shareholders of the company	261,116,656.70		192,868,245.18	
Less: appropriation of statutory surplus reserve (Note V(33))	(22,408,211.44)	10%	(17,573,057.11)	10%
Dividends (d)	(28,814,940.00)		(28,828,019.86)	
Other outflow (b)	(603,150.17)		(4,497,799.33)	
Add: other inflow (c)	-		39,637,448.97	
Ending balance of retained earnings	<u>719,209,302.41</u>		<u>509,918,947.32</u>	

- (a) In 2010, changes from business combination under common control was RMB1,994,394.68(2009: RMB2,148,833.94) (Note IV (3)(d)).
- (b) The transferred out amount in “others” represented the impact from acquisition of Shenzhen Medicine in year the 2010 (Note IV (3)(d)) (2009: business combination of Sinopharm Nanning). The acquisition is defined as business combination involving entities under common control. Thus, difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it, shall be adjusted against the owners’ equity. As the account capital surplus is not sufficient to be offset, the retained earnings have been adjusted.
- (c) The transferred in amount in “others” represented the impact from disposal of two significant loss subsidiaries in 2009. Before the adoption of accounting standards on 1 January 2007, super loss from subsidiaries was presented as “unrecognised investment loss” directly in the consolidated account, other than recognised in net profit. Therefore, gain from disposal of significant loss subsidiaries whose loss incurred before year 2007 and not recognised in the income statement, was taken into retained earnings instead of profit of current year directly.
- (d) Pursuant to the resolution at the General Meeting on 16 April 2010, cash dividends of RMB28,814,940.00 (RMB1 per 10 shares) was paid based on the issued shares of 288,149,400.

Pursuant to the resolution of board of directors of the company on 18 March 2011, cash dividends of RMB34,577,928.00 (RMB1.2 per 10 shares) was proposed based on the issued shares of 288,149,400. This proposed dividend is subject to the approval of General Meeting (Note X(2)).

(35) Minority Interest

Minority interests are analysed as below:

	31 December 2010	31 December 2009
Sinopharm Liuzhou	23,073,890.87	20,873,364.99
Suzhou Wanqin	34,455,044.53	34,591,598.75
Yanfeng Medical	21,546,116.21	-
	<u>79,075,051.61</u>	<u>55,464,963.74</u>

V Notes to the consolidated financial statements (continued)**(36) Sales and cost of sales**

	2010	2009
Revenue of main operations	12,973,185,381.02	10,928,536,536.97
Other operating income	<u>91,242,767.67</u>	<u>68,538,382.08</u>
	<u>13,064,428,148.69</u>	<u>10,997,074,919.05</u>
	2010	2009
Cost of main operations	(11,887,730,086.45)	(10,010,662,507.45)
Other operating expenses	<u>(37,925,421.49)</u>	<u>(30,545,332.62)</u>
	<u>(11,925,655,507.94)</u>	<u>(10,041,207,840.07)</u>

(a) Revenue and cost of main operations

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

	2010		2009	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Pharmaceutical manufacturing	1,570,934,485.12	(1,149,341,920.41)	1,309,366,784.86	(927,211,288.86)
Pharmaceutical distribution	11,364,699,335.20	(10,709,622,065.79)	9,434,644,471.39	(8,936,621,292.50)
Retail pharmacy	5,716,159.30	(5,253,317.09)	165,938,081.44	(131,128,956.20)
Logistics and freights	22,098,929.36	(17,388,130.15)	11,719,900.13	(9,974,941.07)
Rental and other income	9,736,472.04	(6,124,653.01)	6,867,299.15	(5,726,028.82)
	<u>12,973,185,381.02</u>	<u>(11,887,730,086.45)</u>	<u>10,928,536,536.97</u>	<u>(10,010,662,507.45)</u>

(b) Other operating income and expenses

	2010		2009	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of raw materials	35,396,390.57	(31,295,631.57)	37,338,215.56	(27,895,413.78)
Rental income	16,146,125.91	(3,332,435.53)	11,360,309.76	(1,379,172.70)
Rendering of services	32,942,310.75	(1,290,011.24)	19,376,838.05	(1,122,658.42)
Income from disposal of investment properties	4,415,151.77	(1,430,152.09)	-	-
Others	<u>2,342,788.67</u>	<u>(577,191.06)</u>	<u>463,018.71</u>	<u>(148,087.72)</u>
	<u>91,242,767.67</u>	<u>(37,925,421.49)</u>	<u>68,538,382.08</u>	<u>(30,545,332.62)</u>

V Notes to the consolidated financial statements (continued)**(36) Sales and cost of sales (continued)**

(c) Top five customers are analysed as follows:

The sales to top five customers of the Group amounted to RMB742,502,202.03 (2009: RMB740,672,201.72), which accounted for 5.68% (2009: 6.74%) of the total revenue from main operations. Details are set out below:

	Sales	% of total sales of the Group
GuangDong Province People's Hospital	212,901,694.56	1.63%
The First Affiliated Hospital of GuangXi Medical University	158,286,301.88	1.21%
Shenzhen People's Hospital	128,339,169.28	0.98%
The Guangxi Zhuang Autonomous People's Hospita	127,315,445.71	0.97%
Sinopharm Holding Shenyang Co., Ltd.	115,659,590.60	0.89%
	<u>742,502,202.03</u>	<u>5.68%</u>

(37) Tax and surcharges

	2010	2009
Business tax	8,554,262.19	5,900,691.24
City maintenance and construction tax	5,913,573.72	5,051,480.81
Educational surcharge	4,892,414.31	4,718,139.45
Others	558,263.20	200,519.55
	<u>19,918,513.42</u>	<u>15,870,831.05</u>

(38) Selling and distribution expenses

	2010	2009
Employees payroll and welfare benefits	150,330,866.04	139,815,123.36
Transportation charges	67,900,327.06	57,408,495.73
Promotion and marketing expenses	49,850,966.80	37,952,380.50
Conference expenses	22,835,768.78	10,325,885.54
Travel allowances	18,241,288.23	17,522,362.72
Entertainment expenses	16,924,293.60	14,862,440.23
Advertising expenses	16,337,186.80	17,562,817.80
Storage expenses	14,445,518.21	17,496,248.23
Tendering expenses	12,948,548.89	2,349,950.42
Office allowances	11,703,372.52	13,351,348.97
Rental expenses	6,609,943.89	16,725,959.80
Depreciation expenses	3,338,028.18	5,115,957.87
Others	39,122,464.47	52,291,910.27
	<u>430,588,573.47</u>	<u>402,780,881.44</u>

V Notes to the consolidated financial statements (continued)**(39) Governance and administrative expense**

	2010	2009
Employees payroll and welfare benefits	119,851,546.31	106,295,948.95
Research and development expenses	52,830,769.23	33,725,810.21
Depreciation expenses	18,848,850.43	21,248,340.58
Taxations	17,731,453.45	8,813,663.25
Amortisation of intangible assets	16,100,730.90	12,272,751.72
Entertainment expenses	9,805,471.71	5,917,094.82
Office allowances	8,833,351.18	8,835,208.82
Conference expenses	6,246,454.32	6,965,704.73
Vehicle management expenses	5,996,637.52	4,867,071.81
Maintenance and other charges	4,859,112.74	3,492,973.73
Travel allowances	4,775,407.48	3,572,675.97
Utilities	4,678,618.33	3,527,041.15
Consulting fees	4,593,484.16	3,248,486.08
Rental expenses	4,194,543.51	2,569,054.02
Others	21,528,938.63	29,826,704.23
	<u>300,875,369.90</u>	<u>255,178,530.07</u>

(40) Financial expenses - net

	2010	2009
Interest expenses	79,315,995.26	47,077,841.54
Less: interest income	(4,088,163.10)	(4,508,432.69)
Exchange gains	(712,362.46)	(172,231.40)
Others	8,023,171.79	7,959,465.15
	<u>82,538,641.49</u>	<u>50,356,642.60</u>

(41) Assets impairment losses

	2010	2009
Bad debts	7,235,906.59	5,613,539.97
Declines in values of inventories	1,982,055.62	6,716,533.28
	<u>9,217,962.21</u>	<u>12,330,073.25</u>

(42) Income tax expenses

	2010	2009
Share of profit of investees under equity method (Note a)	27,224,583.81	20,878,151.35
Profit / cash dividends declared by investees under cost method	-	3,618.16
Income from disposal of long-term equity investments	41,241.30	11,695,835.78
	<u>27,265,825.11</u>	<u>32,577,605.29</u>

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

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

V Notes to the consolidated financial statements (continued)**(43) Non-operating income**

	2010	2009
Gain on disposal of fixed assets	2,476,865.32	145,754.97
Government grants (Note a)	8,427,739.90	7,599,783.30
Others	9,340,338.71	2,526,421.61
	<u>20,244,943.93</u>	<u>10,271,959.88</u>

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

(a) Government grants

	2010	2009	Note
Government grants for medicine reserve expenses	3,776,825.60	3,812,590.20	Subsidy for medical reserve
Government grants for technical improvement	2,474,992.75	2,045,300.00	Subsidy for technical improvement of high and new technology enterprises
Government grants for R&D expenses	200,000.00	1,000,000.00	Subsidy for R&D expenditure for enterprises located in Bao An district Shenzhen
Others	1,975,921.55	741,893.10	Cash reward for contribution to taxation and patent
	<u>8,427,739.90</u>	<u>7,599,783.30</u>	

(44) Non-operating expenses

	2010	2009
Losses on disposal of non-current assets	548,476.80	544,477.77
Including: disposal of fixed assets	525,809.86	544,477.77
disposal of intangible assets	22,666.94	-
Donation	273,786.00	-
Others	2,509,717.85	713,887.43
	<u>3,331,980.65</u>	<u>1,258,365.20</u>

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

(45) Income taxes expenses

	2010	2009
Current income tax	96,616,673.65	66,047,144.40
Deferred income tax	(21,028,724.06)	(3,519,867.25)
	<u>75,587,949.59</u>	<u>62,527,277.15</u>

V Notes to the consolidated financial statements (continued)**(45) Income taxes expenses (continued)**

The reconciliation from income tax calculated based on applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2010	2009
Total profit	<u>339,812,368.65</u>	<u>260,941,320.54</u>
Income tax expenses calculated at applicable tax rates	84,953,092.16	65,235,330.14
Differences in preferential tax rates of certain companies	(14,953,582.37)	(9,934,608.78)
Income not subject to tax	(6,806,145.95)	(5,219,537.84)
Expenses not deductible for tax purposes	6,811,445.29	5,790,591.45
Tax losses for which no deferred income tax asset was recognised	3,288,042.95	1,066,778.65
Others	<u>2,295,097.51</u>	<u>5,588,723.53</u>
Income taxes	<u>75,587,949.59</u>	<u>62,527,277.15</u>

(46) Earnings per share**(a) Basic earnings per share**

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

	2010	2009
Consolidated net profit attributable to shareholders of the Company	261,116,656.70	192,868,245.18
Weighted average number of ordinary shares in issue	<u>288,149,400.00</u>	<u>288,149,400.00</u>
Basic earnings per share	<u>0.91</u>	<u>0.67</u>
Including:		
Basic earnings per share on going	0.91	0.67

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue, which both should be adjusted for the effects of all potential dilutive factors. The Company has no potential outstanding ordinary shares (2009: nil), the diluted earnings per share equals the basic earnings per share.

