



国药集团一致药业股份有限公司

China National Accord Medicines Corporation Ltd.

Annual Report 2011

March 2012

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IMPORTANT NOTES

Board of Directors and the Supervisory Committee of China National Accord Medicines Corporation 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. Wei Yulin, 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. Wu Aiming, Mr. Shi Jinming and Mr. Ma Wanjun as well as Independent Director Mr. He Zhiyi absent the Meeting for a business leave, and Chairman Mr. Wei Yulin, Director GM Mr. Yan Zhigang, Director Mr. Jiang Xiuchang and Independent Director Mr. Xiong Chuxiong attended the Meeting for voting rights on behalf of the above said absentee respectively with written instructions.; 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.

Pricewaterhouse Zhongtian Certified Public Accountants Co., Ltd. audited the Company's Financial Report and issued standard unqualified Auditors' Report for the Company.

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

CHAPTER I. COMPANY PROFILE

1. Legal Name of the Company

In Chinese: 国药集团一致药业股份有限公司

In English: China National Accord Medicines Corporation Ltd.

Abbr. of English name: Sinopharm Accord

2. Legal Representative: Wei Yulin

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

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: Sinopharm Accord / Accord B

Stock Code: 000028/ 200028

7. Other Information about the Company

Initial registration date: August 2, 1986

Initial registration place: Shenzhen, P.R.C

Registration date after change: December 24, 2001

Registration place after changed: Shenzhen, P.R.C

Registered number for business license of corporation: 440301103040048

Registered number of taxation:GS Zi No.: 440301192186267

SDSD Zi No.: 440304192186267

Name of the Certified Public Accountants engaged by the Company:

Pricewaterhouse Zhongtian Certified Public Accountants Co., Ltd

Address: 11/Floor,PWC Center, Building 2#, Corporate Avenue, No.202 Hubin Rd., Luwan District, Shanghai, P.R.C

CHAPTER II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

Section I. Main business highlights

Unit: CNY

	2011	2010	Increase/decrease in this year compared with that in last year (%)	2009
Total operating income(RMB)	15,130,338,571.64	13,064,428,148.69	15.81%	10,997,074,919.05
Operating profit (RMB)	387,065,389.92	322,899,405.37	19.87%	251,927,725.86
Total profit(RMB)	409,281,508.15	339,812,368.65	20.44%	260,941,320.54
Net profit attributable to shareholders of the listed company(RMB)	330,307,489.82	261,116,656.70	26.50%	192,868,245.18
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	311,837,082.85	245,647,806.23	26.94%	190,740,616.42
Net cash flow arising from operating activities(RMB)	227,316,131.98	428,159,420.65	-46.91%	273,860,877.17
	Year-end of 2011	Year-end of 2010	Increase/decrease at the end of this year compared with that at the end of last year (%)	Year-end of 2009
Total assets(RMB)	7,665,759,761.04	6,306,793,005.81	21.55%	5,268,340,226.07
Total liabilities (RMB)	6,238,959,117.77	5,175,347,644.67	20.55%	4,365,665,369.50
Owners' equity attributable to shareholders of listed company(RMB)	1,350,217,871.35	1,052,370,309.53	28.30%	847,209,892.83
Total share capital(Share)	288,149,400.00	288,149,400.00	0.00%	288,149,400.00

Section II. Major accounting highlights

Unit: CNY

	2011	2010	Increase/decrease in this year compared with that in last year (%)	2009
Basic earnings per share (RMB/Share)	1.15	0.91	26.37%	0.67
Diluted earnings per share (RMB/Share)	1.15	0.91	26.37%	0.67
Basic earnings per share after deducting non-recurring gains and losses (RMB/Share)	1.08	0.85	27.06%	0.66
Weighted average return on equity (%)	27.52%	27.17%	0.35%	25.86%
Weighted average return on equity after deducting non-recurring gains and losses (%)	25.98%	25.56%	0.42%	25.58%
Net cash flow arising from operating activities per share (RMB/Share)	0.79	1.49	-46.98%	0.95
	Year-end of 2011	Year-end of 2010	Increase/decrease at the end of this year compared with that at the end of last year (%)	Year-end of 2009
Net asset per share attributable to shareholders of listed company (RMB/Share)	4.69	3.65	28.49%	2.94
Asset-liability ratio (%)	81.39%	82.06%	-0.67%	82.87%

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

Unit: CNY

Items of non-recurring gains and losses	Amount of 2011	Note(If applicable)	Amount of 2010	Amount of 2009
Gains and losses from the disposal of non-current assets	1,540,031.87		1,969,629.82	11,301,538.13
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	13,577,864.38		8,221,739.90	7,596,783.30
Current net gains/losses of the subsidiaries from period-begin to consolidated date occurred from enterprise merger under the common control	0.00		-4,607,349.97	3,494,394.60
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	1,977,108.01		6,926,932.01	352,626.03
Other non-operating income and expenditure except for the above items	7,098,221.98		6,374,202.97	1,643,141.40
Influenced amount of income tax	-5,108,324.05		-3,132,301.17	-19,711,604.76
Influenced amount of minority shareholders' equity	-614,495.22		-284,003.09	-2,549,249.94
Total	18,470,406.97	-	15,468,850.47	2,127,628.76

Section III. Influence and explanation on difference between foreign accounting standards and accounting standards in China

Difference between foreign accounting standards and accounting standards in China shows no influence on net profit of 2011 and net assets of year-end of 2011 of the Company.

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

Unit:

CNY

Items	Share capital	Capital reserve	Surplus public reserve	Retained profit	Minority shareholders' equity	Total shareholders' equity
Amount at the period-begin	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
Increase in the report period		288,000.00	23,499,476.61	332,137,489.82		355,924,966.43
Decrease in the report period				58,077,404.61	2,492,279.69	60,569,684.30
Amount at the period-end	288,149,400.00	5,318,338.57	63,480,745.16	993,269,387.62	76,582,771.92	1,426,800,643.27
Reason for change		Note 1	Note 2	Note 3		

Note 1. Capital reserve: capital reserve increase RMB 288,000 in this period. Mainly because project supporting fund for informatization of science & technology & trading used by parent company was formed into fixed assets, transfer into capital reserve due to

regulation from supporting documents.

Note 2. Surplus reserve: surplus reserve increase RMB 23,499,476.61 in this period. Mainly due to the surplus reserve withdrawal by Article of Association.

Note 3. Retained profit: retained profit increase RMB332, 137,489.82 in this period. mainly because: the Company gains profits, net profit attributable to parent company increased RMB330,307,489.82; Retained profit of RMB1,830,000 was increased, gains/losses during based date of assessment and date of equity custody with original shareholders in purchasing Sinopharm Group Shenzhen Chinese Medicine Co., Ltd.

Retained profit decrease RMB 58,077,404.61 mainly because: according to regulation of Article of Association, withdrawal surplus reserve of RMB 23,499,476.61; dividend for distributed amounting to RMB34, 577,928.00.

CHAPTER III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Section I. Statement of changes in share capital (Ended 31 December 2011 Unit: Share)

	Before the change		Increase/Decrease of this time (+, -)					After the change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	4,714	0					0	4,714	0
1. State-owned shares									
2. State-owned legal person's shares									
3. Other domestic shares									
Including: Domestic non-state-owned legal person's shares									
Domestic natural person's shares	4,714	0						4,714	0
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares									
II. Unrestricted shares	288,144,686	100%					0	288,144,686	100%
1. RMB Ordinary shares	233,259,086	80.95%					0	233,259,086	80.95%
2. Domestically	54,885,600	19.05%					0	54,885,600	19.05%

listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	288,149,400	100%					0	288,149,400	100%

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, 2011; the Company had totally 14,318 shareholders, including 9,131 shareholders of A-share and 5,187 shareholder of B-share.

II. Particulars about the shares held by the top ten shareholders (Ended Dec. 31, 2011):

Total shareholders at year-end of 2011	14,318		Total shareholders at one month-earlier of the date for annual report disclosed	15,607	
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 JUFENG STOCK FUND	Domestic non-state-owned legal person	4.24%	12,230,755	0	0
ICBC—HARVEST THEME NEW POWER STOCK INVESTMENT FUND	Domestic non-state-owned legal person	3.57%	10,290,292	0	0
ABC—Greatwall Anxin Return Mixed Fund	Domestic non-state-owned legal person	2.57%	7,400,000	0	0
HCHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign legal person	2.44%	7,032,720	0	0
ICBC—TIANFU HEALTH BALANCE GROWTH STOCK FUND	Domestic non-state-owned legal person	1.84%	5,297,505	0	0
ICBC—HARVEST STRATEGY GWOOTH MIX STOCK FUND	Domestic non-state-owned legal person	1.42%	4,103,442	0	0
ICBC—GUANGFA STRATEGY SELECTED MIX STOCK FUND	Domestic non-state-owned legal person	1.39%	3,996,486	0	0
ICBC—TIANFU HEALTH EMEDICAL CARE STOCK FUND	Domestic non-state-owned legal person	1.30%	3,737,127	0	0
ICBC-BOC GROWTH STOCK FUND	Domestic non-state-owned legal person	1.14%	3,293,546	0	0
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	12,230,755		RMB common share		
ICBC—HARVEST THEME NEW POWER STOCK INVESTMENT FUND	10,290,292		RMB common share		
ABC—Greatwall Anxin Return Mixed Fund	7,400,000		RMB common share		
HCHK/CMG FSGUFP-CMG FIRST	7,032,720		Domestically listed foreign share		

STATE CHINA GROWTH FD		
ICBC—TIANFU HEALTH BALANCE GROWTH STOCK FUND	5,297,505	RMB common share
ICBC—HARVEST STRATEGY GWOOTH MIX STOCK FUND	4,103,442	RMB common share
ICBC—GUANGFA STRATEGY SELECTED MIX STOCK FUND	3,996,486	RMB common share
ICBC—TIANFU HEALTH EMEDICAL CARE STOCK FUND	3,737,127	RMB common share
ICBC-BOC GROWTH STOCK FUND	3,293,546	RMB common share
Explanation on associated relationship or accordant action among the aforesaid shareholders	The fund manager of ICBC—HARVEST THEME NEW POWER STOCK INVESTMENT FUND and ICBC—HARVEST STRATEGY GWOOTH MIX STOCK FUND all refers to the Harvest Fund Management Co., Ltd.; ICBC—TIANFU HEALTH BALANCE GROWTH STOCK FUND and ICBC—TIANFU HEALTH EMEDICAL CARE STOCK FUND shares the same fund manager of Tianfu Health 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.	

III. The controlling shareholder of the Company

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

Legal representative: Wei Yulin

Date of foundation: 8 January 2003

Registered capital: RMB 2,402,625,299

Nature of economic: Limited Liability Company (listed)

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

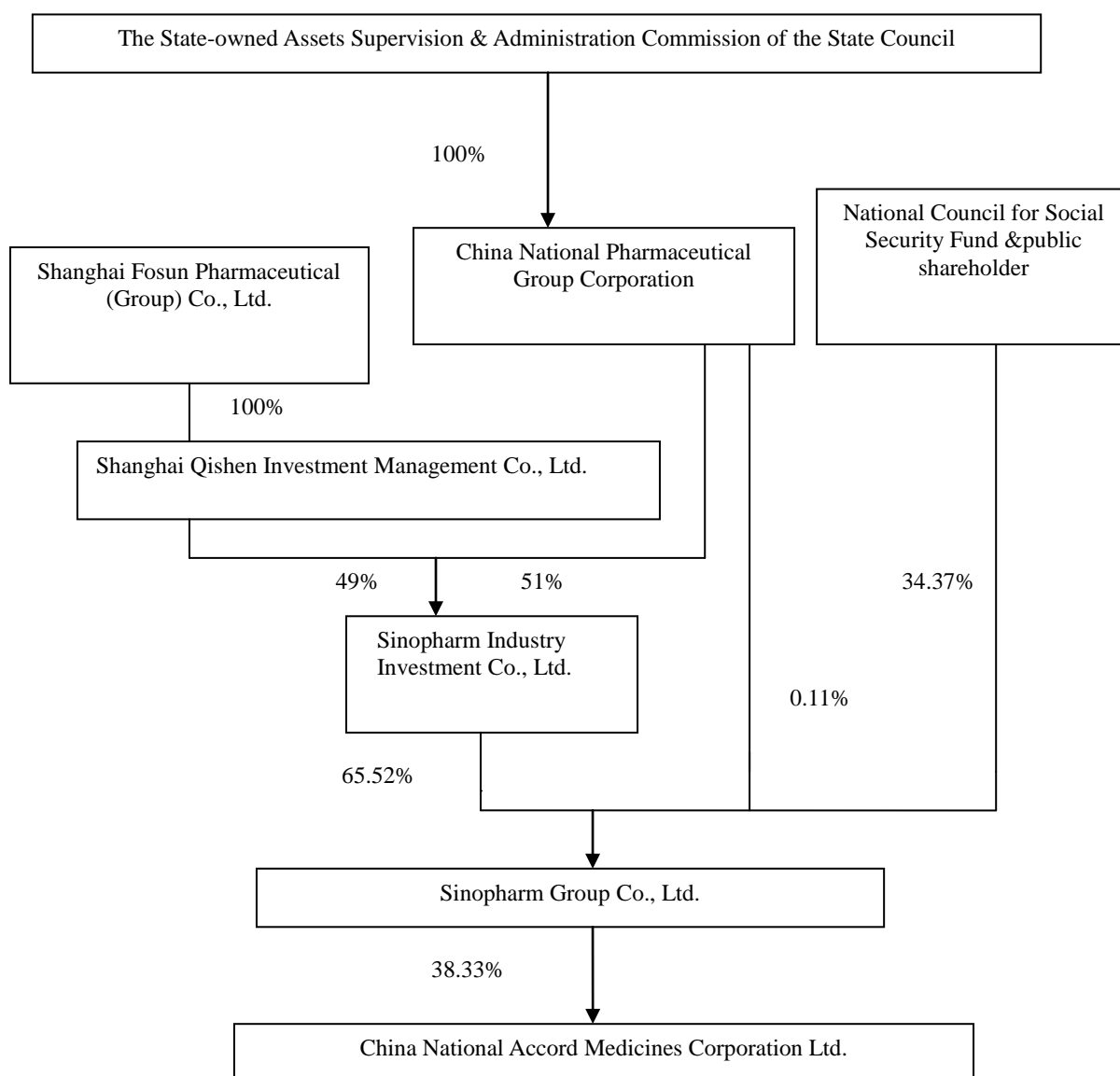
Date of foundation: 26 November 1998

Registered capital: RMB 1,529,200,000

Nature of economic: ownership by the entire 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, no changes 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

1. Name lists of incumbent directors, supervisors and senior executives

Name	Title	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration drawn from the Company in the report period (RMB'0000)(before tax)	Drawing remuneration from shareholders' units or other related units or not
Wei Yulin	Chairman	M	54	2011-11-18	2014-04-28	0	0		0	Yes
Shi	Director	M	44	2011-04-28	2014-04-28	0	0		0	Yes

Jinming										
Wu Ai'min	Director	M	42	2011-04-28	2014-04-28	0	0		0	Yes
Ma Wanjun	Director	M	42	2011-04-28	2014-04-28	0	0		0	Yes
Jiang Xiuchang	Director	M	48	2011-04-28	2014-04-28	0	0		0	Yes
Yan Zhigang	Director; GM	M	52	2011-04-28	2014-04-28	0	0		137.10	No
He Zhiyi	Independent Director	M	56	2011-04-28	2014-04-28	0	0		8.00	No
Xiong Chuxiong	Independent Director	M	56	2011-04-28	2014-04-28	0	0		5.33	No
Xiao Shengfang	Independent Director	M	42	2011-04-28	2014-04-28	0	0		5.33	No
Cui Yiling	Supervisor	F	46	2011-11-18	2014-04-28	0	0		0	Yes
Guan Xiaohui	Supervisor	F	41	2011-04-28	2014-04-28	0	0		0	Yes
Wang Huaiqin	Supervisor	M	54	2011-04-28	2014-04-28	0	0		38.4	No
Lin Zhaoxiong	Deputy GM	M	44	2011-04-28	2014-04-28	0	0		111.10	No
Tan Guoshu	Deputy GM	M	57	2011-04-28	2014-04-28	0	0		88.50	No
Liu Jun	Deputy GM	F	54	2011-04-28	2014-04-28	0	0		88.50	No
Lin Min	Deputy GM	M	47	2011-04-28	2014-04-28	0	0		94.60	No
Lin Xinyang	Deputy GM	M	47	2011-04-28	2014-04-28	0	0		88.50	No
Deng Baojun	Deputy GM	M	50	2011-04-28	2014-04-28	0	0		111.10	No
Wei Pingxiao	CFO	M	48	2011-04-28	2014-04-28	0	0		88.50	No
Chen Changbin	Secretary of the Board	M	44	2011-04-28	2014-04-28	4,714	4,714		42.6	No
Total	-	-	-	-	-	4,714	4,714	-	907.56	-

2. Attendance of the Meeting from incumbent directors and supervisors

Name of the directors	Title	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
Wei Yulin	Chairman	4	2	1	1	0	No
Shi Jinming	Director	8	3	5	0	0	No
Wu Ai'min	Director	8	3	5	0	0	No
Ma Wanjun	Director	6	2	4	0	0	No
Jiang Xiuchang	Director	6	2	4	0	0	No
Yan Zhigang	Director	8	3	5	0	0	No
He Zhiyi	Independent Director	8	2	5	1	0	No
Xiong Chuxiong	Independent Director	6	2	4	0	0	No
Xiao Shengfang	Independent Director	6	2	4	0	0	No

3. Name lists of directors, supervisors and senior executives who leave his/her post

Name	Title	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at year-begin	Shares held at year	Reason for change	Total remuneration drawn from the Company in the report	Drawing remuneration from shareholders' units
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						-end		period (RMB'0000)(before tax)	or other related units or not
Fu Mingzhong	Director	F	61	2008-04-25	2011-04-28	0	0	0	Yes
Tian Weixing	Director	F	54	2010-04-16	2011-04-28	0	0	0	Yes
Tian Weixing	Supervisor	F	54	2011-04-28	2011-10-21	0	0	0	Yes
Lu Jun	Director	M	53	2011-04-28	2011-10-21	0	0	0	Yes
ChenShu	Independent Director	F	57	2007-09-11	2011-04-28	0	0	2.67	No
Peng Juan	Independent Director	F	47	2007-09-11	2011-04-28	0	0	2.67	No
Total	-	-	-	-	-	-	-	5.34	-

Note: Board of the Director and Supervisory Committee of the Company have finished its changes on term of office dated 28 April 2011.

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

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

Name	Units with position or concurrent position	Relationship with the Company	Position	Office term
Wei Yulin	Sinopharm Group Co., Ltd.	Controlling shareholder	President	Since December of 2009
Shi Jinming	Sinopharm Group Co., Ltd.	Controlling shareholder	Deputy President	Since January of 2009
Wu Aimin	Sinopharm Group Co., Ltd.	Controlling shareholder	Deputy President; Secretary of the Board	Since November of 2006 Since March of 2008
Ma Wanjun	Sinopharm Group Co., Ltd.	Controlling shareholder	Deputy President; Chief Legal Advisor	Since September of 2010 Since May of 2011
Jiang Xiuchang	Sinopharm Group Co., Ltd.	Controlling shareholder	CFO	Since June of 2010
Cui Yiling	Sinopharm Group Co., Ltd.	Controlling shareholder	Chief of Center of Industrial Development and Management	Since March of 2011

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
Wei Yulin	Sinopharm Group Beijing Huahong Co., Ltd.	Affiliate company	Chairman(with office term till November 2011)
	Sinopharm Beijing TianXing Puxin Biological Medicine Co., Ltd.		Chairman(with office term till November 2011)
	Yujia Medical Consultancy CO., Ltd.		Chairman(with office term till November 2011)
	Sinopharm Group Hong Kong Co., Ltd.		Chairman
	Sinopharm Le-Ren-Tang Medicine Co., Ltd.		Chairman
	Sinopharm Chemical Reagent Co., Ltd.		Chairman

Shi Jinming	Sinopharm Group South-West Medicine Co., Ltd.	Affiliate company	Chairman
	Sinopharm Group Hubei Co., Ltd.		Chairman
	Sinopharm Group Fujian Co., Ltd.		Director
	Sinopharm Group Hong Kong Co., Ltd.		Director
	Sinopharm Group Hunan Co., Ltd.		Chairman
	Sinopharm Group Yunnan Co., Ltd.		Chairman
	Sinopharm Group Fuzhou Co., Ltd.		Chairman
	Sinopharm Group Hainan Co., Ltd.		Chairman
	Sinopharm Group Jiangxi Co., Ltd.		Chairman
	Sinopharm Group Guizhou Co., Ltd.		Chairman
	Sinopharm Distribution Center Co., Ltd.		Executive Director
	A-Think Pharmaceutical Co., Ltd.		Chairman(with office term till November 2011)
	Sinopharm Group Chongqing Co., Ltd.		Chairman
Wu Aimin	Sinopharm Group Hong Kong Co., Ltd.	Affiliate company	Director(with office term till October 2011)
	China National Medicines Corporation Led.		Supervisor(with office term till October 2011)
	Sinopharm Group Cuoda Pharmacy Co., Ltd.		Director(with office term till October 2011)
	China National Chemical Reagent Co., Ltd.		Chairman(with office term till October 2011)
	Sinopharm Group Zhejiang Co., Ltd.		Chairman(with office term till October 2011)
Ma WanJun	Guangdong Dongfang Uptodate & Special Medicines Co.,	Affiliate company	Chairman
	Sinopharm Group Henan Co., Ltd.		Chairman
	Sinopharm Group Changzhou Co., Ltd.		Director
	Shanghai Bionuo Industrial Co., Ltd.		Director
	Sinopharm Le-Ren-Tang Medicines Co., Ltd.		Director
	China National Shanxi Co., Ltd.		Director
	China National Medicines Corporation Ltd.		Director
	Yujia Medical Service CO., Ltd.		Director
	Sinopharm Nutraceuticals (Shanghai) Co., Ltd.		Chairman
Jiang Xiuchang	Sinopharm Group Cuoda Pharmacy Co., Ltd.	Affiliate company	Supervisor
	Yujia Medical Service CO., Ltd.		Supervisor
	China National Medicines Corporation Ltd.		Director
	Sinopharm Le-Ren-Tang Medicines Co., Ltd.		Director

	Sinopharm Group Hong Kong Co., Ltd.		Director
	China National Finance Co., Ltd.		Director
	China National Shanxi Co., Ltd.		Director
	Sinopharm Group Distribution Center Co., Ltd.		Supervisor
	Sinopharm Group Beijing Co., Ltd.		Supervisor
Cui Yiling	A-Think Pharmaceutical Co., Ltd.	Affiliate company	Chairman
	Xingsha Medicines (Xiamen) Co., Ltd.		Chairman
Guan Xiaohui	Shanghai FOSUN Pharmaceutical (Group) Co., Ltd.	Shareholder of Sinopharm Group	Deputy CFO
Yan Zhigang	Shenzhen Main Luck Pharmaceuticals Inc.	Stock-jointly company	Deputy Chairman
	Sichuan Industrial Institute of Antibiotics	Affiliate company	Director
He Zhiyi	Antai College of Economics & Management, Shanghai Jiao Tong University	No association	Vice-dean
Xiong Chuxiong	Shenzhen University	No association	Professor
Xiao Shengfang	Guangdong Sino-Win Law Firm	No association	Director

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

1. Member of the Board of Directors

Chairman—Mr. Wei Yulin, MBA, senior economist and Licensed Pharmacist. He served as the follow post in latest 5 years: standing deputy GM of Sinopharm Group Co., Ltd. from March 2006 to December 2009, moreover, he served as Chairman respectively of Sinopharm Group Shenyang Co., Ltd, Sinopharm Group Outer Gaoqiao Co., Ltd, Sinopharm Group Shanxi Co., Ltd, Sinopharm Group South West Medicine Co., Ltd and Sinopharm Group Hunan Co., Ltd; served as Director of China National Accord Medicines Corporation Ltd, Chairman of Sinopharm Group Zhejiang Co., Ltd, Sinopharm Group Henan Co., Ltd and China National Medicine Logistic Co., Ltd respectively and Director of Sinopharm Group Xinjiang Medicines Co., Ltd.; he took post of Chairman of Sinopharm Group Beijing Huahong Co., Ltd. from August 2008 to November 2011; serves as President and Secretary of Party Committee of Sinopharm Group Co., Ltd. since December 2009; served as Chairman of Beijing Tianxingpuxin Bio-Med Co., Ltd. from April 2010 to November 2011; Chairman of Yujia Medical Consultancy Co., Ltd. from September 2010 to November 2011; serves as Chairman of Sinopharm Group H.K. Co., Ltd since January 2011; serves Chairman of Sinopharm Le-Ren-Tang Medicine Co., Ltd. since April 2011; serves as Chairman of Sinopharm Chemical Reagents Co., Ltd. since December 2011 and Chairman of the 6th Session of the Board of the Company since October 2011.

Director—Mr. Shi Jinming, EMBA of Zhongshan University. He served as the follow post in latest 5 years: GM of the Company and Chairman of Sinopharm Group Guangzhou Branch from December 2006 to December 2008; serves deputy President of Sinopharm Group Co., Ltd. since January 2009, and served as Chairman of Sinopharm Group South West Medicine Co., Ltd and Sinopharm Group Hubei Co., Ltd respectively; and respectively served as Director of Sinopharm Group Fujian Co., Ltd and Sinopharm Group H.K. Co., Ltd. as well as Chairman of Sinopharm Group Hunan Co., Ltd, Sinopharm Group Yunnan Co., Ltd, Sinopharm Group Fuzhou Co., Ltd, Sinopharm Group Hainan Co., Ltd, Sinopharm Group Jiangxi Co., Ltd, Sinopharm Group Chongqing Co., Ltd and Sinopharm Group Guizhou Co., Ltd respectively and served as executive Director of

Distribution Center of Sinopharm Group; he served as Chairman of Sinopharm A-Think Pharmaceutical Co., Ltd. from June 2010 to November 2011; Chairman of the Company from January 2009 to November 2011 and serves as Director of 6th Session of the Board of the Company since November 2011.

Director—Mr. Wu Ai'min, EMBA, accountant. He served as the follow post in latest 5 years: deputy president of Sinopharm Group Co., Ltd, since December 2006; secretary of the Board of Sinopharm Group Co., Ltd. since March of 2008; Director of Sinopharm Group H.K. Co., Ltd. from January 2009 to October 2011; Supervisor of China National Medicines Corporation Ltd from May 2009 to October 2011; Director of Sinopharm Group Guoda Pharmacy Co., Ltd. from March 2010 to October 2011; Chairman of China National Chemical Reagents Co., Ltd. from March 2010 to October 2011; Chairman of Sinopharm Group Zhejiang Co., Ltd. from May 2010 to October 2011; serves as Director of the 5th and 6th Session of the Board since January 2005.

Director—Mr. Ma Wanjun, EMBA. He served as the follow post in latest 5 years: GM of Shanghai Sinopharm Gaoqiao Medicine Co., Ltd. from October 2006 to December 2009; deputy GM of Transport Center of Sinopharm Group Co., Ltd. from December 2009 to September 2010; Director of Sinopharm Group Shenyang Co., Ltd from January 2010 to November 2011; Chairman of Guangdong Oriental Uptodate & Special Medicines Co., Ltd. since March 2010; Director of Sinopharm Group Suzhou Co., Ltd from May 2010 to November 2011; Chairman of Sinopharm Group Jiangsu Co., Ltd from May 2010 to November 2011; Director of Wenzhou Biomedicin-Appliances Supplies Co., Ltd. from July 2010 to November 2011; deputy President of Sinopharm Group Co., Ltd. since September 2010; Chairman of Sinopharm Group Henan Co., Ltd since October 2010; Director of Sinopharm Group Changzhou Co., Ltd from December 2010 to November 2011; Director of Shanghai Bionuo Enterprise Management Co., Ltd. from December 2010 to November 2011; Chief laws advisor of Sinopharm Group Co., Ltd. since May 2011; Director of Sinopharm Le-Ren-Tang Medicine Co., Ltd. since April 2011; Director of China National Shanxi Co., Ltd. from April 2011 to September 2011; Director of China National Medicines Corporation Ltd since October 2011; Director of Yujia Medicine Service Co., Ltd. since November 2011; Chairman of Sinopharm Health Industry (Shanghai) Co., Ltd. since November 2011 and Director of 6th Session of the Board for the Company since March 2011.

Director – Mr. Jiang Xiuchang, a university background, senior economists and senior accountant. He served as the follow post in latest 5 years: CFO of China National Medicines Corp. Ltd. from December 2006 to May 2010; CFO of Sinopharm Group Co., Ltd. since May of 2010; Supervisor of Sinopharm Group Guoda Pharmacy Co., Ltd. since June 2010; Supervisor of Yujia Medicine Co., Ltd. since September 2010; Director of China National Medicines Corp. Ltd since February 2011; Director of Sinopharm Le-Ren-Tang Medicine Co., Ltd since April 2011; Director of Sinopharm Group H.K. Co., Ltd since November 2011; Director of China National Finance Co., Ltd since November 2011; Director of China National Medicines Shanxi Co., Ltd. from April 2011 to September 2011; Supervisor of Sinopharm Distribution Center Co., Ltd. since April 2011; Supervisor of Sinopharm Group Beijing Co., Ltd. since November 2011 and Director of 6th Session of the Board for the Company since March of 2011.

Director—Mr. Yan Zhigang, MBA, senior engineers and Licensed Pharmacist. He served as the follow post in latest 5 years: Deputy GM of the Company from January 2005 to December 2008; Director of Sichuan Industrial Institute of Antibiotics since October 2007. GM of the Company since December 2008; Director of the 5th and 6th Session of the Board

for the Company since February 2009.

Independent Director --- Mr. He Zhiyi, Doctor Degree of Fudan University, Post doctorate of Beijing University, Professor and PH.D adviser. Currently, he works 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; He use to took advance study and visiting scholar in Sweden IMD, GM school of Management and Kellogg school of Management, Northwestern University of USA. He also 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. Mr. He Zhiyi owes rich experience, and also served as position in government, GM in State-owned enterprises, Chairman of joint-stock enterprises, President of Beijing University Xiaochang Business Co., Ltd and Director of Office of Industrial Management, funded by school. He serves as Independent Director of 5th and 6th Session of the Board for the Company since June 2010.

Independent Director --- Mr.Xiong Chuxiong, a doctor degree, professor and a CPA. He graduated from Accounting Dept. of Southwestern University of Finance & Economics and Accounting Dept. of Xiamen University successively. After obtained the PhD. Economics in Xiamen University in 1992, he was assigned to teach in accounting majors of Shenzhen University. He used to be a visiting scholar in University of Manchester, U.K. currently; he works as professor in Shenzhen University and vice chairman of Shenzhen Accounting Association. He mainly engaged in research and educated in financial and accounting. He published many works and articles successively and shows certain influence in China due to his academic achievements. He serves as Independent Director of the 6th Session of the Board for the Company since April 2011.

Independent Director—Mr. Xiao Shengfang, attorney, a postgraduate of Civil & Commercial Law of Renmin University of China and MBA of Jinan University. Currently serves as director of Guangdong Sino-Win Law Firm, and served social position of: Director of Guangdong Lawyers Association, Standing director of Guangzhou Lawyers Association, legal consultant of People's Government of Guangzhou City; member of lawyers advisory group of organizing committee of 16th Asian Games, Guangzhou, vice director of professional committee of Labor Law & Social Security Law, China Lawyers Association. Lawyer Xiao Shengfang gains a solid legal theory and rich experience in aspect of Corporate Law, Civil & Commercial Law as well as Labor Law. He serves as Independent Director of 6th Session of the Board for the Company since April 2011. .

2. Members of supervisors:

Supervisor--- Ms. Cui Yiling, MBA, an engineer. She served as the follow post in latest 5 years: Chairman of Sino-American Shanghai Squibb Pharmaceuticals Ltd. from October 2005 to December 2008; GM of Business Division of Shanghai Parma Group Antibiotic , GM of Shanghai Asia Pioneer pharmacy Co., Ltd. and Chairman of Shanghai Xinya Pharmacy Co., Ltd. from December 2008 to December 2010; Chairman of HSDRUG from December 2010 to March 2011; Chief of Industrial Development and Management Center of Sinopharm Group Co., Ltd. since March 2011; Chairman of Sinopharm A-Think Pharmaceutical Co., Ltd. since October 2011; Chairman of Xingsha Pharmacy (Xiamen) Co., Ltd. since December 2011 and serves as Supervisor of 6th Session of Supervisory Committee for the Company since October 2011.

Supervisor—Ms. Guan Xiaohui, Master of Accounting, Certified Public Accountant and Economist. She served as the follow post in latest 5 years: vice CFO of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. since November 2004; serves as supervisor of 5th and 6th Session of Supervisory Committee of the Company since September 2007. .

Employee Supervisor—Mr. Wang Huaqin, 3-years regular college graduate, political commissar, assistant accountant. He served as the follow post in latest 5 years: Chairman of First Union since September 2005 to March 2009; member of Party Committee, deputy secretary of discipline & inspection committee and chairman of Union of the Company since September 2008; serves as employee supervisor of 5th and 6th Session of Supervisory Committee of the Company since September 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, 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; serves as GM of Sinopharm Group Guangzhou Co., Ltd. since December 2006 and deputy GM of the Company since December 2008.

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 secretary of Party Committee of the Company from Jun. 2003.

Deputy General Manger—Ms. Liu Jun, college degree, 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 to Dec. 2008, she took the posts of general party secretary, deputy general manager and chairman of Labor Union of Sinopharm Group Guangzhou Co., Ltd; and serves as deputy GM of the Company since December 2008.

Deputy General Manger—Mr. Lin Min, 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 manager of Pharmacy Department and deputy general manager 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 to Dec. 2008, deputy general manager of Sinopharm Group Guangzhou Co., Ltd; serves as deputy GM of the Company since December 2008.

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; serves as deputy GM of the Company since January 2005.

Deputy General Manger—Mr. Deng Baojun, an 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 general manager of pharmaceutical business department of Shenzhen Accord Pharmaceutical Co., Ltd. since from December 2010.

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

Secretary of the Board—Mr. Chen Changbing, Master Degree. He served as secretary of the Board of 3rd and 4th Session of the Board for the Company since December 2000; and serves as Chief of Planning Investment Management Dept. and Secretary of the Board of 5th and 6th Session of the Board for the Company since September 2007.

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

1. On 18 March 2011, “proposal of election at expiration of office terms for the Board” was deliberated and approved in 23rd Meeting of 5th Session of the Board. On 28 April 2011, Shi Jinming, Lu Jun, Wu Ai’min, Ma Wanjun, Jiang Xiuchang and Yan Zhigang

were elected by voting accumulatively as Directors of the 6th Session of the Board of the Company; He Zhiyi, Xiong Chuxiong and Xiao Shengfang were elected as Independent Directors of 6th Session of the Board by accumulative voting.

2. On 18 March 2011, “proposal of election at expiration of office terms for Supervisory Committee” was deliberated and approved in 20th Meeting of 5th Session of Supervisory Committee. Tian Weixing and Guan Xiaohui were elected as Supervisor of 6th Session of Supervisory Committee of the Company by accumulative voting in Annual Shareholders’ General Meeting of 2010 held 28 April 2011. Moreover, Wang Huiqing was elected as Staff Supervisor of 6th Session of Supervisory Committee in joint conference of workers congress.

3. Mr. Shi Jinming was elected as Chairman of 6th Session of the Board in First Meeting of 6th Session of the Board on 28 April 2011; Yan Zhigang was re-engaged as GM; Lin Zhaoxiong, Tan Guoshu, Liu Jun, Lin Min, Lin Xinyang and Deng Baojun are re-engaged as deputy GM; continue to engaged Wei Pinxiao as CFO of the Company while Chen Changbin as Secretary of the Board again.

4. Tian Weixing was elected as convener of 6th Session of Supervisory Committee in 1st Meeting of 6th Session of Supervisory Committee on 28 April 2011.

5. On 21 October 2011, Lu Jun did not take post of director of the Company. The 4th Meeting of 6th Session of the Board agrees to nominate Wei Yulin as director candidate for 6th Session of the Board, and deliberated and approved in 2nd Extraordinary Shareholders’ General Meeting of 2011 held 18 November 2011.

6. On 21 October 2011, Tian Weixing did not servers as convener of supervisory committee and supervisor; the 4th Meeting of 6th Session of Supervisory Committee agrees to nominated Cui Yiling as supervisor candidate for 6th Session of Supervisory Committee of the Company, and has been deliberated and approved in 2nd Extraordinary Shareholders’ General Meeting for 2011 held 18 November 2011.

7. On 18 November 2011, Shi Jinming did not in post of Chairman, and Wei Yulin was elected as Chariman of the 6th Session of the Board in 5th Meeting of 6th Session of the Board.

8. On 18 November 2011, Cui Yiling was elected as convener of 6th Session of Supervisory Committee in 5th Meeting of 6th Session of Supervisory Committee.

Section II. Number of employees and professional quality

At end of the year 2011, the Company (including the subsidiaries) had totally 4,060 on-the-job employees.

Profession/occupation composition			Education Background		
Profession	Number	Proportion	Education	Number	Proportion
Production personnel	1190	29.31%	Master degree or above	116	2.86%
Salespersons	1679	41.35%	Bachelor degree	1187	29.24%
Technical personnel	81	2.00%	3-years regular college graduate	1052	25.91%
Financing personnel	189	4.66%	Polytechnic school graduate	551	13.57%
Administrative and other personnel	921	22.68%	Senior high school graduate or below	1154	28.42%
Total	4060	100%	Total	4060	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 strength system construction, perfected its governance structure, formulated a effectiveness management mechanism for internal control in order to standardized operation of the Company.

”Article of Association”, ‘Discussion Rules for Shareholders’ Vernal Meeting”, “Discussion Rules for Board of Directors”, “Discussion Rules for Supervisory Committee”, “Work Rules for GM”, “Work Rules for Secretary of the Board”, “Work Rules for Independent Directors”, “ Management Method for Information Disclosure”, “Management System of Inside Information and Insider”, “Management System of Investor Relations”, “Engagement Mechanism for CPAs”, “Management Method for Related Transactions”, “Management Method for Raised Capital”, “Work System for Strategy Committee of the Board”, “Work System for Nomination Committee of the Board”, “Work System for Risk Internal Control and Auditing Committee of the Board” and “Work System for Remuneration and Evaluation Committee of the Board” were formulated by the Company since listed. The above said systems have been released on Ju Chao Website. Between the Shareholders’ General Meeting, Board of Directors, 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 for 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	Periodic
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 September 2007.

Section III. Performance of the Independent Directors

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

In year 2011, the Company held 8 meetings of board (Including the meetings by communication), and the presences to the meetings of board by independent directors were as follows:

Name	Times are supposed to be attended	Presence in person	Entrusted presence	Absence	Remarks
He Zhiyi	8	7	1	0	Entrusted independent director Xiong Chuxiong for attendant
Xiong Chuxiong	6	6	0	0	
Xiao Shengfang	6	6	0	0	

(II) In the report period, Independent Directors performed their duties seriously, indigently in line with requirement of “Work System for Independent Directors”, made their useful suggestion and opinion on the operation decision-making, lawsuits and financial management; 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 play an important role 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 and no objection from independent directors for events of the Company.

