

China National Accord Medicines Corporation Ltd.

SEMI-ANNUAL REPORT 2014

August 2014

Section I. Important Notice, Contents and Paraphrase

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

All directors are attended the Board Meeting for report deliberation.

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either.

Yan Zhigang, principal of the Company, Wei Pingxiao, person in charger of accounting works and Zhou Feifei, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of the Semi-Annual Report 2014 is authentic, accurate and complete.

Content

Semi-Annual Report 2014

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Paraphrase

| Items | Refers to | Definition |
|--|-----------|--|
| The Listed Company, Company, the Company, China National Accord, the Group | Refers to | China National Accord Medicines Corporation Ltd. |
| Sinopharm Holding | Refers to | Sinopharm Group Co., Ltd., the controlling shareholder of the Company |
| “Twelfth Five-Year” | Refers to | Year of 2011 to 2015 |
| <i>Company Law</i> | Refers to | <i>Company Law of the People’s Republic of China</i> |
| <i>Securities Law</i> | Refers to | <i>Securities Law of the People’s Republic of China</i> |
| Yuan, 10 thousand Yuan, 100 million Yuan | Refers to | RMB, RMB 10 thousand, RMB 100 million |
| Terminology: | Refers to | |
| Direct selling | Refers to | A sales method that the drug directly sold to the hospital |
| GMP certification | Refers to | Good Manufacture Practice of Drugs certification |
| GSP certification | Refers to | Good Supplying Practice certification |
| Supply Chain Management | Refers to | That is CMS, and information system processing workflow & procurement, inventory & sales documents |
| Company profile | Refers to | |
| Sinopharm | Refers to | China National Pharmaceutical Group Corporation |
| Sinopharm (CNCM LTD) | Refers to | China National Medicines Corporation Ltd. |
| Sinopharm Holding Guangzhou | Refers to | Sinopharm Holding Guangzhou Co., Ltd. |
| Sinopharm Holding Guangxi | Refers to | Sinopharm Holding Guangxi Co., Ltd. |
| Sinopharm Holding Liuzhou | Refers to | Sinopharm Holding Liuzhou Co., Ltd. |
| Zhijun Pharmaceutical | Refers to | Shenzhen Zhijun Pharmaceutical Co., Ltd |
| China National Zhijun (Suzhou) | Refers to | China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. |
| Zhijun Medicine Trading | Refers to | Shenzhen Zhijun Medicine Trading Co., Ltd. |
| Sinopharm TCM | Refers to | Sinopharm Holding Shenzhen Chinese Medicine Co., Ltd. |
| Main Luck Pharmaceuticals | Refers to | Shenzhen Main Luck Pharmaceuticals Inc. |

Section II Company profile

I. Company Profile

| | | | |
|---|--|----------------|----------------|
| Short form for share | Sinopharm Accord, Accord B | Code for share | 000028, 200028 |
| Listing stock exchange | Shenzhen Stock Exchange | | |
| Chinese name of the Company | 国药集团一致药业股份有限公司 | | |
| Abbr. of Chinese name of the Company(if applicable) | 国药一致 | | |
| English name of the Company(if applicable) | China National Accord Medicines Corporation Ltd. | | |
| Abbr. of English name of the Company(if applicable) | Sinopharm Accord | | |
| Legal Representative | Yan Zhigang | | |

II. Contact person and ways

| | Secretary of the Board |
|---------------|--|
| Name | Chen Changbing |
| Contact adds. | Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong |
| Tel. | +(86)755 25875195 |
| Fax. | +(86)755 25875147; +(86)755 25195435 |
| E-mail | 0028@szaccord.com.cn; gyyz0028@sinopharm.com |

III. Others

1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

☐ Applicable ☒ Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2013.

2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

☐ Applicable ☒ Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2013.

3. Registration changes of the Company

Whether registration has changed in reporting period or not

☐ Applicable ☒ Not applicable

Date/place for registration of the Company, registration number for enterprise legal license, number of taxation registration and organization code have no change in reporting period, found more details in Annual Report 2013.

Section III. Accounting data and summary of financial indexes

I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

☐ Yes ☒ No

| | Current period | Same period of last year | Increase/decrease in this report y-o-y |
|---|-----------------------|--------------------------|---|
| Operating revenue (RMB) | 11,612,642,434.28 | 10,131,712,690.44 | 14.62% |
| Net profit attributable to shareholders of the listed company(RMB) | 349,213,988.51 | 260,794,678.64 | 33.90% |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB) | 326,526,104.00 | 260,180,187.43 | 25.50% |
| Net cash flow arising from operating activities(RMB) | -484,715,807.96 | 238,276,873.08 | -303.43% |
| Basic earnings per share (RMB/Share) | 1.073 | 0.905 | 18.56% |
| Diluted earnings per share (RMB/Share) | 1.073 | 0.905 | 18.56% |
| Weighted average ROE (%) | 10.39% | 13.81% | -3.42% |
| | End of current period | End of last period | Increase/decrease in this report-end over that of last period-end |
| Total assets (RMB) | 12,490,101,653.57 | 11,057,896,941.31 | 12.95% |
| Net assets attributable to shareholder of listed company(RMB) | 4,457,763,310.27 | 2,244,757,658.03 | 98.59% |

II. Items and amounts of extraordinary profit (gains)/loss

☒ Applicable ☐ Not applicable

In RMB

| Item | Amount | Note |
|--|---------------|---|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | 436,751.38 | |
| Governmental subsidy calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard) | 14,575,338.73 | The enterprise supporting fund RMB 6.06 million allocated from Nanning Economic and |

| | | |
|--|---------------|---|
| | | Technological Development Zone, the deferred income recognized due to compensation for removal project was amortized RMB1.35 million in the Period; special subsidy RMB 2.28 million from Shenzhen High-tech industries and education subsidy for the strategic emerging industry brand RMB one million |
| Reversal of impairment reserve for account receivable with separate impairment testing | 2,473,206.68 | |
| Other non-operating income and expenditure except for the aforementioned items | 12,116,477.87 | The RMB 11.86 million compensation of Chebei lawsuit that accrued last year was released according to the latest lawsuit results |
| Less: impact on income tax | 6,865,661.39 | |
| Influenced amount of minority shareholders' equity (after tax) | 48,228.76 | |
| Total | 22,687,884.51 | -- |

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

☐ Applicable ☒ Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

Section IV. Report of the Board of Directors

I. Introduction

(I) Operating results for the first half year of 2014

During the reporting period, challenged by the complicated market conditions, the Company focused on exploration and innovation, and completed the sales revenue indicators and various major working tasks as set for the first half year. During the period from January to June, the Company realized sales revenue of RMB11.574 billion, representing a year-on-year increase of 14.88%, among which, RMB10.679 billion was contributed by the distribution segment (representing a year-on-year increase of 15.92%) and RMB0.907 billion was contributed by the pharmaceutical segment (representing a year-on-year increase of 3.78%). During the period from January to June, the Company realized net profit attributable to shareholders of listed company of RMB0.349 billion, representing a year-on-year increase of 33.90%, among which, RMB0.174 billion was contributed by the distribution segment (representing a year-on-year increase of 25.31%) and pharmaceutical segment achieved RMB 136 million net profit attributable to shareholder of listed company with a year-on-year growth of 14.48% due to the sales recovery. The major works for the first half year are set out as follows:

1. Under the principal guidelines of compliant operation, the Company seeks for the best practice through model study as supported by target management and innovation. The Company also inspires organization potentials through promotion of innovation. By strengthening internal communication and optimizing resources allocation, the Company realized improvement both in management efficiency and service efficiency. A non-public issuance was completed in the reporting period, which helped the Company to decrease its gearing ratio to a level which was lower than the average one of this industry; through intensified control on expenses, the overall expense ratio decreased by 0.16 percentage points as compared to the corresponding period of last year. On the premise of gross margin moved up slightly, the Company improved its space for profit making.

2. Further network penetration by the distribution segment aims to build a smart supply chain and improve an integrated operation platform.

1) Construction of smart supply chain recorded new progress. VMI united inventory management was gradually realized in large scale, resulting in general extension of supply chain to upstream suppliers; logistics for Dongpu Hospital, Military Hospital and other two hospitals formed samples, realizing effective extension of supply chain management to downstream hospitals; PDA system will be applied soon, under which a visual system platform will be built to make placing orders and distribution visual in Guangzhou and Shenzhen initially; as for Fosuan region, integration of the three warehouses was completed and started normal operation, which speed up the progress of “the sole inventory management” project in Guangdong and Guangxi provinces.

2) Continuous improvement of network coverage of distribution. Sinopharm Shantou Co., Ltd. has already officially established in May and obtained approval from the relevant pharmaceutical regulatory authorities for establishing subsidiaries in Hechi and Qinzhou of Guangxi province, the construction of which was in preparation;

14 companies (including pharmacy) passed the new version of GSP authentication; DTC pharmacy stores increased to 10.

3) Sound integrated management system in Guangdong and Guangxi provinces. The integration of the basic operation of these two provinces was promoted; out-of-municipal marketing center and purchase center were established in respect of Guangxi distribution to enhance integrated management capability; integrated procurement of Guangdong and Guangxi provinces was improved steadily, recorded a year-on-year increase of 31% in terms of integrated procurement amount for the first half year; an inspection manual of integration and standardization was prepared, under which our various departments cooperated to implement inspection on subsidiaries and improved management model for subsidiaries, i.e. “rolling management + site inspection”; improved risk control model and promoted the same in subsidiaries, clients were managed based on several levels to prevent risks.

4) Continuous promotion of innovative business and breakthrough realized in pharmacy trust. Sales revenue from the basic drugs increased by 82% year on year; sales revenue from medical equipments increased by 22% year on year; B2B sales service has been realized generally in the first half year, with 380 clients developed. And the Company is seeking for B2C qualification proactively and aims to create value for its customers by fully taking use of the online and offline resources.

5) As for distribution business segment, the sales of domestic products accounted for 49% and direct sales accounted for 72%, indicating continuous improvement of varieties and business structure.

3. Pharmaceutical business segment promoted organization reform, optimized management procedure, strengthened and improved the special function of the three centers aiming to improving its industrial platform, increasing coordination between the internal and external resources and accelerating transformation of product structure.

1) Built and enhanced operation through industrial integrated platform. Special management was applied in terms of domestic and international markets, and in terms of chemical medicine, traditional Chinese medicine and great health; resources were allocated generally; performance evaluation system, management procedure and working standard were centralized, so as to realize integrated management.

2) Speeded up research and development of new products for launch into market and improved the two level distribution system. The Company achieved great progress in integrated research and development. In detail, a total of 12 new products were determined, two production licenses were applied, and 8 clinic licenses were applied. Projects under research totaled to 127, and 58 of them were being processed by CDE, among which, specialist medicines accounted for more than 60% and first generic drug accounted for more than 40%, indicating obvious progress in transformation of R&D products. The Company actively promoted the general strategic cooperation with Sinopharm Yigong General Institute, forming the completed research and development industry chain, under which “Yigong Institute was responsible for research of raw materials technology, composition

institute was responsible for industrialization of raw materials and pharmaceutical manufacturer was responsible for industrialization of pharmaceutical preparations”, which laid foundation for research and development of new products and capability of industrialization. Currently, 6 industrialization projects are being driven forward successfully, in particular, normal production supply has been realized for cefathiamidine for injection and cefaclor for oral suspension; as the two-level distribution system was overall expanded, resulting in relatively rapid growth of cefuroxime axetil tablets and cefixime granules, and new products including azithromycin dispersible tablets, Dameiqing and Daliluo.

3) Promoted international market strategy steadily. During the first half year, the Company realized export sales of US\$ 8.90 million in total, representing a relatively high increase continuously; new breakthrough was made in respect of EU strategy, with the sales from major EU markets accounting for more than 82.8%. EU authentication certificates for powder injection II line and powder injection III line of Zhijun Pharmaceutical have been obtained in April.

4) Facilitated new GMP authentication. Zhijun Pharmaceutical has renewed its new GMP authentication in respect of non-cephalosporins solid workshop; Zhijun Suzhou has submitted relevant materials to apply for approval for the new powder injection workshop at the end of June, and received site inspection in July.

5) Construction of Pingshan Base Project was in progress as scheduled. Roof-sealing for major structure and facilities installment for the public area have been carried out generally.

(II) The major works for the second half of 2014

During the second half year, the Company will conduct operations aiming for new innovation, steady growth and better compliance. By adherence to compliance operation, the Company will strengthen target management, propel innovation and practice, continue to optimize reasonable allocation of various resources and improve efficient cooperation among various tache, for the purpose of realization overall upgrade of efficient operation and basic management.

The distribution segment sticks to the established development strategy, continues to strengthen construction of smart supply chain and promotes penetration through network. Through strengthening the basic operation ability, releasing development potential in traditional business, promoting upgrade and innovation, offering products and services with unique characteristics and continuing to increasing its core competitiveness, the Company manages to occupy a leading position in Guangdong and Guangxi provinces in terms of distribution.

The pharmaceutical segment, by virtue of the new structure, continues to consolidate new platforms and perfect new patterns focusing on professionalism and integration aiming to improving industrial platform, thus to enhance industrial integrated operation; the Company continues to accelerate structure adjustment and transformation upgrade, improve product quality and cost edge, and consolidate industrial development foundation of Accord Pharmaceutical.

II. Main business analysis

Summary

Shows the same content disclosed in summary of report of board of directors

☒Yes ☐No

Y-o-y changes of main financial data

In RMB

| | Current period | Same period of last year | Y-o-y increase/decrease | Reasons for changes |
|--|-------------------|--------------------------|-------------------------|--|
| Operating revenue | 11,612,642,434.28 | 10,131,712,690.44 | 14.62% | |
| Operating costs | 10,626,767,657.24 | 9,279,455,305.53 | 14.52% | |
| Sales expenses | 271,149,210.54 | 242,609,042.07 | 11.76% | |
| Administration expenses | 215,813,783.67 | 182,897,044.09 | 18.00% | |
| Finance expenses | 70,931,725.10 | 76,468,650.83 | -7.24% | |
| Income tax expenses | 86,331,296.75 | 60,942,244.76 | 41.66% | Total profit increased in the period. |
| R&D input | 32,143,996.40 | 34,523,641.48 | -6.89% | |
| Net cash flow arising from operating activities | -484,715,807.96 | 238,276,873.08 | -303.43% | Sales increased in the Period and more purchase quantity growth |
| Net cash flow arising from investment activities | -118,785,713.60 | -31,163,438.89 | -281.17% | The investment for infrastructural project increased in the period. |
| Net cash flow arising from financing activities | 914,932,902.63 | -245,550,234.63 | 472.61% | The amount of capital increase from private placement received in the Period |
| Net increase of cash and cash equivalent | 311,437,219.28 | -38,436,801.92 | 910.26% | The amount of capital increase from private placement received in the Period |

Major changes on profit composition or profit resources in reporting period

☐ Applicable ☒ Not applicable

No major changes on profit composition or profit resources occurred in reporting period

The future development and planning extended to reporting period that published in disclosure documents as prospectus, private placing memorandum and recapitalize statement

☐ Applicable ☒ Not applicable

No future development and planning extended to reporting period that published in disclosure documents as prospectus, private

placing memorandum and recapitalize statement

Review on the previous business plan and its progress during reporting period

In the reporting, more details about the previous business plan and business plan implementation can be found in “I. Summary” in this Section.

III. Constitution of main business

In RMB

| | Operating revenue | Operating cost | Gross profit ratio | Increase or decrease of operating revenue over same period of last year | Increase or decrease of operating cost over same period of last year | Increase or decrease of gross profit ratio over same period of last year |
|------------------------------------|-------------------|-------------------|--------------------|---|--|--|
| According to industries | | | | | | |
| Medical business | 10,661,045,598.03 | 10,075,415,498.70 | 5.49% | 16.01% | 15.53% | 0.39% |
| Medical manufacture | 895,189,021.00 | 532,012,356.98 | 40.57% | 3.88% | 3.25% | 0.36% |
| Logistics and warehousing services | 12,711,331.79 | 8,499,455.86 | 33.13% | -30.36% | -27.28% | -2.83% |
| Lease and other service | 5,128,001.66 | 1,280,169.06 | 75.04% | 14.29% | -27.50% | 14.39% |
| According to products | | | | | | |
| Nil | | | | | | |
| According to region | | | | | | |
| Domestic sales | 11,545,262,663.14 | 10,595,261,761.26 | 8.23% | 14.93% | 14.82% | 0.09% |
| Foreign sales | 28,811,289.34 | 21,945,719.34 | 23.83% | -1.49% | 2.25% | -2.79% |

IV. Core competence analysis

1. Improved distribution network

The Company owns completed pharmaceutical distribution network in Guangdong and Guangxi provinces, covering almost all the medical institutions and large chain pharmacies rated as second-class or above in Guangdong and Guangxi provinces and also providing medicine distribution services for third end consumers as represented by various individual pharmacies, community medical service outlets, small clinics and new rural cooperative medical insurance. The Company fully takes advantage of its distribution network to provide value-added service and create value for customers.

2. Leading smart supply chain

Benefiting from the core smart supply chain, the Company effectively expanded supply chain service and thus realized resource sharing and effective coordination between the upstream and downstream through promotion of central inventory management projects and hospital pharmacy smart inventory management project.

3. High efficient integrated management

In connection with pharmaceutical distribution, the Company continues to strengthen integrated operation system in Guangdong and Guangxi provinces, focusing on integration of procurement and basic operation between these two provinces; cooperation in respect of businesses relating to medical equipments, consumables and vaccine was accelerated between these two provinces, thus to realize management synchronization of Guangdong and Guangxi provinces. In connection with pharmaceutical industry, the Company adopted professionalism and integration as guidance to improve the platform structure with “three centers and three bases”, resulting in continuous enhancement of industrial integrated operation.

4. Abundant product resources

In connection with pharmaceutical distribution, the Company established vast cooperation with thousands of domestic manufacturers and business enterprises, and established steady business relationship with hundreds of import and joint venture manufacturers, to diversify its variety resources. In connection with pharmaceutical industry, the Company mainly focused on medicines relating to anti-infection, respiratory system, digestive system and cardiovascular as well as great health area. It owns modern pharmaceutical R&D and production bases qualified with international standards, and certain production lines for powder injection, orally-taken solid preparations and active pharmaceutical ingredient with EU authentication. The Company has launched a number of famous products with leading market share through establishing strict quality management and control system.

5. Domestic brands with unique influences

The Company's brands and distribution share the same principles with the industrialized sub-brands and those owned by controlling shareholders and actual controllers. Benefiting from the strong influence as a central enterprise, the Company takes an increasing significant position in this industry in terms of recognition and influence.

V. Investment analysis

1. External equity investment

(1) External investment

☐ Applicable ☒ Not applicable

No external investment in Period.

(2) Holding equity of financial enterprise

☐ Applicable ☒ Not applicable

The Company has no equity of financial enterprise held in the Period

(3) Securities investment

☐ Applicable ☒ Not applicable

The Company has no securities investment in the Period

2. Trust management, derivative investment and entrust loans

(1) Trust financing

☐ Applicable ☒ Not applicable

The Company has no trust financing in the Period

(2) Investment of derivatives

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period

(3) Entrustment loan

☐ Applicable ☒ Not applicable

The Company has no entrustment loan in the Period

3. Application of raised proceeds

Application of raised proceeds found more in Special Report of Raised Fund Deposit and Practical Usage released on 16 August 2014 (disclosure index: Juchao Website Notice No.: 2014-37)

4. Main subsidiaries and joint-stock companies analysis

☒ Applicable ☐ Not applicable

Main subsidiaries and joint-stock companies

In RMB

| Name | Type | Industry involved | Main products or service | Registered capital | Total assets | Net assets | Operation revenue | Operation profit | Net profit |
|--|------------|-------------------|--|--------------------|------------------|----------------|-------------------|------------------|----------------|
| Shenzhen Zhijun Pharmaceutical Co., Ltd. | Subsidiary | Manufacture | Production for raw medicine of chemical products, processing for Chinese traditional patent medicine, production of chemical material of medicine; Import and export | RMB 200,000,000 | 1,066,758,297.25 | 451,465,590.48 | 732,801,536.73 | 165,705,868.04 | 144,949,310.54 |

| | | | | | | | | | |
|---------------------------------------|------------|----------|---|-----------------|------------------|----------------|------------------|----------------|---------------|
| | | | trade are treated by authorized certificates . | | | | | | |
| Sinopharm Holding Guangzhou Co., Ltd. | Subsidiary | Commerce | 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 | RMB 400,000,000 | 5,485,842,600.68 | 558,811,556.54 | 6,457,665,536.70 | 106,983,589.70 | 80,042,094.27 |

5. Major project invested by non-raised funds

√ Applicable □ Not applicable

In ten thousand Yuan

| Project | Total investment planned | Amount invested in this period | Amount invested accumulative till end of reporting period | Progress | Earnings |
|---|---|--------------------------------|---|----------|--|
| (Pingshan) Medicine R&D Manufacturing Base of China National Accord Medicines | 88,137.00 | 5,971.00 | 12,836.00 | 18.00% | The project covers approximately 73352 M ² in total, positioning as the production base of essential medicines and special drugs, a manufacture base of modern traditional Chinese medicine preparations and massive health products as well as the international co-ordination processing base |
| Total | 88,137.00 | 5,971.00 | 12,836.00 | -- | -- |
| Index date for extraordinary notice disclosed (if applicable) | 2014-03-22 | | | | |
| Index website for extraordinary notice disclosed (if applicable) | Juchao Website: Sinopharm Accord—Announcement on Increasing External Investment; No.: 2014-18 | | | | |

VI. Prediction of business performance from January – September 2014

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

□ Applicable √ Not applicable

VII. Explanation from the Board and Supervisory Committee for “Qualified Opinion” from the CPA of this year’s

□ Applicable √ Not applicable

VIII. Explanation from the Board for “Qualified Opinion” of last year’s

□ Applicable √ Not applicable

IX. Implementation of profit distribution in reporting period

Implementation or adjustment of profit distribution plan in reporting period, cash dividend plan and shares converted from capital reserve in particular

☒Applicable ☐Not applicable

The profit distribution scheme for year of 2013 was deliberated and approved in the Shareholders General Meeting of 2013 on April 18, 2014, calculating based on the Company's total existing shares of 362,631,943 shares, and the Company distribute RMB 1.80 (including tax) dividend per ten shares to all shareholders in cash. On May 22, 2014, Board of Directors issued Announcement on Implementation of the 2013 Equity Distribution Plan (published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website <http://www.cninfo.com.cn>), the 2013 Annual Profit Distribution Plan was implemented, and dividend for social public shareholders distributed to shareholders' account on 28 May 2014 (A shares) and 30 May 2014 (B shares) respectively.

| Special explanation on cash dividend policy | |
|--|----------------|
| Satisfy regulations of General Meeting or requirement of Article of Association (Y/N): | Y |
| Well-defined and clearly dividend standards and proportion (Y/N): | Y |
| Completed relevant decision-making process and mechanism (Y/N): | Y |
| Independent directors perform duties completely and play a proper role (Y/N): | Y |
| Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N): | Y |
| Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N): | Not applicable |

X. Profit distribution and capitalization of capital reserves in the Period

☐ Applicable ☒ Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the semi-annual year

XI. In the report period, reception of research, communication and interview

☒ Applicable ☐ Not applicable

| Time | Place | Way | Type | Reception | Contents discussed and material provided |
|------------|---------------|----------------|-------------|---|--|
| 2014-02-18 | Accord Pharm. | Field research | Institution | China Merchants Securities, Haitong Securities, CCB Principal Asset Management, Huarong Securities, | Visited the Company and |

| | | | | | |
|------------|---------------------|-------------------------|-------------|---|---|
| | Bldg. | | | Zhongdian Xinan Investment Management Co., Ltd., Yuance Investment Management Co., Ltd., EverBright Securities, Mingyuan Investment, Dingfeng Asset, Qingxi Assets Management Co., Ltd., Huashang Fund Management, Shanghai Daweide Investment Co., Ltd., Anbang Asset, Greenwoods Asset Management, Shenzhen Jingshi Investment Management Co., Ltd., Goldstate securities, First Capital, Shangcheng Asset Management, Tianfeng Securities, Shenzhen Branch of Dongguan Securities, CPIC Asset Management, China Southern Asset Management, Marco Polo Zhizhen Assets Management Co., Ltd., China Asset Management, Anhui Guofu Industrial Investment Fund Management, First State Cinda Fund Management, Hongguan Assets Co., Ltd., Shanghai Qinyuan Investment Management Co., Ltd., GF Securities, Industrial Securities, Fortune SG Fund Management and Sinolink Securities | knew the influence of medical reform policy to the development of the industry. No material provided. |
| 2014-04-18 | Accord Pharm. Bldg. | Field research | Institution | Essence Fund, CITIC Securities, China AMC, China Merchants Securities | Visited the Company and knew the influence of medical reform policy to the development of the industry. No material provided. |
| 2014-06-18 | Accord Pharm. Bldg. | Telephone communication | Institution | Guotai Junan | Knew the influence of medical reform policy to the development of the industry |

Section V. Important Events

I. Corporate governance

The Company established and improved legal person governance structure in strict compliance with the requirements of Company Law, Securities Law and Governance Principles of Listed Issuer. Currently, the Company enjoys sound legal person governance structure, healthy governance system and standardized operation.