V Notes to the consolidated financial statements (continued)**(47) Cash received relating to other operating activities****(a) Cash received relating to other operating activities**

	2010	2009
Government grants	8,427,739.90	7,596,783.30
Interest income	4,088,163.10	3,593,204.20
Others	27,991,056.14	18,956,677.63
	<u>40,506,959.14</u>	<u>30,146,665.13</u>

(b) Cash paid relating to other operating activities

	2010	2009
Storage and transportation expenses	82,345,845.27	74,146,644.44
Entertainment expenses	26,729,765.31	21,198,245.55
Rental expenses	10,804,487.40	16,994,946.52
Advertising expenses	16,337,186.80	16,746,873.88
Bank charges	7,310,273.22	7,941,568.36
Others	110,642,401.27	289,497,204.28
	<u>254,169,959.27</u>	<u>426,525,483.03</u>

(c) Cash paid relating to other investing activities

	2010	2009
Payment for acquisition of minority interests	-	5,000,000.00
Deposit for land bidding	-	3,100,000.00
	<u>-</u>	<u>8,100,000.00</u>

(d) Cash received relating to other financing activities

	2010	2009
Entrusted loans borrowed from Sinopharm	<u>950,000,000.00</u>	<u>-</u>

(e) Cash payments relating to other financing activities

	2010	2009
Repayment of entrusted loans lent by Sinopharm	<u>900,000,000.00</u>	<u>95,000,000.00</u>

V Notes to the consolidated financial statements (continued)**(48) Supplementary information of cash flow statements****(a) Supplementary information of cash flow statements**

Reconciliation of net profit to cash flows from operating activities

	2010	2009
Net profit	264,224,419.06	198,414,043.39
Add: Provision for assets impairment	9,217,962.21	12,330,073.25
Depreciation of fixed assets and investment properties	66,917,994.68	56,354,410.53
Amortisation of intangible assets	16,100,730.90	12,272,751.72
Amortisation of long-term prepaid expenses	3,943,783.77	5,511,501.81
(Gains)/Losses on disposal of fixed assets, intangible assets and other non-current assets	(1,928,388.52)	398,830.30
Financial expenses	79,316,531.37	47,081,231.02
Investment income	(27,265,825.11)	(32,577,605.29)
Increase of deferred tax assets	(18,212,396.00)	(1,251,326.99)
Decrease of deferred tax liabilities	(2,816,328.06)	(2,268,540.26)
Increase of inventory	(207,071,490.97)	(150,045,021.51)
Increase in operating receivables	(305,425,666.81)	(635,086,338.31)
Increase in operating payables	574,416,996.61	762,726,867.51
Increase in operating cash with restriction	(23,258,902.48)	-
Net cash flow from operating activities	<u>428,159,420.65</u>	<u>273,860,877.17</u>

Movement of cash

	2010	2009
Cash at end of year	682,875,873.18	582,750,672.15
Less: cash at beginning of year	<u>(582,750,672.15)</u>	<u>(388,795,803.68)</u>
Net increase in cash	<u>100,125,201.03</u>	<u>193,954,868.47</u>

V Notes to the consolidated financial statements (continued)**(48) Supplementary information of cash flow statements (continued)****(b) Acquisition of subsidiaries and operating unit**

	2010	2009
The consideration of acquisition	<u>139,429,931.08</u>	<u>149,340,643.10</u>
Consideration settled in cash	123,901,440.00	148,803,790.00
Less: cash and cash equivalents in the subsidiaries and business acquired	(7,621,967.67)	(36,519,556.47)
Add: cash paid for prior year acquisition	<u>11,691,810.63</u>	<u>-</u>
Net cash outflow on acquisition of the subsidiaries and business	<u>127,971,282.96</u>	<u>112,284,233.53</u>

Net assets acquired from the business combination involving entities and operating unit under non common control

	2010	2009
Current assets	234,630,541.72	493,763,840.28
Non-Current assets	3,315,658.23	156,784,810.98
Current liabilities	(134,357,892.56)	(453,571,864.94)
Non-Current liabilities	-	(26,258,762.06)
Minority interest	<u>(10,702,325.51)</u>	<u>-</u>
	<u>92,885,981.88</u>	<u>170,718,024.26</u>

(c) Net proceeds from disposal of subsidiaries

	2010	2009
Consideration from disposal	<u>-</u>	<u>76,074,000.00</u>
Cash received from the disposal	-	76,074,000.00
Less: cash held by subsidiaries	-	(16,085,546.57)
Net cash received from disposal	<u>-</u>	<u>59,988,453.43</u>

Net assets of subsidiaries

	2010	2009
Current assets	-	169,274,494.08
Non-Current assets	-	21,718,956.48
Current liabilities	-	(171,388,135.05)
Non-Current liabilities	-	-
	<u>-</u>	<u>19,605,315.51</u>

V Notes to the consolidated financial statements (continued)**(48) Supplementary information of cash flow statements (continued)****(d) Cash and cash equivalents**

	31 December 2010	31 December 2009
Cash at end of year	682,875,873.18	582,750,672.15
Including: Cash in hand	146,710.56	335,820.91
Call deposits with banks	682,729,162.62	470,647,654.89
Other cash and cash equivalents	-	111,767,196.35
Restricted cash	28,913,902.48	5,655,000.00
Cash at bank and on hand	<u>711,789,775.66</u>	<u>588,405,672.15</u>

VI Segment information

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

The Group identified 2 reportable segments as follows:

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

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

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

VI Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2010 is as follows:

	Pharmaceutical distribution	Pharmaceutical manufacturing	Elimination	Total
Revenue from external customers	11,429,075,204.47	1,635,352,944.22	-	13,064,428,148.69
Inter-segment revenue	643,455.90	20,363,024.64	(21,006,480.54)	-
Interest income	2,611,888.97	7,238,731.29	(5,762,457.16)	4,088,163.10
Interest expense	(81,503,577.03)	(3,574,875.39)	5,762,457.16	(79,315,995.26)
Share of profit of associates	27,224,583.81	-	-	27,224,583.81
Impairment	(3,584,354.21)	(5,633,608.00)	-	(9,217,962.21)
Depreciation and Amortisation	(28,585,216.11)	(58,377,293.24)	-	(86,962,509.35)
Gross profit	288,159,127.81	133,966,014.45	(82,312,773.61)	339,812,368.65
Income taxes	(52,368,403.09)	(23,219,546.50)	-	(75,587,949.59)
Net profit	235,790,724.72	110,746,467.95	(82,312,773.61)	264,224,419.06
Total Assets	5,265,741,439.43	1,561,062,548.05	(520,010,981.67)	6,306,793,005.81
Total liabilities	(4,294,108,883.88)	(1,021,238,760.79)	140,000,000.00	(5,175,347,644.67)
Long-term equity investment in associates	85,275,251.06	-	-	85,275,251.06
Additions to non-current assets other than long-term equity investments	103,340,658.48	128,749,786.71	-	232,090,445.19

VI Segment information (continued)

(b) Segment information as at and for the year ended 31 December 2009 is as follows:

	Pharmaceutical distribution	Pharmaceutical manufacturing	Elimination	Total
Revenue from external customers	9,548,200,236.37	1,448,874,682.68	-	10,997,074,919.05
Inter-segment revenue	243,214.13	17,059,707.05	(17,302,921.18)	-
Interest income	3,892,089.34	2,536,255.13	(1,919,911.78)	4,508,432.69
Interest expense	(42,549,607.68)	(6,448,145.64)	1,919,911.78	(47,077,841.54)
Share of profit of associates	20,878,151.35	-	-	20,878,151.35
Impairment	(12,144,104.88)	(185,968.37)	-	(12,330,073.25)
Depreciation and Amortisation	(46,769,531.40)	(27,369,132.66)	-	(74,138,664.06)
Gross profit	228,760,421.65	118,822,281.85	(86,641,382.96)	260,941,320.54
Income taxes	(43,381,171.92)	(19,146,105.23)	-	(62,527,277.15)
Net profit	185,379,249.73	99,676,176.62	(86,641,382.96)	198,414,043.39
Total Assets	4,405,022,732.55	1,138,631,279.79	(275,313,786.27)	5,268,340,226.07
Total liabilities	(3,649,387,935.31)	(756,277,434.19)	40,000,000.00	(4,365,665,369.50)
Long-term equity investment in associates	58,050,667.25	-	-	58,050,667.25
Additions to non-current assets other than long-term equity investments	145,170,807.76	29,917,358.68	-	175,088,166.44

VII Related party relationships and significant related party transactions**(1) The parent company****(a) General information of the parent company:**

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

The Company's ultimate controlling equity holder is CNPGC.

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

	31 December 2009 (Rmb'0,000)	Addition (Rmb'0000)	Decrease (Rmb'0000)	31 December 2010 (Rmb'0000)
Sinopharm Group	226,456.84	-	-	226,456.84

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

	31 December 2010		31 December 2009	
	% interest held	% voting rights	% interest held	% voting rights
Sinopharm Group	38.33	38.33	38.33	38.33

(2) Subsidiaries of the Company

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

(3) Associates

	Enterprise Type	Place of registration	Legal representative	Principal business	Register capital	% interest held	% voting rights
Wanle Medical	Foreign capital	Shenzhen	Yan Zhigang	Medicine manufacture	USD 500.00 million	35.19%	33.33%

(4) Other related parties

	Relationship with the Company
Shanghai Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Yixin Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yunnan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Inner Mongolia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Sub Marketing Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Huahong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm National Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Co., Ltd. Inner Mongolia Branch	Controlled by Sinopharm Group
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group

VII Related party relationships and significant related party transactions (continued)**(4) Other related parties (continued)**