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 perfection of internal control system

The Company strictly complied with relevant rules of laws and rules such as the Company Law, Security Law, Governance Rule of Listed Companies and Basic Rules about Corporate Internal Control released by finance department, securities commission and other departments as well as Guidance to Internal Control of Listed Companies.

I. Situation of establishment and perfection of internal control system

The Company set up complete internal control system including management control, finance control, production and operation and other aspects which fundamentally contain all the aspects of operation.

(I) Governance control

In aspect of governance, we made the Article of Association and proposal rules of shareholders' meeting, board of directors and board of supervisors. Working rules of strategy commission, nomination commission, risk and internal control, audit commission, salary and appraisal commission as well as general manager and secretary of board of directors were formulated. What's more, we built a series of governance system including information disclosure, relative transaction, capital collection, social responsibility

implementation, internal information and insider's management, investor's relation management, CPA engagement, guarding majority shareholder and related parties from capital occupation in listed companies. In reporting period, effective implementation of the above systems ensured responsibility implementation of special commission. And it benefited supervision of board of supervisors offered scientific decision for the board of directors.

In aspect of management, we established systems ranging from plan investment, risk and operation, human resources, administration party group and internal audit. Contents of these systems covered stages from budget, operation analysis, appraisal, fixed assets management, construction in process, authority, recruitment, salary and performance, training, award and publishment, personnel cultivation and others.

(II) Financial management control

The Company formulated complete financial capital management system based on accounting policy, tax policy, economy policy and other relative laws and rules as well as corporate accounting rules. Strict internal administration system, audit procedure and rights were confirmed in accounting, monetary capital, capital collection, loan guarantee, fees, assets depreciation, cost, inventory, financial accounting report, assets management, notes receivable, accounts receivable, accounts payable and other aspects.

(III) Production and operation control

The Company formulated complete quality management system ranging from R&D, purchase, production, quality, safety, storage, customer service and other management operation system and system standards, in accordance with requirement of the Administration Normalization to Medicine Production Safety and the Administration Normalization to Medicine Operation Quality.

II. Establishment and implementation of responsibility accounting system to majority errors made in annual information disclosure

The Company set up the Responsibility Accounting System to Majority Errors Made in Annual Information Disclosure which normalized confirmation, dealt process and responsibility accounting system to majority errors made in annual information disclosure. In reporting period the Company strictly complied with relevant rules on implementation. And no undisclosed events, majority accounting error correction, information supplementation to majority omission and correction to performance pre-report happened.

III. Self-evaluation and external disclosure to annual internal control

(I) Risk and operation management department was guided under consult institution, complied with requirements of the Basic Norms to Internal Control (hereinafter referred to as Basic Norms) and the Appraisal Guidance to Internal Control (hereinafter referred to as Appraisal Guidance) made by Finance Department. We combined internal control system and appraisal method surrounding 5 factors such as internal environment, risk estimation, control activities, information and communication and internal supervision. We carried out estimation on validity of design and operation of internal control till Dec. 31 of 2011.

During estimation, appraisal team carried out individual interview, problem check, seminar discussion, walking-through test, spot check, sample check, comparing method and other ways, extensively collected evidence for validity of internal control design and operation, truly fulfilled draft of estimation, analyzed and recognized defect within internal control, compiled 2011 annual estimation report of internal control.

(II) Self-estimation and report disclosure of internal control

1. Self-estimation of internal control of the Company thought: relevant internal control financial report of the Company was valid till Dec. 31 of 2011. No majority internal control defect relevant to non-finance report within self-estimation process happened within this period.

2. PWC Zhongtian CPA Co., Ltd has issued report for the validity of internal control of the Company this year, thought: National Medicine Accord kept effective financial report on internal control on Dec. 31 of 2011 in accordance with the Basic Normalization to Internal Control of the Company and relevant rules.

(III) Working contents and performance of risk and internal control as well as audit committee and internal control audit committee

Board of Directors set up risk internal control and audit committee which was engaged in communication, supervisor and check of internal and outside audit as well as effective implementation of internal control and audit and supervisor of self-estimation. While risk internal control and audit committee set up subordinately audit committee independent from executive department which works under guidance of risk internal control and committee. The Company formulated the Working System for Internal Control Risk and Audit Committee of Board of Directors and the Internal Audit System which normalize and lead internal audit.

In 2011, audit committee audited authenticity and completion of financial information and whether every business department complies with system and procedures during operation activities and capital management. And it carried out full supervision on self-estimation over internal control, conducted spot test and checked draft for test, raised up suggestion on problems found during supervision and check, and submitted them to executive for check by way of internal audit, at the same time, formed relative department of requirements of regulation.

IV. 2012 annual working plan for internal control construction

Internal control should be equal to operation scale, business range, competition situation and risk level and should be adjusted with change on situation. In order to promote health and sustainable development, in future, internal control construction will be conducted in accordance with requirements of the Basic Normalization to Internal Control and the Affiliated Guidance to Internal Control. Risk appraisal system and analysis mechanism will be completed. Resolution for fining and implementing majority risk will be improved for anti-risk ability. Internal control construction will be enhanced. It'll be the same with self-appraisal standards and basic management. Supervision on internal control and overall implementation will be promoted.

V. Opinions on self-estimation on internal control

(I) the Company has set up complete and reasonable internal control system in aspects of majority events. And they have been effectively implemented. Internal control system and relative systems are able to be in accordance with demands of management and development, and they can offer guarantees for compiling authentic and fair financial statements and health operation of various business and control on operation risk. Board of directors is responsible for all the shareholders and could strictly comply with rules to fulfill liability, do well in decision and conduct rights legally. Board of directors believes internal control of the Company is valid. Real situation of internal control basically is in accordance with rules made in normalization documents such as the Operation Guidance to Normalizing Listed Companies which was drafted by Shenzhen Stock Exchange.

(II) Independent opinion on self-appraisal on internal control from independent directors

In 2011, the Company formulated complete internal control system based on actual operation. Procedure and contents comply with requirements of relative laws, rules and securities supervision department which have formed complete and close internal control system. Basically complete internal control system covers from business control, accounting system control, internal audit control, information system control, environment control and other aspects. The internal control system fundamentally could catch up with demands of management and development of the Company. Majority activities of internal control are conducted in accordance with internal control system. Financial management, related transaction, external guarantee, majority investment, information disclosure and

other aspects strictly, fully, effectively ensured smooth operation of production and operation of the Company. Meanwhile, it effectively controlled the operation risk to some degree and ensured interests of all the shareholders.

(III) Opinions on self-estimation to internal control from board of supervisors

The Company complied with basic principles of internal control based on relative laws, rules and normalized documents made by finance department, China Securities Commitment and Shenzhen Stock Exchange. We established and perfected internal control system in accordance with our own actual situation. Governance administration structure is complete and internal control system is perfect. They could ensure smooth operation of operation activities and financial safety of the Company.

In reporting period, the Company did never things against internal control system of the Company as well as the Guidance to Internal Control of Listed Companies made by Shenzhen Stock Exchange. Board of supervisors believed that self appraisal on internal control of the Company is accurate, real and complete which reflected actual situation of internal control of the Company.

VI. Normalization for formulation of internal control on financial report

The Company established internal control on financial report based on the Accounting Laws, Corporation Accounting Rules, and Basic Rules for Internal Control and relevant documents made by supervision department. No majority defect existed in internal control on financial report of this year.

CHAPTER VI. PARTICULARS ABOUT THE SHAREHOLDER'S GENERAL MEETING

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

I. Annual Shareholder's General Meeting of 2010

The Annual 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 28 April 2011. Resolution notice was published on "Securities Times" and "Hong Kong Commercial Daily" dated 29 April 2011.

II. The 1st Extraordinary Shareholder's General Meeting of 2011

The 1st Extraordinary Shareholder's General Meeting 2011 was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on 20 September 2011. Resolution notice was published on "Securities Times" and "Hong Kong Commercial Daily" dated 21 September 2011.

III. The 2nd Extraordinary Shareholder's General Meeting of 2011

The 2nd Extraordinary Shareholder's General Meeting 2011 was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on 18 November 2011. Resolution notice was published on "Securities Times" and "Hong Kong Commercial Daily" dated 19 November 2011.

IV. The 3rd Extraordinary Shareholder's General Meeting of 2011

The 3rd Extraordinary Shareholder's General Meeting 2011 was held at the meeting hall on the 5/F of the Company, No. 15, Ba Gua Si Road, Futian District of Shenzhen on 22 December 2011. Resolution notice was published on "Securities Times" and "Hong Kong Commercial Daily" dated 23 December 2011.

CHAPTER VII. REPORT OF THE BOARD

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

I. Overall operation in 2011

Year of 2011 was the opening year of implementation of the 12th Five-Years Strategic Plans, Accord closely complied with an operation theme about Innovative Thoughts, Scientific Position, Health Operation and Stepped Development, hugely promoted conversion between headquarter function and model of management and control, thus established an operation system of Strong Headquarter and Large Business Department. Limited by base propellant bidding, constant medicine price lowering as well as hindered antibacterial agents and other policies, every items still processed well in 2011 and obtained expected performance thus lay a firm foundation for implementation of the 12th Five-Years Plan and sustainable development.

In 2011, nation-brand Accord realized main business income RMB 15.06 billion increasing by 16.08% as the same period of last year; net profit RMB 0.328 billion increasing by 24.07%. Including, sales of distribution department (headquarters included) takes up 88.60% of total sales while pharmacy business department takes up 11.40%. In aspect of net profit, distribution department(headquarters included) takes up 53.98% and pharmacy department 46.02%.

II. Operation of distribution business department in 2011

In 2011, distribution department took exceeding the leading corporation as goal, focused on promoting construction of intellectual supply chain, effectively integrated distributed sales and logistic, continuously speed up network allocation, innovated value-added service, perfected management and control model of subsidiaries, further promoted overall operation. Based on independent and smooth operation of integrated platform about Guangdong and Guangxi, profitability and marketing competitiveness grew largely. In 2011, distributed sales department(headquarters included) achieved main business income RMB 13.343 billion increasing by 17.46% and net profit RMB 0.177 billion increasing by 15.34%.

1. In 2011, distributed sales department continuously perfected structure adjustment. In aspect of business, direct sales business (hospital direct sales, retails and other treatment direct sales included) kept high increasing speed. Sales volume took up 66% increasing by 3.45% as the same period of last year. Affected by bidding policy and narrowing supplier's channels, commercial allocation and transfer (nationwide distributed sales and provincial distributed sales included) took a smaller volume in field of distributed sales. In aspect of varieties, sales volume of nation-made products took 48% increasing by 3% which activated overall growth of distributed sales.

2. In 2011, sales of base medicine in distributed sales business department grew steadily with a sales amount of RMB 0.11 billion which took up 12.73% in other treatment direct sales increasing by 0.5%.

3. In 2011, distributed sales department sustainable promoted integration of purchase, established catalog, normalized purchase procedure and operation model, regulated bidding purchase in Guangdong and Guangxi. Every subsidiary conducted files management and took supervision on purchase together.

4. Deeply promoted integration strategy, enhanced management and control as well as service, boosted rapid development of subsidiary. In 2011, distributed sales department ranked the top 3 in Guangdong and Guangxi and other 17 regions. Model that combination of integration operation of distribution and sales together with regional operation of subsidiaries has formed.

5. Concentrated on establishment of intellectual supplier's chain, we boosted distribution

organization and culture change, formed supply chain culture guided under Rapid Response to Customers' Demands, perfected internal coordination and resources allocation, gradually set up core competitiveness edge of distribution business. Automobile products-requiring system and EEM system have been on line. Meanwhile, CMS system and ERP system were integrated. Internal products-requiring and multiple operations have started. Presently One Inventory has realized in Guangdong region.

6. Taking the value-added service innovation as key method for differentiation competitiveness of distributed sales field, comprehensively improved customers' satisfaction. Items such as hospital supply chain, deep distributed sales, cold chain logistic and E-commerce obtained new performance and improvement. Constant innovation of value-added service boosted customers' satisfaction and vigorously supported exploration of new business.

7. We developed new kinds of products and new business thus offered new energy for growth of distributed sales. In 2011 newly produced products were 6150 with a proportion 3.22% in sales volume. Newly increased customers amount was 2588 with a proportion of 2.44% in sales volume. Vaccine equipments and vaccine business department were set up. Nearly RMB 0.28 billion of sales volume was realized increasing by 152% as the same period of last year. Through the whole year, equipments business achieved RMB 0.13 billion of sales amount increasing by 24%. At the same time, we started new thoughts of transferring logistic from cost center to profit center, adding commerce and varieties of OTC exclusive distribution and regional distribution.

8. We completed middle and long-term plan for logistic network allocation, formed a logistic network frame with 4 levels such as logistic center-distribution station. The 1st phase of Nanning Logistic Item was completed and could be moved and transferred at the end of the year. In 2011, whole logistic income from the 3rd party reached RMB 24.11 million.

III. Operation of pharmacy business department in 2011

Pharmacy business department actively transferred its own role position in 2011, carried out operation model of new structure, fully played the function of supervision, coordination, control and others. In aspect of business department, we effectively integrated quality resources and boosted coordination and divisive labor. Meanwhile we promoted application of advanced management tools in every corporation thus largely boosted operation efficiency of business department. Current and future operation both gained new performance. In 2011, pharmacy business department completed main business income(third party) RMB 1.717 billion increasing by 6.45%. Affected by reduplicate control on antibiotics medicine and fluctuation of market, increase speed just slowed down a little. RMB 0.151 billion of net profit was achieved increasing by 36.16%.

1. In 2011, pharmacy business department realized 7 kinds of products with above 100 million of value, formed core products group, including Dudley Finn, Dudley new needle, Dudley new oral, Dudley ding, Dudley, XiDing and compound phosphate codeine oral solution.

2. Zhijun Pharmacy got an obvious progress in products structure adjustment which was intended for oral solid preparation. Its sales volume took up 37.6% increasing by 5%.

3. Besides for Cefuroxime, other products such as XiDing acetamidine sulfur miner horse ROM, Nixi all are ranged in limited or special usage levels. Level-to-level administration on antibiotic affected obviously sales of original medicine and preparation. Thus 4 majority kinds of products just increased by 4%.

4. Shenzhen Chinese Medicine was involved in pharmacy business department, based on sales growth of athletes clear liquid solution, we added sales of Ann lotion, bolted salvia miltiorrhiza capsule and other the 2nd echelon products whose sales volume reached a historical high point.

5. Zhijun Pharmacy ranked the 2nd in Shenzhen Minister Quality Award and was rewarded the Guangdong Government Quality Award. Zhijun Wangqing while obtained Suzhou Government Quality Award.

6. Affiliation efficiency of affiliated varieties of industrial chain in 2011 was further improved, effectively promoted integration of industry chain and integration construction of industry platform.

7. In May of 2011 Zhijun Pharmacy was authorized by Euro-Union and thus became the 1st plant in field of self-produced Flomoxef powder-injection, which stand that internationalization strategy in aspect of pharmacy industry has obtained important breakthrough.

8. Pharmacy business department strategically explored grand-health field, took the Meiyitian as the leading brand, at the same time marketed Q10, and fulfilled the vacancy in leading variety of grand-health field. Grand-health products will become a new profit point in industry board.

9. In reporting period, pharmacy business department non-stopped improving hard and soft equipments for production through base construction and new version GMP. Thus products quality standards were promoted. Including, the 2nd phase of comprehensive project building of Zhijun Pharmacy in Guanlan basement has been completed. Predicted, it will be taken into function at end of 2012. As for Zhijun Wangqing, the 2nd phase of recovery and synthetic transformation of solvent coal has been completed basically while the 3rd phase has been into plan and research.

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	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 (%)
Pharmaceutical manufacturing	173,258.60	120,135.67	30.66%	10.29%	4.53%	3.82%
Commerce—medicine wholesales	1,328,272.26	1,253,643.55	5.62%	16.88%	17.06%	-0.15%
Commerce—medicine retail	907.60	819.18	9.74%	58.78%	55.94%	1.65%
Logistic & storage service	2,410.94	1,694.36	29.72%	9.10%	-2.55%	8.41%
Income from leasing& training service	1,115.10	582.56	47.76%	14.53%	-4.88%	10.66%
Total	1,505,964.50	1,376,875.32	8.57%	16.08%	15.82%	0.20%
Main operations classified according to products						
Classified according to 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 (%)

				(%)		
Respiratory antitussive medicines	23,438.76	5,618.81	76.03%	28.22%	43.69%	-2.58%
Cef- series products	158,077.22	123,753.54	21.71%	14.97%	12.29%	1.87%
Including: the amount of related transaction	22,348.46	16,586.41	25.78%	362.86%	1,090.00%	-45.35%

2. Income from main operations classified according to areas

Unit: RMB'0000

Area	Income from main operations	Increase/decrease in operating income over that of last year (%)
Domestic sales	1,504,552.10	16.06%
Oversea sales	1,412.40	52.79%
Total	1,505,964.50	16.08%

3. Major suppliers and customers.

Unit: RMB'0000

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

Total amount of purchase of the top five suppliers	302,760.50	Proportion in the total amount of purchase	21.72%
Total amount of sales of the top five sales customers	100,063.43	Proportion in the total amount of sales	6.61%

Unit: RMB'0000

Items	2011 -12 -31		2010 -12 -31		Increasing ratio in the total assets
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)	
Total assets	766,575.98	100.00%	630,679.30	100.00%	-
Monetary fund	95,266.52	12.43%	71,178.98	11.29%	1.14%
Notes receivable	53,492.27	6.98%	36,916.90	5.85%	1.13%
Accounts receivable	357,144.72	46.59%	286,682.51	45.46%	1.13%
Inventory	131,127.32	17.11%	115,632.97	18.33%	-1.22%
Fixed assets	59,967.96	7.82%	49,255.77	7.81%	0.01%
Construction in process	13,104.28	1.71%	10,830.13	1.72%	-0.01%
Intangible assets	11,957.86	1.56%	12,917.54	2.05%	-0.49%
Total liabilities	623,895.91	81.39%	517,534.76	82.06%	-0.67%
Short-term loans	183,983.81	24.00%	97,547.59	15.47%	8.53%
Notes payable	105,942.70	13.82%	144,862.25	22.97%	-9.15%
Accounts payable	249,017.74	32.48%	200,356.65	31.77%	0.71%
Other accounts payable	33,949.64	4.43%	34,501.13	5.47%	-1.04%

Main reasons for y-o-y changes on constitution of assets liability:

1. The proportion of monetary fund in total assets was 12.43%, up 1.14 percentage points over the period-beginning, the reason for change was that: on one hand, sales scale enlarged, inward flood of capital at period-end increased; on the other hand, loan and note discount increased.
2. The proportion of notes receivable in total assets was 6.98%, up 1.13 percentage points over the period-beginning, the reason for change was that: more note received due to soaring sales.
3. The proportion of accounts receivable in total assets was 46.59%, up 1.13 percentage points over the period-beginning, the reason for change was that: growth in sales makes ratio of account receivable in total assets up.
4. The proportion of inventory in total assets was 17.11%, down 1.22 percentage points over the period-beginning, the reason for change was that: more efforts in stock management, rapid up the inventory turnover.
5. The proportion of fixed assets in total assets was 7.82%, up 0.01 percentage points over the period-beginning, the reason for changes was that: some of the construction in progress are completed in period and transfer to fixed assets.
- 6 The proportion of construction in process in total assets was 1.71%, down 0.01 percentage points over the period-beginning; the reason for change was that: some of the construction in progress is completed in period and transfer to fixed assets.
7. The proportion of intangible assets in total assets was 1.56%, down 0.49 percentage points over the period-beginning; the reason for change was that: amortization of intangible assets amounting to RMB 15.94 million in period.
8. The proportion of short-term loan in total assets was 24.00%, up 8.53 percentage points over the period-beginning, the reason for change was that: influence by financial surrounding, account of goods are hard to recover, enlarging financing scale to guarantee normal development of the business.
9. The proportion of notes payable in total assets was 13.82%, down 9.15 percentage points over the period-beginning, the reason for change was that: change way of payment due to costs of issuing notes soaring.
10. The proportion of accounts payable in total assets was 32.48%, up 0.71 percentage points over the period-beginning, the reason for change was that: purchasing increased due to sales growth that balance of account payable growth.
11. The proportion of other accounts payable in total assets was 4.43%, down 1.04 percentage points over the period-beginning, the reason for change was that: construction account and equipment account payable by Zhijun Wanqing (subsidiary of the Company) decreased.

VI .Changes on operation expenses, administration expenses, financial expenses and income tax.

Unit: RMB'0000

Item	2011	2010	+/-	Reason for significant change
Sales expenses	42,990.10	43,058.86	-0.16%	Strengthen control of expenses; bidding expenses, meeting expenses and other expenses gains a y-o-y decrease
Administrati on expenses	34,963.47	30,087.54	16.21%	①Subordinate subsidiary Zhijun and Zhijun Wanqing enlarge investment of research and development for supporting business; ②fixed assets increased and depreciation charges increased 。

Financial expenses	13,640.14	8,253.86	65.26%	Need more money for business enlargement; loans scale expanded and interested cost soaring for influence of higher rate
Investment income	2,811.94	2,726.58	3.13%	Gains a y-o-y growth of investment income due to profit from Shenzhen Main-Luck, affiliated company
Non-operating income	2,400.50	2,024.49	18.57%	R& D subsidy from government received in period
Income tax	8,146.63	7,558.79	7.78%	A y-o-y growth in profit, income tax increased correspondingly

(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 2011, total assets amounted to RMB 1,105,521,200, operating income RMB 1,398,352,100 of the whole year and net profit of RMB 189,475,300.

2. SINOPHARM Group Guangzhou Co., Ltd.: a wholly-owned subsidiary of the Company with RMB 0.4 billion registered capital. It mainly engaged wholesales 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 as well as import & export of technology. Till Dec. 31 of 2011, total assets amounted to RMB 3,582,502,500, operating income RMB 8,015,893,500 of the whole year and net profit of RMB 110,488,700.

3. SINOPHARM Group Nanning Co., Ltd.: wholly-owned subsidiary of the Company with registration capital RMB 0.1 billion. It mainly engaged in wholesales and retails of commercial medicine, including import & export of Chinese traditional patent medicine, chemical preparations, diagnosis medicine, and biological medicine with features of treatment and diagnosis, and various commodity and technique hold by self-support and agency. Till Dec. 31 of 2011, total assets amounted to RMB 962,044,000, realized operating income RMB 1,637,505,200 of the whole year and net profit of RMB 34,972,400.

4. Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.: register capital of RMB80 million and 75% equity was held by the Company. The company mainly engaged in the manufacture and sales of common API, cephalosporin API and preparations. Ended as 31 December 2011, the company's total assets amounting to RMB 461.0957 million, net assets amounting to 84.3364 million, operating income realized RMB 432.5103 million in the year and net profit of RMB -27.0594 million achieved.

5. Shenzhen Main Luck Pharmaceuticals INC: with the registered capital of RMB 0.12 billion and the Company holds its 35.19% equities. Its main business covered development, research, production and operation of anticancer medicine preparations. Till end of 31 December 2011, total assets of the company amounting to RMB 568,628,500, operating income of RMB 581,680,000 was achieved in whole 2011 and net profit gains RMB 90,866,400.

Section III. Investment of R&D and self innovation

I. Total investment of R&D

Subordinate industry and enterprise of pharmaceutical business dept. of Sinopharm Accord are continuo to invest in technology with purpose of enhancing ability of technology innovation. Totaling RMB64.9351 million was actually invested in 2011, a 3.72 percent in total sales income of pharmaceutical business dept.

II. Self innovation

System innovation: Re-constructed committee of science & technology, unify plan and management of research and development, formulated a “twelfth 5-year” of industry R&D of Accord as well as sub-planning of R&D for vary industry enterprises; carry out system of project management/person in charge totally; sharing R&D resources; proactively promoted constructor of R&D platform. .

Application of new drugs: Three business divisions take advantage of R&D, promoted R&D works; 13 newly projects started till 2011; obtained 2 projects for production trials/clinical trials each; 4 projects are apply for domestic/international patent; obtained 11 patent(5 appearance patent included); government sponsored projects amounting to RMB 22.44 million.

Technology innovation: Three industry enterprises introduce new technology in line with production cost, technology reformation are conducting smoothly. In 2011, totally 7 technologies have been reformed, cost reduced and capacity enlarged.

Progress of Technical Transformation Projects for year of 2011 from vary enterprise of business division

	Technological transformation	Predicted earnings	Progress of 2011 and achievements 2
Zhijun Pharmaceutical	Tabletting directly by Dudley new powder	Twice of production rate up; improve production difficulties from Zhijun;	Verification of production process
	One-step pelletization of Dudley Finn	auxiliary materials reduced 25%; improve production efficiency	Trial production
Zhijun Wanqing	G-Workshop transformation	Improve stability of cefuroxime, improve quality standards	Successful in trial production for sodium transfer to sodium
	Optimized process of Cefathiamidine	Higher yield and reduce production cost	Costs down in trials
	Technology innovation of process of Cefoxitin synthesized	Solved major organic solvent; higher yielding and reach energy saving and emission reduction	Costs down in trials
	Process transformation of bacterial crystallization of Cefpirome Sulfate	Reduce ignition residue efficiency	Total cost decreased
Shenzhen Chinese Medicine	Process transformation of Athletes clear liquid solution	Sterilizaion process of 10ml Athletes clear liquid solution; pro-long validity; transformation of production period	Promoted by schedule

Outreach in new area: Classify structure of greathealth, established sales team of great health, realized officially listed for CoQ10 soft capsule, major products of health care products.

Exploitation in new market: Under the help of EU Certification, totally promoted progress of internationalization, proactively exploit market of EU. totally 7 agreements of

cooperation were signed for international market; win the bidding of Britain Government; realized export of Cefuroxime sodium needle and raw material of Cefuroxime Sodium to EU.

Section IV. Working plan in 2012

I. Operation direction in 2012

In 2012, the Company will continuously take over the overall goal of the 12th Five-Years, face the complicated market, seize opportunities of industry integration and new medicine reform, fully coordinate various resources surrounding the Stable Growth, Structure Regulation, Transformation Promotion, Realization of the 12th Five-Years, and optimize organization frame and levels of management and control. We will strive to break through necklace hindering corporation development, and vigorously complete annual goal of above RMB 1.75 billion sales income.

Stable growth: transfer chasing scale growth into preferring quality interest, change huge network allocation into fine and detailed network sinking.

Structure adjustment: adjust headquarter resources structure; focus on strategic direction, commercial model, investment and resources allocation. As for distributed sales field, add proportion of direct sales and optimize structure; improve quantity and sales proportion of nation brand products, optimize products structure. In aspect of pharmacy filed, enlarge exploration in international market and regulate market structure; continuously boost sales proportion of oral pharmacy and perfect products structure.

Promote the transformation: as for distributed sales transfer the balance earning way to offer value-added service; as for pharmacy, transfer concentrating on domestic market under international strategy to centering on domestic and considering foreign market.

II. Major work in 2012

(I) Major work of headquarter

1. Complete responsibility procedure and thoughts of management and control, enhance joint and coordination, and optimize operation system of Strong Headquarter and Large Business Department.

In both aspects of divisive labor and position, in 2012 the headquarter and business department form difference. We will focus on service and management and control on business department as well as the operation and coordination under new structure. While the headquarter centers on strategic plan, resources allocation and audit supervision and other core functions. And resources will be regulated based on core function.

2. Conduct appraisal and rolling regulation on implementation of plans, ensure correct implementation of plans.

In 2012, we should conduct appraisal and rolling regulation on implementation of plans, track and promote major items, and timely regulate strategy and resources allocation based on implementation process, thus ensure realization of goal.

3. Improve service level and core value of headquarter thus create good environment for various business.

In 2012, we'll further widen financial channel, optimize usage efficiency of capital and solve capital shortage during operation. Meanwhile we'll take active measurements to strictly control capital allocation; continuously perfect management system of comprehensive risk, enhance check on various subsidiaries; boost analysis and track on implementation process of budget thus ensure achievement of annual operation standard.

4. Strengthen the leading and gathering influence of culture; establish a kind of culture environment with being nice and being responsible.

We'll deeply conduct initial activities, build a learning organization; fully apply various transmission carriers, propagate new brands, improve popularity of brands; communicate being nice, set up an atmosphere full of responsibility, promote harmony operation of

corporation. At the same time, we'll intensify safety awareness and conduct safety liability thus ensure normal operation of the Company.

(II) Major work of distributed sales business department

1. Continuously enhance merger and integration, conduct strategy of the A Company in A Region, form a distribution network covering Guangdong and Guangxi.
2. Build intellectual supply chain system, take customers' demand as guidance and an integrated supply chain gathering information flow, logistic, capital flow, visible ness, controllable as goal, construct a different competitiveness with same distribution, create pharmacy commercial distribution model.
3. Optimize variety and business structure, enhance coordination with nation-made plants, improve variety quantity and sales proportion, enlarge quantity and proportion of nation-made products in newly produced products; enhance sales contribution of non-pharmacy products such as equipments vaccine, realize double improvement of scale and profit; fully explore value of end-network, improve end sales proportion; concentrate on bidding of basic medicine and enlarge covering rate of basic medicine.
4. Enhance system function of back plat, focus on promoting sharing and centering construction of back plat, perfect integrated operation system of purchase in Guangdong and Guangxi, build distribution regional platform and deeply promote integrated operation.
5. Guided by performance management, we'll focus on enhancing profitability of subsidiaries; encourage subsidiaries to develop new breeds using locative resources, thus lead resources into fields with higher profit. We'll strive to rank top 3 in 25 regions in Guangdong and Guangxi and realize strong points and smooth network.
6. Build and perfect profitability of logistic business, comprehensively improve management level and operation efficiency of logistic, complete strategic transmission of logistic center. Thus logistic center will become Logistic Corporation from Corporation Logistic. We'll strive to set up modern logistic center and boost distribution business to grow.

(III) Major work of pharmacy business department

1. Further define responsibility and position of business department, optimize organization structure, perfect operation system of grand industry platform. Enhance management output and pattern replication at business department level; achieve an average development arranged by business department.
2. Take the opportunity of Euro-Union certificate, promote international certificate experiences, and lead staffs and senior managers to learn the internationalized thoughts and principles. Start international certificate of 2 plant rooms of Zhijun Pharmacy and Euro-Union certificate of newly built germ-free raw material plant room of Zhijun Wanqing. Speed up exploration of international mainstream market; arrange registration of products of business department in Britain, Romania, South Africa and Saudi. Realize preparation export and brands improvement.
3. Speed up structure transmission, boost proportion of oral raw material and preparation; promote market structure regulation, deeply explore domestic market and international market; boost regulation of products line and rapidly involve into rich products line in new field through bring externally, purchase and merger as well as self R&D.
4. Enhance function of R&D and marketing center, build industry platform dumbbell alike. Strategy of R&D center will become multiple from special channels. Add efforts on development of products such as cerebrovascular, breathing and digestion systems. Vigorously bring in domestic and foreign patent products. Accelerate promoting union of production and study, coordinate with technology colleges, and look for breakthrough points which improve technology level of major products. Marketing center transfers strategy to end preference from channels preference; rearrange variety of products and marketing direction. Put more effort on structure adjustment; strive to make sales proportion of oral medicine grow by above 43% in 2012 about Zhijun Pharmacy. And

products group with above RMB 100 billion sales income should step on a new position.

5. Take the marketing of coferment Q10 as an opportunity, we're going to build an ambitious and active sales team, enhance popularity of brand Yitianmei, and activate the subsequent varieties marketing. We believe self-import and original equipment manufacturer will form a products group in the name of grand health. That would be a new profit point of the Company.

6. Promote basement construction and technology reform on workshops thus solve necklac e of productivity. Based on full exploration on current productivity, we're going to enhance basement construction thus offer convenience for optimization and adjustment on products structure. And improvement of hardware and software equipments will improve quality standards of products. We'll complete production extension of solid 2 workshops, make linking production automobile thus boost productivity. We're going to continuously process coordination, release productivity of oral solid medicine. The 2nd phase of basement construction of Zhijun Guanlan and new version GMP certificate on Zhijun Pharmacy workshop will be completed in this year.

Section VI. Investment and application of raised funds

I. Main investment

On 1 September 2011, the Company purchase drugs operation business of Guangxi A-Think Pharmaceutical Co., Ltd. with dealing price of RMB 0.9128 million in order to promoted distribution layout network in Guangxi area.

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
The 2 nd phase project of Guanlan Base of Zhijun Pharmaceutical	25,000.00	14%	Expanded two workshops of cephalosporin solid, increasing 1 billion pieces of annual productivity; Newly built a production line of aseptic injection, increasing 0.2 billion annual productivity.
Nanning Logistic Center Project	15,466.76	79%	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.
workshop of solvent recovery	1,821.60	99%	Treatment for recovered solvent reached 85 tons/day after workshop of solvent recovery officially put into used, over that aged workshop 15 tons/day; recovery quality gains a dramatically growth, more than RMB 8 million cost will be save annually by prediction
workshop of asepsis raw materials	5,934.00	99%	Construction of cephalosporin asepsis API workshop will bring an annual productivity of 600 tons, solving the bottleneck problem of productivity and meeting the demands of market.
Cefoxitin enzyme workshop transformation project	918.00	99%	Raw material of west butyrate gains an annual productivity from 25 tons to 50 tons; cefpirome gains an annual productivity from 6 tons to 15 tons; cefixime gains an annual productivity from 20 tons to 50 tons, that break the bottleneck problem of productivity and totally affiliated with new workshop.

Comprehensive warehouse construction	1,152.00	93%	Stock area of 7000 square meters increased; solvent tank area, newly built, gains a storage ability from 80 tons to 900 tons; being collectively solvent storage and pipe transport, reduced solvent storage and risk of transportation
Power supply workshop transformation project	1,470.00	100%	Power supply ability enlarge from 2000KVA to 4000KVA; double electric power source stratified peak electricity and lower risk of power of with single electric source
Sewage transformation project etc.	4,302.00	63%	Under premise of influent requirement of subsequent for sewage, treatment ability higher from 50 tons/day to 850 tons/day
Total	56,064.36	-	-

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. Proposal of “Credit Line Application to Ping An Bank from Shenzhen Accord Pharmaceutical Co., Ltd.” was deliberated and approved in 1st Extraordinary Meeting of the Board for 2011, held by telecommunication, dated 16 February 2011.

Resolution published on “Securities Times” and “Hong Kong Commercial Daily” dated 19 February 2011.

2. On 18 March 2011, 23rd Meeting of 5th Session of the Board deliberated and approved the follow proposals by on-site voting:

(1) “Annual Report of Board of Directors 2010”

(2) “Annual Report 2010 and Summary”

(3) “Annual Profit Distribution Plan 2010”

(4) “Annual Report of Work of Independent Directors 2010”

(5) “Annual Report of Social Responsibility 2010”

(6) “Annual Self-assessment Report of Internal Control 2010”

(7) “Implementation of Work Plan of ‘Basic Regularities of Internal Control for Enterprise’”

(8) “Annual Budget Plan of Operation 2011”

(9) “Annual Performance Appraisal Plan of Operation 2011”

(10) “Proposal of 2011 Annual Amount of Comprehensive Guarantee Applied form Bank and Arranging Guarantee Events”

(11) “Proposal of 2011 Annual Daily Related Transaction between the Company and Its Subsidiaries”

(12) “proposal of election at expiration of office terms of the Board”

(13) “Proposal of Re-engagement of CPA”

(14) “proposal of construction of R&D Manufacture base Phase II of Guanlan Medical, Zhijun Pharmaceutical”

(15) “proposal of plans to constructed R&D manufacture base of Pingshan Medical, Accord”

(16) “proposal of Affiliated projects for Suzhou Zhijun Wanqing Medicines Co., Ltd.”

(17) “proposal of equipment technical reformation and equipment purchase for year of 2011 of Shenzhen Zhijun Pharmaceutical Co., Ltd.”

(18) “Development Plan of Strategy ‘twelfth 5-year’ of Accord Pharmaceutical”

Resolution published on “Securities Times” and “Hong Kong Commercial Daily” dated 22 March 2011.

3. On 28 April 2011, the 1st Meeting of 6th Session of the Board deliberated and approved the follow proposals by telecommunication voting:

(1) “Proposal of election of Chairman”

(2) “Proposal of re-appointment of senior executives”

(3) “proposal of set up special committee of the Board”

(4) “First Quarterly Report for year of 2011”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 29 April 2011.

4. On 16 August 2011, the 2nd Meeting of 6th Session of the Board deliberated and approved the follow proposals by telecommunication voting:

(1) “Semi-annual report of 2011 and its summary”

(2) “proposal of adjustment on bank credit line for year of 2011 and guarantee arrangement”

(3) “proposal of bad debt write-off for subordinate company—Guangxi Sinopharm Logistic Co., Ltd.”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 18 August 2011.

5. On 26 September 2011, the 3rd Meeting of 6th Session of the Board deliberated and approved the follow proposals by telecommunication voting:

(1) “Proposal of outside investment from Sinopharm Group Nanning Co., Ltd., wholly-owned subsidiary of the Company”

(2) “Proposal of address removing and name changes from Guangxi Accord Medicine Co., Ltd. subsidiary of the Company, as well as equity transfer to Sinopharm Group Nanning Co., Ltd.”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 27 September 2011.

6. On 21 October 2011, 4th Meeting of 6th Session of the Board deliberated and approved the follow proposals by on-site voting:

(1) “Third Quarterly Report 2011 of Accord Pharmaceutical”

(2) “Proposal of application of entrust loan limit from the Company and its subordinated enterprise for year of 2011 to largest shareholders and interest payment”

(3) “Proposal of credit line application 600 million yuan to China CITIC Bank and guarantee arrangement”

(4) “Proposal of issuance application of short-term financial bonds”

(5) “Proposal of adjustment for some of the Directors”

(6) “proposal of convene the 2nd Extraordinary Shareholders’ General Meeting for 2011”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 18 August 2010.

7. On 18 November 2011, 5th Meeting of 6th Session of the Board deliberated and approved the follow proposals by on-site voting:

(1) “Proposal of election of Chairman”

(2) “Proposal of adjustment on members of special committee of the Board”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 19 November 2011.

8. On 2 December 2011, the 6th Meeting of 6th Session of the Board deliberated and approved the follow proposals by telecommunication voting:

(1) “Proposal of 99.7% equity acquisition of Guangxi Wuzhou Huawu Herbs Co., Ltd by subordinate company Sinopharm Group Nanning Co., Ltd.”

(2) “proposal of 100% equity acquisition from Zhaoqing Hexin Medicine Co., Ltd.”

(3) “proposal of entrust loans offer to subordinate wholly-owned subsidiary of the Company”

(4) “Proposal of name changes of the Company and ‘Article of Association’ amendment”

(5) “proposal of convene the 3rd Extraordinary Shareholders’ General Meeting for 2011”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 6 December 2011.

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 reporting period, the "proposal on Daily Related Transaction between the Company and Related Enterprise for year of 2011" has been deliberated and approved by the Annual Shareholders' Meeting of 2010 dated 28 April 2011. In year of 2011, the Company actually has purchased goods from related enterprise totaled RMB 1,520,280,400 and sales goods to relate enterprise totaled RMB 1,386,529,300. These occurring amounts are respectively takes 84.46% and 92.44% of granted amounts authorized by Shareholders General Meeting.