The Company has definite and balanced terms of reference in respect of its general meeting, board of directors, board of supervisors and manager level which exercise voting right, decision-making right, supervision right and execution right respectively under standardized operation.

The Company has prepared working procedures applicable for general meeting, board of directors and board of supervisors, working system applicable for the strategy committee, nomination committee, risk internal control and audit committee, remuneration and performance committee, general manager and secretary to the board, and prepared governance system relating to information disclosure, connected transaction, fund raising, performance of social responsibility, inside information and insider management, investor relation management, engagement of CPA, prevention of occupying listed issuer's capital by substantial shareholders and related parties. During the reporting period, the Company made amendment to the Articles of Association, detailed methods for convening, composition and working procedures for general meeting, so as to meet regulatory requirements and demands for corporate governance.

Meanwhile, by adherence to its annual target, the Company made on-going improvement of internal control system and the operation mechanism thereof in response to various market and environment changes based on overall analysis and evaluation of risks. During the reporting period, the Company made overall identification and evaluation of potential risks arising from internal and external environment changes, adjustment of business pattern, additional business, and adjustment of internal responsibilities and duties. The Company upgraded and supplemented 2014 annual risk database, pursuant to which, it amended and improved 2014 system procedure (internal control) document system and internal control self-evaluation standards, to ensure applicability and effectiveness of its management. Management of its subsidiaries was also improved through half-year internal control self-evaluation and site inspection as far as the Company and its business segments concerned.

As a state-owned holding listed company, the Company also executed the relevant provisions on state-owned assets management required by controlling shareholders and actual controllers. Details are set out below:

| Serial | Information submitted object | Relationship with the listed company | Type | Basis for submitted | Submitted cycle |
|--------|---|--------------------------------------|-------------------------------|---|-----------------|
| 1 | Sinopharm Group Co., Ltd. | First largest shareholder | Financial statement | Needs of consolidated statement of largest shareholder | Regular |
| 2 | China National Pharmaceutical Group Corporation | Actual controller | Assets Evaluation Report ect. | Management method of state-owned property right transfer and equity investment management of China National | Temporary |

| | | | | | |
|--|--|--|--|----------------------------|--|
| | | | | Pharmaceutical Group Corp. | |
|--|--|--|--|----------------------------|--|

In September of 2007, the Company's board of directors and board of supervisors approved the "Bill on Implementing Staff Report of Insider Trading Information and Governance on Non-standard Special Information Disclosure" which agreed that the Company implements enforcement of secrecy and staff report system for insider trading information when conducting relevant provisions of the management of state-owned assets, regularly submitting the financial statements to major shareholders and reporting to the major shareholder about state-owned assets disposal.

II. Significant lawsuits and arbitrations of the Company

☐ Applicable ☒ Not applicable

The Company has no significant lawsuits and arbitrations in reporting period

III. Question from media

☐ Applicable ☒ Not applicable

No universal questioned by media in reporting period

IV. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

In reporting period, the Company has no bankruptcy reorganization occurred.

V. Transaction in assets

1. Assets acquisition

☒ Applicable ☐ Not applicable

| Counterparty and ultimate controlling party | Purchased or placed assets | Transaction price (in 10 thousand Yuan) | Progress | Impact on operation | Impact on gains/losses of the Company | The proportion of the net profits that these assets contributed to the listed company in total profits | Related transaction confirmed (Y/N) | Associations with counterparty (Applicable for related transaction) | Date of disclosure | Index of disclosure |
|---|----------------------------|---|---------------------------|---------------------------------|---------------------------------------|--|-------------------------------------|---|--------------------|-------------------------------------|
| Sinopharm Holding Shantou | Acquisition of the Company | 749.00 | The acquisition completed | Without bad impact on operation | -43.83 | 0.00% | No | Not applicable | 2013-12-19 | Juchao Website—Resolution Notice of |

| | | | | | | | | | | |
|-----------|-----------|--|--|-------------------|--|--|--|--|--|---|
| Co., Ltd. | 70% stake | | | of the Company | | | | | | 23 rd Meeting of 6 th Session of the Board of Sinopharm Accord (Notice No.: 2013-42) |
|-----------|-----------|--|--|-------------------|--|--|--|--|--|---|

2. Sales of assets

☐ Applicable ☒ Not applicable

The Company did not sell assets in the Period

3. Business combination

There are 33 subsidiaries included in consolidation range ended as the reporting period

VI. Implementation and its influence of equity incentive

☐ Applicable ☒ Not applicable

The company had not yet made the plan of equity incentive in the reporting.

VII. Insignificant related transactions

1. Related transaction with routine operations concerned

(1) Related transaction with routine operations concerned found more in VI. Related parties and related transaction under the Section IX Financial Report;

(2) Related transactions are settling in way of cash and note ect., disclosed on 22 March 2014 with disclosure index as Juchao website; Notice No.: 2014-17;

(3) The Proposal of Routine Related Transaction Between the Company & subordinate Enterprise and Related Parties for year of 2014 deliberated and approved in Annual General Meeting on 21 March 2014. In reporting period, sales from related parties occupied 41.32% of the total estimated amount for the year, procurement from related parties occupied 38.62% of the total estimated amount for the year, interest on borrowings from related parties occupied 44.80% of the total estimated amount for the year, the buyer note discount interest expenses from related parties occupied 16.34% of the total estimated amount for the year, note discount interest expenses from related parties occupied 4.26% of the total estimated amount for the year, house leasing interest from related parties occupied 58.56% of the total estimated amount for the year, the expenditure of house and equipment lease from related parties occupied 47.07% of the total estimated amount for the year, income from labor service providing from related parties occupied 33.81% of the total estimated amount for the year and expenditure of receiving labor service from related parties occupied 60.46% of the total estimated amount for the year.

2. Related transaction incurred by purchase or sales of assets

☐ Applicable ☒ Not applicable

No related transaction incurred by purchase or sales of assets in Period

3. Related transaction from jointly investment outside

☐ Applicable ☒ Not applicable

No related transaction from jointly investment outside occurred in Period

4. Current related liabilities and debts

1. No non-operating related credits and liabilities occurred

2. Contact with related parties found more in VI. Related parties and related transaction under the Section IX. Financial Report

5. Other significant related transactions

☐ Applicable ☒ Not applicable

The company had no other significant related transactions in reporting period.

VIII. Non-business capital occupying by controlling shareholders and its related parties

☐ Applicable ☒ Not applicable

No non-business capital occupied by controlling shareholders and its related parties in Period

IX. Significant contracts and its implementation

1. Trusteeship, contract and lease

(1) Trusteeship

☒ Applicable ☐ Not applicable

Instruction of trusteeship

1. As subordinate companies of majority shareholder, Foshan Nanhai Medicine Co., Ltd. ("Nanhai Medicine") and Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. ("Dong Fang Uptodate & Special Medicines") both operate pharmaceutical distribution business within Guangdong, which partially overlaps with the pharmaceutical distribution business and geographical location of the Company and constitutes peer competition. In July 2013, to solve the problem of peer competition, majority shareholder entrusted Sinopharm Accord and Sinopharm Accord agreed to take over the management of the above two companies.

2. As a subordinate enterprise of the de facto controller, Guangdong South Pharmaceutical Foreign Trade Co., Ltd. operates pharmaceutical distribution business within Guangdong, which partially overlaps with the pharmaceutical distribution business and geographical location of the Company and constitutes peer competition. In September 2013, to solve the problem of peer competition, majority shareholder entrusted Sinopharm Accord and Sinopharm Accord agreed to take over the management of the above company.

Items generated over 10% gains/losses in total profit in reporting period for the Company

☐ Applicable ☒ Not applicable

The Company had no item generated over 10% gains/losses in total profit in reporting period for the Company in Period.

(2) Contract

☐ Applicable ☒ Not applicable

The Company had no contract in the reporting period.

(3) Leasing

☐ Applicable ☒ Not applicable

The Company had no leasing in the reporting period.

2. Guarantees

☒ Applicable ☐ Not applicable

In ten thousand Yuan

| External guarantee of the Company (Barring the guarantee for the controlling subsidiaries) | | | | | | | | |
|--|---------------------------------------|-----------------|--|---|-------------------|-----------------------|--------------------------------|------------------------------------|
| Name of the Company guaranteed | Related Announcem ent disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implemen tation (Y/N) | Guarante e for related party (Y/N) |
| Shenzhen Zhijun Medicine Trading Co., Ltd. | 2014-03-22 | 3,150 | 2014-06-12 | | General guarantee | 2014.6.12-2015.6.11 | No | Yes |
| China National Accord Medicines Corporation Ltd. | 2013-03-21 | 30,000 | 2014-03-12 | 5,000 | General guarantee | 2014.03.12-2015.03.11 | No | Yes |
| China National Accord Medicines Corporation Ltd. | 2014-03-22 | 25,000 | 2014-05-30 | 10,400.35 | General guarantee | 2014.05.30-2015.05.30 | No | Yes |
| China National Accord Medicines Corporation Ltd. | 2014-03-22 | 25,000 | 2014-05-13 | 9,000 | General guarantee | 2014.05.13-2015.02.11 | No | Yes |
| China National Accord Medicines Corporation Ltd. | 2013-08-20 | 30,000 | 2013-07-22 | | General guarantee | 2013.10.14-2014.10.14 | No | Yes |
| China National Accord Medicines Corporation Ltd. | 2013-08-20 | 20,000 | 2014-04-04 | 809.54 | General guarantee | 2014.04.04-2022.04.04 | No | Yes |
| Total approving external guarantee in report period (A1) | | 53,150 | | Total actual occurred external guarantee in report period (A2) | | 27,787.45 | | |
| Total approved external guarantee at the end of report period (A3) | | 133,150 | | Total actual balance of external guarantee at the end of report period (A4) | | 25,209.9 | | |
| Guarantee of the Company for the subsidiaries | | | | | | | | |

| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party |
|--|--------------------------------------|-----------------|--|------------------------|-------------------|-----------------------|--------------------------------|-----------------------------|
| Sinopharm Holding Guangzhou Co., Ltd. | 2013-03-21 | 10,000 | 2013-12-03 | | General guarantee | 2013.12.3-2014.10.31 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2014-03-22 | 10,000 | 2014-06-30 | 9,026.73 | General guarantee | 2014.6.30-2015.6.29 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2013-03-21 | 40,000 | 2013-08-14 | 22,801.02 | General guarantee | 2013.9.16-2014.8.13 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2014-03-22 | 15,000 | 2014-04-29 | 14,906.77 | General guarantee | 2014.4.29-2015.4.29 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2013-03-21 | 35,000 | 2013-06-26 | 34,902.16 | General guarantee | 2013.6.26-2014.6.25 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2014-03-22 | 35,000 | 2014-05-20 | 30,958.53 | General guarantee | 2014.5.20-2015.5.20 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2014-03-22 | 30,000 | 2014-04-30 | 25,108.68 | General guarantee | 2014.4.30-2015.4.30 | No | Yes |
| Sinopharm Holding Guangzhou Co., Ltd. | 2013-03-21 | 60,000 | 2014-05-20 | 498.36 | General guarantee | 2013.5.20-2014.4.23 | No | Yes |
| Sinopharm Holding Guangdong Yuexing Co., Ltd. | 2014-03-22 | 3,500 | 2014-05-20 | 1,939.14 | General guarantee | 2014.5.13-2015.5.12 | No | Yes |
| Sinopharm Holding Guangdong Yuexing Co., Ltd. | 2014-03-22 | 3,000 | 2014-05-13 | 1,929.22 | General guarantee | 2014.5.20-2015.5.20 | No | Yes |
| Sinopharm Holding Guangdong Yuexing Co., Ltd. | 2013-03-21 | 5,000 | 2014-08-14 | | General guarantee | 2013.9.16-2014.8.13 | No | Yes |
| Sinopharm Holding Shenzhen Medicine Co., Ltd. | 2013-03-21 | 1,000 | 2013-11-26 | 330.67 | General guarantee | 2013.11.26-2014.06.25 | No | Yes |
| Shenzhen Zhijun Pharmaceutical Co., Ltd. | 2013-03-21 | 20,000 | 2013-08-08 | 3,953.34 | General guarantee | 2013.8.8—2014.8.8 | No | Yes |
| Shenzhen Zhijun Pharmaceutical Co., Ltd. | 2013-03-21 | 5,000 | 2013-09-10 | 4,412.51 | General guarantee | 2013.9.10—2014.6.25 | No | Yes |
| Shenzhen Zhijun Pharmaceutical Co., Ltd., Shenzhen | 2013-03-21 | 3,000 | 2013-09-13 | 19.99 | General guarantee | 2013.9.13—2014.9.13 | No | Yes |

| | | | | | | | | |
|--|------------|--------|------------|-----------|-------------------|-----------------------|----|-----|
| Zhijun Medicine Trading Co., Ltd. | | | | | | | | |
| Shenzhen Zhijun Pharmaceutical Co., Ltd. | 2013-03-21 | 6,000 | 2013-12-11 | | General guarantee | 2013.12.11-2014.12.9 | No | Yes |
| Sinopharm Holding Guangxi Co., Ltd. | 2013-03-21 | 6,000 | 2013-08-27 | 4,097.87 | General guarantee | 2013.8.27-2014.8.27 | No | Yes |
| Sinopharm Holding Guangxi Co., Ltd. | 2014-03-22 | 20,000 | 2014-06-26 | 14,577.64 | General guarantee | 2014.6.26-2015.6.26 | No | Yes |
| Sinopharm Holding Guangxi Co., Ltd. | 2013-03-21 | 20,000 | 2013-06-26 | 17,934.83 | General guarantee | 2013.6.26-2014.6.25 | No | Yes |
| Sinopharm Holding Guangxi Co., Ltd. | 2014-03-22 | 15,000 | 2014-04-19 | 6,290.83 | General guarantee | 2014.4.18-2015.4.19 | No | Yes |
| Sinopharm Holding Jiangmen Renren Co., Ltd. | 2013-03-21 | 3,000 | 2013-05-28 | 650.03 | General guarantee | 2013.5.28-2014.5.27 | No | Yes |
| Sinopharm Holding Jiangmen Renren Co., Ltd. | 2013-03-21 | 3,000 | 2013-07-01 | 768 | General guarantee | 2013.7.1-2014.6.30 | No | Yes |
| Sinopharm Holding Jiangmen Renren Co., Ltd. | 2013-03-21 | 1,000 | 2013-06-28 | 997.72 | General guarantee | 2013.7.11-2014.6.25 | No | Yes |
| Sinopharm Holding Jiangmen Renren Co., Ltd. | 2013-03-21 | 3,000 | 2013-09-16 | | General guarantee | 2013.9.16-2014.8.13 | No | Yes |
| Sinopharm Holding Liuzhou Co., Ltd. | 2013-03-21 | 6,000 | 2013-06-26 | 5,774.15 | General guarantee | 2013.6.26-2014.6.25 | No | Yes |
| Sinopharm Holding Liuzhou Co., Ltd. | 2013-08-20 | 10,000 | 2013-10-29 | 624.82 | General guarantee | 2013.10.29-2014-10.28 | No | Yes |
| Sinopharm Holding Liuzhou Co., Ltd. | 2014-03-22 | 5,000 | 2014-04-29 | 4,310.09 | General guarantee | 2014.4.29-2015.4.28 | No | Yes |
| Sinopharm Holding Shenzhen Yanfeng Co., Ltd. | 2014-03-22 | 2,000 | 2014-05-23 | 1,985.33 | General guarantee | 2014.5.23-2015.5.23 | No | Yes |
| Sinopharm Holding Shenzhen Yanfeng Co., Ltd. | 2013-03-21 | 5,000 | 2013-06-26 | 1,499.7 | General guarantee | 2013.6.26-2014.06.25 | No | Yes |
| Sinopharm Holding Shenzhen Yanfeng Co., Ltd. | 2014-03-22 | 2,000 | 2014-05-13 | 996.69 | General guarantee | 2014.5.13-2015.02.12 | No | Yes |

| | | | | | | | | |
|--|------------|---------|------------|--|-------------------|-----------------------|----|-----|
| China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. | 2013-03-21 | 8,000 | 2013-08-28 | 4,251.11 | General guarantee | 2013.8.28-2014.8.27 | No | Yes |
| China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. | 2014-03-22 | 5,000 | 2014-05-27 | 2,426.03 | General guarantee | 2014.5.27-2015.5.27 | No | Yes |
| China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. | 2013-03-21 | 3,000 | 2013-11-25 | 478.8 | General guarantee | 2013.11.25-2014.11.25 | No | Yes |
| China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. | 2013-08-20 | 6,000 | 2013-10-12 | 1,500 | General guarantee | 2014.10.00-2014.10.22 | No | Yes |
| China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. | 2013-03-20 | 3,000 | 2013-12-16 | 1,307.46 | General guarantee | 2013.12.16-2014.6.25 | No | Yes |
| China National Zhijun (Suzhou) Pharmaceutical Co., Ltd. | 2013-03-21 | 5,000 | 2013-10-22 | 100 | General guarantee | 2013.10.22-2014.10.21 | No | Yes |
| | | | | | General guarantee | | | |
| Total amount of approving guarantee for subsidiaries in report period (B1) | | 145,500 | | Total amount of actual occurred guarantee for subsidiaries in report period (B2) | | 407,802.2 | | |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | 412,500 | | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | 221,358.2 | | |
| Total amount of guarantee of the Company(total of two abovementioned guarantee) | | | | | | | | |
| Total amount of approving guarantee in report period (A1+B1) | | 198,650 | | Total amount of actual occurred guarantee in report period (A2+B2) | | 435,589.65 | | |
| Total amount of approved guarantee at the end of report period (A3+B3) | | 545,650 | | Total balance of actual guarantee at the end of report period (A4+B4) | | 246,568.1 | | |
| The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4) | | | | 55.31% | | | | |
| Including: | | | | | | | | |
| Amount of guarantee for shareholders, actual controller and its related parties(C) | | | | 0 | | | | |

| | |
|--|------------|
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D) | 208,490.64 |
| Proportion of total amount of guarantee in net assets of the Company exceed 50%(E) | 23,679.93 |
| Total amount of the aforesaid three guarantees(C+D+E) | 232,170.57 |

Explanation on guarantee with composite way

(1) Guarantee outside against the regulation

☐ Applicable ☒ Not applicable

No guarantee outside against the regulation in Period

3. Other significant contract

☐ Applicable ☒ Not applicable

The Company had no other significant contract in Period.

4. Other material transactions

☐ Applicable ☒ Not applicable

The Company had no other material transactions in the reporting period.

X. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period

☒ Applicable ☐ Not applicable

| Commitments | Acceptor | Contents | Commitment time | Commitment period | Implementation |
|---|-------------------|---|-----------------|---------------------|--------------------|
| Share Merger Reform | | | | | |
| Commitments in report of acquisition or equity change | Sinopharm Holding | As a large pharmaceutical commercial enterprise whose business involves pharmaceutical wholesale and retail, Sinopharm Holding may overlap with the Company in geographical segmentation during its future business development. To avoid the potential peer competition brought by such geographical overlap, Sinopharm Holding undertakes that, upon the transfer of shares of Sinopharm Holding Guangzhou it held to Accord Pharma, “1. it will not newly-establish or broaden within Guangdong any business operation that actually compete with that of Accord Pharma, or set up any new subsidiaries or subordinate enterprises who engage in such business. 2. it will enter into business delineation with Accord Pharma and Sinopharm Holding Guangzhou, thereby giving the three parties clear geographical areas | 2005-06-21 | Long-term effective | Normally implement |

| | | | | | |
|---|-------------------|--|------------|---------------------|---|
| | | to carry out pharmaceutical wholesale and retail businesses, so as to avoid potential peer competition. Apart from above, Sinopharm Holding will no longer newly-establish any enterprise that may compete with Accord Pharma in the production and R&D of pharmaceutical products.” | | | |
| Commitments in assets reorganization | | | | | |
| Commitments make in initial public offering or re-financing | Sinopharm Holding | <p>Sinopharm Holding has undertaken in the Letter of Undertaking from Sinopharm Group Co. Ltd. on Avoiding Peer Competition that, “I. the Company and the enterprises it wholly-owns, controls or has de facto control over (excluding Sinopharm Accord and its controlled enterprises, similarly hereinafter) do not exist any business or operation that would constitute substantive peer competition with Sinopharm Accord and its controlled enterprises. II. the Company and the enterprises it wholly-owns, controls or has de facto control over will not engage in, participate in or carry out in Guangdong and Guangxi any business or activities that would constitute substantive competition with the pharmaceutical commercial businesses of Sinopharm Accord. III. the Company and the enterprises it wholly-owns, controls or has de facto control over will not engage in, participate in or carry out any business or activities that would constitute substantive competition with the pharmaceutical industrial businesses of Sinopharm Accord. IV. the Company will not make use of its control over Sinopharm Accord to damage the legal interests of Sinopharm Accord and other shareholders (especially minority shareholders). The Letter of Undertaking takes effect since the date of issue and will remain effective during the entire period when the Company has been the controlling shareholder or connected party of Sinopharm Accord. During the validity of the Undertaking, the Company will indemnify in time Sinopharm Accord from any loss which</p> | 2013-09-05 | Long-term effective | Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments |

| | | | | | |
|--|-------------------|---|------------|---------------------|---|
| | | may arise out of the Company's violation of the Undertaking." | | | |
| | Sinopharm Holding | <p>Sinopharm Holding has undertaken in the Letter of Undertaking from Sinopharm Group Co. Ltd. on Standardization of the Connected Transactions with China National Accord Medicines Corporation Ltd. that, "I. during the period when the Company takes control over Sinopharm Accord, the Company and the companies or enterprises it directly or indirectly controls (hereinafter referred to as "Connected Party") will strictly standardize the connected transactions with Sinopharm Accord and its controlled enterprises. II. for those connected transactions beyond avoidance or out of reasonable causes, the Company and Connected Party will enter into standardized connected transaction agreement with Sinopharm Accord according to law. Sinopharm Accord will perform approval procedure according to relevant laws, rules and regulations, other standardization documents and its constitutional documents, and fulfill its obligation to disclose information on connected transactions. III. for those connected transactions beyond avoidance or out of reasonable causes, the Company and Connected Party will determine the prices of connected transactions based on the prices of same or similar transactions entered into by independent third parties of no connection while following the principles of open, fair and just to ensure the fairness. IV. when the board or shareholders' meeting of Sinopharm Accord votes on the relevant connected transactions involving the Company and other enterprises it controls, the Company will perform obligations including that necessary interested directors and shareholders shall be abstained from voting according to relevant regulations, and follow the legal procedures for approval of connected transactions and fulfill its information disclosure obligation. V. the Company guarantees to attend shareholders' meeting according to the constitutional documents of</p> | 2013-09-05 | Long-term effective | Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments |

| | | | | | |
|--|-----------------|--|------------|---------------------|---|
| | | <p>Sinopharm Accord, exercise its corresponding rights and assumed its corresponding obligations in an equitable manner, not to take advantage of its standing as controlling shareholder to seek unjust interests, or to use connected transactions to illegally transfer capital or profit out of Sinopharm Accord, or to prejudice the legal interests of Sinopharm Accord and other shareholders (especially minority shareholders). VI. the Letter of Undertaking takes effect since the date of issue and will remain effective during the entire period when the Company has been the controlling shareholder or connected party of Sinopharm Accord. During the validity of the Undertaking, the Company will indemnify in time Sinopharm Accord from any loss that may arise out of the Company's violation of the Undertaking."</p> | | | |
| | Sinopharm Group | <p>"Sinopharm Group has undertaken in the Letter of Undertaking from China National Pharmaceutical Group Corporation on Avoiding the Peer Competition with China National Accord Medicines Corporation Ltd. that, "I. in the coming five years, Sinopharm Group intends to take appropriate measures including replacement or acquisition of assets or equity reorganization to solve the problem of peer competition between Weiqida and Sinopharm Accord. II. apart from the matters disclosed in the past and in the Letter of Undertaking, the Company and the enterprises it wholly-owns, controls or has de facto control over (excluding Sinopharm Accord and its controlled enterprises, similarly hereinafter) do not directly engage in, participate in or carry out within the PRC any business or activities that would constitute substantive competition with the production and operation of Sinopharm Accord. The relative undertakings in respect of avoiding peer competition given by the Company in the past remain valid. III. the Company will not take advantage of its control</p> | 2013-10-16 | Long-term effective | Actual controller is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments |

| | | | | | |
|--|-----------------|--|------------|---------------------|---|
| | | over Sinopharm Accord to damage the legal interests of Sinopharm Accord and other shareholders (especially minority shareholders). IV. the Letter of Undertaking takes effect since the date of issue and will remain effective during the entire period when the Company has been the de facto controller or connected party of Sinopharm Accord.” | | | |
| | Sinopharm Group | Sinopharm Group has undertaken in the Letter of Undertaking from China National Pharmaceutical Group Corporation on Standardization of the Connected Transactions with China National Accord Medicines Corporation Ltd that, “I. during the period when the Company takes control over Sinopharm Accord, the Company and the companies or enterprises it directly or indirectly controls (hereinafter referred to as “Connected Party”) will strictly standardize the connected transactions with Sinopharm Accord and its controlled enterprises. II. for those connected transactions beyond avoidance or out of reasonable causes, the Company and Connected Party will enter into standardized connected transaction agreement with Sinopharm Accord according to law. Sinopharm Accord will perform approval procedure according to relevant laws, rules and regulations, other standardization documents and its constitutional documents, and fulfill its obligation to disclose information on connected transactions. III. for those connected transactions beyond avoidance or out of reasonable causes, the Company and Connected Party will determine the prices of connected transactions based on the prices of same or similar transactions entered into by independent third parties of no connection while following the principles of open, fair and just to ensure the fairness. IV. when the board or shareholders’ meeting of Sinopharm Accord votes on the relevant connected transactions involving the Company and other enterprises it controls, the Company will perform obligations including that necessary interested directors and | 2013-09-22 | Long-term effective | Actual controller is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments |

| | | | | | |
|---|-----|--|--|--|--|
| | | shareholders shall be abstained from voting according to relevant regulations, and follow the legal procedures for approval of connected transactions and fulfill its information disclosure obligation. V. the Company guarantees not to take advantage of its standing as actual controller to seek unjust interests, or to use connected transactions to illegally transfer capital or profit out of Sinopharm Accord, or to prejudice the legal interests of Sinopharm Accord and other shareholders (especially minority shareholders).”VI. the Letter of Undertaking takes effect since the date of issue and will remain effective during the entire period when the Company has been the actual controller or connected party of Sinopharm Accord. | | | |
| Other commitments to minority shareholders of the Company | | | | | |
| Completed on time or not | Yes | | | | |