	Relationship with the Company
Sinopharm Holding Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shandong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shengyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd. Changchun Branch	Controlled by Sinopharm Group
Sinopharm Holding Jilin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Henan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhejiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Yibao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Xinlong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Gansu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shijiazhuang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fujian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Shanghai Likang Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	Controlled by Sinopharm Group
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
China National Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Northwest Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Southwest Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Ningxia Guoda Durg Store Chain Co., Ltd.	Controlled by Sinopharm Group
Guangdong Accord Drug Store Co., Ltd.	Controlled by Sinopharm Group
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Controlled by Sinopharm Group
Guangzhou Accord Drug Store Chain Co., Ltd.	Controlled by Sinopharm Group
Guangxi Accord Drug Store Chain Co., Ltd.	Controlled by Sinopharm Group
Guangxi Guoda Durg Store Chain Co.,Ltd.	Controlled by Sinopharm Group
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	Controlled by Sinopharm Group
Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	Controlled by Sinopharm Group
Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	Controlled by Sinopharm Group
Wenzhou Biomedicin-appliances supplies co., Ltd	Controlled by Sinopharm Group
Shenzhen Accord Pharmaceutical Chain Co., Ltd	Controlled by Sinopharm Group
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent Co., Ltd.	Controlled by Sinopharm Group
Shanghai Shyndec Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Co.,Ltd. Tangshan Branch	Controlled by Sinopharm Group
Sinopharm Group Pharmacy Holding Shanghai Co., Ltd	Controlled by Sinopharm Group
Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	Controlled by Sinopharm Group
Wanle Medical	Associate of the Company
Shanghai Sailun Biological Technology Co.,Ltd.	Associate of Sinopharm Group
Yichang Humanwell Pharmaceutical Co.,Ltd.	Associate of Sinopharm Group
Qinghai Pharmaceutical (Group) Co.,Ltd.	Associate of Sinopharm Group
Shanghai Sinopharm Medical Materials Co.,Ltd.	Controlled by CNPGC
Shenzhen National Medical Equipment & Supplies I/E Shenzhen Corporation	Controlled by CNPGC
China National Medical Equipment Industry Corporation	Controlled by CNPGC
China Sinopharm Foreign Trade Co.,Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry CorporationLtd.	Controlled by CNPGC

VII Related party relationships and significant related party transactions (continued)**(4) Other related parties (continued)**

	Relationship with the Company
China National Pharmaceutical Industry Corporation Ltd. Beijing sales branch	Controlled by CNPGC
Sinopharm United Engineering Corporation	Controlled by CNPGC
China National Group Corporation of Traditional & Hebal Medical Sichuan Jiang You Zhong Ba Science and Technology Development Co.,Ltd.	Controlled by CNPGC
Reed Sinopharm Exhibitions Co.,Ltd.	Controlled by CNPGC
Sinopharm Group Shanghai Medicine Device Co., Ltd.	Controlled by CNPGC
Sinopharm Group Beijing Medicine Device Co., Ltd.	Controlled by CNPGC
Sinopharm Group Baida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group United Medicine Device Co., Ltd.	Controlled by CNPGC
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Controlled by CNPGC
Guangdong Tianliang Medicine Co., Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmacy Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	Associate of CNPGC
China Otsuka Pharmaceutical Co.,Ltd.	Associate of CNPGC
Sino-Swed Pharmaceutical Corp.Ltd.	Associate of CNPGC
Yangqiaoming	Minority interest of subsidiary
Wanglei	Minority interest of subsidiary
Kaijiefeng	Controlled by Wanglei
Wangyang	Relatives of Wanglei
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.("Fosun Pharm")	Shareholders have significant influence on Fosun Pharm
Shanghai Fosun Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Fosun Long March Medical Science Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Chaohui Pharmecurical Co., Ltd.	Subsidiary of Fosun Pharm
Guilin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Guilin Pharmaceutical Works	Subsidiary of Fosun Pharm
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Wanbang Bio-Chemical Medicine Co., Ltd.	Subsidiary of Fosun Pharm
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Chongqing Haisiman Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Sichuan Hexin Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Shenyang Hongqi Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions****(a) Purchase of goods**

Related party	Pricing policies	2010		2009	
		Amount	% of same transaction	Amount	% of same transaction
Sinopharm Group	Market price	82,082.21	6.80%	57,881.62	4.94%
China National Medicines Co., Ltd.	Market price	14,558.78	1.21%	11,433.17	0.98%
Sinopharm Holding Sub Marketing Center Co., Ltd.	Market price	13,662.53	1.13%	42,220.20	3.60%
Guangdong South National Pharmaceutical Foreign Trade Co., Ltd.	Market price	8,977.24	0.74%	4,322.77	0.37%
Sino-Swed Pharmaceutical Corp. Ltd.	Market price	6,042.05	0.50%	5,453.72	0.47%
Wanle Medical	Market price	2,840.49	0.24%	2,301.98	0.20%
Qinghai Pharmaceutical (Group) Co., Ltd.	Market price	1,108.17	0.09%	-	-
Sinopharm Holding Fujian Co., Ltd.	Market price	1,922.98	0.16%	-	-
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Market price	1,158.36	0.10%	733.70	0.06%
Guangdong East Uptodate & Special Medicines Co., Ltd.	Market price	809.06	0.07%	1,164.22	0.10%
Sinopharm Group United Medicine Device Co., Ltd.	Market price	806.85	0.07%	895.36	0.08%
China National Pharmaceutical Industry Corporation Ltd. Beijing sales branch	Market price	607.48	0.05%	43.10	0.00%
Chengdu Rongsheng Pharmacy Co., Ltd.	Market price	510.16	0.04%	-	-
China National Group Corporation of Traditional & Hebal Medical	Market price	433.38	0.04%	463.24	0.04%
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Market price	382.24	0.03%	21.78	0.00%
Chongqing Haisiman Pharmaceutical Co., Ltd.	Market price	375.68	0.03%	140.13	0.01%
Guangdong Accord Drug Store Co., Ltd.	Market price	103.58	0.01%	1.38	0.00%
Sinopharm Holding Beijing Co., Ltd.	Market price	94.43	0.01%	-	-
Shanghai Chaohui Pharmecurical Co., Ltd.	Market price	81.38	0.01%	12.71	0.00%
Sinopharm Group Baida Pharmaceutical Co., Ltd.	Market price	74.90	0.01%	-	-
Sinopharm Group Southwest Pharmacy Co., Ltd.	Market price	74.31	0.01%	137.85	0.01%
Guilin Pharmaceutical Works	Market price	68.10	0.01%	87.43	-
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Market price	62.11	0.01%	29.83	0.00%
Sichuan Jiang You Zhong Ba Science and Technology Development Co., Ltd.	Market price	51.44	0.00%	10.87	0.00%
Sinopharm Group Chemical Reagent Co., Ltd.	Market price	41.70	0.00%	18.27	0.00%
China National Pharmaceutical Industry Corporation Ltd.	Market price	36.02	0.00%	44.01	0.00%
Sinopharm Holding Guizhou Co., Ltd.	Market price	34.00	0.00%	-	-
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	Market price	21.44	0.00%	-	-
Sinopharm Holding Chongqing Co., Ltd.	Market price	20.96	0.00%	-	-
Guilin Pharmaceutical Co., Ltd.	Market price	16.01	0.00%	24.58	0.00%
Sinopharm Holding Anhui Co., Ltd.	Market price	13.95	0.00%	-	-
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Market price	12.46	0.00%	-	-
To next page		137,084.45	11.37%	127,441.92	10.86%

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(a) Purchase of goods (continued)**

Related party	Pricing policies	2010		2009	
		Amount	% of same transaction	Amount	% of same transaction
continued		137,084.45	11.37%	127,441.92	10.86%
Shanghai Sailun Biological Technology Co.,Ltd.	Market price	11.88	0.00%	-	-
Sinopharm Holding Suzhou Co., Ltd.	Market price	11.84	0.00%	86.18	0.01%
Sinopharm Holding Fuzhou Co., Ltd.	Market price	9.72	0.00%	-	-
Shenyang Hongqi Pharmaceutical Co., Ltd.	Market price	7.94	0.00%	9.86	0.00%
Sinopharm Yixin Pharmacy Co., Ltd.	Market price	6.30	0.00%	-	-
Sinopharm Group Shanghai Medicine Device Co., Ltd.	Market price	6.11	0.00%	12.92	0.00%
Sinopharm Holding Hainan Co., Ltd.	Market price	4.61	0.00%	-	-
Yichang Humanwell Pharmaceutical Co.,Ltd.	Market price	3.52	0.00%	-	-
Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	Market price	2.22	0.00%	5.85	0.00%
Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	Market price	0.89	0.00%	-	-
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	Market price	0.38	0.00%	-	-
Sinopharm Holding Hunan Co., Ltd.	Market price	-	0.00%	667.96	0.06%
Sinopharm Group Northwest Co., Ltd.	Market price	-	0.00%	112.82	0.01%
Sinopharm Holding Zhejiang Co., Ltd.	Market price	-	0.00%	4.34	0.00%
Sinopharm National Pharmacy Co.,Ltd.	Market price	-	0.00%	114.45	0.01%
Guangdong Tianliang Medicine Co., Ltd.	Market price	(0.28)	0.00%	95.28	0.01%
China Sinopharm Foreign Trade Co.,Ltd.	Market price	(0.39)	0.00%	2,653.57	0.23%
Sinopharm Group Medicine Logistic Co., Ltd.	Market price	-	-	177.36	0.02%
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	Market price	-	-	9.64	0.00%
Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	Market price	-	-	17.87	0.00%
Shanghai Shyndec Pharmaceutical Co., Ltd.	Market price	-	-	21.44	0.00%
Sinopharm Holding Jiangsu Co., Ltd.	Market price	-	-	0.16	0.00%
Total		137,149.19	11.37%	131,431.62	11.21%