(2) Implementation of the profit distribution plan

The Annual Shareholders' General Meeting of 2010 was held on April 28, 2011, in which deliberated and approved to send cash dividends of RMB 1.20(tax included) per every 10 shares to its all shareholders, taking the total shares 288,149,400 of the Company at year-end of 2010 as the base. The Board has released the notice of Implementation of the 2010 Dividend Distribution of the Company on June 9, 2011 (published on "Securities Times", "Hong Kong Commercial Daily" and the website <http://www.cninfo.com.cn> dated June 9, 2011). The Company implemented the 2010 profit distribution plan and the dividends for public shareholders have been already sent to their accounts respectively on June 16, 2011(A-share) and June 20, 2011 (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. Performance of Risk Internal Control and Audit Committee of the Board

In 2011, risk internal control and audit committee of the Board strictly performed its responsibility based on the "Work System of Risk Internal Control and 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 risk internal control and 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 2011 by conference with approval by the Board. In addition, risk internal control and audit committee conclusion the annual auditing work of 2011 performed by Pricewaterhouse Zhongtian CPA Co., Ltd., a re-appointment proposal was submitted to the Board.

I. Work of risk internal control and audit committee of the Board

The risk internal control and 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 risk internal control and audit committee convened the Work Meeting of 2011 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 Risk Internal Control and 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 risk internal control and audit committee before annual CPA auditing

According to relevant regulation of Work System of Risk Internal Control and Audit Committee of the Board of Sinopharm Accord, the risk internal control and 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 2011:

(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.

Risk Internal Control and Audit Committee of the
Board

30 December 2011

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

According to relevant regulation of “Work System of Risk Internal Control and Audit Committee of the Board of Sinopharm Accord”, the risk internal control and 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 Sinopharm Accord 2011, 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, 2011 fair-ness with truth-ness, accuracy and integrity content.

The Financial Accounting Statement 2011 primary approved by CPAs should submit to Risk Internal Control and Audit Committee for decision.

Risk Internal Control and Audit Committee of the
Board

14 February 2012

3. Conclusion Report from Risk Internal Control and Audit Committee on Annual Auditing

by CPA Co., Ltd.

On 10 December 2011, risk control and auditing committee of the Board listed report of auditing plan for 2010 and preliminary auditing situation of the Company from PWC Zhongtian CPA Co., Ltd, and communicated annual auditing plan and problems found in auditing; Annual on-site auditing was conducted by auditors in vary companies, calculated into consolidation range, from 5 January 2012 to 10 February 2012. During the above said period, concerning statement consolidation, accounting adjustment, counting policy adoption and accounting problems need perfection that found during the auditing work, auditors and managements as well as members of risk control and auditing committee exercising continuously and fully communication, based on the importance and prudential principle, which lay out a mature judgment on the provision of fair-ness auditing results from CPAs with ture, accuracy and complete information disclosed for financial accounting. On 12 March 2012, risk control and auditing committee listening report of Annual Auditing Result for year of 2011 and finds in internal control from auditors.

During the period of auditing from annual auditing CPA, members of risk internal control and audit committee perform their responsibilities on supervision and verification according to the “Work System of Risk Internal Control and Audit Committee of the Board of Sinopharm Accord”. 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 Auditing Standards for the Chineses Certified Public Accountants. The issued auditing conclusion corresponding actual situation of the Company, the auditing statement reflected real financial status of the Company dated December 31, 2011, business results of 2010 and cash flow of 2011 fair-ness and completely, with a sufficient time, reasonable personnel allocation and qualified execution.

Risk Internal Control and Audit Committee of the
Board
14 March 2012

4. Meeting Resolution of Work 2011 from Risk Internal Control and Audit Committee of Board

Meeting was held on 14 March 2012 by the risk internal control and audit committee of the Board. Six people for legal attendance and six people for actual attendance. Followed proposals were approved by the risk internal control and audit committee:

- (1) Pass the Financial Report of 2011 with 6 affirmative votes, 0 abstentions, 0 dissenting vote;
- (2) Pass the Conclusion Report of auditing work 2011 on the Company from Pricewaterhouse Zhongtian CPA Co., Ltd. with 6 affirmative votes, 0 abstentions, 0 dissenting vote;
- (3) Pass the Proposal of Re-appointment of CPAs with 6 affirmative vote, 0 abstention, 0 dissenting vote. In 2012, 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.

Risk Internal Control and Audit Committee of the
Board

14 March 2012

Section X. Performance of Remuneration and Appraisal Committee of the Board

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. Plan of Profit Distribution and Converting Capital Reserve into Share Capital in 2011

The 2011 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 2011 was RMB234,994,766.07, in accordance with the regulation of “Company Law” and “Articles of Association”, withdrawal of surplus public reserve was RMB 23,499,476.61 based on 10% of net profit, retained profit increase RMB 1,830,000.00 (gains/losses during based date of assessment and date of equity custody with original shareholders in purchasing Sinopharm Group Shenzhen Chinese Medicine Co., Ltd.), dividend distributed was RMB34,577,928.00, plus the retained profit at year-begin RMB 400,551,039.54, the Company has profit of RMB 579,298,401.00 available for distribution for shareholders ended as at Dec. 31, 2011.

The 2011 Preplan Profit Distribution of the Company is: taking the total 288,149,400 shares as of Dec. 31, 2011 as the radix, cash bonus of RMB 1.30(before tax) each 10 shares will be distributed to the whole shareholders. It is predicated that the distributed dividend would be RMB 37,459,422.00, and the remained profit RMB 541,838,979.00 would be transferred to the next year.

The Company did not convert capital reserve into share capital in 2011.

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

Unit: CNY

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
2010	34,577,928.00	261,116,656.70	13.24%	719,209,302.41
2009	28,814,940.00	192,868,245.18	14.94%	509,918,947.32
2008	28,828,019.86	159,942,507.87	18.02%	328,312,129.47
The proportion of accumulative cash bonus during recent three years in latest annual average net profit (%)				45.06%

Section XII. Other disclosure events

During report period, “Securities Times” and “Hong Kong Commercial Daily” were appointed by the Company as disclosure media, no changes for disclosure media.

CHAPTER VIII. REPORT OF THE SUPERVISORY COMMITTEE**I. Works of the Supervisory Committee**

In 2011, the Supervisory Committee of China National Accord Medicines Corporation 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 20th Meeting of 5th Session of Supervisory Committee was held on March 18, 2011 for the followed proposals approved:

- (1) “Report of the Supervisory Committee 2010”;
 - (2) “Proposal of election at expiration of office term for supervisory committee”
 - (3) “Annual Report 2010 and Summary of Annual Report 2010;”
 - (4) “Profit Distribution Plan 2010;”
 - (5) “Social Responsibility Report 2010;”
 - (6) “Self-assessment Report on Internal Control 2010;”
 - (7) “Plan of Operation Budget 2011;”
 - (8) “Plan of Operation Performance Evaluation 2011;”
 - (9) “Proposal of General Credit Limit Application to Bank and Guarantee Arrangements 2011;”
 - (10) “Proposals of Daily Related Transactions between the Company, Subordinate Enterprise and Related Parties in 2011;”
 - (11) “Proposal of Re-engagement of CPA”
 - (12) “proposal of construction of R&D Manufacture base Phase II of Guanlan Medical, Zhijun Pharmaceutical”
 - (13) “proposal of plans to constructed R&D manufacture base of Pingshan Medical, Accord”
 - (14) “proposal of Affiliated projects for Suzhou Zhijun Wanqing Medicines Co., Ltd.”
 - (15) “proposal of equipment technical reformation and equipment purchase for year of 2011 of Shenzhen Zhijun Pharmaceutical Co., Ltd.”
 - (16) “Development Plan of Strategy ‘twelfth 5-year’ of Accord Pharmaceutical”
- Resolution published on “Securities Times” and “Hong Kong Commercial Daily” dated 22 March 2011.

2. Followed proposals were deliberated and approved in 1st Meeting of 6th Session of Supervisory Committee held 28 April 2011

- (1) “Proposal of election of convener for supervisory committee”
 - (2) “First Quarterly Report for 2011”
 - (3) “Proposal of re-engagement of senior executives of the Company”
- Resolution published on “Securities Times” and “Hong Kong Commercial Daily” dated 29 April 2011.

3. Followed proposals were deliberated and approved in 2nd Meeting of 6th Session of Supervisory Committee held 16 August 2011

- (1) “Semi-annual report of 2011 and its summary”
- (2) “proposal of adjustment on bank credit line for year of 2011 and guarantee arrangement”
- (3) “proposal of bad debt write-off for subordinate company—Guangxi Sinopharm Logistic Co., Ltd.”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 18 August 2011.

4. Followed proposals were deliberated and approved in 3rd Meeting of 6th Session of Supervisory Committee held 23 September 2011

- (1) “Proposal of outside investment from Sinopharm Group Nanning Co., Ltd., wholly-owned subsidiary of the Company”
- (2) “Proposal of address removing and name changes from Guangxi Accord Medicine Co., Ltd. subsidiary of the Company, as well as equity transfer to Sinopharm Group Nanning Co., Ltd.”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated

27 September 2011.

5. Followed proposals were deliberated and approved in 4th Meeting of 6th Session of Supervisory Committee held 21 October 2011

(1) “Proposal of adjustment for some of the Supervisors”

(2) “Third Quarterly Report 2011 of Accord Pharmaceutical”

(3) “Proposal of application of entrust loan limit from the Company and its subordinated enterprise for year of 2011 to largest shareholders and interest payment”

(4) “Proposal of credit line application 60 million yuan to China CITIC Bank and guarantee arrangement”

(5) “Proposal of issuance application of short-term financial bonds”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 22 October 2011.

6. The 5th Meeting of 6th Session of Supervisory Committee was deliberated and approved “proposal of election of convener for supervisory committee” held 18 November 2011

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 19 November 2011.

7. On 2 December 2011, the 6th Meeting of 6th Session of Supervisory Committee deliberated and approved the follow proposals:

(1) “Proposal of 99.7% equity acquisition of Guangxi Wuzhou Huawu Herbs Co., Ltd by subordinate company Sinopharm Group Nanning Co., Ltd.”

(2) “proposal of 100% equity acquisition from Zhaoqing Hexin Medicine Co., Ltd.”

(3) “proposal of entrust loans offer to subordinate wholly-owned subsidiary of the Company”

(4) “Proposal of name changes of the Company and ‘Article of Association’ amendment”

Resolutions published on “Securities Times” and “Hong Kong Commercial Daily” dated 3 December 2011.

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 2011, 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 2011 complied with the actual condition of the Company. The financial report 2011 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-assessment of internal control

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

CHAPTER IX. SIGNIFICANT EVENTS

Section I. Significant lawsuits and arbitrations

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

Section II. Purchases and sales of assets

Unit: RMB'0000

The other 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)
Guangxi A-Think Pharmaceutical Co., Ltd.	Business of medicine operation of Guangxi A-Think Pharmaceutical Co., Ltd.	2011-09-01	91.28	0.00	0.00	No	Take tripartite creditor/debtor as accounting base for account receivable and account payable; take actual stocktake and market price as accounting base for inventory and take actual material into consideration	Yes	Yes	Inapplicable

In report period, the Company has selling no assets or no selling assets that occurred in previous period but last till this period.

Section III. Important related transactions

I. Daily related transactions

Unit: RMB'0000

Related parties	Sell product and supply labor force to the related parties		Purchase product and accept labor force from related parties	
	Transaction amount	Proportion in the amount of the same transaction	Transaction amount	Proportion in the amount of the same transaction
Sinopharm Group Hunan Co., Ltd.	10,843.45	0.72%	26.62	0.00%
Guangdong Accord Drugstore Co., Ltd,	9,538.87	0.63%	43.30	0.00%
Sinopharm Group Hubei Co., Ltd.	9,458.05	0.63%	0.00	0.00%
Sinopharm Group Beijing Co., Ltd.	8,136.94	0.54%	442.00	0.03%
Chongqing YAOPHARMA Co., Ltd.	8,086.15	0.54%	507.93	0.04%
Foshan Nanhai Uptodate & Special Co., Ltd.	7,363.23	0.49%	2,303.28	0.17%
China National South-West Medicine Co., Ltd.	6,779.24	0.45%	0.00	0.00%
Sinopharm Group Shenyang Co., Ltd.	5,947.52	0.39%	0.00	0.00%
Sinopharm Group (Tianjin) Oriental Bokang Medicine Co., Ltd.	5,111.76	0.34%	0.00	0.00%
Sinopharm Group Tianjing Co., Ltd.	4,766.70	0.32%	0.00	0.00%
Sinopharm Group	4,528.41	0.30%	71,638.69	5.22%
Sinopharm Group Beijing Huahong Co., Ltd.	4,160.58	0.28%	0.00	0.00%
Guangxi Accord Drugstore Chain Co., Ltd,	4,048.84	0.27%	0.00	0.00%
Sinopharm Group Hebei Medicine Co., Ltd.	3,754.48	0.25%	0.00	0.00%
China National Xinjiang Uptodate & Special Medicines Co., Ltd.	3,533.02	0.23%	0.00	0.00%
Sinopharm Group Hainan Co., Ltd.	3,238.42	0.22%	5.92	0.00%
Sinopharm Group Yunnan Co., Ltd.	2,816.63	0.19%	0.00	0.00%
Sinopharm Group Xinjiang Uptodate & Special Western Medicines Co., Ltd.	2,541.15	0.17%	0.00	0.00%
Sinopharm Group Yunnan Co., Ltd.	2,516.85	0.17%	0.00	0.00%
Sinopharm Group Shandong Co., Ltd.	2,471.09	0.16%	0.00	0.00%
Foshan Nanhai Medicines Co., Ltd.	2,308.73	0.15%	20.95	0.00%
Sinopharm Group Ningxia Co., Ltd.	2,270.69	0.15%	0.00	0.00%
Sinopharm Group Fujian Co., Ltd.	2,107.64	0.14%	257.66	0.02%
Guangdong Oriental Uptodate & Special Medicine Co., Ltd.	1,910.16	0.13%	438.04	0.03%
Sinopharm Le-Ren-Tang Medicines Co., Ltd.	1,442.77	0.10%	0.00	0.00%

Sinopharm Group Shanxi Co., Ltd.	1,495.84	0.10%	0.00	0.00%
Sinopharm Group Gansu Co., Ltd.	1,366.27	0.09%	0.00	0.00%
Sinopharm Group Henan Co., Ltd.	1,141.54	0.08%	0.00	0.00%
Sinopharm Group Jiangsu Co., Ltd.	1,081.62	0.07%	0.00	0.00%
Sinopharm Group Guizhou Co., Ltd.	1,071.57	0.07%	641.37	0.05%
Guangxi Wuzhou Huawu Herbs Co., Ltd.	1,067.48	0.07%	298.51	0.02%
Wenzhou Biomedicine-appliances Supplies Co., Ltd.	1,060.37	0.07%	0.00	0.00%
Sinopharm Group Shanxi Co., Ltd.	946.60	0.06%	0.00	0.00%
Sinopharm Group Jinzhou Co., Ltd.	852.24	0.06%	0.00	0.00%
Sinopharm Group Hainan Hongyi Co., Ltd.	706.32	0.05%	0.00	0.00%
Sinopharm Group Chongqing Co., Ltd.	653.23	0.04%	0.00	0.00%
Sinopharm Group Zhanzhou Co., Ltd.	605.88	0.04%	85.19	0.01%
Guangzhou Accord Drugstore Chain Co., Ltd.	525.50	0.03%	0.00	0.00%
China National Medicines Corp. Ltd.	515.01	0.03%	17,950.08	1.31%
China National Weiqida Medicines Co., Ltd.	471.47	0.03%	1,555.34	0.11%
Sinopharm Group Distribution Center Co., Ltd.	458.43	0.03%	37,300.53	2.72%
Sinopharm Group Jilin Co., Ltd.	415.97	0.03%	0.00	0.00%
Sinopharm Group Fuzhou Co., Ltd.	395.33	0.03%	0.00	0.00%
Sinopharm Group Inner Mongolia Co., Ltd.	390.40	0.03%	0.00	0.00%
Branch of Chinese & Western Medicines of Sinopharm Group Jiangsu Co., Ltd.	306.86	0.02%	0.00	0.00%
Sinopharm Group Heilongjiang Co., Ltd.	281.78	0.02%	0.00	0.00%
Guangdong South Medicine Foreign Trading Co., Ltd.	254.16	0.02%	1,640.16	0.12%
Sichuan Hexin Pharmaceutical Co., Ltd.	249.27	0.02%	0.00	0.00%
Sinopharm Group Xuzhou Co., Ltd.	242.59	0.02%	0.00	0.00%
Sinopharm Group Shijiazhuang Co., Ltd.	231.60	0.02%	0.00	0.00%
Sinopharm Group Taizhou Co., Ltd.	226.69	0.02%	0.00	0.00%
Sinopharm Group Tianjin Northern Medicine Co., Ltd.	214.08	0.01%	0.00	0.00%
Sinopharm Group Guoda Pharmacy Co., Ltd.	213.53	0.01%	0.00	0.00%
Sinopharm Group Wuxi Co.,	208.79	0.01%	0.00	0.00%

Ltd.				
Sinopharm Group Suzhou Co., Ltd.	165.89	0.01%	0.00	0.00%
Shanghai Zhaohui Pharmaceutical Co., Ltd.	158.85	0.01%	69.52	0.01%
Sinopharm Group Jiangxi Co., Ltd.	148.26	0.01%	0.00	0.00%
Sinopharm Group Metro (Dalian) Co., Ltd.	120.23	0.01%	0.00	0.00%
Guangdong Guoda Lifeng Medicine Chain Co., Ltd.	108.44	0.01%	0.00	0.00%
Sinopharm Group Yancheng Co., Ltd.	79.45	0.01%	0.00	0.00%
Sinopharm Group Longyan Co., Ltd.	78.29	0.01%	0.00	0.00%
Sinopharm Group Ningde Co., Ltd.	70.19	0.00%	0.00	0.00%
Dalian Branch of Sinopharm Group Shenyang Co., Ltd.	69.56	0.00%	0.00	0.00%
Sinopharm Group Anhui Co., Ltd.	52.69	0.00%	97.00	0.01%
Sinopharm Group Nanjing Co., Ltd.	47.77	0.00%	0.00	0.00%
Sinopharm Group Xinyu Co., Ltd.	35.93	0.00%	0.00	0.00%
Sinopharm Group Jinan Co., Ltd.	30.94	0.00%	2.80	0.00%
Heilongjiang Sinopharm Herbs Co., Ltd.	23.93	0.00%	0.00	0.00%
Sinopharm Group Sanming Co., Ltd.	20.56	0.00%	0.00	0.00%
Kasi Uptodate & Special Medicines Co., Ltd.	16.59	0.00%	0.00	0.00%
Sinopharm Group Xinjiang Uptodate & Special Canrong Medicines Co., Ltd.	14.77	0.00%	0.00	0.00%
Sinopharm Group Linyi Co., Ltd.	13.50	0.00%	0.00	0.00%
Guilin Huagui Sinopharm Affiliated Co.,	12.71	0.00%	62.51	0.00%
Sinopharm Group Lishui Co., Ltd.	9.15	0.00%	0.00	0.00%
Sinopharm Group An'shun Co., Ltd.	6.36	0.00%	0.00	0.00%
Sinopharm Group Yantai Co., Ltd.	6.22	0.00%	0.00	0.00%
Sinopharm Group Putian Co., Ltd.	5.41	0.00%	21.09	0.00%
Tanshan Branch of Sinopharm Group Tianjin Co., Ltd.	4.32	0.00%	0.00	0.00%
Zhongkeqi Import & Export Shenzhen Co., Ltd.	4.01	0.00%	0.00	0.00%
Sinopharm Group Changzhou Medicine Logistics Center Co., Ltd.	3.66	0.00%	0.00	0.00%
Sinopharm Group An'qing Co., Ltd.	3.51	0.00%	0.00	0.00%
Sinopharm Group Changzhou	2.90	0.00%	0.00	0.00%

Co., Ltd.				
Sinopharm Group Hunan Deyuan Medicines Co., Ltd.	2.12	0.00%	0.00	0.00%
Sinopharm Group Qujin Co., Ltd.	1.87	0.00%	0.00	0.00%
Sinopharm Group Xiangxi Co., Ltd.	1.18	0.00%	0.00	0.00%
Sinopharm Group Xiangtan Co., Ltd.	0.86	0.00%	0.00	0.00%
Sinopharm Group Suzhou Bo'ai Medicines Co., Ltd.	0.55	0.00%	0.00	0.00%
Sinopharm Group Jinzhou Co., Ltd.	0.47	0.00%	0.00	0.00%
Guangxi Guoda Drugstore Chain Co., Ltd.	0.00	0.00%	0.00	0.00%
Sinopharm Group Hubei Yibao Co., Ltd.	0.00	0.00%	0.00	0.00%
Shenzhen Accord Pharmaceutical Chain Co., Ltd.	0.00	0.00%	1.79	0.00%
Sino-TCM	0.00	0.00%	41.22	0.00%
China National Medicines Guorui Pharmaceutical Co., Ltd.	0.00	0.00%	2.63	0.00%
Inner Mongolia Branch of Sinopharm Group Tianjin Co., Ltd.	0.00	0.00%	0.00	0.00%
China National Medicines Bada Co., Ltd.	0.00	0.00%	0.00	0.00%
Ningxia Guoda Drugstore Chain Co., Ltd.	0.00	0.00%	0.00	0.00%
Changchun Branch of Sinopharm Group Shenyang Co., Ltd.	0.00	0.00%	0.00	0.00%
Sino-Swed Pharmaceutical Corp. Ltd.	0.00	0.00%	6,562.43	0.48%
Main Luck Pharmaceutical	0.00	0.00%	3,934.09	0.29%
Qinghai Pharmaceutical (Group) Co., Ltd.	0.00	0.00%	1,429.45	0.10%
Jiangsu Wanban Medicine Marketing Co., Ltd.	0.00	0.00%	1,396.29	0.10%
Chengdu Ronsen Pharmaceutical Co., Ltd.	0.00	0.00%	794.84	0.06%
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.00	0.00%	759.88	0.06%
Shenzhen Wanwei Medicines Trading Co., Ltd.	0.00	0.00%	690.88	0.05%
China National Union Medical Instrument Co., Ltd.	0.00	0.00%	677.63	0.05%
Yunnan Herbs Co., Ltd.	0.00	0.00%	78.94	0.01%
Guilin Pharmaceutical Co., Ltd.	0.00	0.00%	72.09	0.01%
China National Chemical Regent Suzhou Co., Ltd.	0.00	0.00%	53.42	0.00%
China National Chemical Regent Co., Ltd.	0.00	0.00%	33.65	0.00%
Shanghai Modern Pharmaceutical Co., Ltd.	0.00	0.00%	32.45	0.00%
Sichuan Jiangyou Zhongbafuzi Technology Development Co., Ltd.	0.00	0.00%	18.38	0.00%

Shanghai Serum Biotechnology Co., Ltd.	0.00	0.00%	15.65	0.00%
Shenyang Hongqi Pharmaceutical Co., Ltd.	0.00	0.00%	6.45	0.00%
China National Shanghai Medical Instrument Co., Ltd.	0.00	0.00%	5.41	0.00%
Handan Moluo Pharmaceutical Co., Ltd.	0.00	0.00%	5.75	0.00%
Yichang Renfu Pharmaceutical Co., Ltd.	0.00	0.00%	3.12	0.00%
China Otsuka Pharmaceutical Co., Ltd.	0.00	0.00%	1.87	0.00%
Sinopharm Foreign Trade Co., Ltd. China Medicine Foreign Trading Co., Ltd.	0.00	0.00%	0.92	0.00%
Shanghai Yigongyuan Pharmaceutical Co., Ltd.	0.00	0.00%	0.32	0.00%
Guilin Pharmaceutical Co., Ltd.	0.00	0.00%	0.00	0.00%
Beijing sales branch of China National Pharmaceutical Industry Corp.	0.00	0.00%	0.00	0.00%
China National Pharmaceutical Industry Corp.	0.00	0.00%	0.00	0.00%
Sinopharm Group Beijing Kangcheng Biological Medicine Co., Ltd.	0.00	0.00%	0.00	0.00%
Sinopharm A-Think Pharmaceutical Co., Ltd.	0.00	0.00%	0.00	0.00%
National Medicines Prospect Dentech Technology (Beijing) Co., Ltd.	0.00	0.00%	0.00	0.00%
Guangdong Tianliang Medicines Co., Ltd.	0.00	0.00%	0.00	0.00%
Total	138,652.93	9.21%	152,028.04	11.08%

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 1,250,469,000.

II. Other related transactions

(1) Guarantee provided for the related parties: until Dec. 31st, 2011, the contingent liability formed by the guarantee for loans of the related parties and other units provided by the Company

Units providing guarantee	Units guaranteed	Amount actually guarantee	Beginning day of guarantee	End date of guarantee	Financial influence of the Company
The Company	Guangxi Logistic	6,308.30	2011-1-17	2014-1-17	No adverse effects
Sinopharm Group(SG)	SG Guangzhou	19,791.12	2011-8-12	2012-8-12	No adverse effects
The Company	SG Guangzhou	2,441.43	2010-11-5	2011-11-4	No adverse effects
The Company	SG Guangzhou	29,572.91	2011-4-28	2012-4-28	No adverse effects
The Company	SG Guangzhou	45,568.65	2011-4-28	2012-3-8	No adverse effects
The Company	SG Guangzhou	8,599.09	2011-5-27	2012-5-27	No adverse effects

The Company	SG Guangzhou	34,922.96	2011-10-17	2012-10-17	No adverse effects
The Company	SG Guangzhou	7,892.61	2011-12-14	2012-11-13	No adverse effects
The Company	SG Guangzhou	1,000.00	2011-11-24	2012-11-23	No adverse effects
Sinopharm Group	SG Guangzhou	9,571.57	2011-9-17	2012-9-28	No adverse effects
The Company	SG Guangzhou	9,860.71	2010-11-23	2012-11-22	No adverse effects
The Company	SG Liuzhou	2,789.68	2011-11-20	2012-11-20	No adverse effects
The Company	SG Nanning	7,992.34	2011-12-14	2012-11-13	No adverse effects
The Company	SG Nanning	5,485.50	2011-11-28	2012-11-28	No adverse effects
The Company	SG Nanning	9,407.22	2011-4-28	2012-4-28	No adverse effects
The Company	SG Zhanjiang	119.00	2011-8-2	2012-8-2	No adverse effects
The Company	Suzhou Wanqing	2,500.00	2011-12-14	2012-11-13	No adverse effects
The Company	Suzhou Wanqing	5,754.84	2011-5-6	2012-5-6	No adverse effects
The Company	Suzhou Wanqing	5,913.89	2010-7-19	2011-12-31	No adverse effects
The Company	Suzhou Wanqing	4,500.00	2010-8-1	2013-8-1	No adverse effects
The Company	Yanfeng Pharmaceutical	1,000.00	2010-7-27	2011-7-27	No adverse effects
The Company	Yanfeng Pharmaceutical	1,959.37	2011-12-14	2012-11-13	No adverse effects
The Company	Yuxing Pharmaceutical	1,004.53	2011-4-28	2012-4-28	No adverse effects
The Company	Zhijun Pharmaceutical	187.34	2011-6-2	2012-6-1	No adverse effects
The Company	Zhijun Pharmaceutical	5,215.31	2011-12-14	2012-11-13	No adverse effects
The Company	Zhijun Pharmaceutical	2,945.25	2011-9-30	2016-9-30	No adverse effects
The Company	Zhijun Pharmaceutical	3,178.77	2011-5-23	2012-2-21	No adverse effects
The Company	Zhijun Pharmaceutical	9,398.76	2011-2-21	2012-2-21	No adverse effects
Zhijun Pharmaceutical	The Company	1,097.41	2011-1-10	2012-1-10	No adverse effects
SG Guangzhou; Zhijun Pharmaceutical	The Company	12,027.90	2011-9-29	2012-9-28	No adverse effects
Sinopharm Group	The Company、SG Guangzhou; Zhijun Pharmaceutical	6,431.28	2011-11-18	2012-10-31	No adverse effects
Zhijun Pharmaceutical	The Company	1,258.72	2011-6-2	2012-6-1	No adverse effects
Zhijun Pharmaceutical	The Company	4,000.00	2011-12-6	2012-12-6	No adverse effects
Zhijun	The Company	8,198.56	2011-2-21	2012-2-21	No adverse effects

Pharmaceutical					effects
Zhijun Pharmaceutical	Zhijun Medicine Trading	186.00	2010-9-16	2011-9-16	No adverse effects
The Company	Zhijun Medicine Trading	1,169.15	2011-12-14	2012-11-13	No adverse effects
Zhijun Pharmaceutical	Zhijun Medicine Trading	1,481.60	2011-10-13	2012-10-12	No adverse effects

(1) The above said guarantees have been deliberated and approved at followed meetings: the 23rd Meeting of 5th Session of the Board dated 18 March 2011, Annual Shareholders' General Meeting of 2010 dated 28 April 2011, 2nd Meeting of 6th Session of the Board held 16 August 2011, First Extraordinary Shareholders' General Meeting of 2011 on 20 September 2011, 4th Meeting of 6th Session of the Board held 21 October 2011 and the 2nd Extraordinary Shareholders' General Meeting of 2011 dated 18 November 2011. Concerning the award date of 2010 for guarantees above said, the 18th Meeting of 5th Session of the Board held on 16 August 2010 and 3rd Extraordinary Shareholders' General Meeting of 2010 held on 3 September 2010 were deliberated and approved them.

(2) Sinopharm Group Guangzhou Co., Ltd., subsidiary of the Company, rented houses of China National Medicine Logistic Co., Ltd. with rents for 2011 as RMB 14.58 million. The related renting has been deliberated and approved in 23rd Meeting of 5th Session of the Board held 18 March 2011 and Annual Shareholders' General Meeting of 2010 dated 28 April 2011.

(3) Yanfeng Medicine, subsidiary of the Company, renting houses to its shareholders' family member Wang Yang, rents for 2011 amounting to RMB 0.378 million.

(4) In this year, the Company borrow capital RMB 267.37 million from Sinopharm Group Co., Ltd. through Shanghai Bank of Communication, interest paid in 2011 amounting to RMB 9.124 million; Sinopharm Group Guangzhou, subsidiary of the Company, borrow capital of RMB 300 million from Sinopharm Group Co., Ltd. through Shanghai Bank of Communication, interest paid in 2011 amounting to RMB 8.904 million; Sinopharm Group Liuzhou, subsidiary of the Company, borrow capital of RMB 20 million from Sinopharm Group Co., Ltd. through Shanghai Bank of Communication, interest paid in 2011 amounting to RMB 0.5051 million. The related transaction has been deliberated and approved in 4th Meeting of 6th Session of the Board held 21 October 2011 and 2nd Extraordinary Shareholders' General Meeting of 2011 dated 18 November 2011.

(5) Sinopharm Group Guangzhou Co., Ltd., subsidiary of the Company, paid note buyer discount of RMB 0.5419 million and RMB 7.7402 million respectively to Sinopharm Group Distribution Center Co., Ltd. and Sinopharm Group Co., Ltd. in this year. The related transaction has been deliberated and approved in 23rd Meeting of 5th Session of the Board held 18 March 2011 and Annual Shareholders' General Meeting of 2010 dated 28 April 2011.

(6) The Company and its subordinated subsidiary Sinopharm Group Guangzhou adopts CMS system from Shanghai Tongue Information Technology Co., Ltd. in this year with charges of RMB 1.7136 million in total.

(7) Zhijun Wanqing, subsidiary of the Company, paid exhibition expenses respectively to Sinopharm Lizhan Exhibition Co., Ltd. and Shanghai Institute of Pharmaceutical Industry of RMB 16,000 and RMB 13,700 in this year.

(8) Sinopharm Group Guangzhou Co., Ltd., subsidiary of the Company, offer consultancy service to Shenzhen Main Luck Pharmaceutical Co., Ltd. and Shenzhen Wanwei Medicine Trading Co., Ltd. and received consultancy charge of RMB 52,000 and RMB 9,900 respectively.

(9) Huixin Investment, subsidiary of the Company, leasing houses to Guangzhou Accord Drugstore Chain Co., Ltd. and China National Union Medical Instruments Co., Ltd. and

received rents of RMB 476,000 and RMB 175,200 respectively. The related transaction has been deliberated and approved in 23rd Meeting of 5th Session of the Board held 18 March 2011 and Annual Shareholders' General Meeting of 2010 dated 28 April 2011.

(10) the company leasing house to Shenzhen Accord Medicine Chain Co., Ltd. with rents income amounting to RMB 469,600. The related transaction has been deliberated and approved in 23rd Meeting of 5th Session of the Board held 18 March 2011 and Annual Shareholders' General Meeting of 2010 dated 28 April 2011.

(11) Guangxi Logistic and Sinopharm Group Liuzhou, subsidiary of the Company, leasing house to Guangxi Accord Drugstore Co., Ltd. with rents income of RMB 279,400 and RMB 1,152,600 obtained respectively. The related transaction has been deliberated and approved in 23rd Meeting of 5th Session of the Board held 18 March 2011 and Annual Shareholders' General Meeting of 2010 dated 28 April 2011.

(12) Hengchang Logistic, subsidiary of the Company, providing distribution and transport service to China National Medicines Corp. Ltd, Guangdong Accord Drugstore Co., Ltd, China National Medicines Logistic Co., Ltd. and Guangzhou Accord Drugstore Chain Co., Ltd. respectively, obtains charges of RMB 2,307,700, RMB 2,882,300, RMB 8,106,600 and RMB 366,500 respectively. Accord Logistic, subsidiary of the Company, provided distribution and transport service to Guangdong Accord Drugstore Co., Ltd with charges of RMB 582,500 obtained. The related transaction has been deliberated and approved in 23rd Meeting of 5th Session of the Board held 18 March 2011 and Annual Shareholders' General Meeting of 2010 dated 28 April 2011.

(13) Sinopharm Group Nanjing, subsidiary of the Company, paid engineer design and management fee of RMB 0.6 million to China National Pharmaceutical Group Wuhan Design Institution in this year.

The 23rd Meeting of 5th Session of the Borad held on 18 March 2011 and Annual Shareholders' General Meeting of 2010 held on 28 April 2011 have deliberated and approved the daily related transaction of (3), (6), (7), (8) and (13) above said.