XI. Engagement and dismissal of CPA

Whether the semi-annual report was audited or not

☐ Yes ☒ No

XII. Penalty and rectification

☐ Applicable ☒ Not applicable

The Company had no penalty or rectification in the reporting period.

XIII. Risk disclosure of delisting with laws and rules violated

☐ Applicable ☒ Not applicable

The Company has no delisting risks with laws and rules violated in Period.

XIV. Explanation on other significant events

☒ Applicable ☐ Not applicable

1. On 19 July 2013, relevant proposals with privately offering of A-share concerned were deliberated and approved by 19th meeting of 6th session of the Board: "The Company conforms with the condition of Privately Offering of A-share", "Plan of Privately Offering of A-share", "Preplan of Privately Offering of A-share", "Feasibility Report of the Placement Utilization from Privately Offering of A-share", "Explanation on Previous

Placement Utilization”, ”the “Share Subscription Contract” with entry-into-force conditions that signed by the Company and Sinopharm Group Co., Ltd”, “Offering with Related transaction involved”, ” Motion for authorization from the general meeting to the Board for Privately Offering matters”, ” Motion for agreement that Sinopharm Group Co., Ltd. is free of increasing shares of the Company through tender offer”, ”Amendment on Management Methods for Raise Funds of China National Accord Medicines Corporation Ltd.”, the “Entrust Agreement” with entry-into-force conditions that signed by the Company and Sinopharm Group Co., Ltd” and “Explanation on not convening general meeting temporary after the Board Meeting”, relevant notice please found in Juchao Website dated 22 July 2013.

2. On 12 September 2013, proposal of the above mentioned private offering of A-share was deliberated and approved by 3rd extraordinary general meeting of 2013, relevant notice please found in Juchao Website dated 13 September 2013.

3. On 13 February 2014, the “Notice of Approval of Privately Offering of A-share from IEC of the CSRC” was released by the Company, relevant notice please found in Juchao Website dated 13 February 2014.

4. On 8 March 2014, the “Application of Privately Offering of A-share of Sinopharm Accord was Examined and Approved by CSRC” was released by the Company, relevant notice please found in Juchao Website dated 8 March 2014.

5. On 20 March 2014, the “Sinopharm Accord: Release Situation of Private Offering of A-share and Listing Announcement” etc. were released by the Company, found more in Juchao Website date 20 March 2014.

6. On 29 March 2014, the “Sinopharm Accord: Announcement on Replacing the Working Capital Input to Projects by Raised Capital” etc. were released by the Company, found more in Juchao Website date 29 March 2014.

Section VI. Changes in Shares and Particulars about Shareholders

I.Changes in share capital

In share

| | Before the Changes | | Increase/Decrease in the Change (+, -) | | | | | After the Changes | |
|---------------------------------------|--------------------|------------|--|--------------|---------------------------------|--------|------------|-------------------|------------|
| | Amount | Proportion | Newly-issued shares | Bonus shares | Public reserve-converted shares | Others | Subtotal | Amount | Proportion |
| I. Restricted shares | 2,651 | 0.00% | 74,482,543 | 0 | 0 | -663 | 74,481,880 | 74,484,531 | 20.54% |
| 2. State-owned legal person's shares | 0 | 0.00% | 74,482,543 | 0 | 0 | 0 | 74,482,543 | 74,482,543 | 20.54% |
| 3. Other domestic shareholding | 2,651 | 0.00% | 0 | 0 | 0 | -663 | -663 | 1,988 | 0.00% |
| Domestic nature person shares | 2,651 | 0.00% | 0 | 0 | 0 | -663 | -663 | 1,988 | 0.00% |
| II. Unrestricted shares | 288,146,749 | 100.00% | 0 | 0 | 0 | 663 | 663 | 288,147,412 | 79.46% |
| 1. RMB ordinary shares | 233,261,149 | 80.95% | 0 | 0 | 0 | 663 | 663 | 233,261,812 | 64.32% |
| 2. Domestically listed foreign shares | 54,885,600 | 19.05% | 0 | 0 | 0 | 0 | 0 | 54,885,600 | 15.14% |
| III. Total shares | 288,149,400 | 100.00% | 74,482,543 | 0 | 0 | 0 | 74,482,543 | 362,631,943 | 100.00% |

Reasons for share changed

☒ Applicable ☐ Not applicable

The shares changed mainly because on 21 March 2014, the private offering to substantial shareholder Sinopharm Group Co., Ltd. was completed with 74,482,543 restricted shares increased. Found more details in "Sinopharm Accord: Release Situation of Private Offering of A-share and Listing Announcement" released on Juchao website (<http://www.cninfo.com.cn>) dated 20 March 2014

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

| Item | 2013 | |
|--|-----------------|----------------|
| | Before issuance | After issuance |
| Fully diluted earning per share attributable to shareholder of listed company (RMB) | 1.81 | 1.44 |
| Fully diluted net assets per share attributable to shareholder of listed company (RMB) | 7.79 | 11.51 |

Explanation on changes of total shares and shareholders structure as well as changes of structure of assets and liability

Total shares of the Company increased to 362,631,943 shares from 288,149,400 after the private placement, register capital changed correspondingly. Shares held by controlling shareholder turns from 110,459,748 shares holding (occupied 38.33%) to 184,942,291 (occupied 51.00%). Net assets of the Company increased 1,929,065,413.47 Yuan due to the private placement, entire asset-liability ratio reduced to 63.65%.

II. Number of shareholders and share-holding

In Share

| Total common shareholders at period-end | | 12,020 | Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (see Note 8) | | | | | |
|--|--------------------------------------|---------------------------|--|-----------------------------|----------------------------------|-------------------------------------|--------------------------------|--------|
| Particulars about shares held above 5% by shareholders or top ten shareholders | | | | | | | | |
| Shareholders | Nature of shareholder | Proportion of shares held | Number of shares held at period-end | Changes in reporting period | Amount of restricted shares held | Amount of un-restricted shares held | Number of share pledged/frozen | |
| | | | | | | | State of share | Amount |
| Sinopharm Group Co., Ltd. | State-owned corporate | 51.00% | 184,942,291 | 74,482,543 | 74,482,543 | 110,459,748 | | |
| National Council for Social Security Fund – 116 | Domestic non state-owned corporate | 2.76% | 10,000,664 | | | | | |
| HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD | Overseas corporate | 1.94% | 7,032,720 | | | | | |
| National Council for Social Security Fund – 106 | Domestic non state-owned corporate | 1.91% | 6,944,094 | | | | | |
| VALUE PARTNERS CLASSIC FUND | Overseas corporate | 1.42% | 5,133,261 | | | | | |
| ICBC—Harvest Strategy Growth Mix Stock Fund | Domestic non state-owned corporate | 1.23% | 4,451,985 | | | | | |
| BOC-Harvest research selected stock securities investment fund | Domestic non state-owned Corporation | 1.20% | 4,360,504 | | | | | |
| ICBC—Harvest Theme New | Domestic non state-owned | 1.20% | 4,356,835 | | | | | |

| | | | | | | | | |
|---|---|---|-------------|--|--|--|--|--|
| Power stock securities investment fund | Corporation | | | | | | | |
| CCB—Huabao Xingye Industry Selected Stock Investment Fund | Domestic non state-owned corporate | 1.20% | 4,335,493 | | | | | |
| CCB – China AMC Advantage Growth Stock Investment Fund | Domestic non state-owned corporate | 1.12% | 4,065,328 | | | | | |
| Explanation on associated relationship among the aforesaid shareholders | | ICBC—Harvest Strategy Growth Mix Stock Fund, BOC-Harvest research selected stock securities investment fund and ICBC—Harvest Theme New Power stock securities investment fund shares the same administrator as Harvest Fund Management Co., Ltd.; VALUE PARTNERS CLASSIC FUND, one of the top ten shareholders, is one of the VALUE PARTNERS; 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. | | | | | | |
| Particular about top ten shareholders with un-restrict shares held | | | | | | | | |
| Shareholders | Amount of un-restrict shares held at period-end | Type of shares | | | | | | |
| | | Type | Amount | | | | | |
| Sinopharm Group Co., Ltd. | 110,459,748 | RMB ordinary shares | 110,459,748 | | | | | |
| National Council for Social Security Fund – 116 | 10,000,664 | RMB ordinary shares | 10,000,664 | | | | | |
| HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD | 7,032,720 | Domestically listed foreign shares | 7,032,720 | | | | | |
| National Council for Social Security Fund – 106 | 6,944,094 | RMB ordinary shares | 6,944,094 | | | | | |
| VALUE PARTNERS CLASSIC FUND | 5,133,261 | Domestically listed foreign shares | 5,133,261 | | | | | |
| ICBC—Harvest Strategy Growth Mix Stock Fund | 4,451,985 | RMB ordinary shares | 4,451,985 | | | | | |
| BOC-Harvest research selected stock securities investment fund | 4,360,504 | RMB ordinary shares | 4,360,504 | | | | | |
| ICBC—Harvest Theme New Power stock securities investment fund | 4,356,835 | RMB ordinary shares | 4,356,835 | | | | | |

| | | | |
|--|---|------------------------|-----------|
| CCB—Huabao Xingye Industry Selected Stock Investment Fund | 4,335,493 | RMB ordinary shares | 4,335,493 |
| CCB – China AMC Advantage Growth Stock Investment Fund | 4,065,328 | RMB ordinary shares | 4,065,328 |
| Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders | ICBC—Harvest Strategy Growth Mix Stock Fund, BOC-Harvest research selected stock securities investment fund and ICBC—Harvest Theme New Power stock securities investment fund shares the same administrator as Harvest Fund Management Co., Ltd.; VALUE PARTNERS CLASSIC FUND, one of the top ten shareholders, is one of the VALUE PARTNERS; 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. | | |

Whether has a buy-back agreement in reporting period or not

☐ Yes ☒ No

The Company had no buy-back agreement in reporting period.

III. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

Changes of actual controller in reporting period had no change in reporting period.

IV. Share holding increasing plan proposed or implemented in reporting period from shareholder of the Company and its concerted action person

☐ Applicable ☒ Not applicable

As far as the Company know, there are no share holding increasing plan proposed or implemented in Period from shareholder of the Company and its concerted action person

Section VII. Preferred Stock

I. Issuance and listing of preferred stock in Period

☐ Applicable ☒ Not applicable

II. Number of shareholders with preferred stock held and shareholdings

☐ Applicable ☒ Not applicable

III. Repurchase and conversion of preferred stock

1. Preferred stock repurchased

☐ Applicable ☒ Not applicable

2. Preferred stock converted

☐ Applicable ☒ Not applicable

IV. Preferred stock with voting rights recovered and executed

☐ Applicable ☒ Not applicable

V. Accounting policy taken for preferred stock and reasons

☐ Applicable ☒ Not applicable

Section VIII. Directors, Supervisors and Senior Executives

I. Changes of shares held by directors, supervisors and senior executives

☐ Applicable ☒ Not applicable

Shares held by directors, supervisors and senior executives have no changes in reporting period, found more details in Annual Report 2013.

II. Resignation and dismissal of directors, supervisors and senior executives

☒ Applicable ☐ Not applicable

| Name | Title | Type | Date | Reasons |
|-------------|-----------------|----------------|------------|----------------------|
| Shi Jinming | Director | Office leaving | 2014-01-09 | Director resignation |
| Li Zhiming | Director | Election | 2014-02-18 | Director supplement |
| Li Zhiming | Chairman | Election | 2014-02-27 | Elected by the Board |
| Cui Dieling | Deputy Chairman | Election | 2014-02-27 | Elected by the Board |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Consolidated and company balance sheets****For the year ended 30 June 2014**

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

Section IX Financial Report

| ASSETS | Note | Consolidated | | Company | |
|------------------------------|------------|-------------------|-------------------|------------------|------------------|
| | | 30 June 2014 | 31 December 2013 | 30 June 2014 | 31 December 2013 |
| Current assets | | | | | |
| Cash at bank and on hand | V(1) | 1,417,891,485.43 | 1,113,562,211.65 | 217,796,047.77 | 218,342,947.03 |
| Notes receivable | V(2) | 668,212,842.32 | 739,061,141.72 | 28,842,493.26 | 34,964,767.24 |
| Accounts receivable | V(3), X(1) | 6,379,994,615.37 | 5,675,658,506.78 | 474,603,390.50 | 427,376,566.55 |
| Advances to suppliers | V(4) | 98,894,281.90 | 64,367,040.17 | 1,683,295.49 | 35,982.02 |
| Other receivables | V(5), X(2) | 35,191,984.40 | 29,620,899.71 | 2,351,989,237.59 | 1,160,527,938.29 |
| Interest receivable | | - | - | 3,567,717.40 | 1,650,552.45 |
| Dividend receivable | | 28,152,000.00 | - | 28,152,000.00 | - |
| Inventories | V(6) | 2,189,768,998.70 | 1,831,267,290.00 | 173,965,479.86 | 172,165,830.98 |
| Other current assets | V(7) | 21,496,419.56 | 12,203,752.77 | 39,482.38 | 2,657,068.36 |
| Total current assets | | 10,839,602,627.68 | 9,465,740,842.80 | 3,280,639,144.25 | 2,017,721,652.92 |
| Non-current assets | | | | | |
| Long-term equity investments | V(8),X(3) | 130,784,733.02 | 135,341,010.52 | 1,586,274,227.40 | 1,583,340,504.90 |
| Investment properties | V(10) | 74,716,723.59 | 77,269,718.14 | 6,160,077.71 | 7,060,731.46 |
| Fixed assets | V(11) | 745,157,659.47 | 766,741,590.63 | 18,168,343.49 | 20,722,267.75 |
| Construction in progress | V(12) | 192,687,064.41 | 126,606,806.01 | 123,035,694.03 | 54,974,475.13 |
| Intangible assets | V(13) | 147,507,340.48 | 150,561,964.46 | 37,663,419.29 | 37,966,282.04 |
| Development costs | V(13) | 5,619,315.47 | 5,619,315.47 | - | - |
| Goodwill | V(14) | 85,228,833.15 | 85,228,833.15 | - | - |
| Long-term prepaid expenses | V(15) | 39,966,133.19 | 35,985,621.47 | 6,234,227.04 | 6,787,267.98 |
| Deferred income tax assets | V(16) | 78,911,669.35 | 68,895,938.25 | 2,970,111.88 | 2,941,603.89 |
| Other non-current assets | V(18) | 149,919,553.76 | 139,905,300.41 | 37,257,567.91 | 29,152,556.06 |
| Total non-current assets | | 1,650,499,025.89 | 1,592,156,098.51 | 1,817,763,668.75 | 1,742,945,689.21 |
| TOTAL ASSETS | | 12,490,101,653.57 | 11,057,896,941.31 | 5,098,402,813.00 | 3,760,667,342.13 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Consolidated and company balance sheets (continued)

For the year ended 30 June 2014

(All amounts Renminbi “RMB” unless otherwise stated)

| LIABILITIES AND OWNER'S EQUITY | Note | Consolidated | | Company | |
|--|-------|--------------------------|--------------------------|-------------------------|-------------------------|
| | | 30 June 2014 | 31 December 2013 | 30 June 2014 | 31 December 2013 |
| Current liabilities | | | | | |
| Short-term borrowings | V(19) | 1,400,802,174.34 | 2,744,941,589.11 | 143,500,000.00 | 1,079,500,000.00 |
| Notes payable | V(20) | 1,270,580,602.55 | 1,495,401,188.09 | 253,985,089.50 | 247,283,090.92 |
| Accounts payable | V(21) | 4,184,497,888.86 | 3,436,936,497.16 | 350,311,065.36 | 318,141,136.49 |
| Advances from customers | V(22) | 25,982,230.10 | 38,570,231.44 | 740,254.31 | 291,691.40 |
| Employee benefits payable | V(23) | 122,405,077.32 | 159,466,364.12 | 14,055,339.70 | 16,512,245.17 |
| Taxes payable | V(24) | 87,054,850.43 | 76,045,260.04 | 10,583,238.11 | 1,509,173.93 |
| Interests payable | V(25) | 9,690,081.21 | 13,065,850.14 | 564,570.73 | 1,834,864.78 |
| Other payables | V(26) | 548,504,807.58 | 496,102,247.39 | 235,722,218.09 | 421,121,969.02 |
| Current portion of long-term borrowings | V(27) | 6,733,400.00 | 7,800,000.00 | - | - |
| Other current liabilities | V(28) | - | 22,040,000.00 | - | - |
| Total current liabilities | | 7,656,251,112.39 | 8,490,369,227.49 | 1,009,461,775.80 | 2,086,194,171.71 |
| Non-current liabilities | | | | | |
| Long-term borrowings | V(29) | 39,695,448.00 | - | 39,695,448.00 | - |
| Payables for specific projects | V(30) | 4,287,000.00 | 4,287,000.00 | 800,000.00 | 800,000.00 |
| Deferred income tax liabilities | V(16) | 24,976,843.46 | 24,644,887.76 | 3,773,319.00 | 3,773,319.00 |
| Other non-current liabilities | V(31) | 224,763,090.86 | 221,958,761.49 | 5,000,000.00 | - |
| Total non-current liabilities | | 293,722,382.32 | 250,890,649.25 | 49,268,767.00 | 4,573,319.00 |
| Total liabilities | | 7,949,973,494.71 | 8,741,259,876.74 | 1,058,730,542.80 | 2,090,767,490.71 |
| OWNERS' EQUITY | | | | | |
| Share capital | V(32) | 362,631,943.00 | 288,149,400.00 | 362,631,943.00 | 288,149,400.00 |
| Capital surplus | V(33) | 1,860,333,209.04 | 5,750,338.57 | 1,869,131,597.40 | 14,548,726.93 |
| Surplus reserve | V(34) | 144,855,634.40 | 144,855,634.40 | 144,855,634.40 | 144,855,634.40 |
| Undistributed profits | V(35) | 2,089,942,523.83 | 1,806,002,285.06 | 1,663,053,095.40 | 1,222,346,090.09 |
| Total equity attributable to equity holders of the Company | | 4,457,763,310.27 | 2,244,757,658.03 | 4,039,672,270.20 | 1,669,899,851.42 |
| Minority interest | V(36) | 82,364,848.59 | 71,879,406.54 | - | - |
| Total owners' equity | | 4,540,128,158.86 | 2,316,637,064.57 | 4,039,672,270.20 | 1,669,899,851.42 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 12,490,101,653.57 | 11,057,896,941.31 | 5,098,402,813.00 | 3,760,667,342.13 |

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

Legal
representative: Yan Zhigang

Principal in charge
of accounting : Wei Pingxiao

Head of accounting
department: Zhou Feifei

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Consolidated and company income statements

For the six months ended 30 June 2014

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

| Item | Note | Consolidated | | Company | |
|---|------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
| Sales | V(37),X(4) | 11,612,642,434.28 | 10,131,712,690.44 | 1,344,533,386.96 | 1,193,441,273.94 |
| Less: Cost of sales | V(37),X(4) | (10,626,767,657.24) | (9,279,455,305.53) | (1,290,912,374.30) | (1,142,667,141.70) |
| Taxes and surcharges | V(38) | (27,472,713.53) | (23,326,231.67) | (3,819,156.69) | (2,043,636.20) |
| Selling and distribution expenses | | (271,149,210.54) | (242,609,042.07) | (23,395,202.86) | (21,154,070.92) |
| Administration expenses | | (215,813,783.67) | (182,897,044.09) | (23,650,902.47) | (13,859,583.70) |
| Financial (expenses)/income – net | V(39) | (70,931,725.10) | (76,468,650.83) | 30,937,200.09 | (5,893,730.35) |
| Asset impairment losses | V(40) | (7,312,907.37) | (16,807,658.72) | (153,394.98) | (319,855.94) |
| Add: Investment income | V(41),X(5) | 23,595,722.50 | 18,576,985.34 | 480,544,087.23 | 403,244,931.24 |
| Including: Share of profits of associates | | 23,595,722.50 | 18,576,985.34 | 23,595,722.50 | 18,576,985.34 |
| Operating profit | | 416,790,159.33 | 328,725,742.87 | 514,083,642.98 | 410,748,186.37 |
| Add: Non-operating income | V(42) | 28,336,065.33 | 22,135,730.64 | 705,252.60 | 4,472,734.63 |
| Less: Non-operating expenses | V(43) | (1,207,497.35) | (22,119,061.64) | (0.08) | (50.00) |
| Including: Loss on disposal of non-current assets | | (64,238.16) | (28,872.00) | - | - |
| Total profit | | 443,918,727.31 | 328,742,411.87 | 514,788,895.50 | 415,220,871.00 |
| Less: Income taxes expenses | V(44) | (86,331,296.75) | (60,942,244.76) | (8,808,140.45) | 53,392.68 |
| Net profit | | 357,587,430.56 | 267,800,167.11 | 505,980,755.05 | 415,274,263.68 |
| Attributable to equity holders of the Company | | 349,213,988.51 | 260,794,678.64 | 505,980,755.05 | 415,274,263.68 |
| Minority interest | | 8,373,442.05 | 7,005,488.47 | - | - |
| Earnings per share | V(45) | | | | |
| Basic earnings per share | | 1.073 | 0.905 | NA | NA |
| Diluted earnings per share | | 1.073 | 0.905 | NA | NA |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | 357,587,430.56 | 267,800,167.11 | 505,980,755.05 | 415,274,263.68 |
| Attributable to equity holders of the Company | | 349,213,988.51 | 260,794,678.64 | 505,980,755.05 | 415,274,263.68 |
| Minority interest | | 8,373,442.05 | 7,005,488.47 | - | - |