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(b) Sales of goods**

Related party	Pricing policies	2010		2009	
		Amount	% of same transaction	Amount	% of same transaction
Sinopharm Holding Shengyang Co., Ltd.	Market price	11,565.96	0.89%	25,228.89	2.31%
Guangdong Accord Drug Store Co., Ltd.	Market price	9,176.02	0.71%	3,724.94	0.34%
Sinopharm Holding Hunan Co., Ltd.	Market price	8,545.61	0.66%	8,161.09	0.75%
Sinopharm Holding Hubei Co., Ltd.	Market price	8,328.66	0.64%	9,221.12	0.84%
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Market price	7,879.49	0.61%	5618.16	0.51%
Sinopharm Group Southwest Pharmacy Co., Ltd.	Market price	6,765.47	0.52%	7,615.76	0.70%
Sinopharm Holding Beijing Co., Ltd.	Market price	6,670.99	0.51%	5,974.61	0.55%
Sinopharm Holding Tianjin Co., Ltd.	Market price	5,338.07	0.41%	5,969.04	0.55%
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Market price	4,050.69	0.31%	1,920.90	0.18%
Guangxi Accord Drug Store Chain Co., Ltd.	Market price	3,204.36	0.25%	1,767.58	0.16%
Sinopharm Holding Hainan Co., Ltd.	Market price	3,196.42	0.25%	-	-
Sinopharm Holding Beijing Huahong Co., Ltd.	Market price	2,780.68	0.21%	1,926.68	0.18%
Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	Market price	2,755.04	0.21%	286.21	0.03%
Sinopharm Group	Market price	2,576.10	0.20%	2,089.17	0.19%
Sinopharm Holding Yunnan Co., Ltd.	Market price	2,283.94	0.18%	227.57	0.02%
Sinopharm Holding Henan Co., Ltd.	Market price	2,201.50	0.17%	1,600.62	0.15%
Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	Market price	1,852.18	0.14%	130.92	0.01%
Sinopharm Holding Fujian Co., Ltd.	Market price	1,448.65	0.11%	-	0.00%
Sinopharm Holding Ningxia Co., Ltd.	Market price	1,437.56	0.11%	1,711.89	0.16%
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Market price	1,393.30	0.11%	2,696.23	0.25%
Sinopharm Holding Shijiazhuang Co., Ltd.	Market price	1,018.96	0.08%	-	-
Sinopharm Holding Jiangsu Co., Ltd.	Market price	964.05	0.07%	656.19	0.06%
Sinopharm Group Northwest Co., Ltd.	Market price	930.41	0.07%	538.53	0.05%
Sinopharm Holding Zhejiang Co., Ltd.	Market price	890.66	0.07%	448.82	0.04%
Sinopharm Holding Shandong Co., Ltd.	Market price	848.03	0.07%	-	-
Sinopharm Holding Guizhou Co., Ltd.	Market price	786.70	0.06%	-	-
Sinopharm Holding Shanxi Co., Ltd.	Market price	781.73	0.06%	508.61	0.05%
China National Medicines Co., Ltd.	Market price	744.83	0.06%	557.86	0.05%
Guangxi Guoda Durg Store Chain Co.,Ltd.	Market price	726.12	0.06%	612.91	0.06%
Guangzhou Accord Drug Store Chain Co., Ltd.	Market price	644.39	0.05%	70.97	0.01%
Sinopharm Holding Hubei Yibao Co., Ltd.	Market price	346.13	0.03%	1,897.18	0.17%
Sichuan Hexin Pharmaceutical Co.,Ltd.	Market price	317.42	0.02%	128.75	0.01%
Sinopharm Holding Anhui Co., Ltd.	Market price	276.59	0.02%	228.38	0.02%
Sinopharm Holding Jilin Co., Ltd.	Market price	270.37	0.02%	-	-
Wenzhou Biomedicin-appliances Supplies co., Ltd.	Market price	268.79	0.02%	-	-
Sinopharm Holding Inner Mongolia Co., Ltd.	Market price	256.64	0.02%	-	-
Sinopharm National Pharmacy Co.,Ltd.	Market price	210.26	0.02%	171.78	0.02%
Sinopharm Holding Jiangxi Co., Ltd.	Market price	203.30	0.02%	-	-
Sinopharm Holding Gansu Co., Ltd.	Market price	194.10	0.01%	-	-
To next page		104,130.17	8.03%	91,691.36	8.42%

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(b) Sales of goods (continued)**

Related party	Pricing policies	2010		2009	
		Amount	% of same transaction	Amount	% of same transaction
Continued		104,130.17	8.03%	91,691.36	8.42%
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Market price	166.32	0.01%	24.38	0.00%
Sinopharm Holding Fuzhou Co., Ltd.	Market price	150.13	0.01%	-	-
Shenzhen Accord Pharmaceutical Chain Co., Ltd.	Market price	150.05	0.01%	3,282.85	0.30%
Sinopharm Holding Suzhou Co., Ltd.	Market price	128.60	0.01%	125.15	0.01%
Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	Market price	74.09	0.01%	66.27	0.01%
Shanghai Chaohui Pharmecurical Co., Ltd.	Market price	69.79	0.01%	113.46	0.01%
China National Group Corporation of Traditional & Hebal Medical	Market price	66.26	0.01%	36.12	0.00%
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Market price	63.77	0.00%	-	-
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	Market price	63.15	0.00%	-	-
Sinopharm Holding Tianjin Co.,Ltd. Inner Mongolia Branch	Market price	60.59	0.00%	130.09	0.01%
Sinopharm Holding Chongqing Co., Ltd.	Market price	38.15	0.00%	-	0.00%
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	Market price	18.53	0.00%	19.64	0.00%
Sinopharm Group Baida Pharmaceutical Co., Ltd.	Market price	2.35	0.00%	73.08	0.01%
Ningxia Guoda Durg Store Chain Co., Ltd.	Market price	1.24	0.00%	11.40	0.00%
Sinopharm Holding Shenyang Co., Ltd. Changchun Branch	Market price	1.20	0.00%	-	-
Guangdong Tianliang Medicine Co., Ltd.	Market price	-	-	648.55	0.06%
Sinopharm Group Medicine Logistic Co., Ltd.	Market price	-	-	419.63	0.04%
Sinopharm Holding Tianjin Co.,Ltd. Tangshan Branch	Market price	-	-	(2.44)	(0.00%)
Sinopharm Holding Sub Marketing Center Co., Ltd.	Market price	-	-	(131.72)	(0.01%)
Shanghai Sinopharm Medical Meterials Co.,Ltd.	Market price	-	-	147.61	0.01%
Sinopharm Holding Hubei Xinlong Co., Ltd.	Market price	-	-	8.54	0.00%
Yichang Humanwell Pharmaceutical Co.,Ltd.	Market price	-	-	53.44	0.00%
Sinopharm Group Shanghai Likang Medicines Co., Ltd.	Market price	-	-	34.64	0.00%
Total		105,184.39	8.10%	96,752.05	8.87%

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(c) Lease**

The Group as leaser:

Leasers	Lessees	Type of assets use for	Contract beginning date	Contract terminated date	Rental income
Huixin Investment	Guangzhou Accord Drug Store Chain Co., Ltd.	Building	1 January 2010	31 December 2010	39.42
Huixin Investment	Sinopharm Group United Medicine Device Co., Ltd.	Building	1 August 2009	31 July 2010	17.52
The Company	Shenzhen Accord Pharmaceutical Chain Co., Ltd	Building	1 June 2009	31 December 2012	49.26
The Company	Guangdong Accord Drug Store Co., Ltd.	Building	1 June 2009	31 December 2010	40.30
Guangxi Logistics	Guangxi Accord Drug Store Chain Co., Ltd.	Building	1 July 2009	31 December 2012	30.38
Sinopharm Liuzhou	Guangxi Accord Drug Store Chain Co., Ltd.	Building	1 July 2009	31 December 2012	104.84
					<u>281.72</u>

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

The Group as lessee:

Lessees	Leasers	Type of assets use for	Contract beginning date	Contract terminated date	Lease expenses
Sinopharm Guangzhou	Sinopharm Group Logistic Co., Ltd.	Medicine Building	1 June 2010	31 December 2011	708.00
Sinopharm Guangzhou	Sinopharm Group Logistic Co., Ltd.	Medicine Equipment	1 June 2010	31 December 2011	750.00
Yanfeng Medicine	Mr. Wang Yang	Building	1 July 2009	30 June 2011	22.05
					<u>1,480.05</u>

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

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(d) Guarantees provided**

Guarantor	Guarantee	Amount	Beginning date of guarantee contract	Maturity date of guarantee contract	Guarantee obligation expired
The Company	Sinopharm Guangzhou	41,473.18	13 March 2010	13 March 2011	No
The Company	Sinopharm Guangzhou	21,403.82	13 April 2010	13 April 2011	No
The Company	Sinopharm Guangzhou	12,327.82	18 June 2010	18 June 2011	No
The Company	Sinopharm Guangzhou	5,461.03	30 April 2010	30 April 2011	No
The Company	Sinopharm Guangzhou	4,932.92	26 October 2010	25 October 2011	No
The Company	Sinopharm Guangzhou	10,000.00	17 September 2010	16 September 2011	No
The Company	Sinopharm Guangzhou	3,399.95	5 November 2010	4 November 2011	No
The Company	Yuexing Medicine	2,439.61	13 April 2010	13 April 2011	No
The Company	Zhijun Pharm	6,632.44	30 December 2009	30 December 2010	No
The Company	Zhijun Pharm	1,600.11	1 June 2010	1 June 2011	No
The Company	Suzhou Wanqin	2,809.12	19 July 2010	31 December 2011	No
The Company	Suzhou Wanqin	5,000.00	30 December 2009	30 December 2010	No
The Company	Suzhou Wanqin	4,009.36	23 April 2010	22 April 2011	No
The Company	Suzhou Wanqin	3,000.00	1 August 2010	1 August 2013	No
The Company	Sinopharm Nanning	4,732.72	13 January 2010	13 January 2011	No
The Company	Sinopharm Nanning	4,516.54	30 December 2009	30 December 2010	No
The Company	Sinopharm Liuzhou	5,000.00	30 December 2009	30 December 2010	No
The Company	Yanfeng Medicine	1,997.91	27 July 2010	27 July 2011	No
Zhijun Pharm	Zhijun Trade	383.96	25 August 2010	24 August 2011	No
Zhijun Pharm	Zhijun Trade	1,103.72	16 September 2010	16 September 2011	No
Zhijun Pharm	The Company	8,605.08	30 December 2009	30 December 2010	No
Zhijun Pharm	The Company	2,015.39	23 April 2010	31 December 2010	No
Zhijun Pharm	The Company	4,907.81	1 June 2010	1 June 2011	No
Zhijun Pharm	The Company	2,624.56	18 December 2009	18 December 2010	No
Zhijun Pharm	The Company	385.73	7 July 2010	23 June 2011	No
Zhijun Pharm , Sinopharm Guangzhou	The Company	12,934.30	21 June 2010	21 June 2011	No
Sinopharm Group	Sinopharm Guangzhou	5,632.55	17 September 2010	28 September 2011	No
Sinopharm Group	Sinopharm Guangzhou	10,153.00	10 September 2010	10 September 2011	No
Sinopharm Group	The Company	11,184.90	18 September 2010	18 September 2011	No
Sinopharm Group	Sinopharm Nanning	1,213.45	15 October 2009	31 October 2010	No
Sinopharm Group	Sinopharm Nanning	650.00	10 March 2010	10 March 2011	No
		<u>202,530.98</u>			

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(e) Financing**

	Amount (Rmb'0,000)	Effective date	Maturity date
2010			
Borrowed from-			
Sinopharm Group	22,000.00	1 March 2010	31 March 2010
Sinopharm Group	15,000.00	25 May 2010	24 November 2010
Sinopharm Group	15,000.00	25 November 2010	24 May 2011
Sinopharm Group	13,000.00	1 March 2010	31 March 2010
Sinopharm Group	10,000.00	27 May 2010	26 November 2010
Sinopharm Group	10,000.00	22 November 2010	22 May 2011
Sinopharm Group	5,000.00	21 February 2010	1 August 2010
Sinopharm Group	5,000.00	5 August 2010	1 February 2011
	<u>95,000.00</u>		

2009

Borrowed from-

Sinopharm Group	15,000.00	11 December 2009	31 May 2010
Sinopharm Group	<u>10,000.00</u>	11 December 2009	31 May 2010
	<u>25,000.00</u>		

(f) Remuneration of key management

	2010 (Rmb'0,000)	2009 (Rmb'0,000)
Remuneration of key management	<u>655.03</u>	<u>540.61</u>