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

Unit: 'RMB'0000

Related parties	Capital offer to related party		Capital offer to listed company from related parties	
	Amount	Balance	Amount	Balance
Account receivable:	0.00	0.00	0.00	0.00
Sinopharm Group Beijing Co., Ltd.	9,520.22	1,686.26	0.00	0.00
Sinopharm Group Hunan Co., Ltd.	12,686.71	2,172.86	0.00	0.00
China National Southwest Pharmacy Co., Ltd	7,931.71	1,387.10	0.00	0.00
Guangdong Accord Drug Store Co., Ltd	11,503.84	1,267.81	0.00	0.00
Sinopharm Group Beijing Huahong Co., Ltd.	4,867.87	706.92	0.00	0.00
Guangxi Accord Drug Store Chain Co., Ltd	4,735.82	911.43	0.00	0.00
Sinopharm Group Hubei Co., Ltd.	11,065.92	1,487.16	0.00	0.00
Sinopharm Group (Tianjin) Oriental Bokang Pharmacy Co., Ltd	5,980.76	614.38	0.00	0.00
Sinopharm Group Co., Ltd.	5,259.19	1,334.11	0.00	0.00
Sinopharm Group Hainan Co., Ltd.	3,788.62	698.13	0.00	0.00
Sinopharm Group Zhejiang Co., Ltd.	2,944.71	559.10	0.00	0.00
Sinopharm Group Tianjin Co., Ltd.	5,622.41	656.59	0.00	0.00
Sinopharm Group Yunnan Co., Ltd.	3,354.34	578.88	0.00	0.00
China National Xinjiang Uptodate & Special Pharmaceutical Co., Ltd.	4,133.63	881.03	0.00	0.00
Sinopharm Group Shenyang Co., Ltd.	6,958.60	1,209.68	0.00	0.00
Guangdong Oriental Uptodate & Special Medicines Co., Ltd.	2,231.56	315.04	0.00	0.00

Sinopharm Group Ningxia Co., Ltd.	2,656.71	163.55	0.00	0.00
Sinopharm Group Henan Co., Ltd.	1,335.60	76.74	0.00	0.00
Sinopharm Group Xinjiang Uptodate & Special Western Medicine Co., Ltd	2,973.15	355.30	0.00	0.00
Sinopharm Group Fujian Co., Ltd.	2,465.41	592.51	0.00	0.00
Sinopharm Group Guizhou Co., Ltd.	1,253.74	27.81	0.00	0.00
Sinopharm Group Shanxi Co., Ltd.	1,107.52	147.98	0.00	0.00
China National medicines Corp. Ltd.	833.33	124.77	0.00	0.00
Sinopharm Group Jiangsu Co., Ltd.	1,235.87	120.53	0.00	0.00
Wenzhou Biomedicine-appliances Supplies Co., Ltd.	1,240.64	131.42	0.00	0.00
Guangzhou Accord Drug Store Chain Co., Ltd	651.36	23.03	0.00	0.00
Sinopharm Group Guoda Pharmacy Co., Ltd.	217.19	89.85	0.00	0.00
Sinopharm Group Gansu Co., Ltd.	1,598.54	54.73	0.00	0.00
Sinopharm Group Jiangxi Co., Ltd.	174.86	0.95	0.00	0.00
China National Medicines Logistic Co., Ltd.	810.66	191.49	0.00	0.00
Guangdong South Medicines Foreign Trading Co., Ltd.	297.37	40.84	0.00	0.00
Sinopharm Group Shanxi Co., Ltd.	1,747.97	84.84	0.00	0.00
Sinopharm Group Shandong Co., Ltd.	2,886.81	272.86	0.00	0.00
Sinopharm Group Metro (Dalian) Co., ltd.	140.67	21.96	0.00	0.00
Sinopharm Group Chongqing Co., Ltd.	742.65	44.82	0.00	0.00
Sinopharm Group Hainan Co., Ltd.	456.76	61.14	0.00	0.00
Sinopharm Group Suzhou Co., Ltd.	194.09	37.61	0.00	0.00
Dalian Branch of Sinopharm Group Shenyang Co., Ltd.	81.39	36.90	0.00	0.00
Sinopharm Group Fuzhou Co., Ltd.	462.53	73.17	0.00	0.00
Sinopharm Group Jilin Co., Ltd.	486.68	51.15	0.00	0.00
Guangxi Wuzhou Huawu Herbs Co., Ltd.	1,248.74	632.56	0.00	0.00
Sinopharm Group Anhui Co., Ltd.	61.65	0.00	0.00	0.00
Foshan Nanhai Uptodate & Special Pharmaceutical Co., Ltd.	8,614.65	1,372.41	0.00	0.00
Sinopharm Le-Ren-Tang Medicines Co., ltd	1,688.04	684.93	0.00	0.00
Sinopharm Group Hainan Hongyi Co., Ltd.	826.39	431.60	0.00	0.00
Sinopharm Group Hebei Medicine Co., Ltd.	4,346.48	362.82	0.00	0.00
Foshan Nanhai Medicines Co., ltd.	2,705.09	275.87	0.00	0.00
Sinopharm Group Distribution Center Co., Ltd.	575.42	266.40	0.00	0.00
Sinopharm Group Jingzhou Co., Ltd.	995.72	215.72	0.00	0.00
Sinopharm Group Tianjin Northern Medicine Co., Ltd.	290.10	77.23	0.00	0.00
Sinopharm Group Longyan Co., Ltd.	91.60	45.07	0.00	0.00
Sinopharm Group Heilongjiang Co., Ltd.	363.36	37.76	0.00	0.00
Sinopharm Group Taizhou Co., Ltd.	266.28	28.95	0.00	0.00
Sinopharm Group Xuzhou Co., Ltd.	283.77	27.04	0.00	0.00
Sinopharm Group Wuxi Co., Ltd.	237.30	25.12	0.00	0.00
Sinopharm Group Zhangzhou Co., Ltd.	708.88	20.00	0.00	0.00
Guangdong Guoda Lifeng Medicine Chain Co., Ltd.	139.54	17.06	0.00	0.00
Sinopharm Group Nanjing Co., Ltd.	55.89	13.92	0.00	0.00
Sinopharm Group Yancheng Co., Ltd.	92.96	9.53	0.00	0.00
China National Weiqida Medicines Co., Ltd.	551.62	8.61	0.00	0.00
Sinopharm Group Ningde Co., Ltd.	90.55	4.32	0.00	0.00

Sinopharm Group Anshun Co., Ltd.	7.44	3.56	0.00	0.00
Sinopharm Group Changzhou Co., Ltd.	3.40	3.40	0.00	0.00
Sinopharm Group Changzhou Medicine Logistic Center Co., Ltd.	4.28	2.88	0.00	0.00
Sinopharm Group Lishui Co., Ltd.	10.71	1.49	0.00	0.00
Guilin Huagui Sinopharm Affiliated Co.,	16.28	1.08	0.00	0.00
Sinopharm Group Sanming Co., Ltd.	26.79	0.26	0.00	0.00
Zhongkeqi Import Shenzhen Co., Ltd.	3.21	0.24	0.00	0.00
Sinopharm Group Qujing Co., Ltd.	2.19	0.03	0.00	0.00
Sinopharm Group Jinzhou Co., Ltd.	0.55	0.00	0.00	0.00
Sinopharm Group Suzhou Bo'ai Medicines Co., Ltd.	0.46	0.00	0.00	0.00
Branch of Chinese Medicines and Western Medicines of Sinopharm Group Jiangsu Co., Ltd.	359.02	0.00	0.00	0.00
Sinopharm Group Xiangtan Co., Ltd.	1.01	0.00	0.00	0.00
Sinopharm Group Xiangxi Co., Ltd.	1.38	0.00	0.00	0.00
Sinopharm Group Henan Deyuan Medicine Co., Ltd.	2.48	0.00	0.00	0.00
Sinopharm Group Anqing Co., Ltd.	4.10	0.00	0.00	0.00
Sinopharm Group Yantai Co., Ltd.	7.28	0.00	0.00	0.00
Sinopharm Group Jinan Co., Ltd.	36.20	0.00	0.00	0.00
Sinopharm Group Putian Co., Ltd.	3.45	0.00	0.00	0.00
Sinopharm Group Xinyu Co., Ltd.	42.03	0.00	0.00	0.00
Kasi Uptodate & Special Medicines Co., Ltd.	19.41	0.00	0.00	0.00
Sinopharm Group Xinjiang Uptodate & Special Canrong Medicines Co., Ltd.	17.28	0.00	0.00	0.00
Tanshan Branch of Sinopharm Group Tianjin Co., Ltd.	25.11	0.00	0.00	0.00
Heilongjiang Sinopharm Herbs Co., Ltd.	28.00	0.00	0.00	0.00
Chongqing Yaopharm Co., Ltd.	9,460.80	1,968.00	0.00	0.00
Shanghai Zhaohui Pharmaceutical Co., Ltd.	185.85	47.98	0.00	0.00
Sichuan Hexin Pharmaceutical Co., Ltd.	291.65	0.00	0.00	0.00
Other receivable:	0.00	0.00	0.00	0.00
China National Medicines Logistic Co., Ltd.	0.00	121.50	0.00	0.00
Guangdong Accord Drugstore Co., Ltd.	1.35	0.00	0.00	0.00
Guangzhou Accord Drugstore Chain Co., Ltd.	47.60	0.00	0.00	0.00
China National Union Medical Instrument CO., Ltd.	17.52	0.00	0.00	0.00
Note Receivable:	0.00	0.00	0.00	0.00
Sinopharm Group Hubei Co., Ltd.	8,659.91	256.62	0.00	0.00
Sinopharm Group Guizhou Co., Ltd.	126.68	0.00	0.00	0.00
Sinopharm Group Hunan Co., Ltd.	12,065.83	670.20	0.00	0.00
Sinopharm Group Tianjin Co., Ltd.	795.49	474.74	0.00	0.00
Sinopharm Group Henan Co., Ltd.	435.05	0.00	0.00	0.00
Sinopharm Group Hainan Co., Ltd.	2,950.76	203.57	0.00	0.00
Sinopharm Group Fuzhou Co., Ltd.	242.12	10.86	0.00	0.00
Sinopharm Group Chongqing Co., Ltd.	555.60	44.33	0.00	0.00
Sinopharm Group Jiangxi Co., Ltd.	93.24	0.00	0.00	0.00
Sinopharm Group Shenyang Co., Ltd.	14.48	4.02	0.00	0.00
Sinopharm Group Anhui Co., Ltd.	30.62	0.00	0.00	0.00
China National South-West Medicine Co., Ltd.	504.10	144.10	0.00	0.00
Sinopharm Group Guoda Pharmacy Co., Ltd.	11.72	0.00	0.00	0.00

Lianning Guoda Accord Drugstore Chain Co., Ltd.	6.83	6.83	0.00	0.00
Guangdong Accord Drugstore Co., Ltd.	3,471.34	185.41	0.00	0.00
Guangxi Accord Drugstore Chain Co., Ltd.	117.46	47.46	0.00	0.00
Sinopharm Group Jiangsu Co., Ltd.	140.18	30.00	0.00	0.00
Branch of Chinese Medicine and Western Medicines of Sinopharm Group Jiangsu Co., Ltd.	238.93	0.00	0.00	0.00
Sinopharm Group Anqing Co., Ltd.	3.82	0.00	0.00	0.00
Sinopharm Group Yantai Co., Ltd.	2.28	2.28	0.00	0.00
Sinopharm Group Jinan Co., Ltd.	36.18	0.00	0.00	0.00
Sinopharm Group Gansu Co., Ltd.	1,386.42	0.00	0.00	0.00
Sinopharm Group Fujian Co., Ltd.	119.68	0.00	0.00	0.00
Sinopharm Group Zhazhou Co., Ltd.	668.44	0.00	0.00	0.00
Guangxi Wuzhou Huawu Herbs Co., Ltd.	446.88	0.00	0.00	0.00
Sinopharm Group Inner Mongolia Co., Ltd.	25.00	0.00	0.00	0.00
Sinopharm Group Hebei Medicines Co., Ltd.	1,809.83	0.00	0.00	0.00
Sinopharm Group Xuzhou Co., Ltd.	65.90	25.44	0.00	0.00
Sinopharm Group Yancheng Co., Ltd.	53.26	10.09	0.00	0.00
Foshan Nanhai Uptodate & Special Medicines Co., Ltd.	447.17	0.00	0.00	0.00
Foshan Nanhai Medicines Co., Ltd.	401.65	0.00	0.00	0.00
Chongqing Yaopharm Co., Ltd.	9,364.80	2,164.80	0.00	0.00
Account paid in advance:	0.00	0.00	0.00	0.00
Qinhai Pharmaceutical (Group) Co., Ltd.	782.78	305.36	0.00	0.00
Guangdong South Medicine Foreign Trading Co., Ltd.	1,029.06	0.00	0.00	0.00
China National Union Medical Instrument Co., Ltd.	662.99	0.00	0.00	0.00
Shanghai Serum Bio-technology Co., Ltd.	3.51	0.00	0.00	0.00
Sinopharm Group Co., Ltd.	0.05	0.00	0.00	0.00
China National Chemical Reagent Co., Ltd.	0.78	0.00	0.00	0.00
China National Chemical Reagent Suzhou Co., Ltd.	51.43	0.00	0.00	0.00
Shenzhen Accord Medicine Chain Co., Ltd.	1.02	0.58	0.00	0.00
Sinopharm Group Suzhou Co., Ltd.	0.95	0.95	0.00	0.00
Sinopharm Group Zhazhou Co., Ltd.	0.35	0.35	0.00	0.00
China National Pharmaceutical Group Corporation	5.00	5.00	0.00	0.00
Shanghai Institute of Pharmaceutical Industry	1.37	0.00	0.00	0.00
Sinopharm Lizhan Exhibition Co., Ltd.	1.60	0.00	0.00	0.00
Yichang Renfu Pharmaceutical Co., Ltd.	1.07	0.21	0.00	0.00
Sino-Swed Pharmaceutical Corp. Ltd.	45.02	0.01	0.00	0.00
Handan Moluo Pharmaceutical Co., Ltd.	1.11	1.11	0.00	0.00
Account payable:	0.00	0.00	0.00	0.00
Sinopharm Group Distribution Center Co., Ltd.	0.00	0.00	82,795.11	12,376.63
Sinopharm Group Co., Ltd.	0.00	0.00	168,254.40	7,462.69
China National Medicines Corporation Ltd	0.00	0.00	41,488.20	2,301.39
China National Qiweida Pharmaceutical Co., Ltd.	0.00	0.00	1,830.31	278.31
Sinopharm Group Guizhou Co., Ltd.	0.00	0.00	1,473.99	181.38
Guangdong Oriental Uptodate & Special Medicines Co., Ltd.	0.00	0.00	887.03	173.40
Guangdong South Medicine Foreign Trading Co., Ltd.	0.00	0.00	5,300.61	153.63

Guilin Huagui Sinopharm Affiliated Co.,	0.00	0.00	211.76	61.10
Sinopharm Group Beijing Co., Ltd.	0.00	0.00	961.82	53.63
Guangdong Accord Drugstore Co., Ltd.	0.00	0.00	43.39	43.35
Sino-TCM	0.00	0.00	0.00	20.10
Foshan Nanhai Uptodate & Special Pharmaceutical Co., Ltd.	0.00	0.00	6,629.90	17.81
China National Medicines Logistic Co., Ltd.	0.00	0.00	148.78	12.88
Shanghai Modern Pharmaceutical Co., Ltd.	0.00	0.00	89.00	11.58
Guangxi Wuzhou Huawu Herbs Co., Ltd.	0.00	0.00	690.44	9.04
Foshan Nanhai Medicines Co., Ltd.	0.00	0.00	37.39	8.63
Sinopharm Group Fujian Co., Ltd.	0.00	0.00	566.55	5.24
China National Shanghai Medical Instrument Co., Ltd.	0.00	0.00	10.50	4.06
China National Chemical Reagent Suzhou Co., Ltd.	0.00	0.00	62.52	2.32
China National Beijing Medical Instrument Suzhou Co., Ltd.	0.00	0.00	0.00	0.88
China National Guorui Pharmaceutical Co., Ltd.	0.00	0.00	6.20	0.49
Shanghai Yigongyuan Medicines Co., Ltd.	0.00	0.00	1.04	0.37
China National Medical Equipment & Supplies I/E Corp. Shenzhen Co.,	0.00	0.00	0.35	0.35
Sichuan Jiangyou Zhongbafuzi Technology Development Co., Ltd.	0.00	0.00	23.69	0.21
China National Union Medical Instrument Co., Ltd.	0.00	0.00	1,761.13	0.16
Sinopharm Foreign Trade Co., Ltd.	0.00	0.00	1.07	0.09
China National Chemical Reagent Co., Ltd.	0.00	0.00	60.37	0.00
Sinopharm Group Anhui Co., Ltd.	0.00	0.00	227.40	0.00
Sinopharm Group Zhanzhou Co., Ltd.	0.00	0.00	195.99	0.00
Sinopharm Group Hunan Co., Ltd.	0.00	0.00	56.06	0.00
Sinopharm Group Putian Co., Ltd.	0.00	0.00	49.45	0.00
Sinopharm Group Hainan Co., Ltd.	0.00	0.00	15.66	0.00
Sinopharm Group Jinan Co., Ltd.	0.00	0.00	6.54	0.00
China National South-West Medicines Co., Ltd.	0.00	0.00	5.09	0.00
Sinopharm Group Suzhou Co., Ltd.	0.00	0.00	5.05	0.00
China National Pharmaceutical Industry Corp.	0.00	0.00	2.87	0.00
Shenzhen Accord Medicine Chain Co., Ltd.	0.00	0.00	0.74	0.00
Sinopharm Group Jiangsu Co., Ltd.	0.00	0.00	0.00	0.00
Shenzhen Main Luck Pharmaceutical Co., Ltd.	0.00	0.00	8,854.67	594.08
Sino-Swed Pharmaceutical Corp. Ltd.	0.00	0.00	16,181.72	507.24
Jiangsu Wanban Medicine Marketing Co., Ltd.	0.00	0.00	3,108.52	262.77
Chongqing Yaopharm Co., Ltd.	0.00	0.00	1,663.86	246.21
Shenzhen Wanwei Medicine Trade Co., Ltd.	0.00	0.00	209.06	209.06
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.00	0.00	1,613.13	188.45
Guilin Pharmaceutical Co., Ltd.	0.00	0.00	157.30	7.75
Handan Moluo Pharmaceutical Co., Ltd.	0.00	0.00	14.83	4.25
Shenyang Hongqi Pharmaceutical Co., Ltd.	0.00	0.00	14.75	2.98
Yichang Renfu Pharmaceutical Co., Ltd.	0.00	0.00	6.87	2.62
Shanghai Zhaohui Medicines CO., Ltd.	0.00	0.00	157.13	2.41
Jiangsu Wanban Bio-chemical	0.00	0.00	0.00	1.49

Pharmaceutical Co., Ltd.				
Shanghai Serum Bio-technology Co., Ltd.	0.00	0.00	56.35	1.07
China Otsuka Pharmaceutical Co., Ltd.	0.00	0.00	4.06	0.75
Shanghai Fosun Long March Medical Science Co., Ltd.	0.00	0.00	0.00	0.18
National Medicines Prospect Dentech Technology (Beijing) Co., Ltd.	0.00	0.00	0.00	0.01
Qinhai Pharmaceutical (Group) Co., Ltd.	0.00	0.00	364.11	0.00
Note payable:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd.	0.00	0.00	58,486.35	10,615.09
Sinopharm Group Distribution Center Co., Ltd.	0.00	0.00	11,026.85	2,772.58
China National Medicines Corporation Ltd.	0.00	0.00	7,287.58	1,635.15
China National Qiweida Pharmaceutical Co., Ltd.	0.00	0.00	150.00	150.00
China National Chemical Reagent Suzhou Co., Ltd.	0.00	0.00	49.08	33.26
Sinopharm Group Fujian Co., Ltd.	0.00	0.00	6.20	6.20
Shanghai Modern Pharmaceutical Co., Ltd.	0.00	0.00	9.56	3.37
Jiangsu Wanban Medicine Marketing Co., Ltd.	0.00	0.00	724.94	307.20
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.00	0.00	569.09	171.34
Shenzhen Main Luck Pharmaceuticals Inc.	0.00	0.00	862.12	119.79
Chongqing YAOPHARMA Co., Ltd.	0.00	0.00	158.30	89.55
Guilin Pharmaceutical Co., Ltd.	0.00	0.00	30.39	11.22
Account received in advance:	0.00	0.00	0.00	0.00
Sinopharm Group Nanjing Co., Ltd.	0.00	0.00	0.78	0.78
Sinopharm Group Hunan Co., Ltd.	0.00	0.00	0.04	0.04
Sinopharm Group Suzhou Bo'ao Medicine Co., Ltd.	0.00	0.00	0.18	0.00
Other payable:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd.	0.00	0.00	60.00	373.07
China National Pharmaceutical Group Shanghai Co.,	0.00	0.00	0.00	166.04
China National Pharmaceutical Group Wuhan Design Institution	0.00	0.00	60.00	60.00
Sinopharm Group Distribution Center Co., Ltd.	0.00	0.00	20.00	20.00
China National Chemical Reagent Suzhou Co., Ltd.	0.00	0.00	36.25	16.00
Short-term loans:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd.	0.00	0.00	58,737.00	33,737.00
Interest payable:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd.	0.00	0.00	1,077.58	69.78
Other non-current liability:	0.00	0.00	0.00	0.00
Sinopharm Group Co., Ltd.	0.00	0.00	0.00	3,506.18
Total	211,378.01	30,594.09	485,659.05	79,074.68

Of which: In the report period, the occurring amount which the Company provided funds to the controlling shareholder and its subsidiaries was RMB1,912,414,200 and the balance was RMB 261,066,200.

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.

RMB 63,102,500 will be paid for equipments purchase contract signed by subsidiaries of the Company Shenzhen Zhijun Pharmaceutical Co., Ltd, Sinopharm Group Nanning Co., Ltd and Suzhou Zhijun Wanqing Pharmaceutical 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(in 10,000 yuan)
Within a year	2,632.81
1 to 2 years	1,015.44
2 to 3 years	952.76
Above 3 years	8,666.20
Total	13,267.21

(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) At balance sheet day, Commitments from the Company and its subordinate subsidiaries, with related parties concerned that have been signed but no need to listed in balance sheet

2011-12-31
(RMB'0000)

Leasing
-Sublet in

Sinopharm Logistics Co., ltd.	1,458.00
Wang Yang	37.80
	<u>1,495.80</u>

-Sublet
out

Guangzhou Accord Drugstore Chain Co., Ltd.	33.33
Shenzhen Accord Medicine Chain Co., Ltd.	46.96
Guangxi Accord Drugstore Chain Co., Ltd.	148.76
	<u>229.05</u>

Guarantee

- accepted guarantee from related parties (limit unused)

Sinopharm Group	<u>10,206.04</u>
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(VIII) Implementation of commitment in the past.

All commitments had been implemented according to contact.

II. Significant guarantee (China National Accord Medicines Corporation Ltd. was changed from Shenzhen Accord Pharmaceutical Co., Ltd. in the table below)

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 limit	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)
China National Accord Medicines Corporation Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	2010-8-18 No.: 2010-22	15,000.00	2011-01-10	1,097.41	Guaranty	2011.01.10-2012.01.10	No	Yes
China National Accord Medicines Corporation Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	2010-8-18 No.: 2010-22	10,000.00	2011-02-21	8,198.56	Guaranty	2011.02.21-2012.02.21	No	Yes
China National Accord Medicines Corporation Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 No.: 2011-05	30,000.00	2011-09-29	12,027.90	Guaranty	2011.09.29-2012.09.28	No	Yes
China National Accord Medicines Corporation Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 No.: 2011-05	10,000.00	2011-06-02	1,258.72	Guaranty	2011.06.02-2012.06.01	No	Yes
China National Accord Medicines Corporation Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-10-22 No.: 2011-25	6,000.00	2011-12-06	4,000.00	Guaranty	2011.12.06-2012.12.06	No	Yes
Shenzhen Zhijun Medicine Trading Co., Ltd.	2011-3-22 No.: 2011-05	3,150.00	2011-09-15	1,481.60	Guaranty	2011.10.13-2012.10.12	No	Yes
Shenzhen Zhijun Medicine Trading Co., Ltd.	2010-8-18 No.: 2010-22	2,500.00	2010-09-16	186.00	Guaranty	2010.09.16-2011.09.16	No	Yes
Total external guarantee amount approved in reporting period(A1)		74,150.00		Total actual external guarantee amount approved in reporting period(A2)		65,703.66		
Total external guarantee amount approved at the end of reporting period(A3)		76,650.00		Total actual balance of external guarantee amount approved at the end of reporting period(A4)		28,250.19		
Guarantee of the Company for the controlling subsidiaries								
Name of the Company guaranteed	Disclosure date and number of related notices of guarantee amount	Guarantee limit	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 no)
Sinopharm Group Nanning Co., Ltd.	2010-8-18 No.: 2010-22	5,000.00	2011-02-21	0.00	Guaranty	2011.2.21--2012.2.21	No	Yes
Sinopharm Group Nanning Co., Ltd.	2011-3-22 No.: 2011-05	10,000.00	2011-04-28	9,407.22	Guaranty	2011.4.28--2012.4.28	No	Yes
Sinopharm Group Nanning Co., Ltd.	2011-3-22 No.: 2011-05	5,650.00	2011-11-28	5,485.50	Guaranty	2011.11.28--2012.11.28	No	Yes

Sinopharm Group Nanning Co., Ltd.	2011-8-19 No.: 2011-19	8,000.00	2011-12-14	7,992.34	Guaranty	2011.12.14 -2012.11.1 3	No	Yes
Sinopharm Group Zhanjiang Co., Ltd.	2011-3-22 No.: 2011-05	5,000.00	2011-08-02	119.00	Guaranty	2011.8.2-2 012.8.2	No	Yes
Guangdong Yuexing Pharmaceutical Co., Ltd.	2011-3-22 No.: 2011-05	3,500.00	2011-04-28	1,004.53	Guaranty	2011.4.28- 2012.4.28	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-3-22 No.: 2011-05	32,500.00	2011-04-28	29,572.91	Guaranty	2011.4.28- 2012.4.28	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-3-22 No.: 2011-05	60,000.00	2011-04-28	45,568.65	Guaranty	2011.4.28- 2012.3.8	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-3-22 No.: 2011-05	10,000.00	2011-05-27	8,599.09	Guaranty	2011.5.27- 2012.5.27	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-3-22 No.: 2011-05	20,000.00	2011-07-26	0.00	Guaranty	2011.7.26- 2012.7.26	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-8-19 No.: 2011-19	35,000.00	2011-10-17	34,922.96	Guaranty	2011.10.17 -2012.10.1 7	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-8-19 No.: 2011-19	8,000.00	2011-12-14	7,892.61	Guaranty	2011.12.14 -2012.11.1 3	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-8-19 No.: 2011-19	20,000.00	2011-11-24	1,000.00	Guaranty	2011.11.24 -2012.11.2 3	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2010-8-18 No.: 2010-22	10,000.00	2010-11-05	2,441.43	Guaranty	2010.11.5- 2011.11.4	No	Yes
Sinopharm Group Guangzhou Co., Ltd.	2011-8-19 No.: 2011-19	10,000.00	2010-11-23	9,860.71	Guaranty	2010.11.23 -2011.11.2 2	No	Yes
Guangxi Sinopharm Logistics Co., Ltd.	2010-12-9 No.: 2010-35	10,000.00	2011-01-17	6,308.30	Guaranty	2011.1.17- 2014.1.17	No	Yes
Shenzhen Yanfeng Pharmaceutical Co., Ltd.	2010-7-20 No.: 2010-18	3,000.00	2010-07-27	1,000.00	Guaranty	2010-7-27- 2011-7-27	No	Yes
Shenzhen Yanfeng Pharmaceutical Co., Ltd.	2011-8-19 No.: 2011-19	2,000.00	2011-12-14	1,959.37	Guaranty	2011-12-14 2012-11-13	No	Yes
Sinopharm Group Liuzhou Co., Ltd.	2010-8-18 No.: 2010-22	5,000.00	2011-02-21	0.00	Guaranty	2011-2-21- 2012-2-21	No	Yes
Sinopharm Group Liuzhou Co., Ltd.	2011-3-22 No.: 2011-05	5,000.00	2011-11-20	2,789.68	Guaranty	2011-11-20 -2012-11-2 0	No	Yes
Sinopharm Group Liuzhou Co., Ltd.	2011-8-19 No.: 2011-19	2,000.00	2011-12-14	0.00	Guaranty	2011-12-14 -2012-11-1 3	No	Yes
Shenzhen Zhijun Medicines Trade Co., Ltd.	2011-8-19 No.: 2011-19	1,500.00	2011-12-14	1,169.15	Guaranty	2011.12.14 -2012.11.1 3	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2010-8-18 No.: 2010-22	10,000.00	2011-02-21	9,398.76	Guaranty	2011.2.21- 2012.2.21	No	Yes

	2010-22							
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 No.: 2011-05	5,000.00	2011-05-23	3,178.77	Guaranty	2011.5.23- 2012.2.21	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-3-22 No.: 2011-05	10,000.00	2011-06-02	187.34	Guaranty	2011.6.02- 2012.6.01	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2011-8-19 No.: 2011-19	8,000.00	2011-12-14	5,215.31	Guaranty	2011.12.14 -2012.11.1 3	No	Yes
Shenzhen Zhijun Pharmaceutical Co., Ltd.	2010-8-18 No.: 2010-22	17,500.00	2011-08-25	2,945.25	Guaranty	2011.9.30- 2016.9.30	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-23 No.: 2010-07	6,000.00	2010-07-19	5,913.89	Guaranty	2010.7.19- 2011.12.31	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-3-23 No.: 2010-07	6,000.00	2010-08-01	4,500.00	Guaranty	2010.8.1-2 013.8.1	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2010-8-18 No.: 2010-22	5,000.00	2011-02-21	0.00	Guaranty	2011.2.21- 2012.2.21	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2011-3-22 No.: 2011-05	10,000.00	2011-05-06	5,754.84	Guaranty	2011.5.6-2 012.5.6	No	Yes
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd.	2011-8-19 No.: 2011-19	4,000.00	2011-12-14	2,500.00	Guaranty	2011.12.14 -2012.11.1 3	No	Yes
Total guarantee amount for subsidiaries approved in reporting period(B1)			317,650.00		Total actual guarantee amount for subsidiaries approved in reporting period(B2)			612,318.67
Total guarantee amount for subsidiaries approved at the end of reporting period(B3)			352,650.00		Total actual balance of guarantee amount for subsidiaries approved at the end of reporting period(B4)			216,687.61
Total guarantee of the Company (Total the former two items)								
Total guarantee limit approved in period (A1+B1)			391,800.00		Total guarantee amount actually occurred in period (A2+B2)			678,022.33
Total guarantee limit approved at period-end (A3+B3)			429,300.00		Total guarantee amount actually occurred at period-end (A4+B4)			244,937.80
Proportion of the total actual guarantee amount (A4+B4)in net assets of the Company					181.41%			
Including:								
Line of credit for shareholders, actual controller and its related parties (C)					0.00			
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D)					194,470.41			
Proportion of total line of credit in net assets of the Company exceed 50%(E)					177,426.90			
Total amount of the aforesaid three guarantees(C+D+E)					371,897.31			
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees					Naught			

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 18 March 2011, the 23rd Meeting of the 5th Session of the Board decided to re-engaged Pricewaterhouse Zhongtian CPA Company Limited as 2011 annual audit institution for the Company, which was passed on the Annual Shareholders' General Meeting of 2010 held on 28 April 2011. Relevant notice was published on "Securities Times" and "Hong Kong Commercial Daily" on 19 March 2011 and 29 April 2011 respectively.

II. Remuneration paid to Certified Public Accountants

The auditing fees the Company paid to the Certified Public Accountants for the Annual Report 2011 totaled to RMB 1.8 million(internal control auditing and taxes included), fees of business trips from Certified Public Accountants for 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, Pricewaterhouse CPAs Co., Ltd. has provided auditing service consistently for the Company for 2 years.

Section VII. Other important events

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

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

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

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

The received date	The received place	The received way	The received parties	Contents discussed and materials supplied
2011-04-28	Accord Pharm. Bldg	Field research	China Jiayin Investment Securities, Essence Securities	Attending Shareholders' General Meeting, know about development tendency of the Company without materials required
2011-05-19	Accord Pharm. Bldg	Field research	Huatai Securities, Huaqiang Investment, HAMON Investment, Yuanhao Investment, Cowin Investment, Hangseng Investment, Xiaohaitun Investment, Toyo	Visiting the Company, know about development tendency of the Company without materials required

			Securities, Zheshang Securities, Fund Investment	
2011-09-20	Accord Pharm. Bldg.	Field research	Changqingteng Assets	Attending Shareholders' General Meeting, know about development tendency of the Company without materials required
2011-09-29	Accord Pharm. Bldg	Field research	Harvest Fund	Knowing about development of pharmaceutical industry without materials required
2011-12-15	Accord Pharm. Bldg	Field research	Guosen Securities, CPIC、First State Investment, First State Cinda	Knowing about development of pharmaceutical industry without materials required

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

No changes in consolidation range in this period.

Section XII. Index for information notice on significant events

No.	Disclosure date	Events disclosed
1	2011-02-19	Credit application to Ping An Bank and Credit Guarantee Provided
2	2011-03-22	Implementation of Plan of "Basic Regulations of Internal Control for Enterprises"; Notice of application of comprehensive line of credit for year of 2011 and guarantee arrangement; Notice of Daily Related transaction between the Company and its subordinate enterprise with related parties; Summary of Annual Report 2010; Annual Auditing Report 2010; Notice of Resolution of 23 rd Meeting of 5 th Session of the Board; Convening Annual Shareholders' General Meeting of 2010; Notice of Resolution of 20 th Meeting of 5 th Session of Supervisory Committee; Specific report of capital occupation by controlling shareholders and its related parties; Social Responsibility Report for Enterprise of 2010; Self-Assessment Report for Internal Control of 2010; Annual Report of 2010; Notice of Opinions of Independent Directors
3	2011-04-29	Election of Employee Supervisor of 6 th Session of Supervisory Committee; Notice of Resolution of Annual Shareholders' General Meeting of 2010; First Quarterly Report of 2011; Notice of Resolution of 1 st Meeting of 6 th Session of the Board; Notice of Resolution of 1 st Meeting of 6 th Session of Supervisory Committee;

		Legal Opinions on Annual Shareholders' General Meeting of 2010
4	2011-05-13	Notice of GMP certificate obtained by Shenzhen Zhijun Pharmaceutical Co., Ltd., subordinate of the Company, for production of sterile cephalosporins preparations from EU
5	2011-06-09	Notice of Stock Dividend and Bonus for 2010
6	2011-08-18	Notice of Adjustment on Line of Credit for year of 2011 and guarantee arrangement; Full-text of Semi-annual Report of 2011 and its summary; Semi-annual Financial Report of 2011; Notice of Resolution of 2 nd Meeting of 6 th Session of the Board; Notice of Resolution of 2 nd Meeting of 6 th Session of Supervisory Committee
7	2011-09-03	Convening First Extraordinary Shareholders' General Meeting of 2011;
8	2011-09-21	Notice of Resolution of First Extraordinary Shareholders' General Meeting of 2011; Legal Opinions on First Extraordinary Shareholders' General Meeting of 2011
9	2011-09-27	Notice of Resolution of 3 rd Meeting of 6 th Session of the Board; Notice of Resolution of 3 rd Meeting of 6 th Session of Supervisory Committee
10	2011-10-19	Quality examination on accounting information of 2009 by Shenzhen Office of financial Ombudsman, ministry of finance and situation of reconstruction
11	2011-10-22	Application of issuance of short-term financial bonds; Convening Second Extraordinary Shareholders' General Meeting of 2011; Third Quarterly Report of 2011 ; Notice of Resolution of 4 th Meeting of 6 th Session of the Board; Notice of Resolution of 4 th Meeting of 6 th Session of Supervisory Committee ; Opinion of Independent Directors
12	2011-11-19	Notice of Resolution of 5 th Meeting of 6 th Session of Supervisory Committee Notice of Resolution of 5 th Meeting of 6 th Session of the Board; Notice of Resolution of Second Extraordinary Shareholders' General Meeting of 2011;
13	2011-12-06	Notice of Resolution of 6 th Meeting of 6 th Session of the Board; Notice of Resolution of 6 th Meeting of 6 th Session of Supervisory Committee; Convening Third Extraordinary Shareholders' General Meeting of 2011;
14	2011-12-23	Notice of Resolution of Third Extraordinary Shareholders' General Meeting of 2011; Legal Opinions on Third Extraordinary Shareholders' General Meeting of 2011; Article of Association (December of 2011)
15	2011-12-31	Notice of Changes in Name and Security Short Form of the Company

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

CHAPTER X. FINANCIAL REPORT

[English Translation for Reference Only]

Report of the Auditors

PwC ZT Shen Zi (2012) No. 10022
(Page 1 of 2)

To the Shareholders of China National Accord Medicines Co., Ltd,

We have audited the accompanying financial statements of China National Accord Medicines Co., Ltd. (previously named Shenzhen Accord Pharmaceutical Co., Ltd, hereinafter "National Accord"), which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of National Accord is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

PwC ZT Shen Zi (2012) No. 10022
(Page 2 of 2)

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 and fair presentation 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 [omit this phrase if we also have a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement audit]. 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 consolidated and company's financial position of National Accord as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai , the People's Republic of China

14 March 2012

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Consolidated and Company's balance sheets

For the year ended 31 December 2011

(All amounts in Renminbi (RMB) unless otherwise stated)

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ASSETS	Notes	Consolidated		Company	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
Current assets					
Cash at bank and on hand	V(1)	952,665,245.23	711,789,775.66	164,840,499.86	135,498,819.87
Notes receivable	V(2)	534,922,741.30	369,169,030.47	8,718,971.96	5,038,459.89
Accounts receivable	V(3), XIII(1)	3,571,447,182.61	2,866,825,102.78	295,227,856.20	282,597,465.23
Advances to suppliers	V(4)	65,083,400.15	101,806,030.92	3,148,580.55	3,798,560.90
Other receivables	V(5), XIII(2)	28,447,547.93	43,110,999.74	704,287,016.32	557,324,957.67
Inventories	V(6)	1,311,273,225.24	1,156,329,658.80	125,157,825.01	117,829,120.30
Other current assets	V(7)	7,653,736.21	-	39,482.38	-
Total current assets		6,471,493,078.67	5,249,030,598.37	1,301,420,232.28	1,102,087,383.86
Non-current assets					
Long-term equity investments	V(8), XIII(3)	95,799,627.42	85,275,251.06	1,332,527,041.51	1,272,402,665.15
Investment properties	V(10)	86,164,929.70	87,293,333.76	8,841,071.50	12,033,619.61
Fixed assets	V(11)	599,679,549.71	492,557,743.43	32,866,561.06	35,677,614.01
Construction in progress	V(12)	131,042,772.59	108,301,338.12	253,886.24	253,886.24
Intangible assets	V(13)	119,578,646.01	129,175,366.09	27,426,551.44	28,837,698.02
Development costs	V(13)	3,998,433.69	2,580,662.85	-	-
Goodwill	V(14)	53,555,677.09	53,555,677.09	-	-
Long-term prepaid expenses	V(15)	20,103,138.99	19,811,611.24	9,030,726.77	9,161,222.49
Deferred income tax assets	V(16)	44,070,064.25	31,083,592.24	5,335,693.52	2,958,699.75
Other non-current assets	V(18)	40,273,842.92	48,127,831.56	7,000,000.00	-
Total non-current assets		1,194,266,682.37	1,057,762,407.44	1,423,281,532.04	1,361,325,405.27
TOTAL ASSETS		7,665,759,761.04	6,306,793,005.81	2,724,701,764.32	2,463,412,789.13

CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Consolidated and Company's balance sheets
For the year ended 31 December 2011

(All amounts Renminbi (RMB) unless otherwise stated)

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LIABILITIES AND OWNER'S EQUITY	Notes	Consolidated		Company	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
Current liabilities					
Short-term borrowings	V(19)	1,839,838,065.68	975,475,884.21	417,648,980.60	349,183,556.07
Notes payable	V(20)	1,059,426,952.84	1,448,622,490.72	120,293,155.72	227,394,114.09
Accounts payable	V(21)	2,490,177,373.15	2,003,566,517.62	343,946,734.72	238,636,669.29
Advances from customers	V(22)	58,629,952.74	100,322,387.21	249,535.25	48,490.62
Employee benefits payable	V(23)	142,327,896.30	127,191,717.25	24,966,511.90	22,612,110.63
Taxes payable	V(24)	62,867,902.02	39,720,311.72	1,640,177.39	2,957,612.62
Interests payable	V(25)	10,451,229.03	2,122,314.90	868,585.17	596,047.97
Other payables	V(26)	339,496,431.01	345,011,293.80	865,237,491.48	874,380,433.82
Current portion of long-term borrowings	V(27)	23,960,000.00	-	-	-
Total current liabilities		6,027,175,802.77	5,042,032,917.43	1,774,851,172.23	1,715,809,035.11
Non-current liabilities					
Long-term borrowings	V(28)	93,082,967.96	30,000,000.00	-	-
Long-term payables		35,536.20	40,777.80	-	-
Payables for specific projects	V(29)	4,519,000.00	4,755,000.00	1,032,000.00	1,320,000.00
Deferred income tax liabilities	V(16)	19,900,787.30	22,709,093.70	3,773,319.00	3,773,319.00
Other non-current liabilities	V(30)	94,245,023.54	75,809,855.74	-	-
Total non-current liabilities		211,783,315.00	133,314,727.24	4,805,319.00	5,093,319.00
Total liabilities		6,238,959,117.77	5,175,347,644.67	1,779,656,491.23	1,720,902,354.11
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)	5,318,338.57	5,030,338.57	14,116,726.93	13,828,726.93
Surplus reserve	V(33)	63,480,745.16	39,981,268.55	63,480,745.16	39,981,268.55
Undistributed profits	V(34)	993,269,387.62	719,209,302.41	579,298,401.00	400,551,039.54
Total equity attributable to equity holders of the Company		1,350,217,871.35	1,052,370,309.53	945,045,273.09	742,510,435.02
Minority interest	V(35)	76,582,771.92	79,075,051.61	-	-
Total owners' equity		1,426,800,643.27	1,131,445,361.14	945,045,273.09	742,510,435.02
TOTAL LIABILITIES AND OWNERS' EQUITY		7,665,759,761.04	6,306,793,005.81	2,724,701,764.32	2,463,412,789.13

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

Legal
representative:

Principal in charge
of accounting :

Head of accounting
department:

CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Consolidated and Company's income statements
For the year ended 31 December 2011
(All amounts in Renminbi (RMB) unless otherwise stated)

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Items	Notes	Consolidated		Company	
		Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
Sales	V(36), XIII(4)	15,130,338,571.64	13,064,428,148.69	1,966,838,173.80	1,793,332,482.65
Less: Cost of sales	V(36), XIII(4)	(13,796,014,093.70)	(11,925,655,507.94)	(1,871,580,082.60)	(1,703,659,976.45)
Taxes and surcharges	V(37)	(38,649,569.50)	(19,918,513.42)	(4,016,237.63)	(2,537,599.61)
Selling and distribution expenses	V(38)	(429,901,024.59)	(430,588,573.47)	(45,980,760.59)	(55,411,427.41)
Administration expenses	V(39)	(349,634,683.15)	(300,875,369.90)	(52,274,907.84)	(36,690,738.84)
Financial expenses - net	V(40)	(136,401,442.10)	(82,538,641.49)	(32,569,894.50)	(25,081,726.33)
Asset impairment losses	V(41)	(20,791,745.04)	(9,217,962.21)	178,122.58	5,826,408.97
Add: Investment income Including: Share of profits of associates	V(42), XIII(5)	28,119,376.36	27,265,825.11	263,179,855.03	241,256,657.31
		28,119,376.36	27,224,583.81	28,119,376.36	23,078,755.17
Operating profit		387,065,389.92	322,899,405.37	223,774,268.25	217,034,080.29
Add: Non-operating income	V(43)	24,004,986.66	20,244,943.93	8,848,505.49	6,830,676.01
Less: Non-operating expenses Including: Loss on disposal of non- current assets	V(44)	(1,788,868.43)	(3,331,980.65)	(5,001.44)	(322,844.62)
		(1,566,414.63)	(548,476.80)	-	(10,332.02)
Total profit		409,281,508.15	339,812,368.65	232,617,772.30	223,541,911.68
Less: Income taxes expenses	V(45)	(81,466,298.02)	(75,587,949.59)	2,376,993.77	540,202.73
Net profit		327,815,210.13	264,224,419.06	234,994,766.07	224,082,114.41
Including: Net losses of the acquiree entity in a business combination involving enterprises under common control before the combination date		-	(8,757,555.55)	-	-
Attributable to equity holders of the Company		330,307,489.82	261,116,656.70	234,994,766.07	224,082,114.41
Minority interest		(2,492,279.69)	3,107,762.36	-	-
Earnings per share	V(46)				
Basic earnings per share		1.15	0.91	N/A	N/A
Diluted earnings per share		1.15	0.91	N/A	N/A
Other comprehensive income		-	-	-	-
Total comprehensive income		327,815,210.13	264,224,419.06	234,994,766.07	224,082,114.41
Attributable to equity holders of the Company		330,307,489.82	261,116,656.70	234,994,766.07	224,082,114.41
Minority interest		(2,492,279.69)	3,107,762.36	-	-