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

Legal representative: Yan Zhigang

Principal in charge of accounting : Wei Pingxiao

Head of accounting department: Zhou Feifei

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.
Consolidated and company cash flows statements
For the six months ended 30 June 2014

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

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| Item | Note | Consolidated | | Company | |
|---|---------------------|---|---|--|---|
| | | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
| I. Cash flows from operating activities: | | | | | |
| Cash received from sales of goods or rendering of services | | 11,799,950,691.25 | 10,057,836,735.60 | 1,421,640,664.70 | 1,214,280,538.38 |
| Refund of taxes and surcharges | | 6,571,540.44 | 7,570,798.77 | - | - |
| Cash received relating to other operating activities | V(46)(a) | 53,448,437.56 | 38,823,223.02 | 12,486,044.81 | 5,237,699.02 |
| Sub-total of cash inflows | | 11,859,970,669.25 | 10,104,230,757.39 | 1,434,126,709.51 | 1,219,518,237.40 |
| Cash paid for goods and services | | (11,553,683,051.08) | (9,208,952,026.05) | (1,439,943,602.26) | (1,185,309,308.36) |
| Cash paid to and on behalf of employees | | (304,214,026.96) | (261,318,392.72) | (26,913,040.68) | (24,032,421.42) |
| Payments of taxes and surcharges | | (302,590,124.70) | (241,792,269.13) | (13,548,247.06) | (6,825,494.08) |
| Cash paid relating to other operating activities | V(46)(b) | (184,199,274.47) | (153,891,196.41) | (12,903,407.44) | (14,336,903.77) |
| Sub-total of cash outflows | | (12,344,686,477.21) | (9,865,953,884.31) | (1,493,308,297.44) | (1,230,504,127.63) |
| Net cash flows from operating activities | V(47)(a) X(6)(a) | (484,715,807.96) | 238,276,873.08 | (59,181,587.93) | (10,985,890.23) |
| II. Cash flows from investing activities | | | | | |
| Cash received from returns on investments | | - | - | 169,306,012.82 | 81,042,685.23 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 904,370.80 | 76,611.00 | 700.00 | - |
| Cash received relating to other investing activities | V(46)(c) | 3,598,827.09 | - | 1,663,852,850.00 | 485,718,000.00 |
| Sub-total of cash inflows | | 4,503,197.89 | 76,611.00 | 1,833,159,562.82 | 566,760,685.23 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (123,288,911.49) | (31,240,049.89) | (65,829,878.73) | (3,376,519.20) |
| Cash paid to acquire Investments | | - | - | - | (100,000,000.00) |
| Net cash paid to acquire subsidiaries and other business units | V(47)(b) | - | - | (1,518,000.00) | - |
| Cash paid relating to other investing activities | | - | - | (2,859,000,089.73) | (491,200,000.00) |
| Sub-total of cash outflows | | (123,288,911.49) | (31,240,049.89) | (2,926,347,968.46) | (594,576,519.20) |
| Net cash flows from investing activities | | (118,785,713.60) | (31,163,438.89) | (1,093,188,405.64) | (27,815,833.97) |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.
Consolidated and company cash flows statements (continued)
For the six months ended 30 June 2014
(All amounts Renminbi (RMB) unless otherwise stated)

| Item | Note | Consolidated | | Company | |
|---|----------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
| III. Cash flows from financing activities | | | | | |
| Cash received from investments | | 1,929,065,413.47 | - | 1,929,065,413.47 | - |
| Cash received from borrowings | | 177,215,892.08 | 335,703,705.83 | 58,095,448.00 | 238,000,000.00 |
| Cash received relating to other financing Activities | V(46)(d) | 52,376,797.32 | - | 258,472,602.86 | 482,924,408.91 |
| Sub-total of cash inflows | | 2,158,658,102.87 | 335,703,705.83 | 2,245,633,464.33 | 720,924,408.91 |
| Cash repayments of borrowings | | (1,093,663,188.17) | (412,825,109.96) | (925,000,000.00) | (292,000,000.00) |
| Cash payments for interest expenses and distribution of dividends or profits | | (146,826,227.89) | (119,481,742.25) | (85,892,357.94) | (75,035,803.29) |
| Including: Cash payments for dividends or profit to minority shareholders of subsidiaries | | (1,098,000.00) | - | - | - |
| Cash payments relating to other financing activities | V(46)(e) | (3,235,784.18) | (48,947,088.25) | (82,919,213.08) | (333,808,489.25) |
| Sub-total of cash outflows | | (1,243,725,200.24) | (581,253,940.46) | (1,093,811,571.02) | (700,844,292.54) |
| Net cash flows from financing activities | | 914,932,902.63 | (245,550,234.63) | 1,151,821,893.31 | 20,080,116.37 |
| IV. Effect of foreign exchange rate changes on cash | | | | | |
| | | 5,838.21 | (1.48) | 1,201.00 | - |
| V. Net increase/(decrease) in cash | | | | | |
| | | 311,437,219.28 | (38,436,801.92) | (546,899.26) | (18,721,607.83) |
| Add: Cash at beginning of year | | 1,097,948,354.45 | 920,748,043.53 | 218,342,947.03 | 160,633,355.13 |
| | V(47)(c) | | | | |
| VI. Cash at end of period | X(6)(c) | 1,409,385,573.73 | 882,311,241.61 | 217,796,047.77 | 141,911,747.30 |

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

Legal
representative: Yan Zhigang

Principal in charge
of accounting : Wei Pingxiao

Head of accounting
department: Zhou Feifei

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Consolidated statement of changes in owners' equity

For the six months ended 30 June 2014

(All amounts Renminbi (RMB) unless otherwise stated)

| Item | Note | Attributable to the shareholders of the Company | | | | Minority interest | Total owners' equity |
|--|-------|---|-----------------|------------------|-----------------------|-------------------|----------------------|
| | | Paid-in capital | Capital surplus | Surplus reserves | Undistributed profits | | |
| Balance at 1 January 2013 | | 288,149,400.00 | 5,550,338.57 | 99,360,384.15 | 1,382,882,906.24 | 63,108,183.24 | 1,839,051,212.20 |
| Movements for the year ended 31 December 2013 | | | | | | | |
| Net profit | | - | - | - | 520,488,198.80 | 13,731,200.43 | 534,219,399.23 |
| Other comprehensive income | | - | - | - | - | - | - |
| Capital contribution and withdrawals by owners | | | | | | | |
| - Others | | - | 200,000.00 | - | (6,677.73) | 6,677.73 | 200,000.00 |
| Profit distribution | | | | | | | |
| - Appropriation to surplus reserves | V(34) | - | - | 45,495,250.25 | (45,495,250.25) | - | - |
| - Profit distribution to equity owners | V(35) | - | - | - | (51,866,892.00) | (4,966,654.86) | (56,833,546.86) |
| Balance at 31 December 2013 | | 288,149,400.00 | 5,750,338.57 | 144,855,634.40 | 1,806,002,285.06 | 71,879,406.54 | 2,316,637,064.57 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.
Consolidated statement of changes in owners' equity (continued)
For the six months ended 30 June 2014
(All amounts Renminbi (RMB) unless otherwise stated)

| Item | Note | Attributable to the shareholders of the Company | | | | Minority interest | Total owners' equity |
|---|-------|---|------------------|------------------|-----------------------|-------------------|----------------------|
| | | Paid-in capital | Capital surplus | Surplus reserves | Undistributed profits | | |
| Balance at 1 January 2014 | | 288,149,400.00 | 5,750,338.57 | 144,855,634.40 | 1,806,002,285.06 | 71,879,406.54 | 2,316,637,064.57 |
| Movements for the six months ended 30 June 2014 | | | | | | | |
| Net profit | | - | - | - | 349,213,988.51 | 8,373,442.05 | 357,587,430.56 |
| Other comprehensive income | | - | - | - | - | - | - |
| Capital contribution and withdrawals by owners | | | | | | | |
| - Capital contribution by owners | | 74,482,543.00 | 1,854,582,870.47 | - | - | - | 1,929,065,413.47 |
| -Increase due to acquisition of a subsidiary | | - | - | - | - | 3,210,000.00 | 3,210,000.00 |
| Profit distribution | | | | | | | |
| - Profit distribution to equity owners | V(35) | - | - | - | (65,273,749.74) | (1,098,000.00) | (66,371,749.74) |
| Balance at 30 June 2014 | | 362,631,943.00 | 1,860,333,209.04 | 144,855,634.40 | 2,089,942,523.83 | 82,364,848.59 | 4,540,128,158.86 |

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

Legal
representative: Yan Zhigang

Principal in charge
of accounting : Wei Pingxiao

Head of accounting
department: Zhou Feifei

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Company statement of changes in owners' equity****For the six months ended 30 June 2014**

(All amounts Renminbi (RMB) unless otherwise stated)

| Items | Paid-in capital | Capital surplus | Surplus reserves | undistributed profits | Total owners' equity |
|---|-----------------------|-------------------------|-----------------------|-------------------------|-------------------------|
| Balance at 1 January 2013 | 288,149,400.00 | 14,348,726.93 | 99,360,384.15 | 864,755,729.87 | 1,266,614,240.95 |
| Movements for the year ended 31 December 2013 | | | | | |
| Net profit | - | - | - | 454,952,502.47 | 454,952,502.47 |
| Other comprehensive income | - | - | - | - | - |
| Capital contribution and withdrawals by owners | | | | | |
| - Others | - | 200,000.00 | - | - | 200,000.00 |
| Profit distribution | | | | | |
| - Appropriation to surplus reserves | - | - | 45,495,250.25 | (45,495,250.25) | - |
| - Profit distribution to equity owners | - | - | - | (51,866,892.00) | (51,866,892.00) |
| Balance at 31 December 2013 | 288,149,400.00 | 14,548,726.93 | 144,855,634.40 | 1,222,346,090.09 | 1,669,899,851.42 |
| Balance at 1 January 2014 | 288,149,400.00 | 14,548,726.93 | 144,855,634.40 | 1,222,346,090.09 | 1,669,899,851.42 |
| Movements for the six months ended 30 June 2014 | | | | | |
| Net profit | - | - | - | 505,980,755.05 | 505,980,755.05 |
| Other comprehensive income | - | - | - | - | - |
| Capital contribution and withdrawals by owners | | | | | |
| - Capital contribution by owners | 74,482,543.00 | 1,854,582,870.47 | - | - | 1,929,065,413.47 |
| Profit distribution | | | | | |
| - Profit distribution to equity owners | - | - | - | (65,273,749.74) | (65,273,749.74) |
| Balance at 30 June 2014 | 362,631,943.00 | 1,869,131,597.40 | 144,855,634.40 | 1,663,053,095.40 | 4,039,672,270.20 |

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

Legal
representative: Yan ZhigangPrincipal in charge
of accounting : Wei PingxiaoHead of accounting
department: Zhou Feifei

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

I Profile of company

China National Accord Medicines Co., Ltd. (hereinafter referred to as the "Company"), formerly known as Shenzhen Health Mineral Water Co., Ltd., was approved by the People's Government of Shenzhen with SFBF (1993) No.356 document to establish on 1 February 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 RMB362,631,900 up to 30 June 2014. 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 31 August 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 8 January 2001. On 8 January 2001, the Company changed its name to Shenzhen Accord Pharmaceutical Co., Ltd., and belongs to the pharmaceutical manufacturing industry.

On 18 February 2004, the Company's original main shareholder, Shenzhen Investment Management Company, entered into a Stock Transfer Agreement with Sinopharm Group 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 9 December 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 14 April 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 27 April 2006, the Company issued bonus shares on 28 April 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.

In March 14, 2014, the company issued 74,484,531 ordinary shares (A shares) through the non public offering. Par value per share is RMB 1 yuan. The shares shall not be transferred within 36 months since the issued day. By June 30, 2014, the total share capital was 362,631,943.

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 2 August 1986 to 2 August 2036. The registered capital of the Company is RMB362,631,900. The legal representative of the Company is Yan Zhigang.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

I Profile of company(continued)

The approved scope of business of the Company and its subsidiaries (together “the Group”) includes wholesale of traditional Chinese medicine preparations, bulk pharmaceutical drugs, chemical preparations, bulk antibiotic drugs, antibiotic preparations, biochemical drugs, biological products (including vaccines and in vitro diagnostic reagents), psychotropic drugs and preparations, narcotic drugs, toxic drugs for medical use, protein assimilation preparation and peptide hormones; trade of dietary supplement; research, development and consultation services of pharmaceutical packaging materials and pharmaceutical industry products; industrial investment holding; domestic trade (other than special licensing), sale of ambulances; trade of medical equipment; project investment; property management and lease of self-owned properties; pharmacovigilance and medical information consulting; parking operation; logistics and related services; package agency business; logistic design; 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.

These financial statements were authorised for issue by the board of directors of the Company on 16 August 2014.

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 six months ended 30 June 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2014 and the operating results, cash flows and other information of the Group and the Company for the six months ended 30 June 2014.

(3) Accounting year

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

(4) Functional currency

The functional 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 intra-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, losses and comprehensive income for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive income respectively.

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

(7) Acquisition of minority interest in controlled subsidiaries

The Company acquires equity from the minority shareholders after taking control of the subsidiary, in the consolidated financial statement, the subsidiary's assets, liabilities should be measured from combination or acquisition date. The difference between the carrying amount of acquisition of minority interest and the net assets proportion calculated by original share percentage since the acquisition date should be recognised in capital surplus. If the capital surplus is insufficient to dilute, the retained earnings shall be adjusted.

(8) Cash and cash equivalent

Cash and cash equivalent 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.

(9) 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.

(10) 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. The transaction expenses are included in receivables' original book value, which is measured at amortised cost using the effective interest method.

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

(10) Financial Instruments(continued)

(a) Financial assets(continued)

(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. The objective evidence are matters occur after the financial assets been recognised, affect its estimated future cash flow and could be measured accurately by the Group. 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.

(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.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(11) Receivables

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

- (a) Receivables with 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 RMB5 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.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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)

(12) 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.

(13) 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

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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)

(13) 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 (21)).

II Summary of significant accounting policies and accounting estimates (continued)**(14) 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 II (21)).

(15) Fixed assets**(a) Recognition and initial measurement of fixed assets**

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

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

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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.

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II Summary of significant accounting policies and accounting estimates (continued)**(15) 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 (21)).

(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.

(16) 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 (21)).

(17) Borrowing costs

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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)

(17) 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.

(18) Intangible assets

Intangible assets include land use rights, computer softwares, technology patents, trademarks and distribution network, 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. 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) Distribution network

Distribution network includes customer relationships and distribution channels, which is amortised on the straight-line basis over its approved useful live of 20 years.

(e) Periodical review of useful life and amortisation method

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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)

(18) Intangible assets (continued)

(f) 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.

(g) 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 (21)).

(19) 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.

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

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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 GuangxiCo.,Ltd. (“Sinopharm Guangxi”), a subsidiary of the Company, 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)

(21) 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, intangible assets with infinite useful lives and capitalized development expenditures 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.

(22) 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)

(22) Employee benefits (continued)

Certain subsidiaries have the defined benefit plans. The Group recognises 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.

(23) Dividend distribution

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

(24) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(25) 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

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Revenue from the sale of goods is recognised 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.

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

(25) Revenue recognition (continued)

(b) Rendering of services

The Group provides freight, storage and other service to external parties. The freights are recognised 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 recognised as revenue on the basis of services provided during the storage period. Other revenue arising from the rendering of services is determined in accordance with the amount stipulated in the contract or agreement signed by the enterprise and the party who receives the services.

(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

The group, offers loyalty points programmes where points earned through the purchase of goods can only be redeemed for goods provided by Shenzhen Zhijun Pharmaceutical Co., Ltd. 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.

(26) 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 grant received aimed to create long-term asset by constructing or other methods. And government grant related to income is any grant other than government grant related to an asset.

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.

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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)

(27) 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.

(28) 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.

(29) 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)

(30) Changes in significant accounting policies

The Group has no changes in significant accounting policies in this period.

(31) 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) Accounting estimates on impairment of accounts receivable

In accordance with the Group's accounting policy (Note II (11)), 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.

(iii) Accounting estimates on impairment of inventories

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In accordance with the Group's accounting policy (Note II (12) (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.

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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%、20% or 25% |
| Value added tax ("VAT") | Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period) | 0%、3%、6%、11%、13% or 17% |
| Business tax | Rental income, storage income and etc. | 3%、5% |
| City maintenance and construction tax | VAT and business tax | 7% |
| Education surcharge | VAT and business tax | 3% |
| Regional/Local education surcharge | VAT and business tax | 2% |

(2) Tax preferences**1.Summary of different applicable tax rate of subsidiaries**

(1)15%:Shenzhen Zhijun Pharmaceutical Co., Ltd. ("Zhijun Pharm"), Sinopharm Holding Shenzhen Medicine Co., Ltd. ("Sinopharm Shenzhen Medicine")obtained the certificate of High and New Technology Enterprises, with an applicable Enterprise income tax rate of 15%.

(2)20%: Sinopharm Holding Guangxi Chinese Herbal Pieces Co., Ltd. ("Guangxi Chinese Herbal Pieces") is regarded as a small enterprise with an Enterprise income tax rate of 20% in 2014 (2013: 20%).

(3)25%: Other subsidiaries except those stated above are using 25% as Enterprise income tax rate.

2.Related documents and approvals

In 2011, Zhijun Pharm, subsidiaries of the Company, separately obtained the certificate of High and New Technology Enterprises with effective period of 3 years, 2011 to 2013. Preferential treatment of taxes has been ended in december. 31 of 2013, Now Zhijun Pharm was going through renewal process of the certificate in local tax bureau. Given the condition that related laws and regulations have not been changed, The company considered that Zhijun Pharm can still obtain a high-tech certification covering year 2014 to 2016. Therefore, for the period ended June 30 of 2014, Zhijun Pharm still use 15% as its tax rate.

In 2012, Sinopharm Shenzhen Medicine obtained the certificate of High and New Technology Enterprises with effective period of 3 years, 2012 to 2014.

Under the relevant regulations of article 28 of the Corporate Income Tax Law, the applicable tax rates for Zhijun Pharm and Sinopharm Shenzhen Medicine in year 2014 are 15% (2013: 15%).

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IV Business combinations and consolidated financial statements

(1) Subsidiaries

(a) 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 |
|--|--|---|--------------------------|-------------------------------|--|--------------------|-----------------------------------|
| Sinopharm Holding Guilin Co.,Ltd. ("Sinopharm Guilin") (Note (i)) | Indirect | Guilin | Comercial | 1,000.00 | Wholesale of Traditional Chinese medicine, Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines), narcotic drugs, anabolic agent,Pericarpium Papaveris,etc. | Limited company | Zhou Ruili |
| Sinopharm Holding Baise Co.,Ltd. ("Sinopharm Baise") (Note (i)) | Indirect | Baise | Comercial | 1,000.00 | Traditional Chinese medicine, Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines), narcotic drugs, anabolic agent. | Limited company | Zhou Ruili |
| Sinopharm Holding Zhongshan Co.,Ltd.("Sinopharm Zhongshan") | Direct | Zhongshan | Comercial | 1,000.00 | Wholesale of Traditional Chinese medicine, Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines) | Limited company | Yang Yan |
| Sinopharm Holding Guigang Co.,Ltd.("Sinopharm Guigang") (Note (i)) | Indirect | Guigang | Comercial | 1,000.00 | Wholesale of Traditional Chinese medicine, Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines), narcotic drugs, anabolic agent,Pericarpium Papaveris,etc. | Limited company | Zhou Ruili |
| Sinopharm Holding Beihai Co., Ltd. ("Sinopharm Beihai ") (Note (ii)) | Indirect | Beihai | Comercial | 500.00 | Wholesale of Traditional Chinese medicine, Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines), anabolic agent,Pericarpium Papaveris,etc. | Limited company | Zhou Ruili |
| | Year-end balance of investment (RMB'0000) | Other assets constitute investment in substance | Equity interest held (%) | Voting rights held (%) | Consolidated or not | Minority interests | Loss shared by minority interests |
| Sinopharm Guilin (Note (i)) | 1,000.00 | - | 100 | 100 | Yes | - | - |
| Sinopharm Baise (Note (i)) | 1,000.00 | - | 100 | 100 | Yes | - | - |
| Sinopharm Zhongshan | 1,000.00 | - | 100 | 100 | Yes | - | - |
| Sinopharm Guigang (Note (i)) | 1,000.00 | - | 100 | 100 | Yes | - | - |
| Sinopharm Beihai | 500.00 | - | 100 | 100 | Yes | - | - |

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- (i) Sinopharm Guilin and Sinopharm Baise are wholly owned subsidiaries of Sinopharm Guangxi, indirectly held of 100% in equity by the Company.
- (ii) This company is a wholly owned subsidiary set up by Sinopharm Guangxi in February 18, 2014, indirectly held of 100% in equity by the Company.