(g) Interest expenses

	Related party	Type of transaction	2010 (Rmb'0,000)	2009 (Rmb'0,000)
Sinopharm Guangzhou	Sinopharm Group	Interest paid for the entrusted loans	636.89	25.52
The Company Sinopharm Guangzhou	Sinopharm Group	Interest paid for the entrusted loans	621.71	38.27
Sinopharm Guangzhou	Sinopharm Group	Charges of discounted notes payable	778.78	259.53
Sinopharm Guangzhou	Sinopharm Holding Sub Marketing Center Co., Ltd.	Charges of discounted notes payable	165.54	458.72
Sinopharm Guangzhou	China National Medicines Co., Ltd.	Charges of discounted notes payable	17.33	43.28
			<u>2,220.25</u>	<u>825.32</u>

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(h) Rendering of service**

	Related party	Type of transaction	2010 (Rmb'0,000)	2009 (Rmb'0,000)
Hengchang Logistics	Sinopharm Group Medicine Logistic Co., Ltd.	Dispatching and transportation charges	453.78	-
Hengchang Logistics	Guangdong Accord Drug Store Co., Ltd.	Dispatching and transportation charges	270.47	22.02
Hengchang Logistics	China National Medicines Co., Ltd.	Dispatching and transportation charges	243.31	-
Accord Logistics	Guangdong Accord Drug Store Co., Ltd.	Dispatching and transportation charges	64.29	36.32
Hengchang Logistics	Guangzhou Accord Drug Store Chain Co., Ltd.	Dispatching and transportation charges	31.77	-
Sinopharm Guangzhou	China National Medicines Co., Ltd.	Consultation fees	22.80	-
			<u>1,086.42</u>	<u>58.34</u>

(i) Other service

	Related party	Type of transaction	2010 (Rmb'0,000)	2009 (Rmb'0,000)
The Company	Shanghai Tongyu Informatior Technology Co., Ltd.	CMS system maintenance	300.00	458.00
Sinopharm Guangzhou	Shanghai Tongyu Informatior Technology Co., Ltd.	CMS system maintenance	186.68	-
Suzhou Wanqin	Reed Sinopharm Exhibitions Co.,Ltd.	Exhibition charges	8.04	-
Suzhou Wanqin	China National Pharmaceutica Industry Corporation Ltd.	Exhibition charges	7.70	-
			<u>502.42</u>	<u>458.00</u>

(6) Accounts receivable from and payables to related parties

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Notes receivable	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	1,136.00	-
	Sinopharm Holding Hubei Co., Ltd.	698.86	1,136.00
	Sinopharm Holding Guizhou Co., Ltd.	684.00	-
	Sinopharm Holding Hunan Co., Ltd.	406.29	2,168.22
	Sinopharm Holding Tianjin Co., Ltd.	244.94	-
	Sinopharm Holding Henan Co., Ltd.	50.00	-
	Sinopharm Holding Hainan Co., Ltd.	47.47	-
	Sinopharm Holding Fuzhou Co., Ltd.	32.57	-
	Sinopharm Holding Chongqin Co., Ltd.	24.24	-
	Sinopharm Holding Jiangxi Co., Ltd.	20.26	-
	Sinopharm Holding Shengyang Co., Ltd.	7.73	5,037.66
	Sinopharm Holding Anhui Co., Ltd.	6.91	-
	Sinopharm Holding Shangdong Co., Ltd.	1.20	-
	Sinopharm Group	-	249.57
	Sinopharm Group Baida Pharmaceutical Co., Ltd.	-	80.00
	Guangdong Tianliang Medicine Co., Ltd.	-	6.90
		<u>3,360.47</u>	<u>8,678.35</u>

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Accounts receivable	Sinopharm Holding Beijing Co., Ltd.	2,042.52	1,750.05
	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	1,872.00	1,480.01
	Sinopharm Holding Hunan Co., Ltd.	1,865.21	1,633.59
	Sinopharm Group Southwest Pharmacy Co., Ltd.	1,758.29	1,865.25
	Guangdong Accord Drug Store Co., Ltd.	1,338.14	1,762.41
	Sinopharm Holding Beijing Huahong Co., Ltd.	943.07	635.40
	Guangxi Accord Drug Store Chain Co., Ltd.	904.29	901.38
	Sinopharm Holding Hubei Co., Ltd.	835.00	1,643.74
	Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	694.27	379.01
	Sinopharm Group	608.57	404.40
	Sinopharm Holding Hainan Co., Ltd.	577.00	-
	Sinopharm Holding Zhejiang Co., Ltd.	510.79	11.12
	Sinopharm Holding Tianjin Co., Ltd.	510.59	595.22
	Sinopharm Holding Shijiazhuang Co., Ltd.	495.02	-
	Sinopharm Holding Yunnan Co., Ltd.	379.56	271.53
	Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	376.82	335.09
	Sinopharm Holding Shengyang Co., Ltd.	328.27	6,003.55
	Guangdong East Uptodate & Special Medicines Co.,Ltd.	279.14	330.30
	Sinopharm Holding Ningxia Co., Ltd.	241.60	134.40
	Sinopharm Holding Henan Co., Ltd.	225.91	106.05
	Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	215.52	229.50
	Sinopharm Holding Fujian Co., Ltd.	205.78	-
	Sinopharm Holding Guizhou Co., Ltd.	183.64	-
	Sinopharm Holding Shanxi Co., Ltd.	170.26	119.76
	China National Medicines Co., Ltd.	151.90	253.53
	Sinopharm Holding Jiangsu Co., Ltd.	148.85	145.48
	Wenzhou Biomedicin-appliances Supplies co., Ltd	108.15	-
	Guangzhou Accord Drug Store Chain Co., Ltd.	103.14	9.62
	Sinopharm National Pharmacy Co.,Ltd.	74.95	101.44
	Sinopharm Holding Gansu Co., Ltd.	59.56	-
	Sinopharm Holding Jiangxi Co., Ltd.	50.95	-
	Sinopharm Group Medicine Logistic Co., Ltd.	48.63	176.00
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	46.34	4.55
	Sinopharm Group Northwest Co., Ltd.	40.70	93.44
	Shanghai Chaohui Pharmecurical Co., Ltd.	37.64	8.06
	Sinopharm Holding Shandong Co., Ltd.	33.71	-
	Sinopharm Holding Meiluo (Dalian) Co., Ltd.	30.24	-
	To next page	<u>18,496.02</u>	<u>21,383.88</u>

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Accounts receivable	Continued	18,496.02	21,383.88
	Sinopharm Holding Chongqing Co., Ltd.	28.77	-
	China National Group Corporation of Traditional & Hebal Medical	25.92	36.12
	Sinopharm Holding Inner Mongolia Co., Ltd.	24.57	-
	Sinopharm Holding Suzhou Co., Ltd.	23.53	9.36
	Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	19.14	23.64
	Sinopharm Holding Fuzhou Co., Ltd.	16.95	-
	Sinopharm Holding Jilin Co., Ltd.	6.42	-
	Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	0.60	-
	Sinopharm Holding Anhui Co., Ltd.	0.09	45.98
	Shenzhen Accord Pharmaceutical Chain Co., Ltd	-	963.68
	Sinopharm Holding Hubei Yibao Co., Ltd.	-	326.29
	Sinopharm Holding Tianjin Co.,Ltd. Inner Mongolia Branch	-	17.12
	Guangxi Guoda Durg Store Chain Co.,Ltd.	-	151.80
	Sinopharm Group Shanghai Likang Medicines Co., Ltd.	-	12.71
	Shanghai Sinopharm Medical Meterials Co.,Ltd.	-	132.26
	Guangdong Tianliang Medicine Co., Ltd.	-	15.97
		<u>18,642.01</u>	<u>23,118.81</u>
Other receivables	Sinopharm Group Medicine Logistic Co., Ltd.	121.50	121.50
	Wang Lei	90.51	-
	China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	1.61	-
	Sinopharm Group	-	73.18
	Guangdong Accord Drug Store Co., Ltd.	-	0.17
	Yang Qiaoming	-	717.25
	China National Group Corporation of Traditional & Hebal Medical	-	1,501.82
		<u>213.62</u>	<u>2,413.92</u>
Advances to suppliers	Qinghai Pharmaceutical (Group) Co.,Ltd.	540.83	559.16
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	261.68	1,303.66
	Sinopharm Group United Medicine Device Co., Ltd.	243.56	15.69
	Shanghai Sailun Biological Technology Co.,Ltd.	0.03	-
	China National Group Corporation of Traditional & Hebal Medical	-	2.00
		<u>1,046.10</u>	<u>1,880.51</u>

Except receivables due from Guangxi Guoda Durg Store Chain Co.,Ltd. which have been fully provide the bad debt provision, there is no recoverability risk in related to receivables due from other related party. Therefore, no provision has been provided for.

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)	
Notes payable	Sinopharm Group	21,009.56	14,693.08	
	China National Medicines Co., Ltd.	1,240.95	2,969.82	
	Sinopharm Holding Sub Marketing Center Co., Ltd.	531.22	14,813.28	
	Sinopharm Holding Fujian Co., Ltd.	503.61	-	
	Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	224.08	96.15	
	Chongqing Haisiman Pharmaceutical Co.,Ltd.	53.32	22.12	
	Wanle Medical	38.84	44.85	
	Sinopharm Group Baida Pharmaceutical Co., Ltd.	34.89	-	
	Guilin Pharmaceutical Works	13.65	-	
	Guilin Pharmaceutical Co., Ltd.	2.58	-	
	Sinopharm Holding Hunan Co., Ltd.	-	367.94	
	Guangxi Accord Drug Store Chain Co., Ltd.	-	1.18	
	China Sinopharm Foreign Trade Co.,Ltd.	-	455.71	
	Sinopharm Group United Medicine Device Co., Ltd.	-	376.55	
	Shenzhen National Medical Equipment & Supplies I/E Shenzhen Corporation	-	4.19	
		<u>23,652.70</u>	<u>33,844.87</u>	
	Accounts payable	Sinopharm Group	10,959.88	8,924.66
		Sinopharm Holding Sub Marketing Center Co., Ltd.	1,697.85	2,612.69
		China National Medicines Co., Ltd.	1,165.01	991.82
		Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	1,026.77	307.96
Sino-Swed Pharmaceutical Corp.Ltd.		971.60	-	
Wanle Medical		421.56	529.25	
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.		208.32	170.13	
China National Group Corporation of Traditional & Hebal Medical		105.05	179.96	
Chongqing Yaoyou Pharmaceutical Co.,Ltd.		100.62	11.44	
Sinopharm Group United Medicine Device Co., Ltd.		96.37	(52.44)	
Chongqing Haisiman Pharmaceutical Co.,Ltd.		92.77	73.77	
Sinopharm Holding Beijing Co., Ltd.		60.93	2.86	
Guangdong East Uptodate & Special Medicines Co.,Ltd.		51.09	93.48	
Sinopharm Holding Guizhou Co., Ltd.		35.88	-	
Shanghai Chaohui Pharmecurical Co., Ltd.		34.59	13.57	
Sichuan Jiang You Zhong Ba Science and Technology Development Co.,Ltd.		34.13	9.20	
Sinopharm Group Medicine Logistic Co., Ltd.		12.82	45.85	
Sinopharm Holding Suzhou Co., Ltd.		12.01	45.30	
China National Pharmaceutical Industry CorporationLtd. Beijing sales branch		11.99	9.30	
Sinopharm Holding Meiluo (Dalian) Co., Ltd		10.75	-	
Sinopharm Holding Fujian Co., Ltd.		7.01	-	
Guilin Pharmaceutical Works		5.25	11.90	
Sinopharm Holding Hainan Co., Ltd.		5.17	-	
To next page		<u>17,127.42</u>	<u>13,980.70</u>	