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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CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Consolidated and Company's cash flows statements
For the year ended 31 December 2011
(All amounts in Renminbi (RMB) unless otherwise stated)

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Items	Notes	Consolidated		Company	
		Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
I. Cash flows from operating activities:					
Cash received from sales of goods or rendering of services		14,794,456,269.57	13,371,120,839.94	2,134,085,832.14	2,000,448,923.57
Refund of taxes and surcharges		1,192,302.16	1,011,514.12	-	-
Cash received relating to other operating activities	V(47)(a)	56,317,632.74	40,506,959.14	15,579,948.91	33,946,251.43
Sub-total of cash inflows		<u>14,851,966,204.47</u>	<u>13,412,639,313.20</u>	<u>2,149,665,781.05</u>	<u>2,034,395,175.00</u>
Cash paid for goods and services		(13,574,735,491.84)	(12,071,170,836.94)	(2,088,437,796.01)	(1,814,811,040.08)
Cash paid to and on behalf of employees		(405,648,428.43)	(369,596,005.66)	(39,756,494.45)	(32,286,351.44)
Payments of taxes and surcharges		(350,751,165.33)	(289,543,090.68)	(22,545,530.25)	(24,337,680.93)
Cash paid relating to other operating activities	V(47)(b)	(293,514,986.89)	(254,169,959.27)	(62,083,286.28)	(68,362,099.93)
Sub-total of cash outflows		<u>(14,624,650,072.49)</u>	<u>(12,984,479,892.55)</u>	<u>(2,212,823,106.99)</u>	<u>(1,939,797,172.38)</u>
Net cash flows from operating activities	V(48)(a) XIII(6)(a)	<u>227,316,131.98</u>	<u>428,159,420.65</u>	<u>(63,157,325.94)</u>	<u>94,598,002.62</u>
II. Cash flows from investing activities					
Cash received from disposal of investments		1,830,000.00	-	1,830,000.00	45,000,000.00
Cash received from returns on investments		17,595,000.00	8,271,829.94	279,930,485.40	120,525,780.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,397,864.69	8,584,335.70	3,239,648.92	66,884.11
Cash received from disposal of subsidiaries and other business units		-	325,415.00	-	-
Cash received relating to other investing activities		-	-	406,989,281.47	527,181,026.96
Sub-total of cash inflows		<u>23,822,864.69</u>	<u>17,181,580.64</u>	<u>691,989,415.79</u>	<u>692,773,691.77</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(198,969,551.88)	(177,992,154.66)	(4,277,944.45)	(24,348,271.94)
Cash paid to acquire investments		(20,000,000.00)	-	(49,600,000.00)	(593,660,000.00)
Net cash paid to acquire subsidiaries and other business units	V(48)(b)	(16,083,378.19)	(127,971,282.96)	(6,126,470.00)	(65,675,390.00)
Cash paid relating to other investing activities		-	-	(549,544,100.00)	(688,107,915.16)
Sub-total of cash outflows		<u>(235,052,930.07)</u>	<u>(305,963,437.62)</u>	<u>(609,548,514.45)</u>	<u>(1,371,791,577.10)</u>
Net cash flows from investing activities		<u>(211,230,065.38)</u>	<u>(288,781,856.98)</u>	<u>82,440,901.34</u>	<u>(679,017,885.33)</u>

CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Consolidated and Company's cash flows statements
For the year ended 31 December 2011

(All amounts Renminbi (RMB) unless otherwise stated)

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Items	Notes	Consolidated		Company	
		Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
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 borrowings		875,736,535.01	711,726,701.18	290,000,000.00	970,000,000.00
Cash received relating to other financing activities	V(47)(c)	587,370,000.00	950,000,000.00	764,602,739.79	1,018,500,644.34
Sub-total of cash inflows		1,463,106,535.01	1,671,526,701.18	1,054,602,739.79	1,988,500,644.34
Cash repayments of borrowings		(564,226,701.18)	(704,180,953.09)	(220,000,000.00)	(1,010,000,000.00)
Cash payments for interest expenses and distribution of dividends or profits		(140,115,999.94)	(106,597,670.36)	(96,544,576.47)	(69,084,760.92)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries					
		(1,651,617.12)	-	-	-
Cash payments relating to other financing activities	V(47)(d)	(550,102,500.00)	(900,000,000.00)	(728,000,058.73)	(310,038,384.64)
Sub-total of cash outflows		(1,254,445,201.12)	(1,710,778,623.45)	(1,044,544,635.20)	(1,389,123,145.56)
Net cash flows from financing activities		208,661,333.89	(39,251,922.27)	10,058,104.59	599,377,498.78
IV. Effect of foreign exchange rate changes on cash and cash equivalents					
		(24,033.86)	(440.37)	-	-
V. Net increase in cash and cash equivalents		224,723,366.63	100,125,201.03	29,341,679.99	14,957,616.07
Add: Cash and cash equivalents at beginning of the period		682,875,873.18	582,750,672.15	135,498,819.87	120,541,203.80
VI. Cash and cash equivalent at end of the period	V(48)(c) XIII(6)(c)	907,599,239.81	682,875,873.18	164,840,499.86	135,498,819.87

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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CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Consolidated statement of changes in owners' equity
For the year ended 31 December 2011

(All amounts Renminbi (RMB) unless otherwise stated)

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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 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 and withdrawals							
- Capital contribution by owners		-	-	-	-	20,502,325.51	20,502,325.51
- Others		-	(26,538,149.83)	-	(603,150.17)	-	(27,141,300.00)
Appropriation							
- Transfer to surplus reserve	V(33)	-	-	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

CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Consolidated statement of changes in owners' equity
For the year ended 31 December 2011

(All amounts Renminbi (RMB) unless otherwise stated)

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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 1 January 2011		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
Increase/(decrease)							
Net profit		-	-	-	330,307,489.82	(2,492,279.69)	327,815,210.13
Other comprehensive income		-	-	-	-	-	-
Capital contribution by owners and withdrawals							
- Capital contribution by owners		-	-	-	-	-	-
- Others		-	288,000.00	-	1,830,000.00	-	2,118,000.00
Appropriation							
- Transfer to surplus reserve	V(33)	-	-	23,499,476.61	(23,499,476.61)	-	-
- Dividends	V(34)	-	-	-	(34,577,928.00)	-	(34,577,928.00)
As at 31 December 2011		288,149,400.00	5,318,338.57	63,480,745.16	993,269,387.62	76,582,771.92	1,426,800,643.27

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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CHINA NATIONAL ACCORD MEDICINES CO., LTD.
Company statement of changes in owners' equity
For the year ended 31 December 2011

(All amounts Renminbi (RMB) unless otherwise stated)

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Items	Capital share	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
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)					
Net profit	-	-	-	224,082,114.41	224,082,114.41
Other comprehensive income	-	-	-	-	-
Capital contribution by owners and withdrawals					
- Others	-	-	-	(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>
As at 1 January 2011	288,149,400.00	13,828,726.93	39,981,268.55	400,551,039.54	742,510,435.02
Increase/(decrease)					
Profit for the year	-	-	-	234,994,766.07	234,994,766.07
Other comprehensive income	-	-	-	-	-
Capital contribution by owners and withdrawals					
- Others	-	288,000.00	-	1,830,000.00	2,118,000.00
Appropriation					
- Transfer to surplus reserve	-	-	23,499,476.61	(23,499,476.61)	-
- Dividends	-	-	-	(34,577,928.00)	(34,577,928.00)
As at 31 December 2011	<u>288,149,400.00</u>	<u>14,116,726.93</u>	<u>63,480,745.16</u>	<u>579,298,401.00</u>	<u>945,045,273.09</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

China National Accord Medicines Co., Ltd. (formerly known as 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, 2011. 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, 2011, there were 2,881,494,000 shares in total and all are shares without selling restriction.

On December 22, 2011, the Company changed its name from "Shenzhen Accord Pharmaceutical Co.,Ltd" to "China National Accord Medicines Co.,Ltd".

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 Wei Yulin.

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 and In vitro diagnostic reagents), narcotic drugs, anabolic agents; 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 II and III medical treatment instruments; 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 authorized for issue by the board of directors of the Company on 14 March 2012.

II Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (2010 revised) issued by the China Securities Regulatory Commission.

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

The financial statements of the Company for the year ended 31 December 2011 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 31 December 2011 and the operating results, cash flows and other information for the year then ended of the Group and the Company.

(3) Accounting year

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 from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, 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. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(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 acquirer'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 acquirer'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. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(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, comes 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 of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations 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**

Cash comprise cash on hand, deposits that can be readily drawn on demand, 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 of financial assets**

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 other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for. When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). 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.

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

(9) Financial Instruments (continued)

(a) Financial assets(continued)

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

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

Payables, including notes payable, accounts payable and other payables, are recognised initially at fair value and subsequently measured 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 with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(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.

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

- (a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining “individually significant” amounts is that any individual amount is more than RMB 5 million.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

- (b) Receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

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

	Provision ratios used for accounts receivables	Provision ratios used 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 with amounts that are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

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

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

(11) Inventories

(a) Classification

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

(b) Costing of inventories

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 systematically allocated overhead expenditures incurred based on normal operating capacity.

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value 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) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value 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 the investees over which the Company is able to exercise control. Associates are the investees that the Group has significant influence 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) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

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

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment 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 acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, 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 on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable, etc.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(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)).

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

(13) Investment properties

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

The Group adopts the cost model for subsequent measurement of 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 that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortisation) rates
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 owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and 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 an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2 (20)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, other equipment and leasehold improvements.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganisation of the Company into a corporation entity are recognised based on the revaluated amounts approved by the state-owned assets administration 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 methods of fixed assets

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 rates
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 equipment	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 of fixed assets

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)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time 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 and 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 (continued)**

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the 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 acquisition 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 acquisition 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 Technology Patents

Trademarks are amortised on the straight-line basis over their effective periods as stipulated by law of 5 to 10 years. Technology Patents 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 of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

For an intangible asset without a definite useful life, review of 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 of intangible assets

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, annuity, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

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.

II Summary of significant accounting policies and accounting estimates (continued)**(21) Employee benefits (continued)**

Certain subsidiaries have the defined benefit plans. The Group recognizes salaries, social insurance premiums, etc., to be paid for the early retired employees, during the period from the date when the employees stop rendering service to the normal retirement date, as employee benefits payable through administrative expenses for the current period, when the above conditions for the recognition of termination benefit plan are satisfied.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of the RMB denominated (the currency in which the benefits will be paid) PRC government bonds, and that have terms to maturity approximating to the terms of the related pension liability.

(22) Dividend distribution

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

(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 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. Other service revenue is ascertained from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement.

Total revenue arising from the rendering of services should be determined in accordance with the amount stipulated in the contract or agreement signed by the enterprise and the party who receive the services

II Summary of significant accounting policies and accounting estimates (continued)**(23) Revenue recognition (continued)****(c) Transfer of asset use rights**

Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

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

(d) Customer Loyalty Programme

Shenzhen Zhijun Pharmaceutical Co., Ltd. ('Zhijun Pharm'), a subsidiary of the group, offers loyalty points programmes where points earned through the purchase of goods can only be redeemed for goods provided by Zhijun Pharm or other free goods. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. Fair value of award points is measured on the basis of the value of the awards (that is, goods or services) for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

(24) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

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 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 lessee 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 for the current period.

(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 2011.

(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 accounting year are outlined below:

(i) Accounting estimates on impairment of goodwill

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

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

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

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

(ii) Income taxes

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

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

(29) Critical accounting estimates and judgments (continued)

(iii) Accounting estimates on impairment of accounts receivable

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

(iv) Accounting estimates on impairment of inventories

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

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

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

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

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

Type	Taxable base	Tax rate
Enterprise income tax("EIT")	Taxable income	15%、24% or 25%
Value added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	0%、6%、3%、13% or 17%
Business tax	Rental income, storage income and etc.	5%
Business tax	Freight income	3%
City maintenance and construction tax	VAT and business tax	7%
Education surcharge	VAT and business tax	3% and 2%

(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') and Shenzhen Yanfeng Medical Co., Ltd. ('Yanfeng Medical'), qualify as 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 24% (2010: 22%).

In 2011, Zhijun Pharm and Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. ('Suzhou Wanqing'), subsidiaries of the Company, separately obtained the certificate of High and New Technology Enterprises with effective period of 3 years. In 2009, Sinopharm Shenzhen Medicine Co.,Ltd ('Shenzhen Medicine') obtained the certificate of High and New Technology Enterprises with effective period of 3 years. In 2011, Shenzhen Medicine submit application with Shenzhen Baoshui Local Taxation Bureau concerning tax exemption and reduction of high-tech enterprise. Under the relevant regulations of article 28 of the Corporate Income Tax Law, the applicable tax rates for Zhijun Pharm, Suzhou Wanqing and Shenzhen Medicine are 15% (2010: 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)**

	The holding type of investment	Place of registration	Nature of business	Registered capital (RMB'0000)	Principal activities	Enterprise Type	Legal Repres-entative
Guangdong Accord Pharmaceutical Vocational Skills Training Center ('Training Center')	Direct	Shenzhen	Service	3.0	Training service	Non-Enterprise	Tan Guoshu
Sinopharm Medicine Holding Guangzhou Co., Ltd. ('Sinopharm Guangzhou')	Direct	Guangzhou	Commercial	40,000.0	Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalized packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills.	Limited company	Shi Jinming
Guangdong Accord Hengxing Pharmaceutical Co., Ltd. (Hengxing Pharm')	Direct	Guangzhou	Commercial	4,000.0	Drugs, medical apparatus sales	Limited company	Lin Zhaoxiong
Guangxi Accord Pharmaceutical Co., Ltd. ('Guangxi Accord')	Direct	Nanning	Commercial	500.0	Drug sales	Limited company	Zhou Ruili
Sinopharm Medicine Holding Liuzhou Co., Ltd. ('Sinopharm Liuzhou')	Direct	Liuzhou	Commercial	2,053.1	Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license)	Limited company	Lin Zhaoxiong

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired under common control (continued)

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

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

	Year-End balance of investment (RMB'0000)	Other assets constitute investment in substance	Equity interest held (%)	Voting rights held (%)	Consolidate d 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					Yes		
Guangzhou	48,388.8	-	100	100		-	-
Hengxing Pharm	3,714.2	-	100	100	Yes	-	-
Guangxi Accord	498.8	-	100	100	Yes	-	-
Sinopharm Liuzhou	2,220.6	-	51	51	Yes	2,791.40	-
Guangxi Chinese Herbal Pieces							
(ii)	-	-	51	100	Yes	-	-
Huixin Investment	6,441.7	-	100	100	Yes	-	-
Sinopharm Foshan	1499.5	-	100	100	Yes	-	-
Yuexing Pharm	4,345.9	-	100	100	Yes	-	-
Hengchang Logistics	559.6	-	100	100	Yes	-	-
Sinopharm Nanning	10,404.9	-	100	100	Yes	-	-
Guangxi Logistics(iii)	-	-	100	100	Yes	-	-
Shenzhen Medicine	4,808.1	-	100	100	Yes	-	-

(i) Shenzhen Trade ceased its operation in 2003.

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

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

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

	The holding type of investment	Place of registration	Nature of business	Registered capital (RMB'0000)	Principal activities	Enterprise Type	Legal Representative
Suzhou Wanqing	Direct	Suzhou	Manufacturing	8,000.00	Production and sales of general raw materials of medicine, raw medicine and preparation of cephalosporin; do export business of production and technology of the Company	Limited company	Shi Jinming
Dongguan Accord Pharmaceutical Co., Ltd. ('Dongguan Accord')	Direct	Dongguan	Commercial	1,000.00	Wholesales of Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material; sales of daily general merchandise and health protection food	Limited company	Lin Xinyang
Sinopharm Medicine Holding Zhanjiang Co., Ltd. ('Sinopharm Zhanjiang')	Direct	Zhanjiang	Commercial	1,500.00	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 Wanqing	13,425.00	-	75	75	Yes	2,477.02	-
Dongguan Accord	994.20	-	100	100	Yes	-	-
Sinopharm Zhanjiang	1,576.99	-	100	100	Yes	-	-
Yanfeng Medical	3,820.78	-	51	51	Yes	2,389.16	-
Sinopharm Meizhou	448.19	-	100	100	Yes	-	-
Sinopharm Huizhou	564.42	-	100	100	Yes	-	-

IV Business combinations and consolidated financial statements (continued)**(2) Business combination involving operating unit not under common control**

	Goodwill	Calculation of Goodwill
Guangxi Yixin Medicine Limited Company ("Yixin Medicine")- Trading business	-	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.

- (a) On 1 September 2011, the Group acquired the trading business from Yixin Medicine. Consideration for the business combinations is consistent with the fair value for the acquired net assets at the date of combination.

Cost of combination -	
Cash paid	258,411.77
Cash should be paid	654,408.86
Consideration in total	912,820.63
Less: fair value for the acquired net assets	<u>(912,820.63)</u>
Goodwill	<u>-</u>

- (b) The carrying amounts of assets and liabilities of Yixin Medicine at the date of the combination are as follows:

	Date of combination	
	Fair value	Carrying amount
Accounts receivable	3,816,966.32	3,816,966.32
Inventories	568,296.14	557,153.08
Less:Accounts payable	<u>(3,472,441.83)</u>	<u>(3,472,441.83)</u>
Net assets acquired	<u>912,820.63</u>	<u>901,677.57</u>

The Group recognised accounts receivable and accounts payable at the amount agreed by all the related parties 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 2011	31 December 2010
Cash on hand	48,381.59	146,710.56
Cash at bank	907,550,858.22	682,729,162.62
Other cash balances	45,066,005.42	28,913,902.48
	<u>952,665,245.23</u>	<u>711,789,775.66</u>

As at 31 December 2011, except a deposit of USD which was equivalent to RMB59.17 (31 December 2010: RMB17,977.46), all other cash at bank and on hand are in RMB. Other cash balances represent RMB25,066,005.42 (31 December 2010: RMB28,617,918.88) of deposits for the purpose of applying for bank acceptance notes and RMB20,000,000.00 of the temporary capital deposits of Sinopharm Nanning for the establishments of new subsidiaries.

(2) Notes receivable

	31 December 2011	31 December 2010
Trade acceptance notes	282,129,281.91	212,196,387.14
Bank acceptance notes	252,793,459.39	156,972,643.33
	<u>534,922,741.30</u>	<u>369,169,030.47</u>

(a) Endorsed undue notes receivable

As at 31 December 2011, the Group endorsed the undue notes receivable of RMB200,606,571.35 (31 December 2010: RMB578,715,918.12). The top five notes receivable are analysed as below.

Issuer	Issue date	Expiry date	Amount
General Hospital of Guangzhou Military Command of PLA	23 November 2011	23 January 2012	9,611,939.26
General Hospital of Guangzhou Military Command of PLA	21 December 2011	21 March 2012	5,901,392.47
The Second Affiliated Hospital of Guangzhou Medical College	26 August 2011	9 January 2012	5,564,196.26
Guangdong Provincial People's Hospital	10 November 2011	10 March 2012	3,856,781.52
Nanfang Hospital of Southern Medical University	31 October 2011	25 March 2012	3,237,863.60
			<u>28,172,173.11</u>

V Notes to the consolidated financial statements (continued)**(2) Notes receivable (continued)****(b) Discounted undue notes receivable**

As at 31 December 2011, notes receivable including undue trade acceptance notes of RMB154,597,987.59 (31 December 2010: RMB84,612,337.66), and undue bank acceptance notes of RMB80,801,595.56 (31 December 2010: RMB136,610,378.69) have been discounted.

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

(3) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivable	3,593,524,340.54	2,901,694,647.44
Less: provision for bad debts (note V(17))	<u>(22,077,157.93)</u>	<u>(34,869,544.66)</u>
	<u>3,571,447,182.61</u>	<u>2,866,825,102.78</u>

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

	31 December 2011		31 December 2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
	3,570,974,570.1		2,868,265,213.0	
Within 1 year	2	(2,484,037.75)	9	(3,649,047.87)
1 to 2 years	12,938,863.57	(11,063,563.33)	18,451,303.03	(16,242,365.47)
2 to 3 years	9,610,906.85	(8,529,556.85)	-	-
Over 3 years	-	-	14,978,131.32	(14,978,131.32)
	<u>3,593,524,340.5</u>		<u>2,901,694,647.4</u>	
	4	(22,077,157.93)	4	(34,869,544.66)

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

	31 December 2011				31 December 2010			
	Carrying amount	%	Bad debt provision	rate	Carrying amount	%	Bad debt provision	rate
	amount	of total balance	amount	rate	amount	of total balance	amount	rate
individually significant are subject to separate impairment assessment	34,637,925.19	0.97%	(16,677,034.14)	48.15%	53,290,932.84	1.84%	(23,655,876.26)	44.39%
receivable accounts within similar credit risk group	3,544,045,153.16	98.62%	(212,211.00)	0.006%	2,833,143,282.43	97.64%	(111,099.82)	0.004%
individually not significant but individually evaluated for impairment	14,841,262.19	0.41%	(5,187,912.79)	34.96%	15,260,432.17	0.52%	(11,102,568.58)	72.75%
	<u>3,593,524,340.54</u>	<u>100.00%</u>	<u>(22,077,157.93)</u>	<u>0.61%</u>	<u>2,901,694,647.44</u>	<u>100.00%</u>	<u>(34,869,544.66)</u>	<u>1.20%</u>

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

- (c) As at 31 December 2011, impairment provision for accounts receivable individually significant are analysed as below.

	Carrying amount	Bad debt provision	Rate	Assessment for impairment
Guangdong Liyuan Pharmaceutical Co. Ltd.	15,686,460.93	(15,686,460.93)	100.00%	Disputed receivable with higher risk of recoverability.
LiuZhou LiuTie Central Hospital	9,843,884.37	(210,838.78)	2.14%	Disputed receivable with higher risk of recoverability
NanNing Second People's Hospital	9,107,579.89	(779,734.43)	8.56%	Disputed receivable with higher risk of recoverability
	<u>34,637,925.19</u>	<u>(16,677,034.14)</u>		

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Within 1 year	3,541,002,433.42	99.92%	-	-	2,830,921,285.80	99.92%	-	-
1 to 2 years	1,841,219.74	0.05%	(92,061.00)	5.00%	2,221,996.63	0.08%	(111,099.82)	5.00%
2 to 3 years	1,201,500.00	0.03%	(120,150.00)	10.00%	-	-	-	-
	<u>3,544,045,153.16</u>	<u>100.00%</u>	<u>(212,211.00)</u>	<u>0.006%</u>	<u>2,833,143,282.43</u>	<u>100.00%</u>	<u>(111,099.82)</u>	<u>0.004%</u>

- (e) As at 31 December 2011, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

	Carrying amount	Bad debt provision	Rate	Assessment for impairment
The Second People's Hospital of Shenzhen	4,962,038.71	(1,919,196.88)	38.68%	Uncertainty in recoverability under legal process
Peking University Shenzhen Hospital	4,456,371.28	(670,476.15)	15.05%	Uncertainty in recoverability under legal process
The First People's Hospital of Hechi	1,366,392.40	(7,177.72)	0.53%	Disputed receivable with some risk of recoverability
Guangzhou Da Shenlin Medicine Co., Ltd	854,346.58	(854,346.58)	100.00%	Uncertainty in recoverability
The Red Cross Hospital of Liuzhou	829,149.55	(12,682.17)	1.53%	Disputed receivable with some risk of recoverability
Guangzhou Bihan Medicine Co., Ltd.	668,845.54	(215,040.00)	32.15%	Uncertainty in recoverability
Shenzhen Maternal and Children Care Service Centre	608,116.84	(412,992.00)	67.91%	Uncertainty in recoverability under legal process
Guangzhou Da Shenlin Pharmaceutical Chain Co., Ltd	524,670.75	(524,670.75)	100.00%	Uncertainty in recoverability
HuiZhou QuanYi Pharmaceutical Franchise Co.,Ltd	443,692.12	(443,692.12)	100.00%	Uncertainty in recoverability
City Center Wantang Community Health Service Station	127,638.42	(127,638.42)	100.00%	Uncertainty in recoverability
	<u>14,841,262.19</u>	<u>(5,187,912.79)</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, recovered in current year are listed below:

	Reason for recoverability	Original assessment for providing impairment	Recovered bad debt provisions	Recovered amount
People's Hospital of Beihai	Improved business performance of customer	uncertainty in recoverability	1,528,820.82	1,528,820.82
Jiangyin KaiHong Pharmaceutical Co. Ltd.	Amount received	Long ageing with higher risk in recoverability	354,600.00	354,600.00
AnHui Province Fuyang KangTai Pharmaceutical Co. Ltd.	Amount received	Long ageing with higher risk in recoverability	93,687.19	93,687.19
			<u>1,977,108.01</u>	<u>1,977,108.01</u>

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

	Nature of the receivable	Amount	Reason	Related party transaction or not
Accounts receivable with long ageing	Receivable for medicine sold	14,868,152.75	Receivables aged over five years and with fully provision are hardly recoverable	Not

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

	31 December 2011	31 December 2010
Sinopharm Group(Note VII(6))	<u>13,341,144.90</u>	<u>6,085,670.42</u>

- (i) As at 31 December 2011, the top five accounts receivable by customer are analysed as below:

	Relationship with the Group	Amount	Ageing	% of the total accounts receivable
Center for Disease Control and Prevention of Guangdong Province	Third party	97,709,735.00	Within 1 year	2.72%
The Third Affiliated Hospital of ZhongShan University	Third party	63,859,116.52	Within 1 year	1.78%
The First Affiliated Hospital of GuangXi Medical University	Third party	62,208,293.23	Within 1 year	1.73%
The Southern Hospital of Southern Medical University	Third party	51,001,955.39	Within 1 year	1.42%
GuangDong Province People's Hospital	Third party	<u>48,570,600.52</u>	Within 1 year	<u>1.35%</u>
		<u>323,349,700.66</u>		<u>9.00%</u>

V Notes to the consolidated financial statements (continued)**(3) Accounts receivable (continued)****(j) Accounts receivable due from related party**

As at 31 December 2011, there are accounts receivable of RMB258,782,725.29 due from related party (31 December 2010: RMB186,420,123.66), which is 7.20% of the total accounts receivable (31 December 2010: 6.42%) (Note VII(6)).

(k) In 2011, accounts receivable of RMB694,226,824.76 are derecognized given that irrevocable factoring contracts agreed with financial institute(2010: RMB212,476,188.14).**(l) As at 31 December 2011, no accounts receivable is pledged as collateral for the Group's short-term borrowings.****(m) Accounts receivable denominated in foreign currencies are as follows:**

	31 December 2011			31 December 2010		
	Foreign Currency	Exchange Rate	RMB	Foreign Currency	Exchange Rate	RMB
USD	239,782.55	6.3009	1,510,845.87	238,947.70	6.6227	1,582,478.93
EUR	161,250.00	8.1625	1,316,203.13	-	8.8065	-
HKD	-	0.8107	-	164,781.76	0.8509	140,212.80
			<u>2,827,049.00</u>			<u>1,722,691.73</u>

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

	31 December 2011		31 December 2010	
	amount	% of total balance	amount	% of total balance
Within 1 year	60,930,036.33	93.62%	98,067,411.72	96.33%
1 to 2 years	623,928.87	0.96%	202,384.25	0.20%
2 to 3 years	-	-	3,536,234.95	3.47%
Above 3 years	3,529,434.95	5.42%	-	-
	<u>65,083,400.15</u>	<u>100.00%</u>	<u>101,806,030.9</u>	<u>100.00%</u>

As at 31 December 2011, advances to suppliers of RMB4,153,363.82 with ageing over 1 years (31 December 2010: RMB3,738,619.20) mainly represented prepayment for patent.

V Notes to the consolidated financial statements (continued)**(4) Advances to suppliers (continued)**

(b) As at 31 December 2011, the top five advances to suppliers by customer are analysed below:

	Relationship with the Group	Amount	Proportion	Ageing	Reason for unsettlement
ShangHai Novartis Trading Co. Ltd.	Third party	20,592,339.18	31.64%	Within 1 year	Advances for imported VAT
Seiko Eiyo Yakuhin Co. Ltd.	Third party	4,907,020.41	7.54%	Within 1 year	Advances for procurement
Korea Lihuang Company	Third party	3,529,434.95	5.42%	Above 3 years	Advances for patent
Heze Buchang Pharmaceutical Co.,Ltd	Third party	3,030,314.82	4.66%	Within 1 year	Advances for procurement
Shijiazhuang Yiling Pharmaceutical Co., Ltd	Third party	2,463,280.61	3.78%	Within 1 year	Advances for procurement
		<u>34,522,389.97</u>	<u>53.04%</u>		

(c) Advances due from related party

As at 31 December 2011, there are advances of RMB3,135,773.37 due from related party (31 December 2010: RMB10,460,996.03), which is 4.82% of the total advances to suppliers (31 December 2010: 10.28%), and no bad debt provision was provided (31 December 2010: Nil). (Note VII(6)).

(5) Other receivables

	31 December 2011	31 December 2010
Deposit	5,991,077.47	10,238,481.87
Purchase rebate	388,830.44	9,502,788.69
Receivable of equity transaction(c)	8,980,000.00	8,980,000.00
Petty cash advance to employees	8,608,537.30	7,195,539.52
Receivable due from related party(i)	1,215,000.00	2,136,200.00
Others	15,518,960.88	22,847,234.41
	<u>40,702,406.09</u>	<u>60,900,244.49</u>
Less: provision for bad debts (Note V(17))	<u>(12,254,858.16)</u>	<u>(17,789,244.75)</u>
	<u>28,447,547.93</u>	<u>43,110,999.74</u>

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

	31 December 2011	31 December 2010
Within 1 year	20,854,655.08	41,876,178.36
1 to 2 years	5,725,726.90	1,179,247.56
2 to 3 years	1,133,624.31	1,052,432.85
Over 3 years	12,988,399.80	16,792,385.72
	<u>40,702,406.09</u>	<u>60,900,244.49</u>

V Notes to the consolidated financial statements (continued)**(5) Other receivables(continued)**

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant are subject to separate impairment assessment	8,980,000.00	22.06%	(8,980,000.00)	100.00%	8,980,000.00	14.75%	(8,980,000.00)	100.00%
Receivable accounts within similar credit risk group	24,168,535.85	59.38%	(74,161.25)	0.31%	43,215,849.71	70.96%	(104,849.97)	0.24%
Individually not significant but individually evaluated for impairment	<u>7,553,870.24</u>	<u>18.56%</u>	<u>(3,200,696.91)</u>	<u>42.37%</u>	<u>8,704,394.78</u>	<u>14.29%</u>	<u>(8,704,394.78)</u>	<u>100.00%</u>
	<u>40,702,406.09</u>	<u>100.00%</u>	<u>(12,254,858.16)</u>	<u>30.11%</u>	<u>60,900,244.49</u>	<u>100.00%</u>	<u>(17,789,244.75)</u>	<u>29.21%</u>

(c) As at 31 December 2011, impairment provision for other receivables individually significant are analysed as below.

	Amount	Bad debt provision	Rate	Assessment for impairment
Shenzhen Technology Co., Ltd. Yinghai investment	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	100.00%	Uncertainty in recoverability

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Within 1 year	20,723,468.05	85.75%	-	-	41,876,178.36	96.90%	-	0.00%
1 to 2 years	3,439,603.80	14.23%	(73,068.45)	2.12%	1,015,347.60	2.35%	(50,767.38)	5.00%
2 to 3 years	-	-	-	-	107,821.60	0.25%	(10,782.16)	10.00%
Over 3 years	<u>5,464.00</u>	<u>0.02%</u>	<u>(1,092.80)</u>	<u>20.00%</u>	<u>216,502.15</u>	<u>0.50%</u>	<u>(43,300.43)</u>	<u>20.00%</u>
	<u>24,168,535.85</u>	<u>100.00%</u>	<u>(74,161.25)</u>	<u>0.31%</u>	<u>43,215,849.71</u>	<u>100.00%</u>	<u>(104,849.97)</u>	<u>0.24%</u>

(e) As at 31 December 2011, other receivables individually not significant but individually evaluated for impairment are analysed below:

	Amount	Bad debt provision	Rate	Assessment for impairment
ShenZhen Health Food I&E Co. Ltd.	1,157,860.00	(1,157,860.00)	100.00%	Uncertainty in recoverability
Service fee etc.	<u>6,396,010.24</u>	<u>(2,042,836.91)</u>	31.94%	Uncertainty in recoverability
	<u>7,553,870.24</u>	<u>(3,200,696.91)</u>		

V Notes to the consolidated financial statements (continued)**(5) 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
People's Hospital of Guangxi Autonomous Region etc.	Prepayment for the procurement	5,746,093.96	Disputed receivable with higher risk of recoverability	No

(g) As at 31 December 2011, there is no other receivables due from shareholders with more than 5% (including 5%) of the Company's equity interest (31 December 2011: Nil)

(h) As at 31 December 2011, the top five other receivables by customer are analysed below:

	Relationship with the Group	Amount	Ageing	% of the total other receivable
ShenZhenShi Technology&Investment Co. Ltd.	Third party	8,980,000.00	Over 5 years	22.06%
GuangXi Autonomous Region Housing system Reformed Department	Third party	1,901,707.85	Over 5 years	4.67%
LiuZhouShi Housing Provident Fund Management Center-Specific Account for Housing Fund	Third party	1,881,809.47	Over 5 years	4.62%
Beijing Elevating Machinery Engineering and Research Institute	Third party	1,233,418.80	Within 1 year	3.03%
Sinopharm Group Medicine Logistic Co., Ltd.	Controlled by Sinopharm Group	1,215,000.00	1 to 2 years	2.99%
		<u>15,211,936.12</u>		<u>37.37%</u>

(i) Other receivables due from related party

As at 31 December 2011, there are other receivables of RMB1,215,000.00 due from related party (31 December 2010: RMB2,136,200.00), which is 2.99% of the total other receivables (31 December 2010: 3.51%), without bad debt provided (31 December 2010: Nil). (Note VII(6)).

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

(a) Inventories by category are analysed as below:

	31 December 2011			31 December 2010		
	Book value	Provision	Net book Value	Book value	Provision	Net book Value
Raw materials	128,933,630.01	(8,749,136.38)	120,184,493.63	165,679,203.91	(3,358,112.02)	162,321,091.89
Packaging materials	792,913.20	-	792,913.20	655,633.83	-	655,633.83
Consigned processing materials	2,379,345.20	-	2,379,345.20	1,366,855.16	-	1,366,855.16
Finished goods	1,128,827,264.65	(14,305,031.01)	1,114,522,233.64	877,562,151.03	(4,961,799.59)	872,600,351.44
Goods in transition	40,099,925.25	(157,915.73)	39,942,009.52	75,453,155.42	(2,006,680.46)	73,446,474.96
Work in progress	32,594,856.82	-	32,594,856.82	45,068,088.99	-	45,068,088.99
Low cost consumables	857,373.23	-	857,373.23	871,162.53	-	871,162.53
	<u>1,334,485,308.36</u>	<u>(23,212,083.12)</u>	<u>1,311,273,225.24</u>	<u>1,166,656,250.87</u>	<u>(10,326,592.07)</u>	<u>1,156,329,658.80</u>

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

	31 December 2010	Increases	Decreases		31 December 2011
			Reversal	Written off	
Raw materials	3,358,112.02	6,155,269.13	(679,240.02)	(85,004.75)	8,749,136.38
Finished goods	4,961,799.59	10,366,177.59	(495,850.78)	(527,095.39)	14,305,031.01
Goods in transition	<u>2,006,680.46</u>	<u>157,915.73</u>	<u>-</u>	<u>(2,006,680.46)</u>	<u>157,915.73</u>
	<u>10,326,592.07</u>	<u>16,679,362.45</u>	<u>(1,175,090.80)</u>	<u>(2,618,780.60)</u>	<u>23,212,083.12</u>

(7) Other non-current assets

	31 December 2011	31 December 2012
Corporate income tax to be deducted	1,785,503.23	-
VAT to be deducted	5,868,232.98	-
	<u>7,653,736.21</u>	<u>-</u>

(8) Long-term equity investments

	31 December 2011	31 December 2010
Associates - Without quoted price (a)	<u>95,799,627.42</u>	<u>85,275,251.06</u>

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

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

Accounting method	Original investment cost	31 December 2010	Increases/(Decreases)				31 December 2011	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held
			Additional investment cost	Share of profit of associate Note V(42)	Cash dividends declared by associate	Retain earning distributed into Capital				
Wanle Medical	Equity method 4,457,400.00	85,275,251.06	32,980,830.80	28,119,376.36	(17,595,000.0)	(32,980,830.8)	95,799,627.42	35.19	33.33	Board of the directors is the highest decision making organization, which is formed by 3 shareholders of Wanle Medical evenly, each shareholder appoints 2 directors set up the board

(9) Investment in associates

	Equity interest held (%)	Voting rights held (%)	As at 31 December 2011			For the year ended 31 December 2011	
			Total assets	Total liabilities	Net assets	Revenues	Net profit
Wanle Medical	35.19	33.3	568,628,531.91	296,393,159.87	272,235,372.04	581,679,965.33	90,866,436.04

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

	31 December 2010	Increase in Current year	Decrease in Current year	31 December 2011
Cost	165,914,762.4 6	10,098,906.8 2	(3,128,318.00)	172,885,351.28
Buildings	150,496,208.9 0	5,360,866.37	(3,128,318.00)	152,728,757.27
Land use rights	15,418,553.56	4,738,040.45	-	20,156,594.01
Accumulated depreciation/ amortisation	(78,621,428.70)	(8,120,449.40)	1,321,456.52	(85,420,421.58)
Buildings	(77,082,150.15)	(7,921,765.09)	1,321,456.52	(83,682,458.72)
Land use rights	(1,539,278.55)	(198,684.31)	-	(1,737,962.86)
Net book value	87,293,333.76			87,464,929.70
Buildings	73,414,058.75			69,046,298.55
Land use rights	13,879,275.01			18,418,631.15
Provision fo impairment loss	-	(1,300,000.00)	-	(1,300,000.00)
Buildings	-	(1,300,000.00)	-	(1,300,000.00)
Land use rights	-	-	-	-
Carrying amount	87,293,333.76			86,164,929.70
Buildings	73,414,058.75			67,746,298.55
Land use rights	13,879,275.01			18,418,631.15

In 2011, the amount of depreciation and amortization were RMB 6,091,488.05 (2010: RMB9,498,256.09)

In 2011, the Group changed the use of buildings with a carrying amount of RMB1,806,861.48 (cost of RMB3,128,318.00) to owner-occupied properties, and therefore, such investment properties were transferred to fixed assets at the dates of change in use,

In 2011, the Group changed the use of buildings with a carrying amount of RMB2,031,905.02 (cost of RMB5,360,866.37) to lease-out properties, and therefore, such assets were transferred from fixed assets to investment properties at the dates of change in use.