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IV Business combinations and consolidated financial statements

(1) Subsidiaries(continued)

(b) 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-entati ve |
|---|--------------------------------------|--------------------------|-----------------------|--------------------------------------|---|--------------------|------------------------------|
| Zhijun Pharm | Direct | Shenzhen | Manufacturing | 20,000.00 | 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 |
| Sinopharm Holding Jianming Co.,Ltd.(“Sinopharm Jianmin”) | Direct | Shenzhen | Commercial | 500.00 | 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 |
| Sinopharm Holding Material Co.,Ltd.(“Sinopharm Material”) | Direct | Shenzhen | Commercial | 600.00 | Chinese patent medicine, western medicine, medicine treatment apparatus | Limited company | Zhao Yuhe |
| Shenzhen Zhijun Pharmaceutical Trade Co.,Ltd.(“Zhijun Trade”) | Direct | Shenzhen | Commercial | 189.00 | Purchase and sale of Chinese traditional,medicinal materials, Chinese patent medicine,chemical raw material for medical treatment,antibiotic preparation, chemical medicinepreparation etc. | Limited company | Deng Baojun |
| Sinopharm Holding Shenzhen Logistics Co.,Ltd.(“Shenzhen Logistics”) | Direct | Shenzhen | Service | 100.00 | Storage service, convey, liquidation of cargo external package and common transportation of road | Limited company | Lin Min |
| Sinopharm Holding Guangzhou Co.,Ltd.(“Sinopharm Guangzhou”) | Direct | Guangzhou | Commercial | 40,000.00 | Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalised packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills. | Limited company | Yan Zhigang |
| Sinopharm Holding Guangdong Hengxing Pharmaceutical Co.,Ltd.(“Sinopharm Hengxing ”) | Direct | Guangzhou | Commercial | 4,000.00 | Drugs, medical apparatus sales | Limited company | Lin Zhaoxiong |
| Sinopharm Holding Yulin Co.,Ltd.(“Sinopharm Yulin”)(Note iii) | Indirect | Yulin | Commercial | 500.00 | Drug sales | Limited company | Zhou Ruili |

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| | | | | | | | |
|---|--------|---------|------------|----------|--|-----------------|---------------|
| Sinopharm Medicine Holding Liuzhou Co.,Ltd. ("Sinopharm Liuzhou") | Direct | Liuzhou | Commercial | 2,053.06 | Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license) | Limited company | Lin Zhaoxiong |
|---|--------|---------|------------|----------|--|-----------------|---------------|

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

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(b) 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 |
|---|--------------------------------------|--------------------------|-----------------------|-------------------------------------|--|--------------------|--------------------------|
| Guangxi Chinese Herbal Pieces (Note ii) | Indirect | Liuzhou | Manufacturing | 200.00 | Manufacturing and sales of Chinese herbal pieces | Limited company | Lei Chaotian |
| Guangdong Huixin Investment Co.,Ltd. ("Huixin Investment") | Direct | Guangzhou | Service | 500.00 | Project investment, property management and leasing, medical information consultancy, car park management | Limited company | Lin zhaoxiong |
| Sinopharm Holding Foshan Co.,Ltd. ("Sinopharm Foshan") | Direct | Foshan | Commercial | 1,000.00 | Drug sales | Limited company | Lin Xinyang |
| Sinopharm Holding Guangdong Yuexing Co.,Ltd. ("Sinopharm Yuexing") | Direct | Guangzhou | Commercial | 3,000.00 | Sales of medicine and medical treatment apparatus | Limited company | Luo Qin |
| Sinopharm Holding Guangdong Logistics Co.,Ltd. ("Guangdong Logistics") | Direct | Guangzhou | Service | 500.00 | Storage loading and unloading | Limited company | Lin Min |
| Sinopharm Guangxi | Direct | Nanning | Commercial | 10,000.00 | Drug sales | Limited company | Lin Zhaoxiong |
| Sinopharm Holding Guangxi Logistics Co.,Ltd. ("Guangxi Logistics") (Note iii) | Indirect | Nanning | Service | 710.07 | Storage loading and unloading, consultation service | Limited company | Lin Zhaoxiong |
| Sinopharm Shenzhen Medicine | Direct | Shenzhen | Manufacturing | 5,000.00 | 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 | Chen Zhenyang |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | | | | | | | |
|---|----------|--------|------------|----------|---|-----------------|------------|
| Sinopharm Holding Wuzhou Co.,Ltd. ("Sinopharm Wuzhou") | Indirect | Wuzhou | Commercial | 1,000.00 | Traditional Chinese medicine, Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products, narcotic drugs, anabolic agent, Pericarpium Papaveris,etc. | Limited company | Zhou Ruili |
|---|----------|--------|------------|----------|---|-----------------|------------|

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

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(b) Subsidiaries acquired under common control (continued)

| | Year-End balance of investment (RMB'0000) | Other assets constitute investment in substance | Equity interest held (%) | Voting rights held (%) | Consolidated or not | Minority interests (RMB'0000) | Loss shared by minority interests |
|--|---|--|-----------------------------|------------------------------|------------------------|-------------------------------------|---|
| Zhijun Pharm | 23,706.17 | - | 100 | 100 | Yes | - | - |
| Sinopharm Jianmin | 5,348.29 | - | 100 | 100 | Yes | - | - |
| Sinopharm Material | 816.74 | - | 100 | 100 | Yes | - | - |
| Zhijun Trade | 373.40 | - | 100 | 100 | Yes | - | - |
| Shenzhen Logistics | 101.91 | - | 100 | 100 | Yes | - | - |
| Sinopharm Guangzhou | 48,388.83 | - | 100 | 100 | Yes | - | - |
| Sinopharm Hengxing | 3,714.17 | - | 100 | 100 | Yes | - | - |
| Sinopharm Yulin (Note iii) | 542.50 | - | 100 | 100 | Yes | - | - |
| Sinopharm Liuzhou | 2,220.58 | - | 51 | 51 | Yes | 4,698.02 | - |
| Guangxi Chinese Herbal Pieces (Note ii) | 200.00 | - | 51 | 51 | Yes | - | - |
| Huixin Investment | 6,441.69 | - | 100 | 100 | Yes | - | - |
| Sinopharm Foshan | 1,499.51 | - | 100 | 100 | Yes | - | - |
| Sinopharm Yuexing | 4,345.93 | - | 100 | 100 | Yes | - | - |
| Guangdong Logistics | 559.60 | - | 100 | 100 | Yes | - | - |
| Sinopharm Guangxi | 10,404.90 | - | 100 | 100 | Yes | - | - |
| Guangxi Logistics(Note iii) | 710.10 | - | 100 | 100 | Yes | - | - |
| Sinopharm Shenzhen Medicine | 4,808.05 | - | 100 | 100 | Yes | - | - |
| Sinopharm Wuzhou | 315.00 | - | 99.9 | 99.9 | Yes | 0.78 | - |

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

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

- (iii) Sinopharm Yulin and Guangxi Logistics, wholly owned subsidiaries of Sinopharm Guangxi, is indirectly held of 100% in equity by the Company.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(c) 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 Repres-entative |
|---|--------------------------------------|--------------------------|-----------------------|-------------------------------------|---|-----------------|--------------------------|
| Sinopharm holding Zhijun (Suzhou) Co., Ltd ("Zhijun Suzhou") | Direct | Suzhou | Manufacturing | 18,000.00 | 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 | Huang Kai |
| Sinopharm holding Dongguan Co.,Ltd.("Sinopharm Dongguan") | 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 heath protection food | Limited company | Lin Xinyang |
| Sinopharm Holding Zhanjiang Co.,Ltd.("Sinopharm Zhanjiang") | Direct | Zhanjiang | Commercial | 1,500.00 | kof medicine | Limited company | Lin Xinyang |
| Sinopharm Holding Yanfeng Co., Ltd. ("Sinopharm Yanfeng") | Direct | Shenzhen | Commercial | 3,000.00 | Wholesale of medicine | Limited company | Lin Zhaoxiong |
| Sinopharm Holding Meizhou Co.,Ltd.("Sinopharm Meizhou") | Direct | Meizhou | Commercial | 120.00 | Wholesale of medicine | Limited company | Yang Yan |
| Sinopharm Holding Huizhou Co.,Ltd.("Sinopharm Huizhou") | Direct | Huizhou | Commercial | 700.00 | Wholesale of medicine | Limited company | Yang Yan |
| Sinopharm Holding Zhaoqing Co.,Ltd.("Sinopharm Zhaoqing") | Direct | Zhaoqing | Commercial | 200.00 | wholesale of Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines), narcotic drugs, toxic drugs for medical use, pericarpium papaveris,anabolic agents | Limited company | Yang Yan |
| Sinopharm Holding Jiangmen Co.,Ltd.("Sinopharm Jiangmen") | Direct | Jiangmen | Commercial | 1,000.00 | wholesale of Chinese patent drugs, raw materials for chemical medicine, chemical material drugs, antibiotics, bio-chemical drugs and biological products (excluding vaccines), narcotic drugs, toxic drugs for medical use, pericarpium papaveris,anabolic agents | Limited company | Yang Yan |
| Sinopharm Holding Shaoguan Co.,Ltd. ("Sinopharm Shaoguan") | Direct | Shaoguan | Commercial | 360.00 | wholesale of Traditional Chinese medicin, raw materials for chemical medicine and chemical material drugs, ect.; | Limited company | Yang Yan |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | | | | | | | |
|--|--------|---------|------------|--------|---|-----------------|----------|
| Sinopharm Holding Shantou Co., Ltd. ("Sinopharm Shantou") | Direct | Shantou | Commercial | 800.00 | Wholesale of Chinese medicines, chemical raw materials, chemical preparation, antibiotic drug, antibiotic preparations, biochemical medicines, biological products (including in vitro diagnostic reagents, except vaccines) etc. | Limited company | Yang Yan |
|--|--------|---------|------------|--------|---|-----------------|----------|

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

IV Business combinations and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(c) Subsidiaries acquired not under common control(continued)

| | Year-end balance of investment (RMB'0000) | Other assets constitute investment in substance | Equity interest held (%) | Voting rights held (%) | Consolidated or not | Minority interests (RMB'0000) | Loss shared by minority interests |
|---------------------|--|--|-----------------------------|---------------------------|------------------------|----------------------------------|--------------------------------------|
| ZhijunSuzhou | 26,590.00 | - | 100 | 100 | Yes | - | - |
| Sinopharm Dongguan | 994.20 | - | 100 | 100 | Yes | - | - |
| Sinopharm Zhanjiang | 1,576.99 | - | 100 | 100 | Yes | - | - |
| Sinopharm Yanfeng | 3,820.78 | - | 51 | 51 | Yes | 2,635.27 | - |
| Sinopharm Meizhou | 448.19 | - | 100 | 100 | Yes | - | - |
| Sinopharm Huizhou | 564.42 | - | 100 | 100 | Yes | - | - |
| Sinopharm Zhaoqing | 354.20 | - | 100 | 100 | Yes | - | - |
| Sinopharm Jiangmen | 5,010.00 | - | 100 | 100 | Yes | - | - |
| Sinopharm Shaoguan | 1,358.00 | - | 70 | 70 | Yes | 594.57 | - |
| Sinopharm Shantou | 224.70 | - | 70 | 70 | Yes | 307.85 | - |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

IV Business combinations and consolidated financial statements (continued)

(2) New subsidiaries included in the scope of consolidation in the current period:

(a) New subsidiaries included in the scope of consolidation in the current period:

| | Net assets as at 30 June 2014 | Net loss from acquisition date to 30 June 2014 |
|-------------------|----------------------------------|---|
| Sinopharm Shantou | 10,261,603.32 | (438,396.68) |

(3) Business combinations involving enterprises not under common control

| | Goodwill | Calculation method of goodwill |
|-------------------|----------|--|
| Sinopharm Shantou | - | Combination cost less the fair value of the identifiable net assets it obtains from the acquiree as business reputation. Calculated as follow. |

On January 10, 2014, the company acquire 70% equity of Sinopharm Shantou from natural person shareholders Mr. Zhang Xiaobing and Mr. Zhang Huaqiang. The date of purchase was January 10, 2014, the date on which the Company actually obtains the control on the acquire.

(a) Combination cost and Goodwill is recognized as follow:

| | |
|--|----------------|
| The combination costs | |
| Cash paid | 2,247,000.00 |
| Cash to be paid | 5,243,000.00 |
| Combination in total | 7,490,000.00 |
| Less: share fo the fair value of the identifiable net assets | (7,490,000.00) |
| GoodWill | - |

(b) Assets, liabilities and cash flow related to acquisition of Sinopharm Shantou as at acquisition day is listed as follow:

| | Date of purchase Fair value | Date of purchase Book value | 31 December 2012 Book value |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash at bank and on hand | 5,116,827.09 | 5,116,827.09 | 2,509,691.97 |
| Account receivable | 7,735,212.93 | 7,735,212.93 | 67,688,855.68 |
| Inventory | - | - | 2,816,326.24 |
| Long-term equity investment | - | - | 60,560,470.59 |
| Fixed assets | - | - | 368,956.33 |
| Deferred Income Tax assets | 494,865.53 | 494,865.53 | 1,722,298.28 |
| Less: Short-term loans | - | - | (35,000,000.00) |
| Accounts payable | (2,272,658.74) | (2,272,658.74) | (77,548,215.17) |
| Taxes payable | (374,246.81) | (374,246.81) | (244,917.67) |
| Net Assets | 10,700,000.00 | 10,700,000.00 | 22,873,466.25 |
| Less: Minority Interests | (3,210,000.00) | (3,210,000.00) | - |
| Net assets acquired | 7,490,000.00 | 7,490,000.00 | 22,873,466.25 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | |
|--|-----------------------|
| Consideration paided with cash | 2,247,000.00 |
| Less: Cash and cash equivalents from acquiree | <u>(5,116,827.09)</u> |
| Net cash obtained from acquisition | <u>2,869,827.09</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

IV Business combinations and consolidated financial statements (continued)**(3) Business combinations involving enterprises not under common control(continued)****(c) Sales, net loss and cash flow of Sinopharm Shantou from purchase day to 30 June 2014 is as follow:**

| | |
|---|--------------|
| Sales | 49,719.90 |
| Net loss | (438,396.68) |
| Net cash flow from Operating Activities | 4,453,126.01 |
| Net increase in cash | 4,076,426.01 |

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

| | 30June 2014 | 31 December 2013 |
|--------------------------------------|-------------------------|-------------------------|
| Cash on hand | 105,347.04 | 65,660.84 |
| Cash at bank | 1,409,280,226.69 | 1,097,882,693.61 |
| Other cash balances | 8,505,911.70 | 15,613,857.20 |
| - deposits for bank acceptance notes | 6,327,111.70 | 14,507,046.10 |
| - deposit for letter of credit | 1,978,800.00 | 1,106,811.10 |
| - temporary capital verification | 200,000.00 | - |
| | <u>1,417,891,485.43</u> | <u>1,113,562,211.65</u> |

As at 30 June 2014, no foreign currency deposit in cash atBank and on hand (31 December 2013: RMB134.32, equivalent to USD22.03).

(2) Notes receivable

| | 30June 2014 | 31 December 2013 |
|------------------------|-----------------------|-----------------------|
| Trade acceptance notes | 355,759,809.05 | 324,806,645.60 |
| Bank acceptance notes | 312,453,033.27 | 414,254,496.12 |
| | <u>668,212,842.32</u> | <u>739,061,141.72</u> |

(a) Endorsed undue notes receivable

As at 30 June 2014, the Group endorsed the undue notes receivable of RMB506,056,960.37(31 December 2013: RMB559,034,616.93). The top five notes receivable are analysed as below.

| Issuer | Issue date | Expiry date | Amount |
|---|---------------|-------------------|--------------|
| Affiliated Hospital of Guangdong Medical College | 28 April2014 | 25 July 2014 | 7,755,990.55 |
| The First Affiliated Hospital Of Anhui Medical University | 28 March 2014 | 28 September 2014 | 5,000,000.00 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | |
|-------------------------------------|------------------|-------------------|----------------------|
| Leshan Pharmaceutical Co., Ltd. | 12 February 2014 | 12 August 2014 | 4,971,011.54 |
| Anhui Provincial Hospital | 26 February 2014 | 26 August 2014 | 4,819,942.06 |
| Chongqing Medical (Group) Co., Ltd. | 19 March 2014 | 18 September 2014 | 4,565,100.00 |
| | | | <u>27,112,044.15</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

As at 30 June 2014, notes receivable including undue commercial notes of RMB190,267,307.20(31 December 2013: RMB122,197,293.96)(NoteV(19)), and undue bank acceptance notes of RMB293,493,590.68(31 December 2013: RMB216,288,519.38) have been discounted.

(c) As at 30 June 2014, the Group has no notes receivable which need to be reclassified as accounts receivable.

(d) As at 30 June 2014, the Group's notes receivable of RMB6,939,339.00 (31 December 2013: RMB26,286,066.66) have been pledged to the banks for issuance of bank acceptance note of RMB6,871,641.25 (31 December 2013: RMB28,173,366.73).The 5 largest and other pledged note receivables are as follow:

| Dawer | Date of issue | Due date | Amount |
|--|-----------------|-------------------|---------------------|
| Zhongshan Pharmaceutical Co., Ltd | 14 March 2014 | 14 September 2014 | 1,040,528.00 |
| Jointown Pharmaceutical Group Limited | 20 January 2014 | 20 July 2014 | 1,000,000.00 |
| Hainan Chuntch Co., Ltd. | 28 May 2014 | 28 November 2014 | 1,000,000.00 |
| Hainan Chuntch Co., Ltd. | 28 May 2014 | 28 November 2014 | 1,000,000.00 |
| Xiangbei Welman Pharmaceutical Co.,Ltd | 08 January 2014 | 08 July 2014 | 442,200.00 |
| | | | <u>4,482,728.00</u> |

(3) Accounts receivable

| | 30June 2014 | 31 December 2013 |
|-------------------------------|-------------------------|-------------------------|
| Accounts receivable | 6,402,666,341.71 | 5,700,717,918.33 |
| Less: provision for bad debts | <u>(22,671,726.34)</u> | <u>(25,059,411.55)</u> |
| | <u>6,379,994,615.37</u> | <u>5,675,658,506.78</u> |

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

| | 30June 2014 | | 31 December 2013 | |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Amount | Provision for bad debts | Amount | Provision for bad debts |
| Within 1 year | 6,365,866,562.61 | - | 5,666,484,029.89 | (2,536,716.74) |
| 1 to 2 years | 12,763,825.04 | (1,238,239.54) | 11,872,413.00 | (1,899,306.50) |
| 2 to 3 years | 5,679,134.94 | (3,173,946.71) | 4,156,756.90 | (2,418,669.77) |
| Over 3 years | 18,356,819.12 | (18,259,540.09) | 18,204,718.54 | (18,204,718.54) |
| | <u>6,402,666,341.71</u> | <u>(22,671,726.34)</u> | <u>5,700,717,918.33</u> | <u>(25,059,411.55)</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

| | 30 June 2014 | | | | 31 December 2013 | | | |
|--|-------------------------|--------------------|------------------------|--------------|-------------------------|--------------------|------------------------|--------------|
| | Carrying amount | | Bad debt provision | | Carrying amount | | Bad debt provision | |
| | amount | % of total balance | amount | rate | amount | % of total balance | amount | rate |
| individually significant are subject to separate impairment assessment | 45,320,049.83 | 0.71% | (18,105,002.56) | 39.95% | 27,376,507.20 | 0.48% | (17,791,726.54) | 64.99% |
| receivable accounts within similar credit risk group | 6,321,025,471.44 | 98.72% | (578,643.78) | 0.01% | 5,647,154,773.79 | 99.06% | (479,964.75) | 0.01% |
| individually not significant but individually evaluated for impairment | 36,320,820.44 | 0.57% | (3,988,080.00) | 10.98% | 26,186,637.34 | 0.46% | (6,787,720.26) | 25.92% |
| | <u>6,402,666,341.71</u> | <u>100.00%</u> | <u>(22,671,726.34)</u> | <u>0.35%</u> | <u>5,700,717,918.33</u> | <u>100.00%</u> | <u>(25,059,411.55)</u> | <u>0.44%</u> |

(c) As at 30 June 2014, 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 |
| Affiliated Hospital of Guilin Medical University | 7,207,003.75 | (35,354.20) | 0.49% | Difference of balance account cannot be verified |
| Liuzhou Municipal Liutie Central Hospital | 6,031,129.94 | (235,948.82) | 3.91% | Difference of balance account cannot be verified |
| The Second People's Hospital of Shenzhen | 6,019,867.96 | (1,434,789.46) | 23.83% | Difference of balance account cannot be verified |
| Peking University Shenzhen Hospital | 5,194,722.56 | (670,476.15) | 12.91% | Difference of balance account cannot be verified |
| Beiliu People's Hospital | 5,180,864.69 | (41,973.00) | 0.81% | Difference of balance account cannot be verified |
| | <u>45,320,049.83</u> | <u>(18,105,002.56)</u> | | |

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

| | 30 June 2014 | | | | 31 December 2013 | | | |
|---------------|------------------|--------------------|--------------------|-------|------------------|--------------------|--------------------|-------|
| | 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 | 6,310,094,576.88 | 99.83% | - | - | 5,639,111,868.62 | 99.86% | - | - |
| 1 to 2 years | 10,307,233.98 | 0.16% | (515,361.72) | 5.00% | 6,486,515.25 | 0.11% | (324,325.76) | 5.00% |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | | | | |
|--------------|-------------------------|----------------|---------------------|--------------|-------------------------|----------------|---------------------|--------------|
| 2 to 3 years | 614,500.58 | 0.01% | (61,450.06) | 10.00% | 1,556,389.92 | 0.03% | (155,638.99) | 10.00% |
| Over 3 years | 9,160.00 | 0.00% | (1,832.00) | 20.00% | - | 0.00% | - | 0.00% |
| | <u>6,321,025,471.44</u> | <u>100.00%</u> | <u>(578,643.78)</u> | <u>0.01%</u> | <u>5,647,154,773.79</u> | <u>100.00%</u> | <u>(479,964.75)</u> | <u>0.01%</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

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

V Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

- (e) As at 30 June 2014, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

| | Carrying amount | Bad debt provision | Rate | Assessment for impairment |
|--|----------------------|-----------------------|--------|---|
| The Guangxi Zhuang Autonomous Region Brain Hospital | 3,879,347.00 | (11,368.80) | 0.29% | Uncertainty in recoverability |
| Zengcheng Shitan Town Central Health Service Station | 3,422,387.35 | (500,091.22) | 14.61% | Uncertainty in recoverability |
| The First People's Hospital of Hechi | 2,733,443.16 | (7,177.72) | 0.26% | Difference of balance account cannot be verified |
| Zengcheng Xianchun Town Health Station | 2,349,728.44 | (113,462.74) | 4.83% | Uncertainty in recoverability |
| Guiping People's Hospital | 1,911,534.03 | (20,530.20) | 1.07% | Uncertainty in recoverability |
| Zengcheng Zhongxin Hospital | 1,790,785.10 | (404,693.80) | 22.60% | Uncertainty in recoverability |
| Zengcheng Yongning Street Yonghe Community Health Service | 1,695,779.19 | (388,430.52) | 22.91% | Difference of balance account cannot be verified |
| Huaiji Maternal and Child Health-Care Centre | 1,626,083.60 | (107,175.13) | 6.59% | Uncertainty in recoverability |
| Zengcheng Licheng Street Community Health Service Station | 1,587,801.34 | (96,691.86) | 6.09% | Uncertainty in recoverability |
| The Red Cross Hospital of Liuzhou | 1,399,299.92 | (12,682.17) | 0.91% | Uncertainty in recoverability |
| Taiping Town Conghua City Center Hospital | 1,366,124.19 | (84,490.78) | 6.18% | Uncertainty in recoverability |
| Yulin Hospital of Traditional Chinese Medicine | 1,256,017.24 | (7,308.90) | 0.58% | Uncertainty in recoverability |
| Zengcheng Xintang Town Central Health Center Shapu Branch | 1,200,594.40 | (54,626.92) | 4.55% | Uncertainty in recoverability |
| The Red Cross Hospital of Yulin | 1,141,227.39 | (77,658.00) | 6.80% | Uncertainty in recoverability |
| Guangzhou Huadu District Xinhua Hospital | 1,065,088.61 | (143,478.41) | 13.47% | Uncertainty in recoverability |
| Zengcheng Yongning Street Ningxi Community Health Service Station | 896,345.39 | (199,749.75) | 22.28% | Uncertainty in recoverability |
| Shenzhen Maternal and Children Care Service Center | 825,267.75 | (412,992.00) | 50.04% | Difference of balance account cannot be verified |
| Others (Individually less than 800,000) | 6,173,966.34 | (1,345,471.08) | 21.79% | Uncertainty in recoverability |
| | <u>36,320,820.44</u> | <u>(3,988,080.00)</u> | 10.98% | |

- (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 |
|---|------------------------------|---|-------------------------------------|---------------------|
| Jilin Kaining Pharmaceutical Co. Ltd. | Amount received | Uncertainty in recoverability | 943,456.49 | 943,456.49 |
| Jilin Yongtai Pharmaceutical Co., Ltd. | Amount received | Uncertainty in recoverability | 775,795.95 | 775,795.95 |
| Others | | Uncertainty in recoverability | 753,954.24 | 753,954.24 |
| | | | <u>2,473,206.68</u> | <u>2,473,206.68</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | | Nature of the receivable | Amount | Reason | Related party transaction or not |
|-----------------------------|-----------|--------------------------|---------------------|--|----------------------------------|
| Guangzhou pharmacy Co. Ltd. | Dashenlin | Account receivable | 773,956.27 | Aged over 5 years, recoverability in significant doubt | No |
| Other | | Account receivable | 506,835.82 | Aged over 5 years, recoverability in significant doubt | No |
| | | | <u>1,280,792.09</u> | | |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

| | 30 June 2014 | 31 December 2013 |
|-----------------------------|--------------|------------------|
| Sinopharm Group(Note VI(6)) | 3,922,884.40 | 4,693,304.80 |

- (i) As at 30 June 2014, the top five accounts receivable by customer are analysed as below:

| | Relationship with the Group | Amount | Ageing | % of the total accounts receivable |
|---|-----------------------------|-----------------------|---------------|------------------------------------|
| Disease Control and Prevention Center of Guangdong Province | Third party | 198,310,480.00 | Within 1 year | 3.10% |
| The First Affiliated Hospital of GuangXi Medical University | Third party | 135,269,847.47 | Within 1 year | 2.11% |
| Zhujiang Hospital of Southern Medical University | Third party | 103,775,555.30 | Within 1 year | 1.62% |
| The Third Affiliated Hospital of ZhongShan University | Third party | 99,194,786.71 | Within 1 year | 1.55% |
| China Resources Guangdong Pharmaceutical Co., Ltd | Third party | 74,142,842.71 | Within 1 year | 1.16% |
| | | <u>610,693,512.19</u> | | <u>9.54%</u> |

- (j) Accounts receivable due from related party

As at 30 June 2014, accounts receivable from related party amounted to RMB289,916,775.80(31 December 2013: RMB272,941,955.43), which is 4.53% of the total accounts receivable (31 December 2013: 4.78%), and no bad debt provision was provided (31 December 2013: Nil).(Note VI(6)).