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Accounts payable	Continued	17,127.42	13,980.70
	Shanghai Sailun Biological Technology Co.,Ltd.	5.04	-
	Sinopharm Group Southwest Pharmacy Co., Ltd.	3.81	3.56
	Sinopharm Holding Chongqing Co., Ltd.	-	-
	Yichang Humanwell Pharmaceutical Co.,Ltd.	3.34	0.96
	Sinopharm Yixin Pharmacy Co., Ltd.	2.95	-
	China National Pharmaceutical Industry Corporation Ltd.	2.87	11.31
	Shenyang Hongqi Pharmaceutical Co., Ltd.	1.86	1.87
	Sinopharm Group Shanghai Medicine Device Co., Ltd.	1.84	4.54
	Jiangsu Wanbang Bio-Chemical Medicine Co., Ltd.	1.49	1.49
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	1.45	7.21
	Sinopharm Group Beijing Medicine Device Co., Ltd.	0.88	0.88
	Guangdong Tianliang Medicine Co., Ltd.	0.68	1.98
	Guilin Pharmaceutical Co., Ltd.	0.68	3.87
	Sinopharm Group Chemical Reagent Co., Ltd.	0.51	-
	Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	0.38	0.28
	Sinopharm Holding Jiangsu Co., Ltd.	0.37	0.37
	Sinopharm Holding Anhui Co., Ltd.	0.31	-
	China Otsuka Pharmaceutical Co.,Ltd.	0.21	-
	Shanghai Fosun Long March Medical Science Co., Ltd.	0.18	-
	China National Pharmaceutical Industry Corporation Lts. Guangzhou Association Company	0.13	-
	Guangdong Accord Drug Store Co., Ltd.	0.10	0.04
	Shanghai Fosun Pharmaceutical Co., Ltd.	0.02	0.02
	Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	0.01	0.01
	Sinopharm Holding Tianjin Co., Ltd.	0.00	-
	Sinopharm Holding Hubei Yibao Co., Ltd.	-	0.67
	Sinopharm National Pharmacy Co.,Ltd.	-	41.03
	China Sinopharm Foreign Trade Co.,Ltd.	(0.98)	350.91
	Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	-	9.64
	Shenzhen National Medical Equipment & Supplies I/E Shenzhen Corporation	-	0.35
	Shanghai Shyndec Pharmaceutical Co., Ltd.	-	8.58
		<u>17,155.55</u>	<u>14,434.67</u>

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Other payables	Mr. Yang Qiaoming	-	1,664.23
	Kaijiefeng	481.09	-
	Sinopharm Group	389.39	333.39
	Sinopharm Group Pharmacy Holding Shanghai Co., Ltd	166.04	166.04
	Shanghai Chaohui Pharmecurical Co., Ltd.	0.02	0.01
	Sinopharm Group Medicine Logistic Ltd. Guangzhou Branch	-	80.97
		<u>1,036.54</u>	<u>2,244.64</u>
Advances customers	from Sinopharm Holding Guizhou Co., Ltd.	<u>537.00</u>	<u>-</u>
Interests payable	Sinopharm Group	<u>22.00</u>	<u>-</u>
Entrusted loans	Sinopharm Group	<u>30,000.00</u>	<u>25,000.00</u>
Other liabilities	non-current Sinopharm Group	<u>3,506.18</u>	<u>3,506.18</u>

(7) Commitment with related parties

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

		31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Lease			
-As a lessee			
	Sinopharm Group Medicine Logistic Co., Ltd.	2,308.50	-
	Mr. Wang Yang	18.90	-
		<u>2,327.40</u>	<u>-</u>
-As a leaser			
	Sinopharm Group United Medicine Device Co., Ltd.	-	17.52
	Guangzhou Accord Drug Store Chain Co., Ltd.	22.22	-
	Shenzhen Accord Pharmaceutical Chain Co., Ltd.	93.91	86.56
	Guangxi Accord Drug Store Chain Co., Ltd.	64.14	32.07
		<u>180.27</u>	<u>136.15</u>
Guarantee			
- Guaranteed by related party			
	Sinopharm Group	<u>14,816.10</u>	<u>11,996.56</u>

VIII Contingencies

As at 31 December 2010, there is no material contingency of the Group.

IX Commitments**(1) Capital commitments**

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

	31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Buildings, machinery and equipment	<u>8,346.19</u>	<u>5,658.26</u>

(2) Operating lease commitments

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

	31 December 2010 (Rmb'0,000)	31 December 2009 (Rmb'0,000)
Within one year	2,564.83	2,171.40
Between 1 and 2 years	1,057.76	715.00
Between 2 and 3 years	883.51	729.90
Over 3 years	7,750.23	9,448.40
	<u>12,256.33</u>	<u>13,064.70</u>

(3) Execution of commitments of prior years

The Group has fulfilled the commitments as of 31 December 2009 according to the relevant contracts.

X Subsequent events after the balance sheet date**(1) Major subsequent events after the balance sheet date**

Item	Content	Influence to financial performance of the Group
Other imbursement(Note V(26)(c))	payable Imbursement of large amount other payables aging over 1 year	Asset and liability reduce RMB 11,572,136.60 simultaneously

(2) Profit appropriation after the balance sheet date

	Amount
Proposed dividends (a)	34,577,928.00

- (a) In accordance with the resolution at the Board of Directors' meeting dated on 18 March 2011, Board of Directors proposed a dividend in the amount of RMB 34,577,928.00 to the shareholders, which is not recorded as liability in the financial statements for the current year (Note V(34)).

XI Business combination

Note IV(3) and Note IV(4).

XII Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk- Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings from bank. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2010, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB 30,000,000.00(31 December 2009: RMB 30,000,000.00) (Note V(27), (28)).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2010 and 2009, the Group did not enter into any interest rate swap agreements.

For the year ended 31 December 2010, if interest rates on the floating rate borrowings had been 10% higher/lower while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB 5,948,699.65 (2009: approximately RMB 3,556,452.56).

(2) Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

XII Financial instrument and risk (continued)**(3) Liquidity risk**

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

	31 December 2010				Total
	Within 1year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets -					
Cash at bank and on hand	711,789,775.66	-	-	-	711,789,775.66
Notes receivable	369,169,030.47	-	-	-	369,169,030.47
Accounts receivable	2,901,694,647.44	-	-	-	2,901,694,647.44
Other receivables	60,900,244.49	-	-	-	60,900,244.49
	<u>4,043,553,698.06</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,043,553,698.06</u>
Financial liabilities -					
Short-term loans	988,829,073.69	-	-	-	988,829,073.69
Notes payable	1,448,622,490.72	-	-	-	1,448,622,490.72
Accounts payable	2,003,566,517.62	-	-	-	2,003,566,517.62
Other payables	345,011,293.80	-	-	-	345,011,293.80
Long-term loans	1,601,437.50	1,601,437.50	31,190,034.24	-	34,392,909.24
	<u>4,787,630,813.33</u>	<u>1,601,437.50</u>	<u>31,190,034.24</u>	<u>-</u>	<u>4,820,422,285.07</u>
	31 December 2009				
	Within 1year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	588,405,672.15	-	-	-	588,405,672.15
Notes receivable	363,025,601.60	-	-	-	363,025,601.60
Accounts receivable	2,478,465,807.01	-	-	-	2,478,465,807.01
Other receivables	84,348,783.66	-	-	-	84,348,783.66
	<u>3,514,245,864.42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,514,245,864.42</u>
Financial liabilities -					
Short-term loans	951,340,994.51	-	-	-	951,340,994.51
Notes payable	1,104,950,330.28	-	-	-	1,104,950,330.28
Accounts payable	1,706,142,277.91	-	-	-	1,706,142,277.91
Other payables	246,835,253.81	-	-	-	246,835,253.81
Current portion of long-term loans	30,477,212.05	-	-	-	30,477,212.05
Long-term loans	1,458,000.00	30,802,898.63	-	-	32,260,898.63
	<u>4,041,204,068.56</u>	<u>30,802,898.63</u>	<u>-</u>	<u>-</u>	<u>4,072,006,967.19</u>

(4) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term loans, payables and long-term loans. The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

XIII Notes to the main items of financial statement of the Company**(1) Accounts receivable**

	31 December 2010	31 December 2009
Accounts receivable	283,766,551.16	304,920,272.90
Less: provision for bad debts	<u>(1,169,085.93)</u>	<u>(3,570,386.02)</u>
	<u>282,597,465.23</u>	<u>301,349,886.88</u>

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

	31 December 2010	31 December 2009
Within 1 year	282,597,465.23	303,762,412.90
1 to 2 years	1,169,085.93	-
2 to 3 years	-	1,157,860.00
	<u>283,766,551.16</u>	<u>304,920,272.90</u>

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provisions		Carrying amount		Bad debt provisions	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Individually significant are subject to separate impairment assessment	-	-	-	-	56,246,800.65	18.45%	(1,398,400.03)	2.49%
Receivable accounts within similar credit risk group	282,597,465.23	99.59%	-	-	230,346,333.72	75.54%	-	-
Individually not significant but evaluated for impairment	1,169,085.93	0.41%	(1,169,085.93)	100%	18,327,138.53	6.01%	(2,171,985.99)	11.85%
	<u>283,766,551.16</u>	<u>100%</u>	<u>(1,169,085.93)</u>	<u>0.41%</u>	<u>304,920,272.90</u>	<u>100%</u>	<u>(3,570,386.02)</u>	<u>1.17%</u>

(c) As at 31 December 2010, there are no receivables individually significant which subject to separate impairment assessment.

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Within 1 year	<u>282,597,465.23</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>230,346,333.72</u>	<u>100%</u>	<u>-</u>	<u>-</u>

XIII Notes to the main items of financial statement of the Company (continued)**(1) Accounts receivable (continued)**

- (e) As at 31 December 2010, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

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

- (f) As at 31 December 2010, there is no accounts receivable due from shareholders who holds more than 5% (including 5%) shares of the Company (31 December 2009: nil).

- (g) As at 31 December 2010, the top five accounts receivable by customer are analysed as below:

	Relationship with the Company	Amount	Ageing	% of the total accounts receivable
Shenzhen People's Hospital	The third party	22,520,251.06	Within 1 year	7.94%
Shenzhen Second People's Hospital	The third party	22,146,809.79	Within 1 year	7.80%
Peking University Shenzhen Hospital	The third party	19,029,794.33	Within 1 year	6.71%
Shenzhen Traditional Chinese Medicine Hospital	The third party	10,882,131.24	Within 1 year	3.83%
Shenzhen Longgang Center Hospital	The third party	10,580,440.84	Within 1 year	3.73%
		<u>85,159,427.26</u>		<u>30.01%</u>

- (h) Accounts receivable due from related party

As at 31 December 2010, there are accounts receivable of RMB12,968,480.21 due from related party (31 December 2009: RMB22,054,101.07), which is 4.57% of the total accounts receivable (31 December 2009: 7.23%), without any bad debt provided (31 December 2009: Nil).