V Notes to the consolidated financial statements (continued)

(11) Fixed assets

	31 December 2010	Reclassification	Transfer from investment properties	Current year other additions	Current year disposals	31 December 2011
Cost	783,341,813.81	-	3,128,318.00	180,839,391.78	(27,104,996.07)	940,204,527.52
Buildings	292,290,735.22	11,787,701.68	3,128,318.00	119,997,906.73	(7,318,858.30)	419,885,803.33
Machinery and equipment	291,068,102.35	1,272,198.76	-	40,010,594.40	(11,298,665.30)	321,052,230.21
Motor vehicles	53,346,433.87	-	-	6,799,918.08	(6,046,568.82)	54,099,783.13
Other	120,041,142.06	-	-	11,519,917.64	(2,008,086.80)	129,552,972.90
Leasehold improvements	26,595,400.31	(13,059,900.44)	-	2,511,054.93	(432,816.85)	15,613,737.95
Accumulated depreciation	(289,484,070.38)	-	(1,321,456.52)	(68,107,434.74)	18,387,983.83	(340,524,977.81)
Buildings	(81,695,473.45)	(1,688,586.75)	(1,321,456.52)	(13,745,296.86)	2,807,125.96	(95,643,687.62)
Machinery and equipment	(110,057,627.37)	(113,615.32)	-	(27,175,564.68)	8,435,320.90	(128,911,486.47)
Motor vehicles	(22,479,927.68)	-	-	(6,262,600.75)	5,923,537.79	(22,818,990.64)
Other	(65,382,814.67)	-	-	(18,673,223.87)	1,167,731.01	(82,888,307.53)
Leasehold improvements	(9,868,227.21)	1,802,202.07	-	(2,250,748.58)	54,268.17	(10,262,505.55)
Net book value	493,857,743.43					599,679,549.71
Buildings	210,595,261.77					324,242,115.71
Machinery and equipment	181,010,474.98					192,140,743.74
Motor vehicles	30,866,506.19					31,280,792.49
Other	54,658,327.39					46,664,665.37
Leasehold improvements	16,727,173.10					5,351,232.40
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	-	-	-	-	-	-
Carrying amount	492,557,743.43					599,679,549.71
Buildings	209,295,261.77					324,242,115.71
Machinery and equipment	181,010,474.98					192,140,743.74
Motor vehicles	30,866,506.19					31,280,792.49
Other	54,658,327.39					46,664,665.37
Leasehold improvements	16,727,173.10					5,351,232.40

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

In 2011, details of the depreciation charged are below:

	31 December 2011	31 December 2010
Cost of goods sold	37,076,483.85	31,740,044.28
Selling expenses	4,612,220.07	3,338,028.18
General and administrative expenses	21,548,938.10	18,848,850.43
Research and development expenses	4,869,792.72	3,492,815.70
	<u>68,107,434.74</u>	<u>57,419,738.59</u>

In 2011, fixed assets transferred from construction in progress are RMB144,969,618.27 (2010: RMB76,675,258.73).

(12) Construction in progress

	31 December 2011	31 December 2010
Zhijun Zhiyao Guanglan Stage II Project	34,454,871.59	1,441,384.55
Nanning Logistics Center Project	22,481,720.32	14,507,130.59
Menstruum Recycling Plant Project	15,141,346.09	12,773,423.00
Asepsis Materials Plant Project	14,830,665.89	20,828,473.64
Peinan Project	11,311,813.32	8,084,242.40
Cefoxitin Plant Improvement Project	6,189,414.31	8,055,862.00
Chebei Project	7,515,595.20	6,915,595.20
Multifunctional Warehouse Project	1,253,509.03	6,847,719.64
Power Station Improvement Project	-	9,625,754.12
Reconstruction of Wastewater Treatment Project and others	17,133,027.52	14,513,077.86
Other projects	730,809.32	4,708,675.12
	<u>131,042,772.59</u>	<u>108,301,338.12</u>

V Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

Changes of construction in progress in 2011 are below:

Name of project	Budget of project	31 December 2010	Current year additions	Transfer to fixed assets during current year	31 December 2011	Cost up to date out of budget (%)	Construction progress (%)	Accumulated capitalized borrowing cost	Borrowing cost capitalized in 2010	Weighted average interest rate (%)	Financed by
Zhijun Zhiyao Guanglan Stage II Project	250,000,000.00	1,441,384.55	33,018,787.04	(5,300.00)	34,454,871.59	14%	14%	-	-	-	Working capital
Nanning Logistics Center Project	154,667,633.00	14,507,130.59	106,933,379.45	(98,958,789.72)	22,481,720.32	79%	79%	5,487,209.53	4,748,429.86	6.58	Working capital and borrowings
Menstruum Recycling Plant Project	18,216,000.00	12,773,423.00	5,400,358.99	(3,032,435.90)	15,141,346.09	100%	99%	1,376,457.93	1,376,457.93	5.99	Working capital and borrowings
Asepsis Materials Plant Project	59,340,000.00	20,828,473.64	-	(5,997,807.75)	14,830,665.89	99%	99%	151,356.86	-	-	Working capital
Peinan Project	40,000,000.00	8,084,242.40	3,227,570.92	-	11,311,813.32	28%	28%	-	-	-	Working capital
Chebei Project	11,810,000.00	6,915,595.20	600,000.00	-	7,515,595.20	64%	64%	-	-	-	Working capital
Cefoxitin Plant Improvement Project	9,180,000.00	8,055,862.00	1,649,085.12	(3,515,532.81)	6,189,414.31	100%	99%	-	-	-	Working capital
Multifunctional Warehouse Project	11,520,000.00	6,847,719.64	3,898,625.81	(9,492,836.42)	1,253,509.03	93%	93%	-	-	-	Working capital
Power Station Improvement Project	14,700,000.00	9,625,754.12	-	(9,625,754.12)	-	100%	100%	-	-	-	Working capital
Reconstruction of Wastewater Treatment Project and others	43,020,000.00	14,513,077.86	12,506,322.33	(9,886,372.67)	17,133,027.52	63%	63%	1,340,632.50	1,340,632.50	5.99	Working capital and borrowings
Other Projects	-	4,708,675.12	476,923.08	(4,454,788.88)	730,809.32	-	-	--	-	-	Working capital
	<u>612,453,633.00</u>	<u>108,301,338.12</u>	<u>167,711,052.74</u>	<u>(144,969,618.27)</u>	<u>131,042,772.59</u>						

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

	31 December 2010	Current year additions	Current year decreases	31 December 2011
Cost	195,327,775.54	9,341,830.57	-	204,669,606.11
Land use rights	129,845,384.04	8,462,671.63	-	138,308,055.67
Computer software	12,201,608.17	879,158.94	-	13,080,767.11
Proprietary technology	53,083,933.33	-	-	53,083,933.33
Trademarks	196,850.00	-	-	196,850.00
Accumulated amortization	(66,152,409.45)	(15,938,550.65)	-	(82,090,960.10)
Land use rights	(25,105,998.71)	(2,685,451.87)	-	(27,791,450.58)
Computer software	(8,110,179.92)	(1,816,258.64)	-	(9,926,438.56)
Proprietary technology	(32,791,536.96)	(11,406,617.34)	-	(44,198,154.30)
Trademarks	(144,693.86)	(30,222.80)	-	(174,916.66)
Net book value	129,175,366.09			122,578,646.01
Land use rights	104,739,385.33			110,516,605.09
Computer software	4,091,428.25			3,154,328.55
Proprietary technology	20,292,396.37			8,885,779.03
Trademarks	52,156.14			21,933.34
Provision for impairment loss	-	(3,000,000.00)	-	(3,000,000.00)
Land use rights	-	-	-	-
Computer software	-	-	-	-
Proprietary technology	-	(3,000,000.00)	-	(3,000,000.00)
Trademarks	-	-	-	-
Carrying amount	129,175,366.09			119,578,646.01
Land use rights	104,739,385.33			110,516,605.09
Computer software	4,091,428.25			3,154,328.55
Proprietary technology	20,292,396.37			5,885,779.03
Trademarks	52,156.14			21,933.34

In 2011, amortisation of intangible assets that are recognised in profit or loss for the current period amount to RMB 15,938,550.65 (2010: RMB16,100,730.90). As at 31 December 2011, management made provision for the useless patent rights of RMB3,000,000.00.

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

As at 31 December 2010, the carrying amount of land use right located on Ping Shan of Longgang district was RMB26,811,850.95. The land is still pending for development due to the change of functional planning of the industrial park of the government. As a result, the Bureau of Planning, Land and Resources of Shenzhen Municipality has recognised it as vacant land and charged the company RMB 9,190,000 of vacant land fee. The delay in construction was caused by multiple reasons, so the company kept communicating with government in prior years to revoke the the identification of idle land and lift the land seizure, but the company receive no reply from the relevant government. As of 2011, the management consider that it is probably to pay for the vacant land fee to lift the lan seizure, so as to initiate the construction out of the demand of the group's operation strategies. Therefore, the Company recognized the liability of RMB 9,190,000, after thorough consideration of the whole event.

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

	31 December 2010	Current year additions	31 December 2011
Development costs	<u>2,580,662.85</u>	<u>1,417,770.84</u>	<u>3,998,433.69</u>

Expenditures on research and development incurred in 2011 amount to RMB64,935,098.26 (2010: RMB55,176,057.07) in total, of which RMB63,517,327.42 (2010: RMB52,830,769.23) is recognised in profit or loss for the current period, RMB1,417,770.84 (2010: RMB2,345,287.8) is recognised as development costs. No research and development costs are capitalized.

(14) Goodwill

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

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

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

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

The recoverable amount of asset groups and groups of asset groups is calculated using the estimated cash flows determined according to the five-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%	12%
Discount rate	11%	12%

Management determines budgeted gross margin based on historical experience and forecast on market development. The discount rates determined by management are the pre-tax interest rates which 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 2011, management of the Group considered there was no impairment to goodwill recognised according to the impairment assessment

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

	31 December 2010	Current year additions	Current year amortisation	31 December 2011
Leasehold improvements	18,609,920.17	5,361,653.96	(4,952,568.90)	19,019,005.23
Others	1,201,691.07	567,139.77	(684,697.08)	1,084,133.76
	<u>19,811,611.24</u>	<u>5,928,793.73</u>	<u>(5,637,265.98)</u>	<u>20,103,138.99</u>

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

	31 December 2011		31 December 2010	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provision for accounts receivable	5,485,770.49	22,077,157.93	4,745,194.38	19,246,624.26
Provision for other receivables	2,862,853.62	12,187,579.91	2,739,278.52	12,089,435.27
Provision for declines in value of inventories	3,735,540.84	23,212,083.12	1,711,016.77	10,089,072.64
Provision for fixed assets impairment	167,792.18	671,168.73	174,571.68	698,286.70
Accrued expenses	5,903,465.72	37,652,168.18	5,541,124.17	31,872,047.07
Accrued payroll	9,558,094.14	46,916,608.47	10,948,931.14	53,300,710.61
Deferred revenue	7,064,337.65	46,562,251.05	4,722,984.13	28,751,822.73
Deductible losses	5,707,702.49	35,323,416.95		
Others	3,584,507.12	17,691,687.07	500,491.45	2,723,589.31
	<u>44,070,064.25</u>	<u>242,294,121.4</u>	<u>31,083,592.24</u>	<u>158,771,588.5</u>
		<u>1</u>		<u>9</u>

(b) Deferred income tax liabilities

	31 December 2011		31 December 2010	
	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences
Business combination involving entities not under common control	2,761,423.21	18,409,488.08	4,817,694.42	32,117,962.85
Changes in fair value	13,179,149.48	52,716,597.93	14,118,080.28	56,472,321.11
Others	3,960,214.61	16,339,246.79	3,773,319.00	15,093,276.00

(All amounts in Renminbi (RMB) unless otherwise stated)

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<u>19,900,787.30</u>	<u>87,465,332.80</u>	<u>22,709,093.70</u>	<u>103,683,559.96</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 2011, the Group has not recognised deferred tax assets in respect of deductible losses and other deductible temporary differences are listed as below.

	31 December 2011	31 December 2010
Deductible losses(i)	24,516,268.65	34,682,363.78
Other deductible temporary differences	3,975,000.00	6,307,666.93
	<u>28,491,268.65</u>	<u>40,990,030.71</u>

For those loss making subsidiaries, the Group does not recognize deferred tax assets arising from accumulated losses amounting to RMB24,516,268.65 which are tax deductible under the tax law within 2012 to 2016. The reason of un-recognition is mainly due to the uncertainty in obtaining available taxable profit in the future which will be used against the deductible tax loss. In addition, similar to consideration of uncertainty of reason mentioned above, the Group does not recognize the deferred tax assets arising from deductible temporary differences amounting RMB 3,975,000.00, including accrual of sale commission and unpaid payroll, either.

- (i) As at 31 December 2011, the unrecognised deferred tax assets in respect of deductible losses will be expired as follows:

Year	31 December 2011	31 December 2010
2012	-	2,255,000.05
2013	-	201,029.87
2014	-	2,672,990.11
2015	9,748,417.56	29,553,343.75
2016	14,767,851.09	-
	<u>24,516,268.65</u>	<u>34,682,363.78</u>

(17) Provision for asset impairment

	31 December 2010	Transfer from fix assets to investment property	Increases	Decreases		31 December 2011
				Reversal	Written off	
Bad debt provision	52,658,789.41	-	4,597,395.38	(2,309,921.99)	(20,614,246.71)	34,332,016.09
Including: Provision						
for accounts receivable	34,869,544.66	-	4,364,102.40	(2,288,336.38)	(14,868,152.75)	22,077,157.93
Provision for other receivables	17,789,244.75	-	233,292.98	(21,585.61)	(5,746,093.96)	12,254,858.16
Provision for declines in value of inventories	10,326,592.07	-	16,679,362.45	(1,175,090.80)	(2,618,780.60)	23,212,083.12
Provision for investment property impairment	-	1,300,000.00	-	-	-	1,300,000.00
Provision for fixed assets impairment	1,300,000.00	(1,300,000.00)	-	-	-	-
Provision for intangible assets impairment	-	-	3,000,000.00	-	-	3,000,000.00
	<u>64,285,381.48</u>	<u>-</u>	<u>24,276,757.83</u>	<u>(3,485,012.79)</u>	<u>(23,233,027.31)</u>	<u>61,844,099.21</u>

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

	31 December 2011	31 December 2010
Medical reserve fund	37,163,948.02	48,127,831.56
Prepayment for equipment	3,109,894.90	-
	<u>40,273,842.92</u>	<u>48,127,831.56</u>

(19) Short-term borrowings

(a) Category	Currency	31 December 2011	31 December 2010
Entrusted borrowings(Note VII (6))	RMB	337,370,000.00	300,000,000.00
Guaranteed borrowings(i)	RMB	146,054,097.48	118,348,996.25
Unsecured borrowings(ii)	RMB	1,201,815,980.61	442,266,992.42
Pledged borrowings	RMB	-	30,247,557.88
Discounted notes	RMB	154,597,987.59	84,612,337.66
		<u>1,839,838,065.68</u>	<u>975,475,884.21</u>

(i) As at 31 December 2011, bank borrowings of RMB146,054,097.48 (31 December 2010: 118,348,996.25) are guaranteed by Sinopharm Group.

(ii) As at 31 December 2011, unsecured borrowings of RMB1,201,815,980.61 (31 December 2010: RMB442,266,992.42) are guaranteed by the Company and its subsidiaries.

As at 31 December 2011, the weighted average interest rate of short-term borrowings is 6.98% per annum (31 December 2010: 4.93%).

(b) As at 31 December 2011, there were no expired bank borrowings(31 December 2010: Nil).

(20) Notes payable

	31 December 2011	31 December 2010
Trade acceptance notes	182,966,615.77	336,739,137.60
Bank acceptance notes	876,460,337.07	1,111,883,353.12
	<u>1,059,426,952.84</u>	<u>1,448,622,490.72</u>

As at 31 December 2011, notes receivable of RMB1,059,426,952.84 would be expired within 1 year (31 December 2010: RMB1,448,622,490.72).

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

	31 December 2011	31 December 2010
Accounts payable	<u>2,490,177,373.15</u>	<u>2,003,566,517.62</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 2011	31 December 2010
Sinopharm Group(Note VII (6))	<u>74,626,867.68</u>	<u>109,598,841.49</u>

- (b) Accounts payable due to related party

As at 31 December 2011, there are accounts payable of RMB 252,106,897.21 due to related party (31 December 2010: RMB171,555,542.58), which accounts for 10.12% of the total accounts payable(31 December 2010: 8.56%).(Note VII(6)).

- (c) As at 31 December 2011, accounts payable of RMB44,484,001.39 (31 December 2010: RMB60,550,672.66) were aged over 1 year, which were mainly for quality deposit. Before the financial statement is approved, no such long aged accounts payable have been settled.

- (d) Accounts payable denominated in foreign currency as follows:

	31 December 2011			31 December 2010		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
USD	4,432,425.00	6.3009	<u>27,928,266.68</u>	2,428,219.46	6.6227	<u>16,081,369.00</u>

(22) Advances from customers

	31 December 2011	31 December 2010
Advances from customers	<u>58,629,952.74</u>	<u>100,322,387.21</u>

As at 31 December 2011, there are RMB8,192.00 of advances due to related party (31 December 2010: 5,370,000.00), which accounts for 0.01% of the total accounts payable(31 December 2010: 5.35%). (Note VII(6)).

As at 31 December 2011, advances from customers of RMB536,581.30 (31 December 2010: RMB2,379,071.02) 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 2010	Current year additions	Current year reductions	31 December 2011
Wages and salaries, bonuses, allowances and subsidies	103,312,473.14	310,098,145.04	(298,846,922.78)	114,563,695.40
Staff welfare	172,176.00	27,246,262.58	(27,067,031.58)	351,407.00
Social security contributions	1,250,359.05	36,964,927.84	(37,446,982.23)	768,304.66
Including:				
Medical insurance	161,987.29	10,366,070.67	(10,413,737.59)	114,320.37
Basic pensions	983,887.47	23,002,424.75	(23,435,516.44)	550,795.78
Unemployment insurance	79,813.62	1,769,262.25	(1,764,526.23)	84,549.64
Work injury insurance	8,791.87	959,462.07	(965,216.65)	3,037.29
Maternity insurance	15,878.80	867,708.10	(867,985.32)	15,601.58
Housing funds	381,788.16	13,825,375.70	(13,709,562.11)	497,601.75
Supplemental pensions	175,580.00	4,429,368.11	(1,606,700.98)	2,998,247.13
Labor union funds and employee education funds	9,273,557.01	11,161,218.17	(9,831,452.35)	10,603,322.83
Compensation for employee dismissal	3,477,747.06	4,021,386.19	(3,442,576.19)	4,056,557.06
Early retirement benefits	6,729,257.59	1,498,278.91	(1,637,062.47)	6,590,474.03
Others	2,418,779.24	16,351,792.85	(16,872,285.65)	1,898,286.44
	<u>127,191,717.25</u>	<u>425,596,755.39</u>	<u>(410,460,576.34)</u>	<u>142,327,896.30</u>

As at 31 December 2011, there are no payroll payables in arrears. Most part of the payroll payables would be paid out in the coming year 2012.

(24) Taxes payable

	31 December 2011	31 December 2010
Enterprise income tax payable	30,342,766.82	35,944,942.69
Value-added-tax payable	21,158,557.18	(5,010,377.31)
Business tax payable	1,713,447.10	1,380,716.94
City maintenance and construction tax payable	1,872,319.78	537,550.82
Real estate tax payable	1,035,824.59	399,097.44
Stamp duty tax payable	1,334,514.39	1,094,469.16
Land use rights	285,557.07	83,178.55
Individual income tax payable	875,190.61	2,411,409.52
Educational surcharge payable	1,281,710.80	235,523.80
Rivers management fee	2,160,160.85	2,152,879.39
Anti-flood fund	552,568.54	469,902.57
Others	255,284.29	21,018.15
	<u>62,867,902.02</u>	<u>39,720,311.72</u>

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

	31 December 2011	31 December 2010
Interests payable	<u>10,451,229.03</u>	<u>2,122,314.90</u>

(26) Other payables

	31 December 2011	31 December 2010
Accrued selling expenses	156,473,454.00	148,869,382.91
Payables for construction in progress and equipment	51,532,375.56	48,899,435.34
Amount collected on behalf of third party	36,761,462.92	32,338,391.74
Deposit	12,069,302.00	14,037,304.36
Others	<u>82,659,836.53</u>	<u>100,866,779.45</u>
	<u>339,496,431.01</u>	<u>345,011,293.80</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 2011	31 December 2010
Sinopharm Group(Note VII (6))	<u>3,730,696.87</u>	<u>3,893,939.65</u>

- (b) Other payables due to related party

As at 31 December 2011, there are other payables of RMB 6,351,128.25 due to related party (31 December 2010: RMB10,365,391.15), which accounts for 1.87% of the total other payables (31 December 2010: 3.00%). (Note VII(6)).

- (c) As at 31 December 2011, other payables of RMB 67,156,664.35 (31 December 2010: RMB61,897,416.02) were aged over 1 year, which were mainly for accrued selling expenses. Before the financial statement is approved, other payables of RMB13,364,772.54 have been paid out (Note X(1)).

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

	31 December 2011	31 December 2010
Promotion rewards program		
- due within one year	8,960,000.00	-
Current portion of long term borrowings (a)	<u>15,000,000.00</u>	<u>-</u>
	<u>23,960,000.00</u>	<u>-</u>

(a) Current portion of long term borrowings

	31 December 2011	31 December 2010
Unsecured borrowings	<u>15,000,000.00</u>	<u>-</u>

Details of current portion of long term borrowings are as below:

	Borrowing date	Repayment date	Currency	Interest rate per annum (%)	31 December 2011	31 December 2010
Agricultural Bank of China	28 January 2011	28 November 2012	RMB	5.985%	10,000,000.00	-
Agricultural Bank of China	31 March 2011	20 December 2012	RMB	6.650%	<u>5,000,000.00</u>	<u>-</u>
					<u>15,000,000.00</u>	<u>-</u>

(28) Long-term borrowings

	Currency	31 December 2011	31 December 2010
Unsecured borrowings	RMB	<u>93,082,967.96</u>	<u>30,000,000.00</u>

As at 31 December 2011, Bank unsecured borrowings of RMB30,000,000.00 (31 December 2010: 30,000,000.00) are guaranteed by Suzhou Wanqing, a subsidiary of the Company. Interest is paid every month and the principal is due for repayment on 5 September 2013; Bank unsecured borrowings of RMB 63,082,967.96 (31 December 2010:nil) borrowed by Guangxi Logistic, a subsidiary of the Company, are guaranteed by the Company. Interest is paid every month and the principal is due for repayment on 20 December 2015.

As at 31 December 2011, the weighted average interest rate of long term borrowings is 6.697% per annum (31 December 2010: 5.040%).

V Notes to the consolidated financial statements (continued)**(28) Long-term borrowings (continued)**

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

	Borrowing date	Repayment date	Currency	Interest rate per annum (%)	31 December 2011	31 December 2010
Agricultural Bank of China	6 September 2010	5 September 2013	RMB	5.985	10,000,000.00	10,000,000.00
Agricultural Bank of China	13 October 2010	5 September 2013	RMB	5.985	10,000,000.00	10,000,000.00
Agricultural Bank of China	16 December 2010	5 September 2013	RMB	5.985	10,000,000.00	10,000,000.00
Bank of Communications Guangxi Branch	31 March 2011	20 December 2015	RMB	6.900	7,000,000.00	-
Bank of Communications Guangxi Branch	21 June 2011	20 December 2015	RMB	6.900	5,640,882.00	-
					<u>42,640,882.00</u>	<u>30,000,000.00</u>

(29) Payables for specific projects

	31 December 2010	Addition	Reclassification	31 December 2011
Sepecial Funds granted by Government	800,000.00	52,000.00	-	852,000.00
Government grants for ERP system construction	955,000.00	-	(288,000.00)	667,000.00
Industrial technology funds	3,000,000.00	-	-	3,000,000.00
	<u>4,755,000.00</u>	<u>52,000.00</u>	<u>(288,000.00)</u>	<u>4,519,000.00</u>

(30) Other non-current liabilities

	31 December 2011	31 December 2010
Deferred income(Note a)	48,817,680.23	30,382,512.43
Medical reserve funds (Note b)	45,427,343.31	45,427,343.31
	<u>94,245,023.54</u>	<u>75,809,855.74</u>

V Notes to the consolidated financial statements (continued)**(30) Other non-current liabilities(continued)****(a) Deferred income**

	31 December 2011	31 December 2010
Government grants related to assets		
- R&D library (in progress)	5,000,000.00	5,000,000.00
- Medical R&D center II (in progress)	5,000,000.00	5,000,000.00
- Medication for Stomach disease R&D project	5,000,000.00	-
New Cephalosporin R&D Project	3,000,000.00	-
Nanning Logistics Project	3,908,000.00	-
Cefpirome Sulfate R&D Project	1,594,835.02	-
- Shared logistics center(completed)	3,275,514.96	4,102,107.25
- Other projects(in progress)	5,739,825.58	2,277,489.70
Promotion rewards program	16,299,504.67	14,002,915.48
	<u>48,817,680.23</u>	<u>30,382,512.43</u>

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

(31) Share capital

	31 December 2011	31 December 2010
Listed shares without restriction of trading:		
A shares, listed	233,263,800.00	233,263,800.00
B shares, listed	54,885,600.00	54,885,600.00
	<u>288,149,400.00</u>	<u>288,149,400.00</u>

As at 31 December 2011 and 2010, there is no change with share capital.

(32) Capital surplus

	31 December 2010	Current year reductions	31 December 2011
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
Other	-	288,000.00	288,000.00
	<u>5,030,338.57</u>	<u>288,000.00</u>	<u>5,318,338.57</u>

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

	31 December 2009	Current year reductions	31 December 2010
Share premium			
Business combination under common control	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>

(33) Surplus reserve

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Statutory surplus reserve	<u>39,981,268.55</u>	<u>23,499,476.61</u>	<u>-</u>	<u>63,480,745.16</u>
	31 December 2009	Current year additions	Current year reductions	31 December 2010
Statutory surplus reserve	<u>17,573,057.11</u>	<u>22,408,211.44</u>	<u>-</u>	<u>39,981,268.55</u>

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 RMB23,449,476.61 for the year 2011 (2010: RMB 22,408,211.44) to the statutory surplus reserve.

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

	2011		2010	
	Amount	Appropriation rate	Amount	Appropriation rate
Opening balance of retained earnings(after adjusted)	719,209,302.41		509,918,947.32	
Add:net profit attributable to the shareholders of the company	330,307,489.82		261,116,656.70	
Less:appropriation of statutory surplus reserve (Note V(33))	(23,499,476.61)	10%	(22,408,211.44)	10%
Dividends (b)	(34,577,928.00)		(28,814,940.00)	
Other outflow	-		(603,150.17)	
Add: other inflow (a)	1,830,000.00		-	
Ending balance of retained earnings	<u>993,269,387.62</u>		<u>719,209,302.41</u>	

(a) In accordance with the negotiation with CMPGC,the former shareholder of Shenzhen Medicine, The Company received the compensation of the transitional period losses of Shenzhen Medicine with amount of RMB1.83 million base on the percentage of shareholding on 12 May 2011 .

(b) Pursuant to the resolution at the General Meeting on 28 April 2011, cash dividends of RMB 34,577,928.00 (RMB1.2 per 10 shares) was paid based on the issued shares of RMB288,149,400.

Pursuant to the resolution of board of directors of the company on 13 March 2012, cash dividends of RMB37,459,422.00 (RMB1.3 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 2011	31 December 2010
Sinopharm Liuzhou	27,914,009.31	23,073,890.87
Suzhou Wanqing	24,777,149.95	34,455,044.53
Yanfeng Medical	23,891,612.66	21,546,116.21
	<u>76,582,771.92</u>	<u>79,075,051.61</u>

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

	2011	2010
Revenue of main operations	15,059,645,053.18	12,973,185,381.02
Other operating income	70,693,518.46	91,242,767.67
	<u>15,130,338,571.64</u>	<u>13,064,428,148.69</u>
	2011	2010
Cost of main operations	(13,768,753,263.24)	(11,887,730,086.45)
Other operating expenses	(27,260,830.46)	(37,925,421.49)
	<u>(13,796,014,093.70)</u>	<u>(11,925,655,507.94)</u>

(a) Revenue and cost of main operations

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

	2011		2010	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Pharmaceutical manufacturing	1,732,586,044.87	(1,201,356,729.33)	1,570,934,485.12	(1,149,341,920.41)
Pharmaceutical distribution	13,282,722,621.07	(12,536,435,544.72)	11,364,699,335.20	(10,709,622,065.79)
Retail pharmacy	9,076,024.31	(8,191,772.14)	5,716,159.30	(5,253,317.09)
Logistics and freights	24,109,397.96	(16,943,572.31)	22,098,929.36	(17,388,130.15)
Rental and training income	11,150,964.97	(5,825,644.74)	9,736,472.04	(6,124,653.01)
	<u>15,059,645,053.18</u>	<u>(13,768,753,263.24)</u>	<u>12,973,185,381.02</u>	<u>(11,887,730,086.45)</u>

(b) Other operating income and expenses

	2011		2010	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of raw materials	23,640,586.81	(20,707,380.20)	35,396,390.57	(31,295,631.57)
Rental income	17,921,229.38	(2,853,712.79)	16,146,125.91	(3,332,435.53)
Rendering of services	29,131,702.27	(3,699,737.47)	32,942,310.75	(1,290,011.24)
Income from disposal of investment properties	-	-	4,415,151.77	(1,430,152.09)
Others	-	-	2,342,788.67	(577,191.06)
	<u>70,693,518.46</u>	<u>(27,260,830.46)</u>	<u>91,242,767.67</u>	<u>(37,925,421.49)</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 RMB1,000,634,266.90 (2010: RMB742,502,202.03), which accounted for 6.61% (2010: 5.68%) of the total revenue from main operations. Details are set out below:

	Sales	% of total sales of the Group
GuangDong Province People's Hospital	276,179,102.30	1.82%
The First Affiliated Hospital of GuangXi Medical University	210,458,181.80	1.39%
Nanfang Hospital of Southern Medical University	180,849,707.63	1.20%
Center for Disease Control and Prevention of Guangdong Province	168,246,253.85	1.11%
The First Affiliated Hospital of Sun Yat-Sen University	164,901,021.32	1.09%
	<u>1,000,634,266.90</u>	<u>6.61%</u>

(37) Tax and surcharges

	2011	2010
City maintenance and construction tax	15,486,646.59	5,913,573.72
Educational surcharge	10,469,483.84	4,892,414.31
Business tax	9,253,895.65	8,554,262.19
Others	3,439,543.42	558,263.20
	<u>38,649,569.50</u>	<u>19,918,513.42</u>

(38) Selling and distribution expenses

	2011	2010
Employees payroll and welfare benefits	146,470,405.37	150,330,866.04
Transportation charges	76,823,127.57	67,900,327.06
Promotion and marketing expenses	50,454,889.04	49,850,966.80
Advertising expenses	29,671,227.62	16,337,186.80
Conference expenses	18,643,784.50	22,835,768.78
Travel allowances	18,449,695.52	18,241,288.23
Entertainment expenses	16,780,802.29	16,924,293.60
Storage expenses	14,279,686.15	14,445,518.21
Office allowances	8,102,465.74	11,703,372.52
Rental expenses	5,063,562.45	6,609,943.89
Depreciation expenses	4,612,220.07	3,338,028.18
Tendering expenses	259,813.52	12,948,548.89
Others	40,289,344.75	39,122,464.47
	<u>429,901,024.59</u>	<u>430,588,573.47</u>

V Notes to the consolidated financial statements (continued)**(39) Governance and administrative expense**

	2011	2010
Employees payroll and welfare benefits	142,256,584.00	119,851,546.31
Research and development expenses	63,517,327.42	52,830,769.23
Depreciation expenses	21,548,938.10	18,848,850.43
Amortisation of intangible assets	15,938,550.65	16,100,730.90
Taxations	15,699,882.91	17,731,453.45
Office allowances	9,990,739.20	8,833,351.18
Entertainment expenses	9,542,685.61	9,805,471.71
Conference expenses	7,016,685.58	6,246,454.32
Vehicle management expenses	6,302,259.03	5,996,637.52
Rental expenses	4,975,343.33	4,194,543.51
Maintenance and other charges	4,568,552.67	4,859,112.74
Travel allowances	4,108,525.83	4,775,407.48
Utilities	3,774,001.50	4,678,618.33
Consulting fees	2,775,868.76	4,593,484.16
Others	37,618,738.56	21,528,938.63
	<u>349,634,683.15</u>	<u>300,875,369.90</u>

(40) Financial expenses – net

	2011	2010
Interest expenses	130,419,356.82	79,315,995.26
Less: interest income	(6,345,671.35)	(4,088,163.10)
Exchange gains	(2,876,767.13)	(712,362.46)
Others	15,204,523.76	8,023,171.79
	<u>136,401,442.10</u>	<u>82,538,641.49</u>

(41) Assets impairment losses

	2011	2010
Declines in values of inventories	15,504,271.65	1,982,055.62
Impairment in intangible assets	3,000,000.00	-
Bad debts	2,287,473.39	7,235,906.59
	<u>20,791,745.04</u>	<u>9,217,962.21</u>

(42) Investment income

	2011	2010
Share of profit of investees under equity method (Note a)	28,119,376.36	27,224,583.81
Income from disposal of long-term equity investments	-	41,241.30
	<u>28,119,376.36</u>	<u>27,265,825.11</u>

- (a) 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**

	2011	2010
Government grants (Note a)	13,577,864.38	8,427,739.90
Gain on disposal of fixed assets	3,106,446.50	2,476,865.32
Others	7,320,675.78	9,340,338.71
	<u>24,004,986.66</u>	<u>20,244,943.93</u>

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

(a) Government grants

	2011	2010	Note
Government grants for medicine reserve expenses	4,402,162.11	3,776,825.60	Subsidy for medical reserve
Government grants for technical improvement	1,201,000.00	2,474,992.75	Subsidy for technical improvement of high and new technology enterprises
Government grants for R&D expenses	4,572,164.98	200,000.00	Subsidy for R&D expenditure for enterprises located in Bao An district Shenzhen
Others	3,402,537.29	1,975,921.55	Cash reward for contribution to taxation and patent
	<u>13,577,864.38</u>	<u>8,427,739.90</u>	

(44) Non-operating expenses

	2011	2010
Losses on disposal of non-current assets	1,566,414.63	548,476.80
Including: disposal of fixed assets	1,566,414.63	525,809.86
disposal of intangible assets	-	22,666.94
Donation	7,856.40	273,786.00
Others	214,597.40	2,509,717.85
	<u>1,788,868.43</u>	<u>3,331,980.65</u>

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

(45) Income taxes expenses

	2011	2010
Current income tax	97,261,076.43	96,616,673.65
Deferred income tax	(15,794,778.41)	(21,028,724.06)
	<u>81,466,298.02</u>	<u>75,587,949.59</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:

	2011	2010
Total profit	<u>(409,281,508.15)</u>	<u>339,812,368.65</u>
Income tax expenses calculated at applicable tax rates	102,320,377.04	84,953,092.16
Differences in preferential tax rates of certain companies	(17,547,262.57)	(14,953,582.37)
Income not subject to tax	(6,748,650.33)	(6,806,145.95)
Expenses not deductible for tax purposes	4,812,131.94	6,811,445.29
Utilisation of previously unrecognized bad debt losses	(1,062,094.36)	-
Utilisation of previously unrecognized tax losses	(2,438,685.53)	-
Tax losses for which no deferred income tax asset was recognised	3,691,962.77	3,288,042.95
Super deduction for development cost	(3,664,428.36)	-
Others	2,102,947.42	2,295,097.51
Income taxes	<u>81,466,298.02</u>	<u>75,587,949.59</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:

	2011	2010
Consolidated net profit attributable to shareholders of the Company	330,307,489.82	261,116,656.70
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>1.15</u>	<u>0.91</u>
Including:		
Basic earnings per share on going	1.15	0.91

(b) Diluted earnings per share

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

V Notes to the consolidated financial statements (continued)**(47) Cash received relating to other operating activities****(a) Cash received relating to other operating activities**

	2011	2010
Government grants	22,231,272.09	8,427,739.90
Interest income	6,345,671.35	4,088,163.10
Others	27,740,689.30	27,991,056.14
	<u>56,317,632.74</u>	<u>40,506,959.14</u>

(b) Cash paid relating to other operating activities

	2011	2010
R&D expenses	63,517,327.42	52,830,769.23
Advertising expenses	29,671,227.62	16,337,186.80
Entertainment expenses	26,323,487.90	26,729,765.31
Bank charges	15,180,489.90	7,310,273.22
Rental expenses	10,038,905.78	10,804,487.40
Others	148,783,548.27	140,157,477.31
	<u>293,514,986.89</u>	<u>254,169,959.27</u>

(c) Cash received relating to other financing activities

	2011	2010
Entrusted borrowings borrowed from Sinopharm Group	<u>587,370,000.00</u>	<u>950,000,000.00</u>

(d) Cash payments relating to other financing activities

	2011	2010
Repayment of entrusted borrowings lent by Sinopharm Group	550,000,000.00	900,000,000.00
Others	102,500.00	-
	<u>550,102,500.00</u>	<u>900,000,000.00</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

	2011	2010
Net profit	327,815,210.13	264,224,419.06
Add: Provision for assets impairment	20,791,745.04	9,217,962.21
Depreciation of fixed assets and investment properties	74,198,922.79	66,917,994.68
Amortisation of intangible assets	15,938,550.65	16,100,730.90
Amortisation of long-term prepaid expenses	5,637,265.98	3,943,783.77
Gains on disposal of fixed assets, intangible assets and other non-current assets	(1,540,031.87)	(1,928,388.52)
Financial expenses	127,566,623.55	79,316,531.37
Investment income	(28,119,376.36)	(27,265,825.11)
Increase of deferred tax assets	(12,986,472.01)	(18,212,396.00)
Decrease of deferred tax liabilities	(2,808,306.40)	(2,816,328.06)
Increase of inventory	(170,447,838.09)	(207,071,490.97)
Increase in operating receivables	(823,893,952.60)	(305,425,666.81)
Increase in operating payables	691,315,894.11	574,416,996.61
Decrease/(increase) in operating cash with restriction	3,847,897.06	(23,258,902.48)
Net cash flow from operating activities	<u>227,316,131.98</u>	<u>428,159,420.65</u>
Movement of cash		
	2011	2010
Cash at end of year	907,599,239.81	682,875,873.18
Less: cash at beginning of year	<u>(682,875,873.18)</u>	<u>(582,750,672.15)</u>
Net increase in cash	<u>224,723,366.63</u>	<u>100,125,201.03</u>

V Notes to the consolidated financial statements (continued)**(48) Supplementary information of cash flow statements (continued)****(b) Acquisition of subsidiaries and operating unit**

	2011	2010
The consideration of acquisition	<u>912,820.63</u>	<u>139,429,931.08</u>
Consideration settled in cash	258,411.77	123,901,440.00
Less: cash and cash equivalents in the subsidiaries and business acquired	-	(7,621,967.67)
Add: cash paid for prior year acquisition	<u>15,824,966.42</u>	<u>11,691,810.63</u>
Net cash outflow on acquisition of the subsidiaries and business	<u>16,083,378.19</u>	<u>127,971,282.96</u>
Net assets acquired from the business combination involving entities and operating unit under non common control		
	2011	2010
Current assets	4,385,262.46	234,630,541.72
Non-Current assets	-	3,315,658.23
Current liabilities	(3,472,441.83)	(134,357,892.56)
Minority interest	-	(10,702,325.51)
	<u>912,820.63</u>	<u>92,885,981.88</u>

V Notes to the consolidated financial statements (continued)**(48) Supplementary information of cash flow statements (continued)****(c) Cash**

	31 December 2011	31 December 2010
Cash at end of year	907,599,239.81	682,875,873.18
Including: Cash in hand	48,381.59	146,710.56
Call deposits with banks	907,550,858.22	682,729,162.62
Other cash and cash equivalents	-	-
Restricted cash	45,066,005.42	28,913,902.48
Cash at bank and on hand	<u>952,665,245.23</u>	<u>711,789,775.66</u>

VI Segment information

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

The Group identified 3 reportable segments as follows:

- The Group, which is mainly engaged in investing and managing business
- 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. 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 2011 is as follows:

	The Group	Pharmaceutical distribution	Pharmaceutical manufacturing	Elimination	Total
Revenue from external customers	4,675,954.40	13,374,040,163.81	1,751,622,453.43	-	15,130,338,571.64
Inter-segment revenue	98,400.00	969,093.25	21,746,779.92	(22,814,273.17)	-
Interest income	30,284,352.07	5,052,163.12	9,410,793.19	(38,401,637.03)	6,345,671.35
Interest expense	(48,073,890.07)	(111,344,522.12)	(9,402,581.66)	38,401,637.03	(130,419,356.82)
Share of profit of subsidiaries	235,060,478.67	-	-	(235,060,478.67)	-
Share of profit of associates	28,119,376.36	-	-	-	28,119,376.36
Impairment	10,080.00	(3,101,325.98)	(17,700,499.06)	-	(20,791,745.04)
Depreciation and Amortizations	(4,337,509.10)	(28,042,209.49)	(63,395,020.83)	-	(95,774,739.42)
Gross profit	199,257,917.34	270,190,033.08	174,894,036.40	(235,060,478.67)	409,281,508.15
Income taxes	10,455,426.35	(68,464,476.20)	(23,457,248.17)	-	(81,466,298.02)
Net profit	209,713,343.69	201,725,556.88	151,436,788.23	(235,060,478.67)	327,815,210.13
Total Assets	2,101,491,411.34	5,860,982,446.76	1,636,647,127.95	(1,933,361,225.01)	7,665,759,761.04
Total liabilities	(1,190,340,293.03)	(4,687,579,026.19)	(1,057,673,609.47)	696,633,810.92	(6,238,959,117.77)
Long-term equity investment in associates	95,799,627.42	-	-	-	95,799,627.42
(Reduction)/Additions to non-current assets other than long-term equity investments	(3,221,122.64)	99,435,284.45	29,765,736.76	-	125,979,898.57

VI Segment information (continued)

(b) Segment information as at and for the year ended 31 December 2010 is as follows:

	The Group	Pharmaceutical distribution	Pharmaceutical manufacturing	Elimination	Total
Revenue from external customers	4,890,362.51	11,424,184,841.96	1,635,352,944.22	-	13,064,428,148.69
Inter-segment revenue	98,400.00	643,455.90	20,363,024.64	(21,104,880.54)	-
Interest income	18,860,529.31	2,541,830.45	7,238,731.29	(24,552,927.95)	4,088,163.10
Interest expense	(33,489,816.75)	(66,804,231.07)	(3,574,875.39)	24,552,927.95	(79,315,995.26)
Share of profit of subsidiaries	218,177,902.14	-	-	(218,177,902.14)	-
Share of profit of associates	27,224,583.81	-	-	-	27,224,583.81
Impairment	2,631,995.81	(6,216,350.02)	(5,633,608.00)	-	(9,217,962.21)
Depreciation and Amortizations	(4,280,938.04)	(24,304,278.07)	(58,377,293.24)	-	(86,962,509.35)
Gross profit	200,219,818.96	223,804,437.38	133,966,014.45	(218,177,902.14)	339,812,368.65
Income taxes	540,202.73	(52,908,605.82)	(23,219,546.50)	-	(75,587,949.59)
Net profit	200,760,021.69	170,895,831.56	110,746,467.95	(218,177,902.14)	264,224,419.06
Total Assets	1,901,245,276.17	4,583,988,408.93	1,561,062,548.05	(1,739,503,227.34)	6,306,793,005.81
Total liabilities	(1,190,669,666.27)	(3,515,815,030.86)	(1,021,238,760.79)	552,375,813.25	(5,175,347,644.67)
Long-term equity investment in associates	85,275,251.06	-	-	-	85,275,251.06
(Reduction)/Additions to non-current assets other than long-term equity investments	(2,296,941.42)	105,637,599.90	128,749,786.71	-	232,090,445.19

VII Related party relationships and significant related party transactions**(1) The parent company**

(a) General information of the parent company:

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

The Company's ultimate controlling equity holder is CNPGC.