- (k) In half year of 2014, accounts receivable of RMB912,614,815.13 are derecognized given that irrevocable factoring contracts agreed with financial institute(Half year of 2013: RMB397,348,933.07).

- (l) As at 30 June 2014, the Group's accounts receivable totalling RMB17,725,404.38(31December 2013:RMB34,340,216.50) have been pledged to bank as security for short-term loan of RMB14,180,323.50(31 December 2013:RMB27,472,173.20)(Note V(19)).

- (m) Accounts receivable denominated in foreign currencies are as follows:

| 30 June 2014 | | | 31 December 2013 | | |
|------------------|---------------|-----|------------------|---------------|-----|
| Foreign Currency | Exchange Rate | RMB | Foreign Currency | Exchange Rate | RMB |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | | |
|-----|--------------|---------|----------------------|--------------|---------|----------------------|
| USD | 1,659,963.34 | 6.1528 | 10,213,422.44 | 2,498,855.43 | 6.0969 | 15,235,271.66 |
| GBP | 70,749.91 | 10.4978 | 742,718.41 | 17,688.80 | 10.0556 | 177,871.50 |
| HKD | 365,855.08 | 0.7938 | 290,415.76 | 394,001.47 | 0.7862 | 309,763.96 |
| | | | <u>11,246,556.61</u> | | | <u>15,722,907.12</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(4) Advances to suppliers

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

| | 30 June 2014 | | 31 December 2013 | |
|---------------|----------------------|--------------------|----------------------|--------------------|
| | amount | % of total balance | amount | % of total balance |
| Within 1 year | 98,567,800.29 | 99.68% | 63,940,204.79 | 99.34% |
| 1 to 2 years | 93,626.61 | 0.09% | 344,224.38 | 0.53% |
| 2 to 3 years | 199,228.00 | 0.20% | 42,900.00 | 0.07% |
| Above 3 years | 33,627.00 | 0.03% | 39,711.00 | 0.06% |
| | <u>98,894,281.90</u> | <u>100.00%</u> | <u>64,367,040.17</u> | <u>100.00%</u> |

(b) As at 30 June 2014, the top five advances to suppliers by customer are analysed below:

| | Relationship with the Group | Amount | Proportion | Ageing | Reason for unsettlement |
|---|-----------------------------|----------------------|---------------|-----------------|--------------------------|
| Seiko Eiyo Yakuhin Co Ltd | Third party | 23,419,917.21 | 23.68% | Within 6 months | Advances for procurement |
| Jiangsu Huawei Pharmaceutical Logistics Co., Ltd. | Third party | 15,388,867.39 | 15.56% | Within 3 months | Advances for procurement |
| Tonghua Yusheng Medicine Co., Ltd. | Third party | 9,108,450.00 | 9.21% | Within 3 months | Advances for procurement |
| Guangdong Kai Yuan Pharmaceutical Co., Ltd | Third party | 6,728,961.60 | 6.80% | Within 3 months | Advances for procurement |
| Guangdong Linrui Pharmaceutical Co., Ltd | Third party | 5,362,862.40 | 5.42% | Within 3 months | Advances for procurement |
| | | <u>60,009,058.60</u> | <u>60.67%</u> | | |

(c) Advances due from related party

As at 30 June 2014, there are advances of RMB3,343,371.93 due from related party (31 December 2013: RMB5,345,896.87), which is 3.38% of the total advances to suppliers (31 December 2013: 8.46%), and no bad debt provision was provided (31 December 2013: Nil). (Note VI(6)).

(5) Other receivables

| | 30 June 2014 | 31 December 2013 |
|--|------------------------|------------------------|
| Petty cash advance to employees | 11,016,075.82 | 5,772,436.51 |
| Receivable of equity transaction(Note (c)) | 8,980,000.00 | 8,980,000.00 |
| Deposit | 6,591,974.31 | 8,338,022.65 |
| Receivable due from related party(Note(h)) | 1,590,000.00 | 2,450,920.81 |
| Others | <u>17,417,836.56</u> | <u>14,955,273.23</u> |
| | 45,595,886.69 | 40,496,653.20 |
| Less: provision for bad debts | <u>(10,403,902.29)</u> | <u>(10,875,753.49)</u> |
| | <u>35,191,984.40</u> | <u>29,620,899.71</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | 30 June 2014 | 31 December 2013 |
|---------------|---------------|------------------|
| Within 1 year | 30,266,104.72 | 24,095,302.72 |
| 1 to 2 years | 1,194,687.10 | 967,739.44 |
| 2 to 3 years | 140,964.93 | 763,087.00 |
| Over 3 years | 13,994,129.94 | 14,670,524.04 |
| | <hr/> | <hr/> |
| | 45,595,886.69 | 40,496,653.20 |
| | <hr/> | <hr/> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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:

| | 30 June 2014 | | | | 31 December 2013 | | | |
|--|----------------------|-------------------|------------------------|---------------|----------------------|-------------------|------------------------|---------------|
| | 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 | 19.69% | (8,980,000.00) | 100.00% | 8,980,000.00 | 22.17% | (8,980,000.00) | 100.00% |
| Receivable accounts within similar credit risk group | 31,261,684.02 | 68.57% | (199,224.19) | 0.64% | 26,647,155.69 | 65.80% | (341,346.42) | 1.28% |
| Individually not significant but individually evaluated for impairment | 5,354,202.67 | 11.74% | (1,224,678.10) | 22.87% | 4,869,497.51 | 12.03% | (1,554,407.07) | 31.92% |
| | <u>45,595,886.69</u> | <u>100.00%</u> | <u>(10,403,902.29)</u> | <u>22.82%</u> | <u>40,496,653.20</u> | <u>100.00%</u> | <u>(10,875,753.49)</u> | <u>26.86%</u> |

(c) As at 30 June 2014, impairment provision for other receivables individually significant are analysed as below.

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

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

| | 30 June 2014 | | | | 31 December 2013 | | | |
|---------------|----------------------|-------------------|---------------------|--------------|----------------------|-------------------|---------------------|--------------|
| | 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 | 29,717,482.61 | 95.06% | - | - | 24,063,233.50 | 90.30% | - | - |
| 1 to 2 years | 650,172.53 | 2.08% | (32,508.63) | 5.00% | 932,329.44 | 3.50% | (46,110.87) | 4.95% |
| 2 to 3 years | 120,902.13 | 0.39% | (12,090.21) | 10.00% | 350,830.00 | 1.32% | (35,083.00) | 10.00% |
| Over 3 years | 773,126.75 | 2.47% | (154,625.35) | 20.00% | 1,300,762.75 | 4.88% | (260,152.55) | 20.00% |
| | <u>31,261,684.02</u> | <u>100.00%</u> | <u>(199,224.19)</u> | <u>0.64%</u> | <u>26,647,155.69</u> | <u>100.00%</u> | <u>(341,346.42)</u> | <u>1.28%</u> |

(e) As at 30 June 2014, other receivables individually not significant but individually evaluated for impairment are analysed below:

| Amount | Bad debt provision | Rate | Assessment for impairment |
|--------|--------------------|------|---------------------------|
|--------|--------------------|------|---------------------------|

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | |
|------------------------------------|---------------------|-----------------------|---------|-------------------------------|
| ShenZhen Health Food I&E Co., Ltd. | 1,157,860.00 | (1,157,860.00) | 100.00% | Uncertainty in recoverability |
| Others | 4,196,342.67 | (66,818.10) | 1.59% | Uncertainty in recoverability |
| | <u>5,354,202.67</u> | <u>(1,224,678.10)</u> | 22.87% | |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

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

| | 30 June 2014 | 31 December 2013 |
|------------------------------|--------------|------------------|
| Sinopharm Group (Note VI(6)) | 250,000.00 | 250,000.00 |

- (g) As at 30 June 2014, the top five other receivables by customer are analysed below:

| | Relationship with the Group | Amount | Ageing | % of the total other receivable |
|---|-----------------------------|----------------------|---------------|---------------------------------|
| Shenzhen Yinghai Technology & Investment Co., Ltd. | Third party | 8,980,000.00 | Above 5 years | 19.69% |
| Guangxi Autonomous Region Housing System Reformed Department | Third party | 1,894,499.59 | Above 5 years | 4.15% |
| Liuzhou Housing Provident Fund Management Center- Specific Account for Housing Fund | Third party | 1,226,365.82 | Above 5 years | 2.69% |
| Sinopharm Medicine Logistics Co., Ltd. | Related party | 1,215,000.00 | Within 1 year | 2.66% |
| Shenzhen Health Food I&E Co., Ltd. | Third Party | 1,157,860.00 | 4-5 years | 2.54% |
| | | <u>14,473,725.41</u> | | <u>31.73%</u> |

- (h) Other receivables due from related party

As at 30 June 2014, there are other receivables of RMB1,590,000.00 due from related party (31 December 2013: RMB2,450,920.81), which is 3.49% of the total other receivables (31 December 2013: 6.05%), without bad debt provided (31 December 2013: Nil). (Note VI(6)).

(6) Inventories

- (a) Inventories by category are analysed as below:

| | 30 June 2014 | | | 31 December 2013 | | |
|--------------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|
| | Book value | Provision | Net book Value | Book value | Provision | Net book Value |
| Raw materials | 95,274,899.97 | (7,095,514.85) | 88,179,385.12 | 125,355,376.95 | (5,666,854.74) | 119,688,522.21 |
| Packaging materials | 641,808.75 | (9,392.54) | 632,416.21 | 545,583.87 | (18,076.22) | 527,507.65 |
| Consigned processing materials | 1,082,832.94 | - | 1,082,832.94 | 520,289.18 | - | 520,289.18 |
| Finished goods | 2,082,360,570.49 | (9,391,114.41) | 2,072,969,456.08 | 1,673,005,932.68 | (17,091,438.82) | 1,655,914,493.86 |
| Work in progress | 26,441,693.91 | - | 26,441,693.91 | 53,983,888.09 | - | 53,983,888.09 |
| Low cost consumable: | 522,805.69 | (59,591.25) | 463,214.44 | 632,589.01 | - | 632,589.01 |
| | <u>2,206,324,611.75</u> | <u>(16,555,613.05)</u> | <u>2,189,768,998.70</u> | <u>1,854,043,659.78</u> | <u>(22,776,369.78)</u> | <u>1,831,267,290.00</u> |

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

| 31 December 2013 | Increases | Decreases | | 30 June 2014 |
|------------------|-----------|-----------|-------------|--------------|
| | | Reversal | Written off | |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | |
|---------------------|----------------------|---------------------|---------------------|------------------------|----------------------|
| Raw materials | 5,666,854.74 | 2,099,229.07 | (381,327.48) | (289,241.48) | 7,095,514.85 |
| Finished goods | 17,091,438.82 | 7,236,422.28 | (36,937.29) | (14,899,809.40) | 9,391,114.41 |
| Packaging materials | 18,076.22 | 8,928.21 | (17,611.89) | - | 9,392.54 |
| Low cost onsumables | - | 68,333.45 | (8,742.20) | - | 59,591.25 |
| | <u>22,776,369.78</u> | <u>9,412,913.01</u> | <u>(444,618.86)</u> | <u>(15,189,050.88)</u> | <u>16,555,613.05</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(6) Inventories (continued)

(c) Provision for decline in the value of inventories are as follows:

| | Reason of recognise impairment provision | Reason of reverse impairment provision | Reversed Amount/ Total Inventory |
|----------------------|--|---|-------------------------------------|
| Raw material | Carrying amount of raw materials is lower than the net realisable value caused by decline in the price of product | Increase in net realisable value resulted from sales price increasing | 0.40% |
| Finished goods | Carrying amount of finished goods is lower than the net realisable value caused by decline in the price of product | Increase in net realisable value resulted from sales price increasing | - |
| Packaging materials | Carrying amount of packaging materials is lower than the net realisable value caused by decline in the price of product | Increase in net realisable value resulted from sales price increasing | 2.74% |
| Low cost consumables | Carrying amount of Low cost consumables is lower than the net realisable value caused by decline in the price of product | Increase in net realisable value resulted from sales price increasing | 1.67% |

(7) Other current assets

| | 30 June 2014 | 31 December 2013 |
|-------------------------------------|----------------------|----------------------|
| Corporate income tax to be deducted | 242,231.34 | 244,354.28 |
| VAT to be deducted | 21,254,188.22 | 10,474,150.59 |
| Other | - | 1,485,247.90 |
| | <u>21,496,419.56</u> | <u>12,203,752.77</u> |

(8) Long-term equity investments

| | 30 June 2014 | 31 December 2013 |
|---------------------------------------|-----------------------|-----------------------|
| Associates - Without quoted price (a) | <u>130,784,733.02</u> | <u>135,341,010.52</u> |

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

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(8) Long-term equity investments (continued)

(a) Associates

| | Accounting method | Original investment cost | 31 December 2013 | Increases/(Decreases) | | 30 June 2014 | Equity interest held(%) | Voting rights held (%) | Explanation for the inconsistency between equity interest held and voting rights held |
|--|-------------------|--------------------------|------------------|------------------------------|--------------------------------------|----------------|-------------------------|------------------------|---|
| | | | | Share of profit of associate | Cash dividends declared by associate | | | | |
| | | | | Note | V(41) | | | | |
| Shenzhen Wanle Medical Co., Ltd. ("Wanle Medical") | Equity method | 4,457,400.00 | 135,341,010.52 | 23,595,722.50 | (28,152,000.00) | 130,784,733.02 | 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 30 June 2014 | | | For the six months ended 30 June 2014 | |
|---------------|--------------------------|------------------------|--------------------|-------------------|----------------|---------------------------------------|---------------|
| | | | Total assets | Total liabilities | Net assets | Revenues | Net profit |
| Wanle Medical | 35.19 | 33.33 | 764,367,375.88 | 392,714,255.61 | 371,653,120.27 | 412,190,470.43 | 67,052,351.55 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | 31 December 2013 | Increase in Current year | Decrease in Current year | 30 June 2014 |
|--|------------------|-----------------------------|-----------------------------|-----------------|
| Cost | 167,235,723.04 | 316,030.61 | - | 167,551,753.65 |
| Buildings | 148,052,856.82 | 247,247.27 | - | 148,300,104.09 |
| Land use rights | 19,182,866.22 | 68,783.34 | - | 19,251,649.56 |
| Accumulated depreciation/ amortisation | (88,666,004.90) | (2,869,025.16) | - | (91,535,030.06) |
| Buildings | (86,324,250.54) | (2,712,742.80) | - | (89,036,993.34) |
| Land use rights | (2,341,754.36) | (156,282.36) | - | (2,498,036.72) |
| Net book value | 78,569,718.14 | | | 76,016,723.59 |
| Buildings | 61,728,606.28 | | | 59,263,110.75 |
| Land use rights | 16,841,111.86 | | | 16,753,612.84 |
| Provision for impairment loss | (1,300,000.00) | - | - | (1,300,000.00) |
| Buildings | (1,300,000.00) | - | - | (1,300,000.00) |
| Land use rights | - | - | - | - |
| Carrying amount | 77,269,718.14 | | | 74,716,723.59 |
| Buildings | 60,428,606.28 | | | 57,963,110.75 |
| Land use rights | 16,841,111.86 | | | 16,753,612.84 |

In 2014, half of the year, depreciation and amortization of investment properties amount RMB 2,752,681.18 (2013 Half of the year: RMB 3,109,987.30).

In half year of 2014, the Group changed the use of buildings with a carrying amount of RMB199,686.63 (cost of RMB316,030.61, accumulated depreciation RMB116,343.98) to lease-out properties, and therefore, such assets were transferred from fixed assets and intangible assets to investment properties at the dates of change.

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(11) Fixed assets

| | 31 December 2013 | Current year additions | Transfer to investment properties | Current year disposals | 30 June 2014 |
|---|---------------------|---------------------------|--------------------------------------|------------------------|------------------|
| Cost | 1,250,447,403.48 | 24,800,566.60 | (247,247.27) | (7,805,603.93) | 1,267,195,118.88 |
| Buildings | 523,075,719.87 | 679,709.02 | (247,247.27) | (21,000.00) | 523,487,181.62 |
| Machinery and equipment | 453,238,323.34 | 5,933,342.72 | - | (4,604,806.00) | 454,566,860.06 |
| Motor vehicles | 57,578,677.13 | 2,112,704.73 | - | (2,616,730.30) | 57,074,651.56 |
| Other | 188,925,746.07 | 15,547,160.13 | - | (548,067.63) | 203,924,838.57 |
| Leasehold improvements | 27,628,937.07 | 527,650.00 | - | (15,000.00) | 28,141,587.07 |
| Accumulated depreciation | (478,365,887.71) | (45,286,799.32) | 108,554.44 | 5,678,332.35 | (517,865,800.24) |
| Buildings | (121,245,681.23) | (10,683,613.20) | 108,554.44 | 9,325.64 | (131,811,414.35) |
| Machinery and equipment | (197,709,620.62) | (20,273,536.42) | - | 2,990,253.04 | (214,992,904.00) |
| Motor vehicles | (32,273,157.01) | (2,839,419.76) | - | 2,214,170.15 | (32,898,406.62) |
| Other | (111,889,907.22) | (9,756,505.76) | - | 452,683.31 | (121,193,729.67) |
| Leasehold improvements | (15,247,521.63) | (1,733,724.18) | - | 11,900.21 | (16,969,345.60) |
| Net book value | 772,081,515.77 | | | | 749,329,318.64 |
| Buildings | 401,830,038.64 | | | | 391,675,767.27 |
| Machinery and equipment | 255,528,702.72 | | | | 239,573,956.06 |
| Motor vehicles | 25,305,520.12 | | | | 24,176,244.94 |
| Other | 77,035,838.85 | | | | 82,731,108.90 |
| Leasehold improvements | 12,381,415.44 | | | | 11,172,241.47 |
| provision for diminution in value | (5,339,925.14) | - | - | 1,168,265.97 | (4,171,659.17) |
| Buildings | (2,405,177.30) | - | - | 10,624.36 | (2,394,552.94) |
| Machinery and equipment | (2,930,449.81) | - | - | 1,153,343.58 | (1,777,106.23) |
| Motor vehicles | - | - | - | - | - |
| Other | (1,948.24) | - | - | 1,948.24 | - |
| Leasehold improvements | (2,349.79) | - | - | 2,349.79 | - |
| Carrying amount | 766,741,590.63 | | | | 745,157,659.47 |
| Buildings | 399,424,861.34 | | | | 389,281,214.33 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|-------------------------|----------------|----------------|
| Machinery and equipment | 252,598,252.91 | 237,796,849.83 |
| Motor vehicles | 25,305,520.12 | 24,176,244.94 |
| Other | 77,033,890.61 | 82,731,108.90 |
| Leasehold improvements | 12,379,065.65 | 11,172,241.47 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

For the six months ended 30 June 2014, details of the depreciation charged are below:

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|-------------------------------------|--|--|
| Cost of goods sold | 19,978,061.91 | 23,347,564.25 |
| Selling expenses | 1,016,530.46 | 1,977,163.35 |
| General and administrative expenses | 20,256,417.51 | 12,758,408.59 |
| Research and development expenses | 4,035,789.44 | 4,257,148.68 |
| | <u>45,286,799.32</u> | <u>42,340,284.87</u> |

For the six months ended 30 June 2014, fixed assets transferred from construction in progress are RMB16,173,324.53 (For the six months ended 30 June 2014: 5,585,774.91).

(12) Construction in progress

| | 30 June 2014 | 31 December 2013 |
|---|-----------------------|-----------------------|
| Pingshan Pharmaceutical Research & Development Manufacturing Base | 122,781,807.79 | 54,720,588.89 |
| Zhijun Production Workshop Technological Transformation Project | 13,145,496.07 | 21,852,704.06 |
| Cephalosporin Powder Injection Preparation Workshop Transformation Project | 28,476,887.89 | 19,393,066.62 |
| Peinan Project | 11,438,747.84 | 11,438,747.84 |
| Sewage Transformation Project etc. | 5,801,283.79 | 4,417,283.79 |
| Shenzhen Logistics Center Stage II Warehouse Transformation Project | 399,676.74 | 4,555,429.58 |
| Warehouse Transformation Project | - | 879,037.82 |
| Other projects | 10,643,164.29 | 9,349,947.41 |
| | <u>192,687,064.41</u> | <u>126,606,806.01</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

Changes of construction in progress in six months ended 30 June 2014 are below:

| Name of project | Budget of project | 31 December 2013 | Current year additions | Transfer out during current year | 30 June 2014 | Cost up to date out of budget (%) | Construction in progress (%) | Accumulated capitalized borrowing cost | Borrowing cost capitalized in 2010 | Weighted average interest rate (%) | Financed by |
|--|-------------------------|-----------------------|---------------------------|-------------------------------------|-----------------------|---|---------------------------------------|---|---|---|--|
| Pingshan Pharmaceutical Research & Development Manufacturing Base | 881,370,000.00 | 54,720,588.89 | 68,061,218.90 | - | 122,781,807.79 | 14% | 18% | 2,437,151.20 | 2,437,151.20 | 5.58% | Working capital、 Financial institutions borrowing and Entrusted loan |
| Zhijun Production Workshop Technological Transformation Project | 99,976,000.00 | 21,852,704.06 | 7,466,116.54 | (16,173,324.53) | 13,145,496.07 | 39% | 39% | - | - | - | Working capital |
| Cephalosporin Powder Injection Preparation Workshop Transformation Project | 35,000,000.00 | 19,393,066.62 | 9,083,821.27 | - | 28,476,887.89 | 81% | 90% | - | - | - | Working capital |
| Peinan Project | 40,000,000.00 | 11,438,747.84 | - | - | 11,438,747.84 | 28% | 28% | - | - | - | Working capital |
| Shenzhen Logistics Center Stage II Warehouse Transformation Project | 5,750,000.00 | 4,555,429.58 | 223,396.65 | (4,379,149.49) | 399,676.74 | 83% | 100% | - | - | - | Working capital |
| Sewage Transformation Project etc. | 6,300,000.00 | 4,417,283.79 | 1,384,000.00 | - | 5,801,283.79 | 85% | 99% | - | - | - | Working capital |
| Warehouse Transformation Project | 21,790,000.00 | 879,037.82 | - | (879,037.82) | - | 93% | 100% | - | - | - | Working capital |
| Other projects | - | 9,349,947.41 | 1,366,537.40 | (73,320.52) | 10,643,164.29 | - | - | - | - | - | Working capital |
| | <u>1,090,186,000.00</u> | <u>126,606,806.01</u> | <u>87,585,090.76</u> | <u>(21,504,832.36)</u> | <u>192,687,064.41</u> | | | | | | |

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Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(13) Intangible assets

| | 31 December 2013 | Current year additions | Current year decreases | 30 June 2014 |
|-------------------------------|---------------------|---------------------------|---------------------------|------------------|
| Cost | 254,572,956.12 | 843,173.03 | (68,783.34) | 255,347,345.81 |
| Land use rights | 145,850,489.22 | 498,539.51 | (68,783.34) | 146,280,245.39 |
| Computer software | 20,982,653.94 | 344,633.52 | - | 21,327,287.46 |
| Proprietary technology | 53,885,820.10 | - | - | 53,885,820.10 |
| Trademarks | 196,850.00 | - | - | 196,850.00 |
| Sales network | 33,657,142.86 | - | - | 33,657,142.86 |
| Accumulated amortization | (101,010,991.66) | (3,836,803.21) | 7,789.54 | (104,840,005.33) |
| Land use rights | (34,158,408.37) | (1,627,833.75) | 7,789.54 | (35,778,452.58) |
| Computer software | (14,331,025.98) | (1,207,350.61) | - | (15,538,376.59) |
| Proprietary technology | (49,630,659.69) | (160,190.28) | - | (49,790,849.97) |
| Trademarks | (196,850.00) | - | - | (196,850.00) |
| Sales network | (2,694,047.62) | (841,428.57) | - | (3,535,476.19) |
| Net book value | 153,561,964.46 | | | 150,507,340.48 |
| Land use rights | 111,692,080.85 | | | 110,501,792.81 |
| Computer software | 6,651,627.96 | | | 5,788,910.87 |
| Proprietary technology | 4,255,160.41 | | | 4,094,970.13 |
| Trademarks | - | | | - |
| Sales network | 30,963,095.24 | | | 30,121,666.67 |
| 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 | - | - | - | - |
| Sales network | - | - | - | - |
| Carrying amount | 150,561,964.46 | | | 147,507,340.48 |
| Land use rights | 111,692,080.85 | | | 110,501,792.81 |
| Computer software | 6,651,627.96 | | | 5,788,910.87 |
| Proprietary technology | 1,255,160.41 | | | 1,094,970.13 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|---------------|---------------|---------------|
| Trademarks | - | - |
| Sales network | 30,963,095.24 | 30,121,666.67 |

In half year of 2014, amortization of intangible assets amount RMB 3,836,803.21 (2013 Half of the year: RMB 4,601,419.99).