- (i) In 2010, accounts receivable of RMB41,373,696.51 are derecognized given that irrevocable factoring contracts agreed with financial institute(2009: Nil).

(2) Other receivables

	31 December 2010	31 December 2009
Amounts due from subsidiaries (note h)	554,781,312.21	376,151,397.05
Receivable from equity transaction	8,980,000.00	8,980,000.00
Compensation receivables	1,157,860.00	3,004,579.90
Borrowings due from employees	2,095,749.56	2,781,073.96
Others	<u>528,280.50</u>	<u>397,943.70</u>

	<u>567,543,202.27</u>	<u>391,314,994.61</u>
Less: provision for bad debts	<u>(10,218,244.60)</u>	<u>(11,692,380.41)</u>
	<u>557,324,957.67</u>	<u>379,622,614.20</u>

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

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

	31 December 2010	31 December 2009
Within 1 year	557,121,075.32	379,172,379.71
1 to 2 years	214,613.00	149,776.50
2 to 3 years	69,653.95	11,992,838.40
Over 3 years	10,137,860.00	-
	<u>567,543,202.27</u>	<u>391,314,994.61</u>

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant are subject to separate impairment assessment	8,980,000.00	1.58%	(8,980,000.00)	100.00%	8,980,000.00	2.29%	(8,980,000.00)	100.00%
Receivable accounts within similar credit risk group	557,335,688.32	98.20%	(10,730.65)	0.00%	379,330,414.71	96.94%	-	-
Individually not significant but individually evaluated for impairment	1,227,513.95	0.22%	(1,227,513.95)	100.00%	3,004,579.90	0.77%	(2,712,380.41)	90.27%
	<u>567,543,202.27</u>	<u>100.00%</u>	<u>(10,218,244.60)</u>	<u>1.80%</u>	<u>391,314,994.61</u>	<u>100.00%</u>	<u>(11,692,380.41)</u>	<u>2.99%</u>

(c) As at 31 December 2010, impairment provision for other receivables individually significant is analysed as below.

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

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

	31 December 2010				31 December 2009			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Within 1 year	557,121,075.32	99.96%	-	-	379,330,414.71	100%	-	-
1 to 2 years	214,613.00	0.04%	(10,730.65)	5.00%	-	-	-	-
	<u>557,335,688.32</u>	<u>100%</u>	<u>(10,730.65)</u>	<u>0.00%</u>	<u>379,330,414.71</u>	<u>100%</u>	<u>-</u>	<u>-</u>

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

- (e) As at 31 December 2010, other receivables individually not significant but individually evaluated for impairment are analysed below:

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

- (f) As at 31 December 2010, there is no amount due from shareholders who holds more than 5% (including 5%) shares of the Company (31 December 2009: nil).

- (g) As at 31 December 2010, the top five other receivables by customer are analysed below:

	Relationship with the Company	Amount	Ageing	% of the total other receivable
Hengxing Medicine	Subsidiary	126,148,469.44	Within 1 year	22.23%
Cueing Medicine	Subsidiary	104,710,116.42	Within 1 year	18.45%
Sinopharm Zhanjiang	Subsidiary	88,000,000.00	Within 1 year	15.51%
Sinopharm Nanning	Subsidiary	53,478,000.00	Within 1 year	9.42%
Guangxi Logistics	Subsidiary	<u>46,928,739.37</u>	Within 1 year	<u>8.27%</u>
		<u>419,265,325.23</u>		<u>73.87%</u>

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

As at 31 December 2010, there are other receivables of RMB554,781,312.21 due from related party (31 December 2009: RMB371,545,137.13), which is 97.75% of the total other receivables (31 December 2009: 94.95%), without any bad debt provided (31 December 2009: Nil).

(3) Long-term equity investments

	31 December 2010	31 December 2009
Investments in subsidiaries (note a)	1,194,816,640.78	570,171,910.40
Investments in associates (note b)	<u>85,275,251.06</u>	<u>80,115,298.27</u>
	1,280,091,891.84	650,287,208.67
Less: provision for impairment of long-term equity investments (note c)	<u>(7,689,226.69)</u>	<u>(7,689,226.69)</u>
	<u>1,272,402,665.15</u>	<u>642,597,981.98</u>

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

XIII Notes to the main items of financial statement of the Company (continued)**(3) Long-term equity investments (continued)****(a) Subsidiaries**

	Accounting method	Original investment cost	31 December 2009	Increases/(decreases) in investment cost	31 December 2010	Equity interest held (%)	Voting rights held (%)
Zhijun Pharm	Cost method	73,903,284.87	73,903,284.87	131,000,000.00	204,903,284.87	100	100
Jianmin Pharm	Cost method	45,054,911.04	45,054,911.04	-	45,054,911.04	100	100
Accord Material	Cost method	5,400,000.00	6,450,875.93	-	6,450,875.93	100	100
Accord Logistics	Cost method	900,000.00	1,019,062.68	-	1,019,062.68	100	100
Sinopharm Guangzhou	Cost method	58,283,114.68	85,440,323.63	350,000,000.00	435,440,323.63	100	100
Zhijun Trade Guangdong	Cost method	3,006,866.42	3,006,866.42	-	3,006,866.42	100	100
Hengxing' Training center	Cost method	8,421,544.08	15,763,288.00	-	15,763,288.00	100	100
Guangxi Accord	Cost method	30,000.00	30,000.00	-	30,000.00	100	100
Sinopharm Liuzhou	Cost method	4,987,919.71	4,987,919.71	-	4,987,919.71	100	100
Dongguan Accord	Cost method	21,407,965.79	21,407,965.79	-	21,407,965.79	51	51
Huixin Investment	Cost method	2,742,000.00	2,742,000.00	-	2,742,000.00	100	100
Hengchang Logistics	Cost method	109,416,937.72	109,416,937.72	(45,000,000.00)	64,416,937.72	100	100
Yuexing Medicine	Cost method	1,269,502.30	1,136,006.21	4,460,000.00	5,596,006.21	100	100
Sinopharm Foshan	Cost method	16,459,326.27	16,459,326.27	27,000,000.00	43,459,326.27	100	100
Suzhou Wanqin	Cost method	6,995,065.51	6,995,065.51	-	6,995,065.51	100	100
Sinopharm Nanning	Cost method	134,250,000.00	134,250,000.00	-	134,250,000.00	75	75
Sinopharm Zhanjiang	Cost method	33,048,985.28	33,048,985.28	71,000,000.00	104,048,985.28	100	100
Yanfeng Medical	Cost method	1,369,864.65	1,369,864.65	-	1,369,864.65	100	100
Sinopharm Meizhou	Cost method	38,207,800.00	-	38,207,800.00	38,207,800.00	51	51
Shenzhen Medicine	Cost method	4,481,900.00	-	4,481,900.00	4,481,900.00	100	100
Sinopharm Huizhou	Cost method	37,850,830.38	-	37,850,830.38	37,850,830.38	100	100
Shenzhen Trade	Cost method	20,939,177.19	-	5,644,200.00	5,644,200.00	100	100
		7,689,226.69	7,689,226.69	-	7,689,226.69	100	100
			<u>570,171,910.40</u>	<u>624,644,730.38</u>	<u>1,194,816,640.78</u>		

XIII Notes to the main items of financial statement of the Company (continued)**(3) Long-term equity investments (continued)****(b) Associates**

	Accounting method	Initial investment cost	31 December 2009	Movement				31 December 2010	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held
				Addition or Decrease in investment	Share of profit or loss	Dividend declared	Other movement				
Shenzhen Medicine	Equity method	20,939,177.10	22,064,631.02	-	(4,145,828.64)	-	(17,918,802.38)	-	-	-	
Wanle Medical	Equity method	4,457,400.00	58,050,667.25	-	27,224,583.81	-	-	85,275,251.06	35.19	33.33	Board of the directors is the highest decision making organization, which is formed by 3 shareholder of Wanle Medical evenly
			<u>80,115,298.27</u>	<u>-</u>	<u>23,078,755.17</u>	<u>-</u>	<u>(17,918,802.38)</u>	<u>85,275,251.06</u>			

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

Subsidiary	31 December 2009	Current year additions	Current year disposals	31 December 2010
Shenzhen Trade	<u>7,689,226.69</u>	<u>-</u>	<u>-</u>	<u>7,689,226.69</u>

(4) Sales and cost of sales

	2010	2009
Revenue of main operations	1,787,456,473.46	1,639,973,980.99
Other operating income	<u>5,876,009.19</u>	<u>3,892,375.17</u>
	<u>1,793,332,482.65</u>	<u>1,643,866,356.16</u>

	2010	2009
Cost of main operations	(1,701,399,246.71)	(1,561,909,346.42)
Other operating expenses	<u>(2,260,729.74)</u>	<u>(691,159.33)</u>
	<u>(1,703,659,976.45)</u>	<u>(1,562,600,505.75)</u>

(a) Revenue and cost of main operations

Analysed by industry:

	2010		2009	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Pharmaceutical distribution	<u>1,787,456,473.46</u>	<u>(1,701,399,246.71)</u>	<u>1,639,973,980.99</u>	<u>(1,561,909,346.42)</u>

(b) Other operating income and expenses

	2010		2009	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Rental income	4,958,762.51	(1,729,321.74)	3,227,734.98	(517,116.90)
Rendering of services	917,246.68	(531,408.00)	664,640.19	(174,042.43)
	<u>5,876,009.19</u>	<u>(2,260,729.74)</u>	<u>3,892,375.17</u>	<u>(691,159.33)</u>

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

(c) Top five customers are analysed as follows:

The sales to the top five customers of the Company totaling to RMB674,334,141.82 (2009: RMB372,388,968.44), which accounted for 37.60% (2009: 22.71%) of the total revenue from main operations. Details are set out below:

	Sales	% of total revenue from main operations
Jianmin Pharm	285,505,786.18	15.92%
Shenzhen People's Hospital	128,339,169.28	7.16%
Shenzhen Second People's Hospital	103,142,776.29	5.75%
Peking University Shenzhen Hospital	90,129,966.32	5.03%
Guangdong Accord Drug Store Co., Ltd	67,216,443.75	3.75%
	<u>674,334,141.82</u>	<u>37.61%</u>

(5) Investment income

	2010	2009
Cash dividends declared by subsidiaries (a)	218,177,902.14	162,881,375.97
Share of profit in an associated company (b)	23,078,755.17	17,186,060.02
Income from disposal of long-term investments	-	14,613,660.91
	<u>241,256,657.31</u>	<u>194,681,096.90</u>