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

	31 December 2010 (RMB'0000)	Addition (RMB'0000)	Decrease (RMB'0000)	31 December 2011 (RMB'0000)
Sinopharm Group	226,456.84	13,805.68	-	240,262.52

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

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

(2) Subsidiaries of the Company

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

(3) Associates

	Enterprise Type	Place of Registration	Legal Representative	Principal business	Register capital	% interest held	% voting rights
Wanle Medical	Foreign capital	Shenzhen	Yan Zhigang	Medicine manufacture	USD 19,544,550	35.19%	33.33%

(4) Other related parties

	Relationship with the Company
Shanghai Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Foshan Nanhai Medicine Co.,Ltd.	Controlled by Sinopharm Group
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	Controlled by Sinopharm Group
Kashi Special Drugs Pharmaceutical Co., Ltd	Controlled by Sinopharm Group
Sinopharm Yixin Medicine Co.,Ltd.	Controlled by Sinopharm Group
Sinopharm Le -Ren-Tang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Sanming Co., Ltd	Controlled by Sinopharm Group
Sinopharm Holding Linyi Co., Ltd	Controlled by Sinopharm Group
Sinopharm Holding Lishui 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

VII Related party relationships and significant related party transactions (continued)**(4) Other related parties (continued)**

	<u>Relationship with the Company</u>
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 Holding Nanjing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Taizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jilin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guoda Pharmacy Co.,Ltd	Controlled by Sinopharm Group
Sinopharm Holding Tianjin North Medicine 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 Holding Tianjin Co.,Ltd. Tangshan Branch	Controlled by Sinopharm Group
Sinopharm Holding Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningde Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anshun 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 Changzhou Medical logistics center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinyu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Special Ginsheng and Pilose Pharmaceutical Co.,Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qujing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding (Jiangsu) Chinese Western Medicine Branch Company	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 Hebei Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Henan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinan 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 Hainan Hongyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Yibao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Deyuan Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangtan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yantai Co., Ltd	Controlled by Sinopharm Group
Sinopharm Holding Gansu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yancheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shi jiazhuang 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 Meiluo (Dalian) Co., Ltd	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Boai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group

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

(4) **Other related parties (continued)**

	<u>Relationship with the Company</u>
Sinopharm Holding Jingzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Putian 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 Holding Jinzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shaanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Heilongjiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Longyan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent 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 Guorui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
China National Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Southwest Medicine 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
Guangdong Guoda Lifeng Medicine Chain Co., Ltd.	Controlled by Sinopharm Group
Guangzhou Accord Pharm Chain Co., Ltd.	Controlled by Sinopharm Group
Guangxi Accord Pharm Chain Co., Ltd.	Controlled by Sinopharm Group
Guangxi Guoda Pharm Chain Co., Ltd.	Controlled by Sinopharm Group
Guangxi Wuzhou Hua Wu Traditional & Herbal Co., Ltd.	Controlled by Sinopharm Group
Shenzhen Accord Pharmaceutical Chain Co., Ltd.	Controlled by Sinopharm Group
Wenzhou Biomedicine-appliances supplies co., Ltd.	Controlled by Sinopharm Group
Liaoning Guoda Accord Pharm Chain Co., Ltd.	Controlled by Sinopharm Group
Wanle Medical	Controlled by Wanglei
Shenzhen Wanwei Medicine trading Co., Ltd.	Associate of Sinopharm Group
Shanghai Sailun Biological Technology Co., Ltd.	Associate of Sinopharm Group
China National Pharmaceutical Industry Co., Ltd Guangzhou Association Company	Associate of Sinopharm Group
China Otsuka Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Sino-Swed Pharmaceutical Corp. Ltd.	Associate of Sinopharm Group
Sinopharm Qianjing Stomatological Technology (Beijing) Co., Ltd.	Associate of Sinopharm Group
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Qinghai Pharmaceutical (Group) Co., Ltd.	Controlled by CNPGC
Shanghai Medicine Hospital Medical Co., Ltd.	Controlled by CNPGC
Shanghai Shyndec Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
China Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Industry Company Beijing Sales branch	Controlled by CNPGC
National Pharmaceutical Group Wuhan Pharmaceutical Industry Design Institute	Controlled by CNPGC
China National Group Corporation of Traditional & Hebal Medical	Controlled by CNPGC
China National Scientific Instruments & Materials Corporation	Controlled by CNPGC
Yunnan Medical Herbs Co., Ltd.	Controlled by CNPGC
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 Medical equipment Co., Ltd.	Controlled by CNPGC
Sinopharm Group Wei qida Medicine Co., Ltd.	Controlled by CNPGC
Sinopharm Group Baida Medicine Co., Ltd.	Controlled by CNPGC
Sinopharm Group United Medical Equipment Co., Ltd.	Controlled by CNPGC
Guangdong 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

VII Related party relationships and significant related party transactions (continued)**(4) Other related parties (continued)**

	<u>Relationship with the Company</u>
Guilin Huagui Sinopharm associate company	Controlled by CNPGC
Heilongjiang Sinopharm Medical Herbs Co.,Ltd.	Controlled by CNPGC
Shanghai Pharmaceutial Industry Research Institute	Controlled by CNPGC
China National Medical Equipment & Supplies I/E (Shenzhen) Co.,Ltd.	Controlled by CNPGC
Wanglei	Minority interest of subsidiary
Wangyang	Family member of Minority interest of subsidiary
Shenzhen Kaijiefeng Co., Ltd	Controlled by Wanglei
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.("Fosun Pharm")	Shareholders have significant influence on Fosun Pharm
China National Medicines Co., Ltd.	Subsidiary of 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
Sichuan Hexin Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharm
Guilin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Guilin South pharmaceutical Co., Ltd	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
Handan 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

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions****(a) Purchase of goods**

Related party	Pricing policies	2011		2010	
		Amount	% of same transaction	Amount	% of same transaction
Sinopharm Group	Market price	71,638.69	5.22%	82,082.21	6.80%
Sinopharm Holding Sub Marketing Center Co., Ltd.	Market price	37,300.53	2.72%	13,662.53	1.13%
China National Medicines Co.,Ltd	Market price	17,950.08	1.31%	14,558.78	1.21%
Sino-Swed Pharmaceutical Corp.Ltd.	Market price	6,562.43	0.48%	6,042.05	0.50%
Wanle Medical	Market price	3,934.09	0.29%	2,840.49	0.24%
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	Market price	2,303.28	0.17%	-	-
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Market price	1,640.16	0.12%	8,977.24	0.74%
Sinopharm Group Wei qida Medicine Co., Ltd	Market price	1,555.34	0.11%	-	-
Qinghai Pharmaceutical (Group) Co.,Ltd.	Market price	1,429.45	0.10%	1,108.17	0.09%
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Market price	1,396.29	0.10%	1,158.36	0.10%
Chengdu Rongsheng Pharmacy	Market price	794.84	0.06%	510.16	0.04%
Chongqing Haisiman Pharmaceutical Co.,Ltd.	Market price	759.88	0.06%	375.68	0.03%
Shenzhen Wanwei Medicine trading Co., Ltd	Market price	690.88	0.05%	-	-
Sinopharm Group United Medicine Device Co., Ltd.	Market price	677.63	0.05%	806.85	0.07%
Sinopharm Holding Guizhou Co., Ltd.	Market price	641.37	0.05%	34.00	0.00%
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Market price	507.93	0.04%	382.24	0.03%
Sinopharm Holding Beijing Co., Ltd.	Market price	442.00	0.03%	94.43	0.01%
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Market price	438.04	0.03%	809.06	0.07%
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	Market price	298.51	0.02%	0.38	0.00%
Sinopharm Holding Fujian Co., Ltd.	Market price	257.66	0.02%	1,922.98	0.16%
Sinopharm Holding Anhui Co., Ltd.	Market price	97.00	0.01%	13.95	0.00%
Sinopharm Holding Zhangzhou Co., Ltd.	Market price	85.19	0.01%	-	-
Yunnan Medical Herbs Co., Ltd	Market price	78.94	0.01%	-	-
Guilin Pharmaceutical Co., Ltd.	Market price	72.09	0.01%	68.10	0.01%
Shanghai Chaohui Pharmecurical	Market price	69.52	0.01%	81.38	0.01%
Guilin Huagui Sinopharm associate company	Market price	62.51	0.00%	-	-
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Market price	53.42	0.00%	62.11	0.01%
Guangdong Accord Drug Store Co., Ltd.	Market price	43.30	0.00%	103.58	0.01%
China National Group Corporation of Traditional & Hebal Medical	Market price	41.22	0.00%	433.38	0.04%
Sinopharm Group Chemical Reagent Co., Ltd.	Market price	33.65	0.00%	41.70	0.00%
Shanghai Shyndec Pharmaceutical Co., Ltd.	Market price	32.45	0.00%	-	-
Sinopharm Holding Hunan Co., Ltd.	Market price	26.62	0.00%	-	-
Sinopharm Holding Putian Co., Ltd.	Market price	21.09	0.00%	-	-
Foshan Nanhai Medicine Co.,Ltd.	Market price	20.95	0.00%	-	-
To next page		151,957.03	11.08%	136,169.81	11.30%

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions****(a) Purchase of goods(continued)**

Related party	Pricing policies	2011		2010	
		Amount	% of same transaction	Amount	% of same transaction
continued		151,957.03	11.08%	136,169.81	11.30%
Sichuan Jiang You Zhong Ba Science and Technology Development Co.,Ltd.	Market price	18.38	0.00%	51.44	0.00%
Shanghai Sailun Biological Technology Co.,Ltd.	Market price	15.65	0.00%	11.88	0.00%
Shenyang Hongqi Pharmaceutical	Market price	6.45	0.00%	7.94	0.00%
Sinopharm Holding Hainan Co., Ltd.	Market price	5.92	0.00%	4.61	0.00%
Sinopharm Group Shanghai Medicine Device Co., Ltd.	Market price	5.41	0.00%	6.11	0.00%
Handan Pharmaceutical Co.,Ltd	Market price	5.75	0.00%	-	-
Yichang Humanwell Pharmaceutical Co.,Ltd.	Market price	3.12	0.00%	3.52	0.00%
Sinopharm Holding Jinan Co., Ltd.	Market price	2.80	0.00%	-	-
Sinopharm Group Guorui Medicine Co.,Ltd	Market price	2.63	0.00%	-	-
China Otsuka Pharmaceutical Co.,Ltd.	Market price	1.87	0.00%	-	-
Shenzhen Accord Pharmaceutical Chain Co., Ltd	Market price	1.79	0.00%	-	-
China National Pharmaceutical Foreign Trade Corporation	Market price	0.92	0.00%	(0.39)	0.00%
Shanghai Medicine Hospital Medical Co., Ltd.	Market price	0.32	0.00%	-	-
Guilin Pharmaceutical Co., Ltd.	Market price	-	-	16.01	0.00%
China Pharmaceutical Industry Company Beijing Sales branch	Market price	-	-	607.48	0.05%
Sinopharm Group Baida Pharmaceutical Co., Ltd.	Market price	-	-	74.90	0.01%
China National Pharmaceutical Industry Corporation	Market price	-	-	36.02	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%
Sinopharm Holding Meiluo (Dalian) Co.,Ltd	Market price	-	-	12.46	0.00%
Sinopharm Holding Fuzhou Co., Ltd.	Market price	-	-	9.72	0.00%
Sinopharm Yixin Pharmacy Co., Ltd.	Market price	-	-	6.30	0.00%
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	Market price	-	-	2.22	0.00%
Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	Market price	-	-	0.89	0.00%
Guangdong Tianliang Medicine	Market price	-	-	(0.28)	0.00%
Sinopharm Group Southwest Pharmacy Co., Ltd.	Market price	-	-	74.31	0.01%
Sinopharm Holding Jiangsu Co., Ltd.	Market price	-	-	-	-
Sinopharm Holding Suzhou Co., Ltd.	Market price	-	-	11.84	0.00%
Total		152,028.04	11.08%	137,149.19	11.37%

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(b) Sales of goods**

Related party	Pricing policies	2011		2010	
		Amount	% of same transaction	Amount	% of same transaction
Sinopharm Holding Hunan Co., Ltd.	Market price	10,843.45	0.72%	8,545.61	0.66%
Guangdong Accord Drug Store Co., Ltd.	Market price	9,538.87	0.63%	9,176.02	0.71%
Sinopharm Holding Hubei Co., Ltd.	Market price	9,458.05	0.63%	8,328.66	0.64%
Sinopharm Holding Beijing Co., Ltd.	Market price	8,136.94	0.54%	6,670.99	0.51%
Chongqing Yaoyou Pharmaceutical Co.,Ltd.	Market price	8,086.15	0.54%	7,879.49	0.61%
Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	Market price	7,363.23	0.49%	-	-
Sinopharm Group Southwest Medicine Co., Ltd	Market price	6,779.24	0.45%	6,765.47	0.52%
Sinopharm Holding Shengyang Co., Ltd.	Market price	5,947.52	0.39%	11,565.96	0.89%
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Market price	5,111.76	0.34%	4,050.69	0.31%
Sinopharm Holding Tianjin Co., Ltd.	Market price	4,766.70	0.32%	5,338.07	0.41%
Sinopharm Group	Market price	4,528.41	0.30%	2,576.10	0.20%
Sinopharm Holding Beijing Huahong Co., Ltd.	Market price	4,160.58	0.28%	2,780.68	0.21%
Guangxi Accord Pharm Chain Co., Ltd.	Market price	4,048.84	0.27%	3,204.36	0.25%
Sinopharm Holding Hebei Medicine Co., Ltd.	Market price	3,754.48	0.25%	-	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co.,Ltd.	Market price	3,533.02	0.23%	2,755.04	0.21%
Sinopharm Holding Hainan Co., Ltd.	Market price	3,238.42	0.22%	3,196.42	0.25%
Sinopharm Holding Yunnan Co., Ltd.	Market price	2,816.63	0.19%	2,283.94	0.18%
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	Market price	2,541.15	0.17%	1,852.18	0.14%
Sinopharm Holding Zhejiang Co., Ltd.	Market price	2,516.85	0.17%	890.66	0.07%
Sinopharm Holding Shandong Co., Ltd.	Market price	2,471.09	0.16%	848.03	0.07%
Foshan Nanhai Medicine Co.,Ltd.	Market price	2,308.73	0.15%	-	-
Sinopharm Holding Ningxia Co., Ltd.	Market price	2,270.69	0.15%	1,437.56	0.11%
Sinopharm Holding Fujian Co., Ltd.	Market price	2,107.64	0.14%	1,448.65	0.11%
Guangdong East Uptodate & Special Medicines Co.,Ltd.	Market price	1,910.16	0.13%	1,393.30	0.11%
China National Le-Ren-Tang Pharmaceutical Co.,Ltd.	Market price	1,442.77	0.10%	-	-
Sinopharm Holding Shaanxi Co., Ltd.	Market price	1,495.84	0.10%	930.41	0.07%
Sinopharm Holding Gansu Co., Ltd.	Market price	1,366.27	0.09%	194.10	0.01%
Sinopharm Holding Henan Co., Ltd.	Market price	1,141.54	0.08%	2,201.50	0.17%
Sinopharm Holding Jiangsu Co., Ltd.	Market price	1,081.62	0.07%	964.05	0.07%
Sinopharm Holding Guizhou Co., Ltd.	Market price	1,071.57	0.07%	786.70	0.06%
Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	Market price	1,067.48	0.07%	18.53	0.00%
Wenzhou Biomedicin-appliances supplies co., Ltd	Market price	1,060.37	0.07%	268.79	0.02%
Sinopharm Holding Shanxi Co., Ltd.	Market price	946.60	0.06%	781.73	0.06%
Sinopharm Holding Jinzhou Co., Ltd.	Market price	852.24	0.06%	-	-
Sinopharm Holding Hainan Hongyi Co., Ltd.	Market price	706.32	0.05%	-	-
Sinopharm Holding Chongqing Co., Ltd.	Market price	653.23	0.04%	38.15	0.00%
Sinopharm Holding Zhangzhou Co., Ltd.	Market price	605.88	0.04%	-	-
Guangzhou Accord Pharm Chain Co., Ltd.	Market price	525.50	0.03%	644.39	0.05%
To next page		132,255.83	8.79%	99,816.23	7.68%

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

(5) **Related party transactions (continued)**

(b) Sales of goods (continued)

Related party	Pricing policies	2011		2010	
		Amount	% of same transaction	Amount	% of same transaction
continued		132,255.83	8.79%	99,816.23	7.68%
China National Pharmaceutical Co.,Ltd.	Market price	515.01	0.03%	744.83	0.06%
Sinopharm Group Wei qida Medicine Co., Ltd	Market price	471.47	0.03%	-	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	Market price	458.43	0.03%	-	-
Sinopharm Holding Jilin Co., Ltd.	Market price	415.97	0.03%	270.37	0.02%
Sinopharm Holding Fuzhou Co., Ltd.	Market price	395.33	0.03%	150.13	0.01%
Sinopharm Holding Inner Mongolia Co., Ltd.	Market price	390.40	0.03%	256.64	0.02%
Sinopharm Holding (Jiangsu) Chinese Western Medicine Branch Company	Market price	306.86	0.02%	-	-
Sinopharm Holding Heilongjiang Co., Ltd.	Market price	281.78	0.02%	-	-
Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	Market price	254.16	0.02%	166.32	0.01%
Sichuan Hexin Pharmaceutical Co.,Ltd.	Market price	249.27	0.02%	317.42	0.02%
Sinopharm Holding Xuzhou Co., Ltd.	Market price	242.59	0.02%	-	-
Sinopharm Holding Shijiazhuang Co., Ltd.	Market price	231.60	0.02%	1,018.96	0.08%
Sinopharm Holding Taizhou Co., Ltd.	Market price	226.69	0.02%	-	-
Sinopharm Holding Tianjin North Medicine Co., Ltd.	Market price	214.08	0.01%	-	-
Sinopharm Holding Guoda Pharmacy Co.,Ltd	Market price	213.53	0.01%	210.26	0.02%
Sinopharm Holding Wuxi Co., Ltd.	Market price	208.79	0.01%	-	-
Sinopharm Holding Suzhou Co., Ltd.	Market price	165.89	0.01%	128.60	0.01%
Shanghai Chaohui Pharmecurical Co., Ltd.	Market price	158.85	0.01%	69.79	0.01%
Sinopharm Holding Jiangxi Co., Ltd.	Market price	148.26	0.01%	203.30	0.02%
Sinopharm Holding Meiluo (Dalian) Co., Ltd	Market price	120.23	0.01%	63.77	0.00%
Guangdong Guoda Lifeng Medicine Chain Co., Ltd	Market price	108.44	0.01%	-	-
Sinopharm Holding Yancheng Co., Ltd.	Market price	79.45	0.01%	-	-
Sinopharm Holding LongyanCo., Ltd.	Market price	78.29	0.01%	-	-
Sinopharm Holding Ningde Co., Ltd.	Market price	70.19	0.00%	-	-
Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	Market price	69.56	0.00%	74.09	0.01%
Sinopharm Holding Anhui Co., Ltd.	Market price	52.69	0.00%	276.59	0.02%
Sinopharm Holding Nanjing Co., Ltd.	Market price	47.77	0.00%	-	-
Sinopharm Holding Xinyu Co., Ltd.	Market price	35.93	0.00%	-	-
Sinopharm Holding Jinan Co., Ltd.	Market price	30.94	0.00%	-	-
Heilongjiang Sinopharm Herbs Co., Ltd.	Market price	23.93	0.00%	-	-
Sinopharm Holding Sanming Co., Ltd	Market price	20.56	0.00%	-	-
Kashi Special Drugs Pharmeceutical Co., Ltd	Market price	16.59	0.00%	-	-
Sinopharm Holding Xinjiang Special Ginseng and Pilose Pharmaceutical Co.,Ltd.	Market price	14.77	0.00%	-	-
To next page		<u>138,574.13</u>	<u>9.21%</u>	<u>103,767.30</u>	<u>7.99%</u>

VII Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(b) Sales of goods (continued)**

Related party	Pricing policies	2011		2010	
		Amount	% of same transaction	Amount	% of same transaction
Continued		138,574.13	9.21%	103,767.30	7.99%
Sinopharm Holding Linyi Co., Ltd.	Market price	13.50	0.00%	-	-
Guilin Huagui Sinopharm associate company	Market price	12.71	0.00%	-	-
Sinopharm Holding Lishui Co., Ltd.	Market price	9.15	0.00%	-	-
Sinopharm Holding Anshun Co., Ltd.	Market price	6.36	0.00%	-	-
Sinopharm Group Pharmacy Holding Yantai Co., Ltd	Market price	6.22	0.00%	-	-
Sinopharm Holding Putian Co., Ltd.	Market price	5.41	0.00%	-	-
Sinopharm Holding Tianjin Co.,Ltd. Tangshan Branch	Market price	4.32	0.00%	-	-
China National Scientific Instruments&Materials Corporation	Market price	4.01	0.00%	-	-
Sinopharm Holding Changzhou Medical logistics center Co., Ltd.	Market price	3.66	0.00%	-	-
Sinopharm Holding Anqing Co., Ltd.	Market price	3.51	0.00%	-	-
Sinopharm Holding Changzhou Co., Ltd.	Market price	2.90	0.00%	-	-
Sinopharm Holding Hunan Deyuan Medicine Co., Ltd.	Market price	2.12	0.00%	-	-
Sinopharm Holding Qujing Co., Ltd.	Market price	1.87	0.00%	-	-
Sinopharm Holding Xiangxi Co., Ltd.	Market price	1.18	0.00%	-	-
Sinopharm Holding Xiangtan Co., Ltd.	Market price	0.86	0.00%	-	-
Sinopharm Holding Suzhou Boai Co., Ltd.	Market price	0.55	0.00%	-	-
Sinopharm Holding Jingzhou Co., Ltd.	Market price	0.47	0.00%	-	-
Guangxi Guoda Pharm Chain Co.,Ltd.	Market price	-	-	726.12	0.06%
Sinopharm Holding Hubei Yibao Co., Ltd.	Market price	-	-	346.13	0.03%
Shenzhen Accord Pharmaceutical Chain Co., Ltd	Market price	-	-	150.05	0.01%
China National Group Corporation of Traditional & Hebal Medical	Market price	-	-	66.26	0.01%
Sinopharm Group Guorui Medicine Co.,Ltd	Market price	-	-	63.15	0.00%
Sinopharm Holding Tianjin Co.,Ltd. Inner Mongolia Branch	Market price	-	-	60.59	0.00%
Sinopharm Group Baida Medicine Co.,Ltd	Market price	-	-	2.35	0.00%
Ningxia Guoda Durg Store Chain Co., Ltd.	Market price	-	-	1.24	0.00%
Sinopharm Holding Shenyang Co., Ltd. Changchun Branch	Market price	-	-	1.20	0.00%
Total		138,652.93	9.21%	105,184.39	8.10%

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
Sinopharm Liuzhou	Guangxi Accord Pharm Chain Co., Ltd.	Building	1 July 2009	31 December 2012	110.08
Huixin Investment	Guangzhou Accord Pharm Chain Co., Ltd.	Building	1 January 2011	31 December 2011	47.60
The Company	Shenzhen Accord Pharmaceutical Chain Co., Ltd	Building	1 June 2009	31 December 2011	46.96
Guangxi Logistics	Guangxi Accord Pharm Chain Co., Ltd.	Building	1 July 2009	31 December 2012	27.94
Huixin Investment	Sinopharm Group United Medical Equipment Co.,Ltd	Building	1 January 2011	31 December 2011	17.52
Sinopharm Liuzhou	Guangxi Accord Pharm Chain Co., Ltd.	Building	10 March 2011	31 December 2012	5.18
					<u>255.28</u>

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

The Group as lessee:

Lessees	Leasers	Type of assets use for	Contract beginning date	Contract terminated date	Lease expenses
Sinopharm Guangzhou	Sinopharm Group Logistic Co., Ltd.	Building	1 June 2009	31 December 2011	708.00
Sinopharm Guangzhou	Sinopharm Group Logistic Co., Ltd.	Building	1 June 2009	31 December 2012	750.00
Yanfeng Medicine	Mr. Wang Yang	Building	1 July 2009	31 December 2012	37.80
					<u>1,495.80</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 (RMB'0,000)	Beginning date of guarantee contract	Maturity date of guarantee contract	Guarantee obligation expired
The Company	Guangxi Logistics	6,308.30	17 January 2011	17 January 2014	No
Sinopharm Group	Sinopharm Guangzhou	19,791.12	12 August 2011	12 August 2012	No
The Company	Sinopharm Guangzhou	2,441.43	5 November 2010	4 November 2010	No
The Company	Sinopharm Guangzhou	29,572.91	28 April 2011	28 April 2012	No
The Company	Sinopharm Guangzhou	45,568.65	28 April 2011	18 March 2012	No
The Company	Sinopharm Guangzhou	8,599.09	27 May 2011	27 May 2012	No
The Company	Sinopharm Guangzhou	34,922.96	17 October 2011	17 October 2012	No
The Company	Sinopharm Guangzhou	7,892.61	14 December 2011	13 November 2012	No
The Company	Sinopharm Guangzhou	1,000.00	24 November 2011	23 November 2012	No
Sinopharm Group	Sinopharm Guangzhou	9,571.57	17 September 2011	28 September 2012	No
The Company	Sinopharm Guangzhou	9,860.71	23 November 2010	22 November 2011	No
The Company	Sinopharm Liuzhou	2,789.68	20 November 2011	20 November 2012	No
The Company	Sinopharm Nanning	7,992.34	14 December 2011	13 November 2012	No
The Company	Sinopharm Nanning	5,485.50	28 November 2011	28 November 2012	No
The Company	Sinopharm Nanning	9,407.22	28 April 2011	28 April 2012	No
The Company	Sinopharm Zhanjiang	119.00	2 August 2011	2 August 2012	No
The Company	Wangqing Suzhou	2,500.00	14 December 2011	13 November 2012	No
The Company	Wangqing Suzhou	5,754.84	6 May 2011	6 May 2012	No
The Company	Wangqing Suzhou	5,913.89	19 July 2010	31 December 2011	No
The Company	Wangqing Suzhou	4,500.00	1 August 2010	1 August 2013	No
The Company	Yanfeng Medicine	1,000.00	27 July 2010	27 July 2011	No
The Company	Yanfeng Medicine	1,959.37	14 December 2011	13 November 2012	No
The Company	Yuexing Medicine	1,004.53	28 April 2011	28 April 2012	No
The Company	Zhijun Medicine	187.34	2 June 2011	1 June 2012	No
The Company	Zhijun Medicine	5,215.31	14 December 2011	13 November 2012	No
The Company	Zhijun Medicine	2,945.25	30 September 2011	30 September 2016	No
The Company	Zhijun Medicine	3,178.77	23 May 2011	21 February 2012	No
The Company	Zhijun Medicine	9,398.76	21 February 2011	21 February 2012	No
Zhijun Medicine	The company	1,097.41	10 January 2011	10 January 2012	No
Sinopharm Guangzhou, Zhijun Pharm	The company	12,027.90	29 September 2011	28 September 2012	No
Sinopharm Group	The company, Zhijun Pharm	6,431.28	18 November 2011	31 October 2012	No
Zhijun Pharm	The company	1,258.72	2 June 2011	1 June 2012	No
Zhijun Pharm	The company	4,000.00	6 December 2011	6 December 2012	No
Zhijun Pharm	The company	8,198.56	21 February 2011	21 February 2012	No
Zhijun Pharm	Zhijun Trade	186.00	16 September 2010	16 September 2011	No
The company	Zhijun Trade	1,169.15	14 December 2011	13 November 2012	No
Zhijun Pharm	Zhijun Trade	1,481.60	13 October 2011	12 October 2012	No
		<u>280,731.77</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
2011			
Borrowed from-			
Sinopharm Group	5,000.00	9 March 2011	8 March 2012
Sinopharm Group	5,000.00	18 May 2011	17 October 2011
Sinopharm Group	5,000.00	30 May 2011	22 November 2011
Sinopharm Group	4,000.00	15 September 2011	14 September 2012
Sinopharm Group	4,000.00	19 September 2011	19 September 2012
Sinopharm Group	3,737.00	7 November 2011	4 May 2012
Sinopharm Group	5,000.00	1 February 2011	29 July 2011
Sinopharm Group	5,000.00	18 May 2011	17 November 2011
Sinopharm Group	5,000.00	23 May 2011	22 November 2011
Sinopharm Group	5,000.00	1 August 2011	27 January 2012
Sinopharm Group	5,000.00	11 November 2011	10 May 2012
Sinopharm Group	5,000.00	28 November 2011	24 May 2012
Sinopharm Group	2,000.00	22 August 2011	21 August 2012
	<u>58,737.00</u>		

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>		

(f) Remuneration of key management

	2011 (RMB'0,000)	2010 (RMB'0,000)
Remuneration of key management	<u>907.56</u>	<u>655.03</u>

(g) Interest expenses

Related party	Type of transaction	2011 (RMB'0,000)	2010 (RMB'0,000)	
Sinopharm Guangzhou	Sinopharm Group	Interest paid for the entrusted loans	890.40	636.89
The Company	Sinopharm Group	Interest paid for the entrusted loans	912.40	621.71
Sinopharm Liuzhou	Sinopharm Group	Interest paid for the entrusted loans	50.51	-
Sinopharm Guangzhou	Sinopharm Group	Charges of discounted notes payable	774.02	778.78
Sinopharm Guangzhou	Sinopharm Holding Sub Marketing Center Co., Ltd.	Charges of discounted notes payable	54.19	165.54
Sinopharm Guangzhou	China National Medicines Co., Ltd.	Charges of discounted notes payable	-	17.33
		<u>2,681.52</u>	<u>2,220.25</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	2011 (RMB'0,000)	2010 (RMB'0,000)
Hengchang Logistics	Sinopharm Group Medicine Logistic Co., Ltd.	Dispatching and transportation charges	810.66	453.78
Hengchang Logistics	Guangdong Accord Drug Store Co., Ltd.	Dispatching and transportation charges	288.23	270.47
Hengchang Logistics	China National Medicines Co., Ltd.	Dispatching and transportation charges	230.77	243.31
Accord Logistics	Guangdong Accord Drug Store Co., Ltd.	Dispatching and transportation charges	58.25	64.29
Hengchang Logistics	Guangzhou Accord Pharm Chain Co., Ltd.	Dispatching and transportation charges	36.65	31.77
Sinopharm Guangzhou	China National Medicines Co., Ltd.	Consultation fees	-	22.80
Sinopharm Guangzhou	Wanle Medicine	Consultation fees	5.20	-
Sinopharm Guangzhou	Shenzhen Wanwei Medicine Trading Co., Ltd	Consultation fees	0.99	-
			<u>1,430.75</u>	<u>1,086.42</u>

(i) Other services

	Related party	Type of transaction	2011 (RMB'0,000)	2010 (RMB'0,000)
The Company	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	32.69	300.00
Sinopharm Guangzhou	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	83.52	186.68
Sinopharm Nanning	China Pharmaceutical Group Wuhan Institute of Chinese Medicine	engineering design and Administration expenses	60.00	-
Sinopharm Nanning	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	27.12	-
Sinopharm Liuzhou	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	10.21	-
Yuexing Pharm	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	5.10	-
Jianmin Medicine Yanfeng Company	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	4.59	-
Dongguan Accord	Shanghai Tongyu Information Technology Co., Ltd.	CMS system maintenance	4.43	-
Suzhou Wanqing	Shanghai Pharmaceutical Industry Research Institute	Exhibition charges	1.39	-
Suzhou Wanqing	Reed Sinopharm Exhibitions Co.,Ltd.	Exhibition charges	1.37	-
Sinopharm Foshan	Shanghai Tongyu Information Technology Co.	Exhibition charges	1.60	8.04
Sinopharm Meizhou	Shanghai Tongyu Information Technology Co.	CMS system maintenance	1.10	-
Sinopharm Huizhou	Shanghai Tongyu Information Technology Co.	CMS system maintenance	0.72	-
Suzhou Wanqing	China National Pharmaceutical Industry Corporation Ltd.	CMS system maintenance	0.49	-
			<u>-</u>	<u>7.70</u>
			<u>234.33</u>	<u>502.42</u>

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2011	31 December 2010
		(RMB'0,000)	(RMB'0,000)
Notes receivable	Chongqing Yaoyou Pharmaceutical Co.,Ltd	2,164.80	1,136.00
	Sinopharm Holding Hubei Co., Ltd.	256.62	698.86
	Sinopharm Holding Hunan Co., Ltd.	670.20	406.29
	Sinopharm Holding Tianjin Co., Ltd.	474.74	244.94
	Sinopharm Holding Hainan Co., Ltd.	203.57	47.47
	Guangdong Accord Drug Store Co., Ltd.	185.41	-
	Sinopharm Group Southwest Medicine Co., Ltd	144.10	-
	Guangxi Accord Pharm Chain Co.,Ltd	47.46	-
	Sinopharm Holding Chongqin Co., Ltd.	44.33	24.24
	Sinopharm Holding Jiangsu Co., Ltd.	30.00	-
	Sinopharm Holding Xuzhou Co., Ltd.	25.44	-
	Sinopharm Holding Fuzhou Co., Ltd.	10.86	32.57
	Sinopharm Holding Yancheng Co., Ltd.	10.09	-
	Liaoning Guoda Accord Pharm Chain Co.,Ltd	6.83	-
	Sinopharm Holding Shengyang Co., Ltd.	4.02	7.73
	Sinopharm Holding Yantai Co., Ltd.	2.28	-
	Sinopharm Holding Guizhou Co., Ltd.	-	684.00
	Sinopharm Holding Henan Co., Ltd.	-	50.00
	Sinopharm Holding Jiangxi Co., Ltd.	-	20.26
	Sinopharm Holding Anhui Co., Ltd.	-	6.91
	Sinopharm Holding Shangdong Co., Ltd.	-	1.20
		<u>4,280.75</u>	<u>3,360.47</u>
		31 December 2011	31 December 2010
		(RMB'0,000)	(RMB'0,000)
Accounts receivable	Sinopharm Holding Hunan Co., Ltd.	2,172.86	1,865.21
	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	1,968.00	1,872.00
	Sinopharm Holding Beijing Co., Ltd.	1,686.26	2,042.52
	Sinopharm Holding Hubei Co., Ltd.	1,487.16	835.00
	Sinopharm Group Southwest Pharmacy Co., Ltd.	1,387.10	1,758.29
	Foshan Nanhai Uptodate & Special Medicines Co.,Ltd.	1,372.41	-
	Sinopharm Group	1,334.11	608.57
	Guangdong Accord Drug Store Co., Ltd.	1,267.81	1,338.14
	Sinopharm Holding Shengyang Co., Ltd.	1,209.68	328.27
	Guangxi Accord Pharm Chain Co., Ltd.	911.43	904.29
	Sinopharm GroipXinjiang Special Drugs National Pharmaceutical Co.,Ltd.	881.03	376.82
	Sinopharm Holding Beijing Huahong Co., Ltd.	706.92	943.07
	Sinopharm Holding Hainan Co., Ltd.	698.13	577.00
	Sinopharm Le Rentang Medicine Co.Ltd	684.93	-
	Sinopharm Holding Tianjin Co., Ltd.	656.59	510.59
	Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	632.56	0.60
	Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	614.38	694.27
	Sinopharm Holding Fujian Co., Ltd.	592.51	205.78
	Sinopharm Holding Yunnan Co., Ltd.	578.88	379.56
	Sinopharm Holding Zhejiang Co., Ltd.	559.10	510.79
	Sinopharm Holding Hainan Hongyi Co., Ltd.	431.60	-
	Sinopharm Holding Hebei Medicine Co., Ltd.	362.82	-
	Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd.	355.30	215.52
	Guangdong East Uptodate & Special Medicines Co.,Ltd.	315.04	279.14
	Foshan Nanhai Medicine Co.,Ltd	275.87	-
	To next page	<u>23,142.48</u>	<u>16,245.43</u>