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

Expenditures on research and development incurred in half year of 2014 are listed as below:

| | 30 June 2014 | 31 December 2013 |
|-------------------|---------------------|---------------------|
| Development costs | <u>5,619,315.47</u> | <u>5,619,315.47</u> |

In half year of 2014, research and development expenditure of the group amounted to RMB 32,143,996.40 (Half year of 2013: RMB34,523,641.48), RMB32,143,996.40 of which has been charged into current period profits and losses (half year of 2013: RMB34,212,956.64).

(14) Goodwill

| | 30 June 2014 | 31 December 2013 |
|------------------------------------|----------------------|----------------------|
| Goodwill | 85,228,833.15 | 85,228,833.15 |
| Less: provision for impairment (a) | <u>-</u> | <u>-</u> |
| | <u>85,228,833.15</u> | <u>85,228,833.15</u> |

(a) Impairment

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

| | 30 June 2014 | 31 December 2013 |
|--------------------------------|----------------------|----------------------|
| Pharmaceutical distribution- | | |
| Sinopharm Jiangmen | 27,392,317.73 | 27,392,317.73 |
| Sinopharm Yanfeng | 16,868,644.87 | 16,868,644.87 |
| Sinopharm Zhaoqing | 2,594,341.53 | 2,594,341.53 |
| Sinopharm Shaoguan | 1,686,496.80 | 1,686,496.80 |
| 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 |
| Sinopharm Dongguan | 1,499.02 | 1,499.02 |
| Pharmaceutical manufacturing - | | |
| Zhijun Suzhou | <u>33,869,393.32</u> | <u>33,869,393.32</u> |
| | <u>85,228,833.15</u> | <u>85,228,833.15</u> |

Recoverable amount of asset group or combination of group assets is based on the approved five year budget, calculated according to the cash flow forecasting method. 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 30 June 2014, management of the Group considered there was no impairment to goodwill recognised according to the impairment assessment.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

(15) Long-term prepaid expenses

| | 31 December 2013 | Current year additions | Current year amortisation | 30 June 2014 |
|------------------------|----------------------|---------------------------|------------------------------|----------------------|
| Leasehold improvements | 33,965,413.81 | 8,020,246.54 | (3,076,324.16) | 38,909,336.19 |
| Others | 2,020,207.66 | - | (963,410.66) | 1,056,797.00 |
| | <u>35,985,621.47</u> | <u>8,020,246.54</u> | <u>(4,039,734.82)</u> | <u>39,966,133.19</u> |

In half year of 2014, current period additions includes RMB5,331,507.83 transferred from Construction in progress.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

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

(a) Deferred income tax assets

| | 30 June 2014 | | 31 December 2013 | |
|---|-------------------------------|--|-------------------------------|--|
| | Deferred income tax assets | Deductible temporary differences | Deferred income tax assets | Deductible temporary differences |
| Deductible losses | 24,662,835.50 | 102,186,726.34 | 10,009,584.17 | 64,531,193.67 |
| Accrued expenses | 14,860,455.85 | 86,248,327.69 | 9,323,398.38 | 51,691,587.96 |
| Deferred revenue | 12,975,041.82 | 81,892,590.81 | 13,056,138.55 | 84,518,146.08 |
| Accrued payroll | 12,428,193.24 | 62,603,719.79 | 14,401,729.27 | 70,542,501.21 |
| Provision for accounts receivable | 5,662,784.83 | 22,671,726.34 | 6,032,385.45 | 25,059,411.55 |
| Provision for declines in value of inventories | 3,594,322.28 | 16,555,613.05 | 3,640,508.27 | 22,776,369.78 |
| Provision for other receivables | 2,600,638.08 | 10,403,902.29 | 2,711,760.38 | 10,875,753.49 |
| Accrued liabilities | - | - | 5,510,000.00 | 22,040,000.00 |
| Provision for fixed assets impairment | 609,946.05 | 2,664,057.68 | 638,247.96 | 3,844,571.35 |
| Others | 1,517,451.70 | 6,069,806.78 | 3,572,185.82 | 15,362,493.44 |
| | <u>78,911,669.35</u> | <u>391,296,470.77</u> | <u>68,895,938.25</u> | <u>371,242,028.53</u> |

(b) Deferred income tax liabilities

| | 30 June 2014 | | 31 December 2013 | |
|--|------------------------------------|--|------------------------------------|--|
| | Deferred income tax liabilities | Deductible temporary differences | Deferred income tax liabilities | Deductible temporary differences |
| Changes in fair value | 11,217,172.96 | 44,868,691.82 | 11,613,211.10 | 46,452,844.40 |
| Business combination involving entities not under common control | 9,931,575.49 | 39,726,301.93 | 9,219,687.61 | 40,822,520.57 |
| Others | 3,828,095.01 | 15,312,380.04 | 3,811,989.05 | 15,351,076.30 |
| | <u>24,976,843.46</u> | <u>99,907,373.79</u> | <u>24,644,887.76</u> | <u>102,626,441.27</u> |

(c) As at 30 June 2014, the Group has not recognised deferred tax assets in respect of deductible losses and other deductible temporary differences are listed as below.

| | 30 June 2014 | 31 December 2013 |
|----------------------------|---------------------|---------------------|
| Deductible losses(Note(i)) | <u>1,627,172.87</u> | <u>1,627,172.87</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

- (i) For those loss-making subsidiaries, the Group does not recognise deferred tax assets arising from accumulated losses amounting to RMB1,627,172.87 which are tax deductible under the tax law within 2014 to 2018.

As at 30 June 2014, the unrecognised deferred tax assets in respect of deductible losses will be expired as follows:

| Year | 30 June 2014 | 31 December 2013 |
|------|---------------------|---------------------|
| 2015 | <u>1,627,172.87</u> | <u>1,627,172.87</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(17) Provision for asset impairment

| | 31 December 2013 | Increases | Decreases | | 30 June 2014 |
|--|---------------------|---------------|----------------|-----------------|-----------------|
| | | | Reversal | Written off | |
| Bad debt provision | 35,935,165.04 | 1,517,564.27 | (3,096,308.59) | (1,280,792.09) | 33,075,628.63 |
| Including: | | | | | |
| Provision for accounts receivable | 25,059,411.55 | 1,479,880.30 | (2,586,773.42) | (1,280,792.09) | 22,671,726.34 |
| Provision for other receivables | 10,875,753.49 | 37,683.97 | (509,535.17) | - | 10,403,902.29 |
| Provision for declines in value of inventories | 22,776,369.78 | 9,412,913.01 | (444,618.86) | (15,189,050.88) | 16,555,613.05 |
| Provision for fixed assets | 5,339,925.14 | - | - | (1,168,265.97) | 4,171,659.17 |
| Provision for investment property impairment | 1,300,000.00 | - | - | - | 1,300,000.00 |
| Provision for intangible assets impairment | 3,000,000.00 | - | - | - | 3,000,000.00 |
| | 68,351,459.96 | 10,930,477.28 | (3,540,927.45) | (17,638,108.94) | 58,102,900.85 |

(18) Other non-current assets

| | 30 June 2014 | 31 December 2013 |
|--|----------------|------------------|
| Non-monetary compensation of resettlement (Note V(31)) | 70,250,000.00 | 70,250,000.00 |
| Medical reserve fund | 45,389,023.37 | 44,071,813.66 |
| Prepayment for equipment | 34,280,530.39 | 23,336,486.75 |
| Equity money in advance | - | 2,247,000.00 |
| | 149,919,553.76 | 139,905,300.41 |

(19) Short-term borrowings

(a) Bank borrowings are analysed by categories as follows:

| | Currency | 30 June 2014 | 31 December 2013 |
|-----------------------------------|----------|------------------|------------------|
| Unsecured borrowings (Note(i)) | RMB | 696,853,183.30 | 1,643,740,120.17 |
| Guaranteed borrowings (Note(ii)) | RMB | 499,501,360.34 | 551,532,001.78 |
| Discounted notes (Note V(2)(b)) | RMB | 190,267,307.20 | 122,197,293.96 |
| Pledged borrowings (Note V(3)(l)) | RMB | 14,180,323.50 | 27,472,173.20 |
| Entrusted borrowings | RMB | - | 400,000,000.00 |
| | | 1,400,802,174.34 | 2,744,941,589.11 |

(i) As at 30 June 2014, unsecured borrowings of RMB 656,853,183.30(31 December 2013: RMB1,323,740,120.17) are guaranteed by the Company and its subsidiaries, unsecured borrowings of RMB40,000,000.00(31 December 2013:RMB320,000,000.00) are lent by Sinopharm Group Financial Co., Ltd. ("Group Financial Co.").

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

- (ii) As at 30 June 2014, bank borrowings of RMB499,501,360.34(31 December 2013: RMB551,532,001.78) are guaranteed by Sinopharm Group;

As at 30 June 2014, the weighted average interest rate of short-term borrowings is 6.13% per annum (31 December 2012: 5.83%).

- (b) As at 30 June 2014, there were no expired bank borrowings(31 December 2013: Nil).

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For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(20) Notes payable

| | 30 June 2014 | 31 December 2013 |
|------------------------|-------------------------|-------------------------|
| Bank acceptance notes | 912,689,915.29 | 1,137,746,742.09 |
| Trade acceptance notes | 357,890,687.26 | 357,654,446.00 |
| | <u>1,270,580,602.55</u> | <u>1,495,401,188.09</u> |

As at 30 June 2014, notes receivable of RMB1,270,580,602.55 would be expired within 1 year (31 December 2013: RMB1,495,401,188.09).

(21) Accounts payable

| | 30 June 2014 | 31 December 2013 |
|---------------|-------------------------|-------------------------|
| Trade payable | <u>4,184,497,888.86</u> | <u>3,436,936,497.16</u> |

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

| | 30 June 2014 | 31 December 2013 |
|-----------------------------|----------------------|----------------------|
| Sinopharm Group(Note VI(6)) | <u>51,450,848.88</u> | <u>38,114,764.12</u> |

- (b) Accounts payable due to related party

As at 30 June 2014, there are accounts payable of RMB324,152,930.37 due to related party (31 December 2013: RMB249,751,993.01), which accounts for 7.75% of the total accounts payable (31 December 2013: 7.27%). (Note VI(6)).

- (c) As at 30 June 2014, accounts payable of RMB91,139,379.93 (31 December 2013: RMB92,581,168.79) 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:

| | 30 June 2014 | | | 31 December 2013 | | |
|-----|---------------------|---------------|---------------------|---------------------|---------------|---------------------|
| | Foreign Currency | Exchange rate | RMB | Foreign Currency | Exchange rate | RMB |
| USD | <u>1,448,670.50</u> | <u>6.1528</u> | <u>8,913,379.85</u> | <u>1,025,442.00</u> | <u>6.0969</u> | <u>6,252,017.33</u> |

(22) Advances from customers

| | 30 June 2014 | 31 December 2013 |
|--|--------------|------------------|
|--|--------------|------------------|

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

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For the six months ended 30 June 2014

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

| | | |
|---------------------------|---------------|---------------|
| Sales received in advance | 25,982,230.10 | 38,570,231.44 |
|---------------------------|---------------|---------------|

As at 30 June 2014, there are RMB174,496.65 of advances due to related party (31 December 2013: RMB129,139.99), which accounts for 0.67% of the total accounts payable (31 December 2013: 0.33%). (Note VI(6)).

As at 30 June 2014, advances from customers of RMB1,243,369.07 (31 December 2013: RMB1,307,064.22) were aged over 1 year. Before the financial statement is approved, no such long aged advance has been settled.

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Notes to financial statements

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

V Notes to the consolidated financial statements (continued)

(23) Employee benefits payable

| | 31 December 2013 | Current year additions | Current year reductions | 30 June 2014 |
|---|-----------------------|---------------------------|----------------------------|-----------------------|
| Wages and salaries, bonuses, allowances and subsidies | 134,064,138.60 | 221,066,667.61 | (258,907,827.06) | 96,222,979.15 |
| Staff welfare | 1,215,567.00 | 10,366,234.00 | (11,436,838.53) | 144,962.47 |
| Social security contributions | 912,142.97 | 27,424,673.98 | (27,390,975.07) | 945,841.88 |
| Including: | | | | |
| Medical insurance | 93,292.12 | 7,198,869.41 | (7,152,584.04) | 139,577.49 |
| Basic pensions | 692,682.31 | 17,992,302.13 | (17,986,945.17) | 698,039.27 |
| Unemployment insurance | 87,692.95 | 1,051,012.04 | (1,089,483.63) | 49,221.36 |
| Work injury insurance | 19,082.96 | 630,086.23 | (617,394.39) | 31,774.80 |
| Maternity insurance | 19,392.63 | 552,404.17 | (544,567.84) | 27,228.96 |
| Housing funds | 779,385.83 | 8,646,842.16 | (8,678,188.82) | 748,039.17 |
| Supplemental pensions | 593,860.97 | 1,653,502.47 | (347,960.60) | 1,899,402.84 |
| Labor union funds and employee education funds | 12,607,659.97 | 7,358,704.45 | (6,084,419.70) | 13,881,944.72 |
| Compensation for employee dismissal | 3,408,407.84 | 32,583.26 | (82,546.06) | 3,358,445.04 |
| Early retirement benefits | 4,809,240.00 | 112,841.14 | (461,566.60) | 4,460,514.54 |
| Others | 1,075,960.94 | 1,580,926.53 | (1,913,939.96) | 742,947.51 |
| | <u>159,466,364.12</u> | <u>278,242,975.60</u> | <u>(315,304,262.40)</u> | <u>122,405,077.32</u> |

As at 30 June 2014, there are no payroll payables in arrears. Most part of the payroll payables would be paid out in the coming year 2015.

(24) Taxes payable

| | 30 June 2014 | 31 December 2013 |
|---|---------------|------------------|
| Enterprise income tax payable | 53,091,040.16 | 42,539,425.26 |
| Value-added-tax payable | 16,837,078.56 | 16,407,977.00 |
| Water conservancy fund payable | 4,782,768.03 | 4,830,062.90 |
| Anti-flood fund payable | 2,627,776.56 | 4,517,546.01 |
| Stamp duty tax payable | 1,215,231.28 | 1,660,657.55 |
| City maintenance and construction tax payable | 1,462,300.80 | 1,296,993.82 |
| Real estate tax payable | 972,146.98 | 1,110,392.16 |
| Business tax payable | 1,248,722.50 | 967,037.88 |
| Educational surcharge payable | 1,033,385.52 | 933,092.63 |
| Rivers management fee payable | 463,368.44 | 428,177.78 |
| Individual income tax payable | 2,847,092.10 | 1,224,396.25 |

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

| | | |
|--------|---------------|---------------|
| Others | 473,939.50 | 129,500.80 |
| | 87,054,850.43 | 76,045,260.04 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | 30 June 2014 | 31 December 2013 |
|--|---------------------|----------------------|
| Short term borrowing interests payable | 9,672,066.00 | 13,065,850.14 |
| Long term borrowing interests payable | 18,015.21 | - |
| | <u>9,690,081.21</u> | <u>13,065,850.14</u> |

(26) Other payables

| | 30 June 2014 | 31 December 2013 |
|---|-----------------------|-----------------------|
| Accrued selling and distribution expenses | 217,427,657.34 | 179,075,786.05 |
| Amount collected on behalf of third party | 156,377,886.98 | 135,601,089.66 |
| Payables for construction in progress and equipment | 70,313,271.00 | 66,609,945.42 |
| Deposit | 14,687,602.72 | 19,990,983.83 |
| Compensation payment for suspension of chebei project (Note V (28)) | - | 12,620,000.00 |
| Equity transaction payable | 15,140,803.17 | 11,415,803.17 |
| Others | 74,557,586.37 | 70,788,639.26 |
| | <u>548,504,807.58</u> | <u>496,102,247.39</u> |

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

| | 30 June 2014 | 31 December 2013 |
|------------------------------|---------------------|---------------------|
| Sinopharm Group(Note VI (6)) | <u>4,530,696.87</u> | <u>4,530,696.87</u> |

- (b) Other payables due to related party

As at 30 June 2014, there are other payables of RMB16,030,612.59 due to related party (31 December 2013: RMB12,732,813.77), which accounts for 2.92% of the total other payables (31 December 2013: 2.57%). (Note VI(6)).

- (c) As at 30 June 2014, other payables of RMB108,496,305.15 (31 December 2013: RMB81,693,772.92) were aged over 1 year, which were mainly for accrued selling expenses. Before the financial statement is approved, no such long aged accounts payable have been settled.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | 30 June 2014 | 31 December 2013 |
|---------------------------|--------------|------------------|
| Promotion rewards program | | |
| - due within one year | 6,733,400.00 | 7,800,000.00 |

(28) Other non-current liabilities

| | 30 June 2014 | 31 December 2013 |
|-------------------------------|--------------|------------------|
| Accrued liabilities (Note(a)) | - | 22,040,000.00 |

- (a) In March 2010, the Group signed a contract about real estate development project cooperation on the Group's Land (hereinafter referred to as "the Cooperative Contract") with a real estate development company (hereinafter referred to as "the Other Contract Party"). The project had never substantively started after the contract was signed. In 2012, the Group determined to terminate the contract based on development planning. The Other Contract Party took legal proceeding against the Group to the People's Court of Tianhe District to pay for the remaining compensation, late penalty and double the compensation. On 10 May 2013, the Group received the first civil judgement that the Group need to pay the Other Contract Party the remaining compensation RMB11.02 million, later penalty RMB11.02 million and the doubled compensation RMB11.02 million. The Group appeal against the judgement made by People's Court of Tianhe District, as the Group wasn't satisfied with the judgement. As of 14 February 2014, the Group received the final civil judgement from Intermediate People's Court of Tianhe District, that the late penalty of RMB11.02 million was rejected. As both parties are entitled to apply to People's Court for retrial within six months, Management believes it's not able to make a reliable estimate of the final outcome of the contract dispute. Therefore, the Group accrued the provision and recognised non-operating expenses of RMB22.04 for prudence (Note V(43)). Up to the report day, as the time limit for retrial has expired, the Group hasn't been noticed of a retrial, the Group therefore reverse the rejected late penalty and recognized it as non-operating income (Note V(42)). The remaining compensation and doubled compensation was paid according to the judgement.

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

V Notes to the consolidated financial statements (continued)

(29) Long-term borrowings

| | Currency | 30 June 2014 | 31 December 2013 |
|--------------------------|----------|----------------------|------------------|
| Unsecured borrowings | RMB | 8,095,448.00 | - |
| Entrusted borrowings (i) | RMB | 31,600,000.00 | - |
| | | <u>39,695,448.00</u> | <u>-</u> |

- (i) As at 30 June 2014, consigned loan of RMB31,600,000.00 is lend by CNPGC through Group Financial Co. (31 December 2013: Nil).

As at 30 June 2014, the weighted average interest rate of long-term borrowings 5.70% (31 December 2013: Nil)

(a) Top two long-term borrowing

| | Borrowing date | Repayment date | Currency | Interest rate per annum (%) | 30 June 2014 | 31 December 2013 |
|--|----------------|----------------|----------|-----------------------------|---------------|------------------|
| The State Development Bank Shenzhen branch | 4 April 2014 | 4 April 2022 | RMB | 6.88% | 8,095,448.00 | - |
| CNPGC | 7 May 2014 | 7 May 2017 | RMB | 5.40% | 31,600,000.00 | - |

(30) Payables for specific projects

| | 30 June 2014 | 31 December 2013 |
|---|---------------------|---------------------|
| Sepecial funds granted by government | 852,000.00 | 852,000.00 |
| Government grants for ERP system construction | 435,000.00 | 435,000.00 |
| Industrial technology funds | 3,000,000.00 | 3,000,000.00 |
| | <u>4,287,000.00</u> | <u>4,287,000.00</u> |

(31) Other non-current liabilities

| | 30 June 2014 | 31 December 2013 |
|---------------------------------|-----------------------|-----------------------|
| Deferred income(Note(a)) | 179,335,747.55 | 176,531,418.18 |
| Medical reserve funds (Note(b)) | 45,427,343.31 | 45,427,343.31 |
| | <u>224,763,090.86</u> | <u>221,958,761.49</u> |

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Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(31) Other non-current liabilities(continued)

(a) Deferred income

| | 30 June 2014 | 31 December 2013 |
|--|-----------------------|-----------------------|
| Government grants | | |
| Resettlement Compansation(i) | 87,698,279.69 | 89,047,483.97 |
| Cephalosporin Solid Preparations Development Project | 15,000,000.00 | 15,000,000.00 |
| Guangxi Logistics Project | 5,871,493.35 | 6,006,695.79 |
| 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 | 5,000,000.00 |
| Cephalosporin Powder Injection Passing EU-GMP Authentication | 5,000,000.00 | 5,000,000.00 |
| Esomeprazole Magnesium Enteric-coated Pellets Industrial R&D Projects | 2,668,537.40 | 2,700,000.00 |
| Cefpirome Sulfate R&D Project | 2,515,089.58 | 2,637,395.56 |
| Shared Logistics Center(completed) | 1,694,615.30 | 2,163,761.90 |
| Cefixime Particles Prescription Process Improvement and Industrial Project | 2,000,000.00 | 2,000,000.00 |
| New Cephalosporin R&D Project | 1,524,640.66 | 1,829,887.42 |
| Other Projects(in progress) | 16,770,026.00 | 10,091,515.54 |
| | <u>155,742,681.98</u> | <u>151,476,740.18</u> |
| Promotion Rewards Program | 23,593,065.57 | 25,054,678.00 |
| | <u>179,335,747.55</u> | <u>176,531,418.18</u> |

| | 31 December 2013 | Current year addition | Amount included in non-operating income in 2014 | 30 June 2014 | Related to income/assets |
|--|------------------|-----------------------|---|---------------|--------------------------|
| Government grants programme | | | | | |
| Resettlement Compansation(i) | 89,047,483.97 | - | (1,349,204.28) | 87,698,279.69 | Related to assets |
| Cephalosporin Solid Preparation Development Project | 15,000,000.00 | - | - | 15,000,000.00 | Related to assets |
| Guangxi Logistics Project | 6,006,695.79 | - | (135,202.44) | 5,871,493.35 | Related to assets |
| R&D Library | 5,000,000.00 | - | - | 5,000,000.00 | Related to assets |
| Medical R&D center II | 5,000,000.00 | - | - | 5,000,000.00 | Related to assets |
| Medication for Stomach Disease R&D Project | 5,000,000.00 | - | - | 5,000,000.00 | Related to assets |
| Cephalosporin Powder Injection Passing EU-GMP Authentication | 5,000,000.00 | - | - | 5,000,000.00 | Related to assets |
| Esomeprazole Magnesium Enteric-coated Pellets Industrial R&D Projects | 2,700,000.00 | - | (31,462.60) | 2,668,537.40 | Related to assets |
| Cefpirome Sulfate R&D Project | 2,637,395.56 | - | (122,305.98) | 2,515,089.58 | Related to assets |
| Shared Logistics Center | 2,163,761.90 | - | (469,146.60) | 1,694,615.30 | Related to assets |
| Cefixime Particles Prescription Process Improvement and Industrial Project | 2,000,000.00 | - | - | 2,000,000.00 | Related to assets |
| New Cephalosporin R&D Project | 1,829,887.42 | - | (305,246.76) | 1,524,640.66 | Related to assets |
| Other projects | 10,091,515.54 | 7,700,000.00 | (1,021,489.54) | 16,770,026.00 | Related to assets |

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

| | | | |
|----------------|--------------|----------------|----------------|
| 151,476,740.18 | 7,700,000.00 | (3,434,058.20) | 155,742,681.98 |
|----------------|--------------|----------------|----------------|

- (i) Because the Nanning Government planned to reconstruction of the old urban area, a subsidiary of the company, Guangxi Logistics, which located in Nanning Longteng Road need to relocated. According to compensation agreement signed in May, 2012, the company obtained RMB120,250,000.00 compensation for the demolition carried out by the government, including cash compensation amounted RMB50,000,000.00 and another physical compensation amounted RMB70,250,000.00 would be received in year 2015 when completion(Note V(18)). Amounting to RMB93,320,000.00 relating to capital expenditure for reconstruction was recognised as deferred income, which would be amortised to profit or loss over the useful life of the related asset; others was recognised in profit or loss in 2012.
- (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.