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

(a) Cash dividends declared by subsidiaries

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

	2010	2009	Reason of Fluctuation
Sinopharm Guangzhou	120,225,327.94	66,867,908.99	Profit increased comparing 2009
Zhijun Pharm	81,419,952.44	85,812,844.18	Profit decreased comparing 2008
Yuxing Medicine	6,098,357.24	1,779,217.80	Acquired in 2009
Huixin Investment	3,997,155.94	-	Acquired in 2009
Sinopharm Nanning	3,442,647.29	-	Acquired in 2009
	<u>215,183,440.8</u>	<u>154,459,970.9</u>	
	<u>5</u>	<u>7</u>	

(b) Share of profit /(loss) in an associated company

	2010	2009	Reason of Fluctuation
Shenzhen Medicine	(4,145,828.64)	109,068.76	Loss in 2010
Wanle Medical	27,224,583.81	17,076,991.26	Profit increased comparing

<u>23,078,755.17</u>	<u>17,186,060.02</u>
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XIII Notes to the main items of financial statement of the Company (continued)**(6) Notes to cash flow statement****(a) Reconciliation of net profit to cash flows from operating activities**

	2010	2009
Net profit	224,082,114.41	175,730,571.10
Add: Provision for assets impairment	(5,826,408.57)	3,643,443.09
Depreciation of fixed assets	5,822,592.79	5,574,016.72
Amortisation of intangible assets	1,563,165.21	1,362,935.94
Amortisation of long-term prepaid expenses	279,493.37	91,779.96
Gains on disposal of fixed assets, intangible assets and other long-term assets	(40,359.54)	(26,374.40)
Financial expenses	25,134,269.45	14,904,449.32
Investment income	(241,256,657.31)	(194,681,096.90)
Increase in deferred income tax assets	(2,958,699.75)	-
Increase in inventories	(19,546,026.53)	(4,169,753.52)
Decrease/(increase) in operating receivables	15,185,638.02	(253,178,282.38)
Increase in operating payables	92,158,881.07	124,961,636.87
Net cash flows from operating activities	<u>94,598,002.62</u>	<u>(125,786,674.20)</u>

(b) Net increase in cash

	2010	2009
Cash at end of year	135,498,819.87	120,541,203.80
Less: cash at beginning of year	<u>(120,541,203.80)</u>	<u>(62,369,583.65)</u>
Net increase in cash and cash equivalents	<u>14,957,616.07</u>	<u>58,171,620.15</u>

(c) Cash and cash equivalents

	2010	2009
Cash at bank and on hand	135,498,819.87	125,541,203.80
Less: restricted other cash balance	<u>-</u>	<u>(5,000,000.00)</u>
Cash at end of year	<u>135,498,819.87</u>	<u>120,541,203.80</u>

I Non-routine items

	2010	2009
Gains on disposal of non-current assets	1,969,629.82	11,301,538.13
Government grants	8,221,739.90	7,596,783.30
Net profit gained for the period from 1 January 2010 to the date of combination under common control	(4,607,349.97)	3,494,394.60
Receivables impairment reversal by individual assessment	6,926,932.01	352,626.03
Other non-operating income/(expenses), net	6,374,202.97	1,643,141.40
	<u>18,885,154.73</u>	<u>24,388,483.46</u>
Tax impact of above non-routine items	(3,132,301.17)	(19,711,604.76)
Share of minority interests of above non-routine items after tax	(284,003.09)	(2,549,249.94)
	<u>15,468,850.47</u>	<u>2,127,628.76</u>

Basis of preparation

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

II Return on equity and earnings per share

	Weighted average return on equity (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2010	2009	2010	2009	2010	2009
Consolidated net profit attributable to the shareholders of the Company	27.17	25.86	0.91	0.67	0.91	0.67
Consolidated net profit attributable to the shareholders of the Company, excluding non-routine items	<u>25.56</u>	<u>25.58</u>	<u>0.85</u>	<u>0.66</u>	<u>0.85</u>	<u>0.66</u>

III Notes for significant fluctuation of major accounts in financial statements

Fluctuation with 30% or above, and balance accounting for 5% or above of total assets or transaction accounting for 10% or above of profit before tax are analysed as below:

(1) Consolidated Balance Sheet

	Notes	31 December 2010 Consolidated	31 December 2009 Consolidated	Fluctuation	%
Cash at bank and on hand	1.1	711,789,775.66	588,405,672.15	123,384,103.51	21%
Notes receivable	1.2	369,169,030.47	363,025,601.60	6,143,428.87	2%
Accounts receivable	1.3	2,866,825,102.78	2,451,433,461.71	415,391,641.07	17%
Dividends receivable	1.4	-	8,271,829.94	(8,271,829.94)	-100%
Other receivables	1.5	43,110,999.74	63,596,027.23	(20,485,027.49)	-32%
Inventories	1.6	1,156,329,658.80	909,077,496.35	247,252,162.45	27%
Long-term equity investments	1.7	85,275,251.06	58,334,840.95	26,940,410.11	46%
Investment properties	1.8	87,293,333.76	57,973,532.97	29,319,800.79	51%
Fixed assets	1.9	492,557,743.43	428,390,030.21	64,167,713.22	15%
Construction in progress	1.10	108,301,338.12	46,146,183.50	62,155,154.62	135%
Development costs	1.11	2,580,662.85	235,375.01	2,345,287.84	996%
Goodwill	1.12	53,555,677.09	34,153,027.89	19,402,649.20	57%
Long-term prepaid expenses	1.13	19,811,611.24	7,456,046.95	12,355,564.29	166%
Deferred income tax assets	1.14	31,083,592.24	12,871,196.24	18,212,396.00	141%
Other non-current assets	1.15	48,127,831.56	36,533,540.13	11,594,291.43	32%
Short-term loans	1.16	975,475,884.21	944,189,604.46	31,286,279.75	3%
Notes payable	1.17	1,448,622,490.72	1,104,950,330.28	343,672,160.44	31%
Accounts payable	1.18	2,003,566,517.62	1,706,142,277.91	297,424,239.71	17%
Interests payable	1.19	2,122,314.90	589,050.00	1,533,264.90	260%
Other payables	1.20	345,011,293.80	246,835,253.81	98,176,039.99	40%
Current portion of long-term loans	1.21	-	30,000,000.00	(30,000,000.00)	-100%
Payables for specific projects	1.22	4,755,000.00	2,555,000.00	2,200,000.00	86%
Other non-current liabilities	1.23	75,809,855.74	45,478,550.21	30,331,305.53	67%
Capital surplus	1.24	5,030,338.57	31,568,488.40	(26,538,149.83)	-84%
Surplus reserve	1.25	39,981,268.55	17,573,057.11	22,408,211.44	128%
Undistributed profits	1.26	719,209,302.41	509,918,947.32	209,290,355.09	41%
Minority interest	1.27	79,075,051.61	55,464,963.74	23,610,087.87	43%

III Notes for significant fluctuation of major accounts in financial statements (continued)

(1) Consolidated Balance Sheet (continued)

- 1.1 Increase in cash and bank was due to that more subsidiaries contribute to the business performance.
- 1.2 Increase in notes receivable was mainly due to increase of sales.
- 1.3 Increase in accounts receivable was mainly due to increase of sales.
- 1.4 Decrease in dividend receivable was mainly due to withdraw the dividend from associate.
- 1.5 Decrease in other receivable was mainly due to withdraw the borrowing from associate.
- 1.6 Increase in inventory was mainly due to the increase of sales and the consolidated range increased.
- 1.7 Increase in long-term equity investments was mainly attributable to the profit increased of the associate.
- 1.8 Increase in Investment properties was mainly due to reclassification of fixed assets.
- 1.9 Increase in fixed assets was due to a number of constructions in progress were completed in the year.
- 1.10 Increase in construction in progress was due to addition of construction cost of major projects.
- 1.11 Increase in development costs was due to part of R&D expenses capitalized.
- 1.12 Increase in goodwill was caused by acquisition of the new company.
- 1.13 Increase in long-term prepaid expenses was mainly represented the expenditures on leasehold improvements.
- 1.14 Increase in deferred income tax assets was mainly caused by the timing difference of unpaid payroll.
- 1.15 Increase in other non-current assets was mainly due to the special reserve medicine increased.
- 1.16 Increase in short-term loans was mainly caused by the loan borrowed from bank increased and also the borrowing from new subsidiary.
- 1.17 Increase in notes payable was mainly due to the increased purchase.
- 1.18 Increase in accounts payable was mainly due to the increased purchase.
- 1.19 Increase in interest payable was mainly due to the loan and interest rate increased.
- 1.20 Increase in other payable was mainly due to the increasing provision of selling expenses and payable for purchasing engineering equipment for new production line.
- 1.21 Decrease in current portion of long-term loans was mainly due to pay back the expired borrowing.
- 1.22 Increase in grant payable was mainly due to more grants from the government.
- 1.23 Increase in other non-current liabilities resulted from medicine reserve fund received from government, other government grants and fair value of rewards program.
- 1.24 Decrease in capital surplus was caused by business combination involving entities under common control.
- 1.25 Increase in surplus reserve was mainly due to the provision of legal surplus reserve.
- 1.26 Increase in retained earnings was mainly due to the increased profit.
- 1.27 Increase in minority interests was mainly because the net assets of minority shareholders increased by acquiring new company.

III Notes for significant fluctuation of major accounts in financial statements (Continued)

(2) Consolidated Income Statement

	Notes	2010 Consolidated	2009 Consolidated	Fluctuation	%
Sales	2.1	13,064,428,148.69	0,997,074,919.05	2,067,353,229.64	19%
Cost of sales	2.2	11,925,655,507.94	0,041,207,840.07	1,884,447,667.87	19%
Selling and distribution expenses	2.3	430,588,573.47	402,780,881.44	27,807,692.03	7%
General and administrative expenses	2.4	300,878,002.90	255,178,530.07	45,699,472.83	18%
Financial expenses - net	2.5	82,538,641.49	50,356,642.60	32,181,998.89	64%
Non-operating income	2.6	20,244,943.93	10,271,959.88	9,972,984.05	97%
Non-operating expenses	2.7	3,331,980.65	1,258,365.20	2,073,615.45	165%
Income tax expenses	2.8	75,587,949.59	62,527,277.15	13,060,672.44	21%

2.1 Increase in sales was mainly contributable by increased market capacity of the existing products.

2.2 Increase in cost of sales was mainly due to the sales volume increased.

2.3 Selling expenses increased in line with the growth of performance of the Group.

2.4 Administrative expenses increased were mainly due to the payroll and R&D increased.

2.5 Increase in financial expenses was mainly due to the interest rate and the loan borrowed increased.

2.6 Non-operating incomes resulted from disposal of fixed assets and payables written off.

2.7 Non-operating expenses resulted from penalty, compensation for lawsuit and others.

2.8 Increase in income taxes was due to profit growth in current year.

CHAPTER XI. DOCUMENTS FOR REFERENCE

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

Chairman of the Board: Shi Jinming
Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.
March 22, 2010