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Accounts receivable	Continued	23,142.48	16,245.43
	Sinopharm Holding Shandong Co., Ltd.	272.86	33.71
	Sinopharm Holding Sub Marketing Center Co., Ltd.	266.40	-
	Sinopharm Holding Jingzhou Co.,Ltd	215.72	-
	Sinopharm Group Medicine Logistic Co., Ltd.	191.49	48.63
	Sinopharm Holding Ningxia Co., Ltd.	163.55	241.60
	Sinopharm Holding Shanxi Co., Ltd.	147.98	170.26
	Wenzhou Biomedicin-appliances Supplies Co., Ltd	131.42	108.15
	China National Medicines Co., Ltd.	124.77	151.90
	Sinopharm Holding Jiangsu Co., Ltd.	120.53	148.85
	Sinopharm National Pharmacy Co.,Ltd.	89.85	74.95
	Sinopharm Group Shaanxi Co., Ltd.	84.84	40.70
	Sinopharm Holding Tianjin North Medicine Co.,Ltd	77.23	-
	Sinopharm Holding Henan Co., Ltd.	76.74	225.91
	Sinopharm Holding Fuzhou Co., Ltd.	73.17	16.95
	Sinopharm Holding Inner Mongolia Co., Ltd.	61.14	24.57
	Sinopharm Holding Gansu Co., Ltd.	54.73	59.56
	Sinopharm Holding Jilin Co., Ltd.	51.15	6.42
	Shanghai Chaohui Pharmecurical Co., Ltd.	47.98	37.64
	Sinopharm Holding Longyan Co., Ltd.	45.07	-
	Sinopharm Holding Chongqing Co., Ltd.	44.82	28.77
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	40.84	46.34
	Sinopharm Holding Heilongjiang Co., Ltd.	37.76	-
	Sinopharm Holding Suzhou Co., Ltd.	37.61	23.53
	Sinopharm Holding Shenyang Co., Ltd. Dalian Branch	36.90	19.14
	Sinopharm Holding Taizhou Co., Ltd.	28.95	-
	Sinopharm Holding Guizhou Co., Ltd.	27.81	183.64
	Sinopharm Holding Xuzhou Co., Ltd.	27.04	-
	Sinopharm Holding Wuxi Co., Ltd.	25.12	-
	Guangzhou Accord Pharm Chain Co., Ltd.	23.03	103.14
	Sinopharm Holding Meiluo (Dalian) Co., Ltd.	21.96	30.24
	Sinopharm Holding Zhangzhou Co., Ltd.	20.00	-
	Guangdong Guoda Lifeng Medicine Chain Co., Ltd	17.06	-
	Sinopharm Holding Nanjing Co., Ltd.	13.92	-
	Sinopharm Holding Yancheng Co., Ltd.	9.53	-
	Sinopharm Group Wei qida Medicine Co., Ltd	8.61	-
	Sinopharm Holding Ningde Co., Ltd.	4.32	-
	Sinopharm Holding Anshun Co., Ltd.	3.56	-
	Sinopharm Holding Changzhou Co., Ltd.	3.40	-
	Sinopharm Holding Changzhou Pharmaceutical logistic center Co., Ltd.	2.88	-
	Sinopharm Holding Lishui Co., Ltd.	1.49	-
	Guilin Huagui Sinopharm associate Company	1.08	-
	Sinopharm Holding Jiangxi Co., Ltd.	0.95	50.95
	Sinopharm Holding Sanming Co., Ltd.	0.26	-
	China National Scientific Instruments&Materials Corporation	0.24	-
	Sinopharm Holding Qujing Co., Ltd.	0.03	-
	Sinopharm Holding Shijiazhuang Co., Ltd.	-	495.02
	China National Group Corporation of Traditional & Hebal Medical	-	25.92
	Sinopharm Holding Anhui Co., Ltd.	-	0.09
	Total	25,878.27	18,642.01

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Other receivables	Sinopharm Group Medicine Logistic Co., Ltd.	121.50	121.50
	Wang Lei	-	90.51
	China National Pharmaceutical Industry Co., Ltd. Guangzhou Association Company	-	1.61
		<u>121.50</u>	<u>213.62</u>
		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Advances to suppliers	Qinghai Pharmaceutical (Group) Co.,Ltd.	305.36	540.83
	China National Group Corporation of Traditional & Hebal Medical	5.00	-
	Mount Handan Luo Dan Pharmaceutical Co., Ltd.	1.11	-
	Sinopharm Holding Suzhou Co.,Ltd	0.95	-
	Shenzhen Accord Pharmaceutical Chain Co., Ltd	0.58	-
	Sinopharm Holding Zhangzhou Co.,Ltd	0.35	-
	Yichang Humanwell Pharmaceutical Co.,Ltd.	0.21	-
	Sino-Swed Pharmaceutical Corp.Ltd.	0.01	-
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	-	261.68
	Sinopharm Group United Medicine Device Co., Ltd.	-	243.56
	Shanghai Sailun Biological Technology Co.,Ltd.	-	0.03
		<u>313.57</u>	<u>1,046.10</u>

Management consider that there is no recoverability risk in related to receivables due from other related party. Therefore, no provision has been made.

		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Notes payable	Sinopharm Group	10,615.09	21,009.56
	Sinopharm Holding Sub Marketing Center Co., Ltd.	2,772.58	531.22
	China National Medicines Co., Ltd.	1,635.15	1,240.95
	Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	307.20	224.08
	Chongqing Haisiman Pharmaceutical Co.,Ltd.	171.34	53.32
	Sinopharm Group Wei qida Medicine Co., Ltd	150.00	-
	Wanle Medical	119.79	38.84
	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	89.55	-
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	33.26	-
	Guilin South Pharmaceutical Co., Ltd	11.22	13.65
	Sinopharm Holding Fujian Co., Ltd.	6.20	503.61
	Shanghai Shyndec Pharmaceutical Co., Ltd.	3.37	-
	Guilin Pharmaceutical Co., Ltd.	-	2.58
	Sinopharm Group Baida Pharmaceutical Co., Ltd.	-	34.89
		<u>15,914.75</u>	<u>23,652.70</u>

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

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

		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Accounts payable	Sinopharm Holding Sub Marketing Center Co., Ltd.	12,376.63	1,697.85
	Sinopharm Group	7,462.69	10,959.88
	China National Medicines Co., Ltd.	2,301.39	1,165.01
	Wanle Medical	594.08	421.56
	Sino-Swed Pharmaceutical Corp.Ltd.	507.24	971.60
	Sinopharm Group Wei qida Medicine Co., Ltd	278.31	-
	Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	262.77	208.32
	Chongqing Yaoyou Pharmaceutical Co.,Ltd.	246.21	100.62
	Shenzhen Wanwei Medicine trading Co., Ltd	209.06	-
	Chongqing Haisiman Pharmaceutical Co.,Ltd.	188.45	92.77
	Sinopharm Holding Guizhou Co., Ltd.	181.38	35.88
	Guangdong East Uptodate & Special Medicines Co.,Ltd.	173.40	51.09
	Guang dong South National Pharmaceutical Foreign Trade Co.,Ltd.	153.63	1,026.77
	Guilin Huagui Sinopharm Associate Company	61.10	-
	Guangdong Accord Drug Store Co., Ltd.	43.35	0.10
	Sinopharm Holding Beijing Co., Ltd.	53.63	60.93
	China National Group Corporation of Traditional & Hebal Medical	20.10	105.05
	Foshan Nanhai Uptodate & Special Medicines Co., Ltd	17.81	-
	Sinopharm Group Medicine Logistic Shanghai Shyndec Pharmaceutical Co., Ltd.	12.88	12.82
	Guangxi Wuzhou Hua Wu Traditional & Herbal Co.,Ltd.	11.58	-
	Foshan Nanhai Medicine Co.,Ltd.	9.04	0.38
	Guilin South Pharmaceutical Co., Ltd	8.63	-
	Sinopharm Holding Fujian Co., Ltd.	7.75	5.25
	Handan Pharmaceutical Co.,Ltd	5.24	7.01
	Sinopharm Group Shanghai Medicine Device Co., Ltd.	4.25	-
	Shenyang Hongqi Pharmaceutical	4.06	1.84
	Yichang Humanwell Pharmaceutical Co.,Ltd.	2.98	1.86
	Shanghai Chaohui Pharmecurical	2.62	3.34
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	2.41	34.59
	Jiangsu Wanbang Bio-Chemical Medicine Co., Ltd.	2.32	1.45
	Shanghai Sailun Biological Technology Co.,Ltd.	1.49	1.49
	Sinopharm Group Beijing Medicine Device Co., Ltd.	1.07	5.04
	China Otsuka Pharmaceutical Co.,Ltd.	0.88	0.88
	Sinopharm Group Guorui Medicine Co.,Ltd	0.75	0.21
	Shanghai Medicial Engineering Institute Pharmaceutical Co.,Ltd.	0.49	-
	Sichuan Jiang You Zhong Ba Science and Technology Development Co.,Ltd.	0.37	-
	Shanghai Fosun Long March Medical Science Co., Ltd.	0.21	34.13
		0.18	0.18
	To next page	<u>25,210.43</u>	<u>17,007.90</u>

VII Reilated party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Accounts payable	Continued	25,210.43	17,007.90
	Sinopharm Group United Medicine Device Co., Ltd.	0.16	96.37
	Sinopharm Qianjing Dental Technology (Beijing) Co.,Ltd.	0.01	0.01
	China Sinopharm Foreign Trade Co.,Ltd.	0.09	(0.98)
	China National Medical Equipment & Supplies I/E Co.	0.35	-
	Sinopharm Holding Suzhou Co., Ltd.	-	12.01
	China National Pharmaceutical Industry CorporationLtd. Beijing sales branch	-	11.99
	Sinopharm Holding Meiluo (Dalian) Co., Ltd	-	10.75
	Sinopharm Holding Hainan Co., Ltd.	-	5.17
	Sinopharm Group Southwest Pharmacy Co., Ltd.	-	3.81
	Sinopharm Yixin Pharmacy Co., Ltd.	-	2.95
	China National Pharmaceutical Industry Corporation Ltd.	-	2.87
	Guangdong Tianliang Medicine Co., Ltd.	-	0.68
	Guilin Pharmaceutical Co., Ltd.	-	0.68
	Sinopharm Group Chemical Reagent Co., Ltd.	-	0.51
	Sinopharm Holding Jiangsu Co., Ltd.	-	0.37
	Sinopharm Holding Anhui Co., Ltd.	-	0.31
	China National Pharmaceutical Industry Co., Ltd. Guangzhou Association Company	-	0.13
	Shanghai Fosun Pharmaceutical	-	0.02
	Total	25,211.04	17,155.55
		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Other payables	Sinopharm Group	373.07	389.39
	China National Pharmaceutical Group Shanghai Co.,Ltd	166.04	166.04
	National Pharmaceutical Group Wuhan Pharmaceutical Industry Design Institute	60.00	-
	Sinopharm Holding Sub Marketing Center Co., Ltd.	20.00	-
	Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	16.00	-
	Shenzhen Kaijiefeng Co., Ltd.	-	481.09
	Shanghai Chaohui Pharmecurical Co., Ltd.	-	0.02
	Total	635.11	1,036.54
		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Advances from customers	Sinopharm Holding Nanjing Co., Ltd.	0.78	-
	Sinopharm Holding Hunan Co., Ltd.	0.04	-
	Sinopharm Holding Guizhou Co., Ltd	-	537.00
	Total	0.82	537.00

VII Related party relationships and significant related party transactions (continued)**(6) Accounts receivable from and payables to related parties (continued)**

		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Interests payable	Sinopharm Group	69.78	22.00
		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Entrusted loans	Sinopharm Group	33,737.00	30,000.00
		31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Other non-current liabilities	Sinopharm Group	3,506.18	3,506.18

(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 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Lease			
-As a lessee			
	Sinopharm Group Medicine Logistic Co., Ltd.	1,458.00	2,308.50
	Mr. Wang Yang	37.80	18.90
		1,495.80	2,327.40
-As a leaser			
	Guangxi Accord Pharm Chain Co., Ltd.	148.76	64.14
	Shenzhen Accord Pharmaceutical Chain Co., Ltd.	46.96	93.91
	Guangzhou Accord Pharm Chain Co., Ltd.	33.33	22.22
		229.05	180.27
Guarantee			
- Guaranteed by related party	Sinopharm Group	10,206.04	14,816.10

VIII Contingencies

As at 31 December 2011, there is no material contingency of the Group.

IX Commitments**(1) Capital commitments**

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

	31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Buildings, machinery and equipment	<u>6,310.25</u>	<u>8,346.19</u>

(2) Operating lease commitments

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

	31 December 2011 (RMB'0,000)	31 December 2010 (RMB'0,000)
Within one year	2,632.81	2,564.83
Between 1 and 2 years	1,015.44	1,057.76
Between 2 and 3 years	952.76	883.51
Over 3 years	<u>8,666.20</u>	<u>7,750.23</u>
	<u>13,267.21</u>	<u>12,256.33</u>

(3) Execution of commitments of prior years

The Group has fulfilled the commitments as of 31 December 2010 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 payable imbursement(Note V(26)(c))	Imbursement of large amount other payables aging over 1 year	Asset and liability reduce RMB 13,364,772.54simultaneously

(2) Profit appropriation after the balance sheet date

As of 22 October 2011, the company announced an application of short-term bound offering, with the registered amount not exceeding 400 million with maturity less than 1 year. Up to the report releasing day, the Company haven't obtained the approval the National Association of Financial Market Institutional Investors.

(3) Profit appropriation after the balance sheet date

	Amount
Proposed dividends (a)	37,459,422.00

- (a) In accordance with the resolution at the Board of Directors' meeting dated on 13 March 2012, Board of Directors proposed a dividend in the amount of RMB 37,459,422.00 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**(a) Foreign exchange risk**

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2011 and 2010, the Group did not enter into any forward exchange contracts or currency swap contracts.

	31 December 2011		
	USD	Others	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	59.17	-	59.17
Accounts Receivables	1,510,845.87	1,316,203.13	2,827,049.00
	<u>1,510,905.04</u>	<u>1,316,203.13</u>	<u>2,827,108.17</u>
Financial assets denominated in foreign currency -			
Accounts Payables	27,928,266.68	-	27,928,266.68
	<u>27,928,266.68</u>	<u>-</u>	<u>27,928,266.68</u>
	31 December 2010		
	USD	Others	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	17,977.46	-	17,977.46
Accounts Receivables	1,582,478.93	140,212.80	1,722,691.73
	<u>1,600,456.39</u>	<u>140,212.80</u>	<u>1,740,669.19</u>
Financial assets denominated in foreign currency -			
Accounts Payables	16,081,369.00	-	16,081,369.00
	<u>16,081,369.00</u>	<u>-</u>	<u>16,081,369.00</u>

As at 31 December 2011, if the currency had weakened/strengthened by 5 % against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB 990,651.06 (2010: RMB543,034.23) lower/higher for various financial assets and liabilities denominated in USD.

XII Financial instrument and risk (continued)**(1) Market risk (continued)****(b) 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 2011, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB93,082,967.96 (31 December 2010: RMB30,000,000.00) (Note V(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 2011 and 2010, the Group did not enter into any interest rate swap agreements.

For the year ended 31 December 2011, if interest rates on the floating rate borrowings had been 5% higher/lower while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB 2,447,631.51 (2010: approximately RMB 5,948,699.65).

(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 2011				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets -					
Cash at bank and on hand	952,665,245.23	-	-	-	952,665,245.23
Notes receivable	534,922,741.30	-	-	-	534,922,741.30
Accounts receivable	3,571,447,182.61	-	-	-	3,571,447,182.61
Other receivables	28,447,547.93	-	-	-	28,447,547.93
	<u>5,087,482,717.07</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,087,482,717.07</u>
Financial liabilities					
-					
Short-term loans	1,873,744,247.36	-	-	-	1,873,744,247.36
Notes payable	1,059,426,952.84	-	-	-	1,059,426,952.84
Accounts payable	2,490,177,373.15	-	-	-	2,490,177,373.15
Other payables	339,496,431.01	-	-	-	339,496,431.01
Current portion of Long-term loans	15,930,244.64	-	-	-	15,930,244.64
Long-term loans	6,234,222.62	36,837,672.38	68,374,927.98	-	111,446,822.98
	<u>5,785,009,471.62</u>	<u>36,837,672.38</u>	<u>68,374,927.98</u>	<u>-</u>	<u>5,890,222,071.98</u>
	31 December 2010				Total
	Within 1 year	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>

(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 2011	31 December 2010
Accounts receivable	296,396,942.13	283,766,551.16
Less: provision for bad debts	<u>(1,169,085.93)</u>	<u>(1,169,085.93)</u>
	<u>295,227,856.20</u>	<u>282,597,465.23</u>

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

	31 December 2011	31 December 2010
Within 1 year	295,227,856.20	282,597,465.23
1 to 2 years	-	1,169,085.93
2 to 3 years	<u>1,169,085.93</u>	<u>-</u>
	<u>296,396,942.13</u>	<u>283,766,551.16</u>

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provisions		Carrying amount		Bad debt provisions	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Individually significant are subject to separate impairment assessment	-	-	-	-	-	-	-	-
Receivable accounts within similar credit risk group	295,227,856.20	99.61%	-	-	282,597,465.23	99.59%	-	-
Individually not significant but evaluated for impairment	<u>1,169,085.93</u>	<u>0.39%</u>	<u>(1,169,085.93)</u>	<u>100%</u>	<u>1,169,085.93</u>	<u>0.41%</u>	<u>(1,169,085.93)</u>	<u>100%</u>
	<u>296,396,942.13</u>	<u>100%</u>	<u>(1,169,085.93)</u>	<u>0.39%</u>	<u>283,766,551.16</u>	<u>100%</u>	<u>(1,169,085.93)</u>	<u>0.41%</u>

(c) As at 31 December 2011, there are no receivables individually significant which subject to separate impairment assessment.

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Within 1 year	<u>295,227,856.20</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>282,597,465.23</u>	<u>100%</u>	<u>-</u>	<u>-</u>

XIII Notes to the main items of financial statement of the Company (continued)**(1) Accounts receivable (continued)**

- (e) As at 31 December 2011, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

	Per book	Bad debt provisions	% of provision	Reason
Guangdong Pharmaceutical Co., Ltd. Liyuan	1,169,085.93	(1,169,085.93)	100%	Disputed receivables with uncertainty in recoverability

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

- (g) As at 31 December 2011, the top five accounts receivable by customer are analysed as below:

	Relationship with the Company	Amount	Ageing	% of the total accounts receivable
Shenzhen Hospital	People's The third party	21,134,101.94	Within 1 year	7.13%
Shenzhen Center Hospital	Nanshan People's The third party	19,320,235.19	Within 1 year	6.52%
Peking University Shenzhen Hospital	University The third party	16,653,867.75	Within 1 year	5.62%
Shenzhen People's Hospital	Second The third party	14,709,583.03	Within 1 year	4.96%
Shenzhen Medecine Company	Jianmin Limited The third party	12,109,941.11	Within 1 year	4.09%
		<u>83,927,729.02</u>		<u>28.32%</u>

- (h) Accounts receivable due from related party

As at 31 December 2011, there are accounts receivable of RMB26,723,569.99 due from related party (31 December 2010: RMB12,968,480.21), which is 9.02% of the total accounts receivable (31 December 2010: 4.57%), without any bad debt provided (31 December 2010: Nil).

- (i) In 2011, accounts receivable of RMB269,457,339.37 are derecognized given that irrevocable factoring contracts agreed with financial institute(2010: RMB41,373,696.51).

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

(2) Other receivables

	31 December 2011	31 December 2010
Amounts due from subsidiaries(h)	699,338,691.98	554,781,312.21
Receivable from equity transaction	8,980,000.00	8,980,000.00
Compensation receivables	-	1,157,860.00
Borrowings due from employees	2,156,269.14	2,095,749.56
Others	4,020,219.80	528,280.50
	<u>714,495,180.92</u>	<u>567,543,202.27</u>
Less: provision for bad debts	<u>(10,208,164.60)</u>	<u>(10,218,244.60)</u>
	<u>704,287,016.32</u>	<u>557,324,957.67</u>

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

	31 December 2011	31 December 2010
Within 1 year	704,280,353.95	557,121,075.32
1 to 2 years	1,164,873.02	214,613.00
2 to 3 years	-	69,653.95
Over 3 years	9,049,953.95	10,137,860.00
	<u>714,495,180.92</u>	<u>567,543,202.27</u>

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant are subject to separate impairment assessment	8,980,000.00	1.26%	(8,980,000.00)	100.00%	8,980,000.00	1.58%	(8,980,000.00)	100.00%
Receivable accounts within similar credit risk group	704,287,366.97	98.57%	(350.65)	0.00%	557,335,688.32	98.20%	(10,730.65)	0.00%
Individually significant but not individually evaluated for impairment	1,227,813.95	0.17%	(1,227,813.95)	100.00%	1,227,513.95	0.22%	(1,227,513.95)	100.00%
	<u>714,495,180.92</u>	<u>100.00%</u>	<u>(10,208,164.60)</u>	<u>1.43%</u>	<u>567,543,202.27</u>	<u>100.00%</u>	<u>(10,218,244.60)</u>	<u>1.80%</u>

(c) As at 31 December 2011, impairment provision for other receivables individually significant is analysed as below.

	Amount	Bad debt provision	Rate	Assessment for impairment
Shenzhen Yinghai Technology Investment Co., Ltd.	8,980,000.00	(8,980,000.00)	100.00%	Uncertainty in recoverability

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

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

	31 December 2011				31 December 2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Within 1 year	704,280,353.95	100.00%	-	-	557,121,075.32	99.96%	-	-
1 to 2 years	7,013.02	0.00%	(350.65)	5.00%	214,613.00	0.04%	(10,730.65)	5.00%
	<u>704,287,366.97</u>	<u>100.00%</u>	<u>(350.65)</u>	<u>0.00%</u>	<u>557,335,688.32</u>	<u>100%</u>	<u>(10,730.65)</u>	<u>0.00%</u>

(e) As at 31 December 2011, other receivables individually not significant but individually evaluated for impairment are analysed below:

	Amount	Bad debt provision	Rate	Assessment for impairment
Shenzhen Health Food I&E Co. Ltd.	1,157,860.00	(1,157,860.00)	100.00%	Uncertainty in recoverability
Others	69,953.95	(69,953.95)	100.00%	Aged over 3 years, high risk in recoverability
	<u>1,227,813.95</u>	<u>(1,227,813.95)</u>		

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

(g) As at 31 December 2011, the top five other receivables by customer are analysed below:

	Relationship with the Company	Amount	Ageing	% of the total other receivable
YuexingMedicine	Subsidiary	154,988,310.41	Within 1 year	21.69%
Sinopharm Nanning	Subsidiary	119,898,771.72	Within 1 year	16.78%
Sinopharm Zhanjiang	Subsidiary	106,167,918.35	Within 1 year	14.86%
Hengxing Medicine	Subsidiary	95,147,415.70	Within 1 year	13.32%
Guangxi Logistics	Subsidiary	<u>60,530,349.93</u>	Within 1 year	<u>8.47%</u>
		<u>536,732,766.11</u>		<u>75.12%</u>

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

As at 31 December 2011, there are other receivables of RMB699,338,691.98 due from related party (31 December 2010: RMB554,781,312.21), which is 97.88% of the total other receivables (31 December 2010: 97.75%), without any bad debt provided (31 December 2010: Nil).

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

	31 December 2011	31 December 2010
Investments in subsidiaries (a)	1,244,416,640.78	1,194,816,640.78
Investments in associates (b)	<u>95,799,627.42</u>	<u>85,275,251.06</u>
	1,340,216,268.20	1,280,091,891.84
Less: provision for impairment of long-term equity investments (c)	<u>(7,689,226.69)</u>	<u>(7,689,226.69)</u>
	<u>1,332,527,041.51</u>	<u>1,272,402,665.15</u>

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

XIII Notes to the main items of financial statement of the Company (continued)**(3) Long-term equity investments (continued)****(a) Subsidiaries**

	Accounting method	Original investment cost	31 December 2010	Increases/(decreases) in investment cost	31 December 2011	Equity interest held (%)	Voting rights held (%)
Zhijun Pharm	Cost method	73,903,284.87	204,903,284.87	-	204,903,284.87	100	100
Jianmin Pharm	Cost method	45,054,911.04	45,054,911.04	-	45,054,911.04	100	100
Accord Material	Cost method	5,400,000.00	6,450,875.93	-	6,450,875.93	100	100
Accord Logistics	Cost method	900,000.00	1,019,062.68	-	1,019,062.68	100	100
Sinopharm Guangzhou	Cost method	58,283,114.68	435,440,323.63	-	435,440,323.63	100	100
Zhijun Trade	Cost method	3,006,866.42	3,006,866.42	-	3,006,866.42	100	100
Guangdong Hengxing'	Cost method	8,421,544.08	15,763,288.00	20,000,000.00	35,763,288.00	100	100
Training center	Cost method	30,000.00	30,000.00	-	30,000.00	100	100
Guangxi Accord	Cost method	4,987,919.71	4,987,919.71	-	4,987,919.71	100	100
Sinopharm Liuzhou	Cost method	21,407,965.79	21,407,965.79	-	21,407,965.79	51	51
Dongguan Accord	Cost method	2,742,000.00	2,742,000.00	7,200,000.00	9,942,000.00	100	100
Huixin Investment	Cost method	109,416,937.72	64,416,937.72	-	64,416,937.72	100	100
Hengchang Logistics	Cost method	1,269,502.30	5,596,006.21	-	5,596,006.21	100	100
Yuexing Medicine	Cost method	16,459,326.27	43,459,326.27	-	43,459,326.27	100	100
Sinopharm Foshan	Cost method	6,995,065.51	6,995,065.51	8,000,000.00	14,995,065.51	100	100
Suzhou Wanqing	Cost method	134,250,000.00	134,250,000.00	-	134,250,000.00	75	75
Sinopharm Nanning	Cost method	33,048,985.28	104,048,985.28	-	104,048,985.28	100	100
Sinopharm Zhanjiang	Cost method	1,369,864.65	1,369,864.65	14,400,000.00	15,769,864.65	100	100
Yanfeng Medical	Cost method	38,207,800.00	38,207,800.00	-	38,207,800.00	51	51
Sinopharm Meizhou	Cost method	4,481,900.00	4,481,900.00	-	4,481,900.00	100	100
Shenzhen Medicine	Cost method	37,850,830.38	37,850,830.38	-	37,850,830.38	100	100
Sinopharm Huizhou	Cost method	20,939,177.19	5,644,200.00	-	5,644,200.00	100	100
Shenzhen Trade	Cost method	7,689,226.69	7,689,226.69	-	7,689,226.69	100	100
			<u>1,194,816,640.78</u>	<u>49,600,000.00</u>	<u>1,244,416,640.78</u>		

XIII Notes to the main items of financial statement of the Company (continued)**(3) Long-term equity investments (continued)****(b) Associates**

	Accounting method	Initial investment cost	31 December 2010	Movement			31 December 2011	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held	
				Addition or Decrease in investment	Share of profit or loss	Dividend declared					Other movement
Wanle Medical	Equity method	4,457,400.00	85,275,251.06	32,980,830.80	28,119,376.36	(17,595,000.00)	(32,980,830.80)	95,799,627.42	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>85,275,251.06</u>	<u>32,980,830.80</u>	<u>28,119,376.36</u>	<u>(17,595,000.00)</u>	<u>(32,980,830.80)</u>	<u>95,799,627.42</u>			

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

(c) Provision for impairment of long-term equity investments

	31 December 2011	31 December 2010
Subsidiary		
Shenzhen Trade	<u>7,689,226.69</u>	<u>7,689,226.69</u>

(4) Sales and cost of sales

	2011	2010
Revenue of main operations	1,960,004,282.53	1,787,456,473.46
Other operating income	<u>6,833,891.27</u>	<u>5,876,009.19</u>
	<u>1,966,838,173.80</u>	<u>1,793,332,482.65</u>
	2011	2010
Cost of main operations	(1,868,726,116.77)	(1,701,399,246.71)
Other operating expenses	<u>(2,853,965.83)</u>	<u>(2,260,729.74)</u>
	<u>(1,871,580,082.60)</u>	<u>(1,703,659,976.45)</u>

(a) Revenue and cost of main operations

Analysed by industry:

	2011		2010	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Pharmaceutical distribution	<u>1,960,004,282.53</u>	<u>(1,868,726,116.77)</u>	<u>1,787,456,473.46</u>	<u>(1,701,399,246.71)</u>

(b) Other operating income and expenses

	2011		2010	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Rental income	4,774,354.40	(1,385,686.63)	4,958,762.51	(1,729,321.74)
Rendering of services	<u>2,059,536.87</u>	<u>(1,468,279.20)</u>	<u>917,246.68</u>	<u>(531,408.00)</u>
	<u>6,833,891.27</u>	<u>(2,853,965.83)</u>	<u>5,876,009.19</u>	<u>(2,260,729.74)</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 RMB 718,884,527.67 (2010: RMB674,334,141.82), which accounted for 36.55% (2010: 37.60%) of the total revenue from main operations. Details are set out below:

	Sales	% of total revenue from main operations
Jianmin Pharm	307,161,403.33	15.62%
Shenzhen People's Hospital	135,389,910.58	6.88%
Shenzhen Second People's Hospital	103,464,968.13	5.26%
Peking University Shenzhen Hospital	102,898,651.79	5.23%
Guangdong Accord Drug Store Co., Ltd	69,969,593.84	3.56%
	<u>718,884,527.67</u>	<u>36.55%</u>

(5) Investment income

	2011	2010
Cash dividends declared by subsidiaries (a)	235,060,478.67	218,177,902.14
Share of profit in an associated company (b)	28,119,376.36	23,078,755.17
	<u>263,179,855.03</u>	<u>241,256,657.31</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:

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

(b) Share of profit /(loss) in an associated company

	2011	2010	Reason of Fluctuation
Wanle Medical	28,119,376.36	27,224,583.81	Profit increased comparing 2010
Shenzhen Medicine	-	(4,145,828.64)	Became wholly owned subsidiary in 2010

28,119,376.36

23,078,755.17

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**

	2011	2010
Net profit	234,994,766.07	224,082,114.41
Add: Provision for assets impairment	(178,122.58)	(5,826,408.57)
Depreciation of fixed assets	7,392,043.16	5,822,592.79
Amortisation of intangible assets	1,737,676.20	1,563,165.21
Amortisation of long-term prepaid expenses	1,067,055.80	279,493.37
Gains on disposal of fixed assets, intangible assets and other long-term assets	(2,366,151.26)	(40,359.54)
Financial expenses	32,547,585.51	25,134,269.45
Investment income	(263,179,855.03)	(241,256,657.31)
Increase in deferred income tax assets	(2,376,993.77)	(2,958,699.75)
Increase in inventories	(7,160,662.13)	(19,546,026.53)
(Increase)/Decrease in operating receivables	(21,038,395.23)	15,185,638.02
(Decrease)/Increase in operating payables	(44,596,272.68)	92,158,881.07
Net cash flows from operating activities	<u>(63,157,325.94)</u>	<u>94,598,002.62</u>

(b) Net increase in cash

	2011	2010
Cash at end of year	164,840,499.86	135,498,819.87
Less: cash at beginning of year	<u>(135,498,819.87)</u>	<u>(120,541,203.80)</u>
Net increase in cash and cash equivalents	<u>29,341,679.99</u>	<u>14,957,616.07</u>

(c) Cash and cash equivalents

	2011	2010
Cash at bank and on hand	164,840,499.86	135,498,819.87
Less: restricted other cash balance	-	-
Cash at end of year	<u>164,840,499.86</u>	<u>135,498,819.87</u>

I Non-routine items

	2011	2010
Gains on disposal of non-current assets	1,540,031.87	1,969,629.82
Government grants	13,577,864.38	8,221,739.90
Net profit gained for the period from 1 January 2010 to the date of combination under common control	-	(4,607,349.97)
Receivables impairment reversal by individual assessment	1,977,108.01	6,926,932.01
Other non-operating income/(expenses), net	7,098,221.98	6,374,202.97
	<u>24,193,226.24</u>	<u>18,885,154.73</u>
Tax impact of above non-routine items	(5,108,324.05)	(3,132,301.17)
Share of minority interests of above non-routine items after tax	(614,495.22)	(284,003.09)
	<u>18,470,406.97</u>	<u>15,468,850.47</u>

Basis of preparation for non-routine items

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	
2011	2010	2011	2010	2011	2010

Consolidated net profit attributable to the shareholders of the Company	27.52	27.17	1.15	0.91	1.15	0.91
Consolidated net profit attributable to the shareholders of the Company, excluding non-routine items	25.98	25.56	1.08	0.85	1.08	0.85

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 2011 Consolidated	31 December 2010 Consolidated	Fluctuation	%
Cash at bank and on hand	1.1	952,665,245.23	711,789,775.66	240,875,469.57	34%
Notes receivable	1.2	534,922,741.30	369,169,030.47	165,753,710.83	45%
Accounts receivable	1.3	3,571,447,182.61	2,866,825,102.78	704,622,079.83	25%
Prepayment	1.4	65,083,400.15	101,806,030.92	(36,722,630.77)	-36%
Other receivables	1.5	28,447,547.93	43,110,999.74	(14,663,451.81)	-34%
Inventories	1.6	1,311,273,225.24	1,156,329,658.80	154,943,566.44	13%
Fixed assets	1.7	599,679,549.71	492,557,743.43	107,121,806.28	22%
Development costs	1.8	3,998,433.69	2,580,662.85	1,417,770.84	55%
Deferred income tax assets	1.9	44,070,064.25	31,083,592.24	12,986,472.01	42%
Short-term borrowings	1.10	1,839,838,065.68	975,475,884.21	864,362,181.47	89%
Notes payable	1.11	1,059,426,952.84	1,448,622,490.72	(389,195,537.88)	-27%
Accounts payable	1.12	2,490,177,373.15	2,003,566,517.62	486,610,855.53	24%
Interests payable	1.13	10,451,229.03	2,122,314.90	8,328,914.13	392%
Current portion of long-term borrowings	1.14	23,960,000.00	-	23,960,000.00	N/A
long-term borrowings	1.15	93,082,967.96	30,000,000.00	63,082,967.96	210%
Surplus reserve	1.16	63,480,745.16	39,981,268.55	23,499,476.61	59%
Undistributed profits	1.17	993,269,387.62	719,209,302.41	274,060,085.21	38%

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 the increase of balance of cash inflow from operating activities minus cash outflow from investing and financing activities.
- 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 Prepayment was mainly due to the decrease of procurement payment.
- 1.5 Decrease in other receivables was mainly due to the decrease in other operating income.
- 1.6 Increase in inventories was mainly due to the increase in sales.
- 1.7 Increase in fixed assets was mainly due to that parts of construction in process were completed and transferred to fixed assets.
- 1.8 Increase in R&D expenses was due to more spending on the development phase.
- 1.9 Increase in deferred income tax assets was mainly due to the timing difference caused by unpaid payroll.
- 1.10 Increase in short term borrowings was mainly due to the business growth.
- 1.11 Increase in notes payable was mainly due to the increased purchase.
- 1.12 Increase in accounts payable was mainly due to the increased purchase.
- 1.13 Increase in interest payable was mainly due to the increase of borrowings and interest borrowings.

- 1.14 Decrease in current portion of long term borrowings was mainly due to repayment in accordance with the payment terms.
- 1.15 Increase in long term borrowings was mainly due to the increase in demand of construction project for funds.
- 1.16 Increase in surplus reserve resulted from the provision of legal surplus reserve.
- 1.17 Increase in undistributed profits was mainly due to the increase in profits.

III Notes for significant fluctuation of major accounts in financial statements (Continued)

(2) Consolidated Income Statement

	Notes	2011 Consolidated	2010 Consolidated	Fluctuation	%
Sales	2.1	15,130,338,571.64	13,064,428,148.69	2,065,910,422.95	16%
Cost of sales	2.2	13,796,014,093.70	11,925,655,507.94	1,870,358,585.76	16%
Business Taxes and					
Surcharges	2.3	38,649,569.50	19,918,513.42	18,731,056.08	94%
Selling and distribution					
expenses	2.4	429,901,024.59	430,588,573.47	(687,548.88)	0%
General and					
Administrative expenses	2.5	349,634,683.15	300,875,369.90	48,759,313.25	16%
Financial expenses - net	2.6	136,401,442.10	82,538,641.49	53,862,800.61	65%
Impairment	2.7	20,791,745.04	9,217,962.21	11,573,782.83	126%
Non-operating expenses	2.8	1,788,868.43	3,331,980.65	(1,543,112.22)	-46%
Income tax expenses	2.9	81,466,298.02	75,587,949.59	5,878,348.43	8%

2.1 Increase in sales was mainly due to the increase in sales volume.

2.2 Increase in cost of sales was mainly due to the increase in sales volume.

2.3 Increase in business taxes and surcharges resulted from the increase VAT and city maintenance and construction tax rate which increased in line with sales.

2.4 Increase in selling and distribution expenses was mainly due to the increase in logistic expenses and marketing expenses which increased in line with sales.

2.5 Increase in General and administrative expenses was mainly due to the increase in payroll and R&D expenses.

- 2.6 Increase in Financial expenses was mainly due to the increase of average balance of bank borrowings and interest rate.
- 2.7 Increase in impairment was mainly due to the decrease in price of antibiotic product.
- 2.8 Decrease in non-operating expenses resulted from decrease of penalty, compensation for lawsuit and others.
- 2.9 Decrease in tax expenses was mainly due to the increase in total profit and comprehensive tax rate.

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: Wei Yulin
Board of Directors of
China National Accord Medicines Corporation Ltd.
16 March 2012