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Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(32) Share capital

| | 30 June 2014 | 31 December 2013 |
|--|-----------------------|-----------------------|
| 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 |
| Restricted share-shares held by state - owned companies(i) | 74,482,543.00 | - |
| | <u>362,631,943.00</u> | <u>288,149,400.00</u> |

- (i) In 28 February 2014, the Company was permitted to issue ordinary shares (A share) to Sinopharm Group, a domestic investor according to Document [2014] No. 232 《关于核准国药集团一致药业股份有限公司非公开发行股票的批复》 issued by China Securities Regulatory Commission. Face value of the stock is RMB 1 yuan, the number issued is 74,482,543 (The shares shall not be transferred within 36 months since the issued day.) and the issue price is RMB 26.07 Yuan.

Through the non-public offering of ordinary shares (A share), the Company has received funding of RMB 1,941,759,896.01, including the increase of equity of RMB 74,482,543.00, the increase of capital reserve of RMB 1,854,582,870.47 (expenses related to the issuance of RMB 12,694,482.54 has been deducted, while the interest income generated from purchasing funds during the freezing period of issuance). All increase of capital has been invested with cash in RMB.

These funds has been gathered by 14 March 2014, and verified by PricewaterhouseCoopers Zhong Tian LLP, Guangzhou Branch with the capital verification report 普华永道中天验字(2014)第 132 号.

(33) Capital surplus

| | 31 December 2013 | Current year addition | Current year reductions | 30 June 2014 |
|---|---------------------|--------------------------|----------------------------|-------------------------|
| The share premium (Note(32)) | - | 1,854,582,870.47 | - | 1,854,582,870.47 |
| 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 | 720,000.00 | - | - | 720,000.00 |
| | <u>5,750,338.57</u> | <u>1,854,582,870.47</u> | <u>-</u> | <u>1,860,333,209.04</u> |
| | 31 December 2012 | Current year addition | Current year reductions | 31 December 2013 |
| 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 | 520,000.00 | 200,000.00 | - | 720,000.00 |

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Notes to financial statements

For the six months ended 30 June 2014

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

| | | | | |
|--|--------------|------------|---|--------------|
| | 5,550,338.57 | 200,000.00 | - | 5,750,338.57 |
|--|--------------|------------|---|--------------|

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(34) Surplus reserve

| | 31 December 2013 | Current year additions | Current year reductions | 30 June 2014 |
|---------------------------|---------------------|---------------------------|----------------------------|------------------|
| Statutory surplus reserve | 144,855,634.40 | - | - | 144,855,634.40 |
| | 31 December 2012 | Current year additions | Current year reductions | 31 December 2013 |
| Statutory surplus reserve | 99,360,384.15 | 45,495,250.25 | - | 144,855,634.40 |

(35) Undistributed profits

| | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---|--|-----------------------|--|-----------------------|
| | Amount | Appropriation rate | Amount | Appropriation rate |
| Undistributed profits at beginning of year | 1,806,002,285.06 | | 1,382,882,906.24 | |
| Add: net profit attributable to the shareholders of the company | 349,213,988.51 | | 520,488,198.80 | |
| Less: appropriation of statutory surplus reserve (Note V(34)) | - | | (45,495,250.25) | 10% |
| Dividends (a) | (65,273,749.74) | | (51,866,892.00) | |
| Other outflow | - | | (6,677.73) | |
| Ending balance of retained earnings | 2,089,942,523.83 | | 1,806,002,285.06 | |

- (a) Pursuant to the resolution of General Meeting on 19 April 2014, cash dividends of RMB65,273,749.74 (RMB1.8 per 10 shares) was paid based on the issued shares of 362,631,943.

(36) Minority Interest

Minority interests are analysed as below:

| | 30 June 2014 | 31 December 2013 |
|--------------------|---------------|------------------|
| Sinopharm Liuzhou | 46,980,175.66 | 41,954,133.73 |
| Sinopharm Yanfeng | 26,352,684.01 | 23,410,777.54 |
| Sinopharm Shaoguan | 5,945,695.81 | 6,507,084.81 |
| Sinopharm Shantou | 3,078,481.00 | - |
| Sinopharm Wuzhou | 7,812.11 | 7,410.46 |
| | 82,364,848.59 | 71,879,406.54 |

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Notes to financial statements

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

V Notes to the consolidated financial statements (continued)

(37) Sales and cost of sales

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2014 |
|----------------------------|--|--|
| Revenue of main operations | 11,574,073,952.48 | 10,074,492,043.06 |
| Other operating income | 38,568,481.80 | 57,220,647.38 |
| | <u>11,612,642,434.28</u> | <u>10,131,712,690.44</u> |
| | For the six months ended 30 June 2014 | For the six months ended 30 June 2014 |
| Cost of main operations | (10,617,207,480.60) | (9,249,427,107.76) |
| Other operating expenses | (9,560,176.64) | (30,028,197.77) |
| | <u>(10,626,767,657.24)</u> | <u>(9,279,455,305.53)</u> |

(a) Revenue and cost of main operations

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

| | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---------------------------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | Revenue of main operations | Cost of main operations | Revenue of main operations | Cost of main operations |
| Pharmaceutical distribution | 10,661,045,598.03 | (10,075,415,498.70) | 9,189,991,363.76 | (8,720,715,328.37) |
| Pharmaceutical manufacturing | 895,189,021.00 | (532,012,356.98) | 861,761,411.80 | (515,258,589.23) |
| Logistics and freights | 12,711,331.79 | (8,499,455.86) | 18,252,493.23 | (11,687,475.17) |
| Rental and training income | 5,128,001.66 | (1,280,169.06) | 4,486,774.27 | (1,765,714.99) |
| | <u>11,574,073,952.48</u> | <u>(10,617,207,480.60)</u> | <u>10,074,492,043.06</u> | <u>(9,249,427,107.76)</u> |

(b) Other operating income and expenses

| | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| | Other operating income | Other operating expenses | Other operating income | Other operating expenses |
| Sales of raw materials | 5,360,332.87 | (6,371,865.47) | 25,287,399.41 | (26,364,532.45) |
| Rental income | 10,494,549.39 | (1,173,951.57) | 10,090,064.69 | (1,048,773.75) |
| Rendering of services | 22,713,599.54 | (2,014,359.60) | 21,686,782.45 | (1,743,367.20) |
| Others | - | - | 156,400.83 | (871,524.37) |
| | <u>38,568,481.80</u> | <u>(9,560,176.64)</u> | <u>57,220,647.38</u> | <u>(30,028,197.77)</u> |

(c) Top five customers are analysed as follows:

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The sales to top five customers of the Group amounted to RMB692,947,593.89, which accounted for 5.97% of the total revenue from main operations. Details are set out below:

| | Sales | % of total sales of the Group |
|---|-----------------------|-------------------------------|
| The First Affiliated Hospital of GuangXi Medical University | 179,770,199.71 | 1.55% |
| Disease Control and Prevention Center of Guangdong Province | 152,149,317.28 | 1.31% |
| Nanfang Hospital of Southern Medical University | 123,906,197.83 | 1.07% |
| The Affiliated Tumor Hospital of Sun Yet-Sen University | 123,535,671.31 | 1.06% |
| China Resources Guangdong Pharmaceutical Co., Ltd | 113,586,207.76 | 0.98% |
| | <u>692,947,593.89</u> | <u>5.97%</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

V Notes to the consolidated financial statements (continued)**(38) Tax and surcharges**

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---------------------------------------|--|--|
| Business tax | 3,581,457.89 | 3,062,195.30 |
| City maintenance and construction tax | 13,024,580.97 | 11,003,775.72 |
| Educational surcharge | 9,436,144.77 | 7,858,049.22 |
| Others | 1,430,529.90 | 1,402,211.43 |
| | <u>27,472,713.53</u> | <u>23,326,231.67</u> |

(39) Financial expenses – net

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|-----------------------|--|--|
| Interest expenses | 86,209,674.28 | 82,720,265.02 |
| Less: interest income | (4,223,008.09) | (2,292,175.64) |
| discount in cash | (17,547,093.60) | (9,496,329.83) |
| Exchange losses | 107,893.77 | 45,433.64 |
| Others | 6,384,258.74 | 5,491,457.64 |
| | <u>70,931,725.10</u> | <u>76,468,650.83</u> |

(40) Assets impairment losses

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|-----------------------------------|--|--|
| Bad debts | (1,655,386.78) | 1,262,307.12 |
| Declines in values of inventories | 8,968,294.15 | 15,545,351.60 |
| | <u>7,312,907.37</u> | <u>16,807,658.72</u> |

(41) Investment income

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|--|--|
| Share of profit of investees under equity method (Note a) | <u>23,595,722.50</u> | <u>18,576,985.34</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.

(42) Non-operating income

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|--|--|
|--|--|--|

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|----------------------------------|----------------------|----------------------|
| Government grants (Note a) | 14,575,338.73 | 12,384,950.86 |
| Reversal of unpaid compensation | 11,862,275.78 | - |
| Payment written off | 811,269.33 | 9,425,827.28 |
| Gain on disposal of fixed assets | 500,989.54 | 32,537.89 |
| Others | 586,191.95 | 292,414.61 |
| | <u>28,336,065.33</u> | <u>22,135,730.64</u> |

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

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Notes to financial statements

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

V Notes to the consolidated financial statements (continued)

(42) Non-operating income(continued)

(a) Government grants

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | Note |
|--|--|--|--|
| <i>Government grants related to assets</i> | | | |
| Resettlement compensation-amortization of assets | 1,349,204.28 | 1,412,978.16 | Transfer from deferred amortization income |
| Others | 2,084,853.92 | 990,380.90 | Transfer from deferred amortization income |
| <i>Government grants related to income</i> | | | |
| Industrial subsidies | 3,277,100.00 | - | High-tech industries and emerging industry subsidies |
| Tax return | 6,060,187.00 | 7,052,996.58 | Tax return |
| Government-funded interest discount | 1,049,200.00 | 647,930.50 | Fiscal interest discount |
| Other | 754,793.53 | 2,280,664.72 | Subsidy for contribution |
| | <u>14,575,338.73</u> | <u>12,384,950.86</u> | |

(43) Non-operating expenses

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|--|--|
| Compensation payment for suspension of chebei project (Note V (28)(a)) | - | 22,040,000.00 |
| Losses on disposal of fixed assets | 64,238.16 | 28,872.00 |
| Donation | 410,000.00 | - |
| Others | 733,259.19 | 50,189.64 |
| | <u>1,207,497.35</u> | <u>22,119,061.64</u> |

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

(44) Income taxes expenses

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---------------------|---|--|
| Current income tax | 91,607,455.92 | 71,756,396.40 |
| Deferred income tax | (5,276,159.17) | (10,814,151.64) |
| | <u>86,331,296.75</u> | <u>60,942,244.76</u> |

(45) Earnings per share

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

(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:

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|---|---|
| Consolidated net profit attributable to shareholders of the Company | 349,213,988.52 | 260,794,678.64 |
| Weighted average number of ordinary shares in issue | 325,390,671.50 | 288,149,400.00 |
| Basic earnings per share | 1.073 | 0.905 |
| Including: | | |
| Basic earnings per share on going | 1.073 | 0.905 |

V Notes to the consolidated financial statements (continued)**(45) Earnings per share(continued)****(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 (For the six months ended 30 June 2013: nil), the diluted earnings per share equals the basic earnings per share.

(46) Cash received relating to other operating activities**(a) Cash received relating to other operating activities**

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|---|---|
| Rental income | 8,320,925.55 | 10,090,064.69 |
| Other government subsidies in addition to receive tax refunds outside | 2,700,000.00 | 4,603,595.22 |
| Others | 42,427,512.01 | 24,129,563.11 |
| | 53,448,437.56 | 38,823,223.02 |

(b) Cash paid relating to other operating activities

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|---|---|
| Compensation payment for suspension of chebei project | 22,797,724.22 | - |
| Entertainment expenses | 14,493,219.02 | 15,495,391.10 |
| Rental expenses | 16,066,215.94 | 6,541,396.42 |

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

| | | |
|-----------------------------------|-----------------------|-----------------------|
| Travel expenses | 12,658,679.23 | 10,951,613.09 |
| Research and development expenses | 11,553,667.63 | 8,584,549.31 |
| Advertising expenses | 8,223,830.25 | 8,876,379.11 |
| Bank charges | 6,014,112.01 | 4,928,733.17 |
| Other | 92,391,826.17 | 98,513,134.21 |
| | <u>184,199,274.47</u> | <u>153,891,196.41</u> |

(c) Cash received relating to other investing activities

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|---|---|
| Net cash received from acquisition of subsidiaries (Note(47)(d)) | <u>3,598,827.09</u> | <u>-</u> |

(d) Cash received relating to other financing activities

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|---|---|
| Entrusted borrowings borrowed from Sinopharm Group | 31,600,000.00 | - |
| Other | <u>20,776,797.32</u> | <u>-</u> |
| | <u>52,376,797.32</u> | <u>-</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

V Notes to the consolidated financial statements (continued)**(46) Cash received relating to other operating activities(continued)****(e) Cash payments relating to other financing activities**

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--------|---|---|
| Others | 3,235,784.18 | 48,947,088.25 |

(47) Supplementary information of cash flow statements**(a) Supplementary information of cash flow statements****Reconciliation of net profit to cash flows from operating activities**

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|---|---|
| Net profit | 357,587,430.56 | 267,800,167.11 |
| Add:Provision for assets impairment | 7,312,907.37 | 16,807,658.72 |
| Depreciation of fixed assets and investment properties | 48,039,480.50 | 45,450,272.17 |
| Amortisation of intangible assets | 3,836,803.21 | 4,601,419.99 |
| Amortisation of long-term prepaid expenses | 4,039,734.82 | 2,709,268.12 |
| Gains on disposal of fixed assets, and other non-current assets | (436,751.38) | (3,665.89) |
| Financial expenses | 89,553,352.23 | 82,765,700.14 |
| Investment income | (23,595,722.50) | (18,576,985.34) |
| Increase of deferred tax assets | (9,520,865.56) | (9,995,275.31) |
| Increase/ (decrease) of deferred tax liabilities | 331,955.70 | (818,876.33) |
| Increase of inventory | (368,787,212.56) | (5,166,401.30) |
| Increase in operating receivables | (691,530,669.43) | (902,816,610.27) |
| Increase in operating payables | 91,345,803.58 | 732,402,755.13 |
| Decrease in operating cash with restriction | 7,107,945.50 | 23,117,446.14 |
| Net cash flow from operating activities | (484,715,807.96) | 238,276,873.08 |

Significant non-cash investing activities

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|---|---|
| Properties constructed with endorsed notes receivables | 10,285,964.14 | 16,349,298.55 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

Movement of cash

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---------------------------------|---|---|
| Cash at end of period | 1,409,385,573.73 | 882,311,241.61 |
| Less: cash at beginning of year | <u>(1,097,948,354.45)</u> | <u>(920,748,043.53)</u> |
| Net increase in cash | <u>311,437,219.28</u> | <u>(38,436,801.92)</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

V Notes to the consolidated financial statements (continued)

(47) Supplementary information of cash flow statements(continued)

(b) Acquisition of subsidiaries and operating unit

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|---|---|
| The consideration of acquisition | 7,490,000.00 | - |
| Consideration settled in cash | - | - |
| Less: cash in the subsidiaries and business acquired | (5,116,827.09) | - |
| Add: cash paid for prior year acquisition | 1,518,000.00 | - |
| Net cash outflow on acquisition of the subsidiaries and business | (3,598,827.09) | - |

(c) Cash

| | 30 June 2014 | 30 June 2013 |
|--------------------------|------------------|----------------|
| Cash at end of period | 1,409,385,573.73 | 882,311,241.61 |
| Including: Cash on hand | 105,347.04 | 45,748.49 |
| Call deposits with banks | 1,409,280,226.69 | 882,265,493.12 |
| Restricted cash | 8,505,911.70 | 10,126,580.95 |
| Cash at bank and on hand | 1,417,891,485.43 | 892,437,822.56 |

VI 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 | Wei Yulin | Industrial Investment Holding, Trustee of pharmaceutical enterprise, Distribution and retail of medicines and pharmaceutical products, etc |

The Company's ultimate controlling equity holder is CNPGC.

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

| 31 December 2013 (RMB'0,000) | Current year addition (RMB'0,000) | 30 June 2014 (RMB'0,000) |
|---------------------------------|--------------------------------------|-----------------------------|
|---------------------------------|--------------------------------------|-----------------------------|

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | |
|-----------------|------------|---|------------|
| Sinopharm Group | 256,829.35 | - | 256,829.35 |
|-----------------|------------|---|------------|

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

| | 30 June 2014 | | 31 December 2013 | |
|-----------------|-----------------|-----------------|------------------|-----------------|
| | % interest held | % voting rights | % interest held | % voting rights |
| Sinopharm Group | 51.00 | 51.00 | 38.33 | 38.33 |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

VI Related party relationships and significant related party transactions (continued)**(2) Subsidiaries of the Company**

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

(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 |
|--|-------------------------------|
| Sinopharm Holding Sub Marketing Center Co., Ltd. | Controlled by CNPGC |
| China National Medicines Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Hunan Co., Ltd. | Controlled by CNPGC |
| Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. | Controlled by CNPGC |
| Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Beijing Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jiangsu Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Hainan Co., Ltd. | Controlled by CNPGC |
| Sinopharm Group Chemical Reagent Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Guizhou Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Zhangzhou Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Beijing Huahong Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Hubei Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Fujian Co., Ltd. | Controlled by CNPGC |
| Sinopharm Yixin Medicine Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Fuzhou Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Suzhou Co., Ltd. | Controlled by CNPGC |
| Foshan Nanhai Medicine Co., Ltd. | Controlled by CNPGC |
| Foshan Nanhai Medicine Group Co., Ltd. | Controlled by CNPGC |
| Sinopharm Group Chemical Reagent Suzhou Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Chongqing Co., Ltd. | Controlled by CNPGC |
| Sinopharm Group Guorui Medicine Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Dezhou Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Hainan Hongyi Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Yunnan Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Putian Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch | Controlled by CNPGC |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

Co., Ltd.

| | |
|--|---------------------|
| Sinopharm Guoda Drug Store(Shenzhen) Chain Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shandong Co., Ltd. | Controlled by CNPGC |
| Sinopharm Le -Ren-Tang Medicine Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Group Xinjiang Special Drugs National PharmaceuticalCo.,Ltd. | Controlled by CNPGC |
| Sinopharm Group Southwest Medicine Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Ningxia Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Tianjin Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Guoda Drug Store Guangxi Chain Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Zhejiang Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Nantong Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Gansu Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shenyang Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Wenzhou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jinzhou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Henan Co.,Ltd. | Controlled by CNPGC |
| China Pharmaceutical Group Shanxi Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Heilongjiang Co.,Ltd. | Controlled by CNPGC |

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

| | Relationship with the Company |
|---|-------------------------------|
| Sinopharm Holding YangzhouCo.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shaanxi Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shanxi Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Xuzhou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Guoda Drug Store Jiangmen Chain Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jilin Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Wuxi Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Guoda Pharmacy Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Yancheng Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Dalian Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Linyi Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Taizhou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Inner Mongolia Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Tianjin North Medicine Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Qinghai Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shanghai Likang Pharmaceutical Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Changzhou Medical logistics center Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Longyan Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Ningde Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Lerentang Tangshan Medicine Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jinan Co.,Ltd. | Controlled by CNPGC |
| Shanghai YunnuoMarketing Consulting Co.,Ltd. | Controlled by CNPGC |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | |
|--|---------------------|
| Sinopharm Holding Qingdao Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jiangxi Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Yantai Co.,Ltd. | Controlled by CNPGC |
| Shanghai Donghong MedicineCo.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Wuhu Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Anqing Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Quanzhou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Huaian Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Sanming Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Lerentang Qinhuangdao Medicine Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Changzhou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Anhui Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding ChiFeng Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Xinjiang New Kashi Pharmaceutical Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding HongKong Co.,Ltd. | Controlled by CNPGC |
| Shanxi Guoyi Drug StoreCo.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Zunyi Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shiyan Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Qujing Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Xinjiang Korla Pharmaceutical Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Zhoukou Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Shangqiu Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jingmen Co.,Ltd. | Controlled by CNPGC |
| Shanghai Nutraceuticals (Shanghai) Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Yueyang Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Nanping Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Lishui Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Tongliao Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Xinxiang Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Puyang Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Guoda Drug Store Guangzhou Chain Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding SipingCo.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Macheng Co.,Ltd. | Controlled by CNPGC |
| Xiamen Xingsha Huaideju Pharmaceutical Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Dandong Co.,Ltd. | |

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

| | Relationship with the Company |
|--|-------------------------------|
| Sinopharm holding Zhejiang Biological Products Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jingzhou Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Medical DevicesCo., Ltd. | Controlled by CNPGC |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | |
|---|-------------------------------|
| Sinopharm Holding Qianxinan Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Honghe Co., Ltd. | Controlled by CNPGC |
| Shanghai Huyong Pharmaceutical Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jiaozuo Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Changde Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Anyang Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Kaifeng Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Xinyu Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Group Medicine Logistic Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | Controlled by CNPGC |
| Shanghai Tongyu Information Technology Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Bengbu Co.,Ltd. | Controlled by CNPGC |
| Sinopharm Holding Hunan Guoda Minshengtang Drug Store Chain Co., Ltd. | Controlled by CNPGC |
| Sinopharm holding Shenyang Guoda pharmacy chain Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd. | Controlled by CNPGC |
| China National Pharmaceutical Group Shanghai Co., Ltd. | Controlled by CNPGC |
| Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd. | Controlled by CNPGC |
| Sinopharm Pharmaceutical Logistics Co., Ltd. Guangzhou Branch | Controlled by CNPGC |
| Sinopharm Holding Liaocheng Co., Ltd. | Controlled by CNPGC |
| Sinopharm Jiankun (Beijing) Medicines Co., Ltd. | Controlled by CNPGC |
| Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd. | Controlled by CNPGC |
| Shanghai Meiluo Medicine Co., Ltd. | Controlled by CNPGC |
| Sinopharm Holding Jining Co., Ltd. | Controlled by CNPGC |
| Group Financial Co. | Controlled by Sinopharm Group |
| Guang dong South Pharmaceutical Foreign Trade Co., Ltd. | Controlled by Sinopharm Group |
| Chengdu Rongsheng Pharmacy Co., Ltd. | Controlled by Sinopharm Group |
| Foshan Yingtian Pharmaceutical Sales Co., Ltd. | Controlled by Sinopharm Group |
| Lanzhou Biotechnology Development Co., Ltd. | Controlled by Sinopharm Group |
| Chinese medicine industry and Drug Sales Co. Ltd. | Controlled by Sinopharm Group |
| Huayi Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| Wuhan Institute of Biological Products Co., Ltd. | Controlled by Sinopharm Group |
| Sinopharm Group Weiqida Medicine Co., Ltd. | Controlled by Sinopharm Group |
| Guizhou Tongjitang Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| China National Pharmaceutical Foreign Trade Co., Ltd. | Controlled by Sinopharm Group |
| Shanghai Shyndec Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| Sinopharm Group Rongsheng Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| Anhui Jingfang Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| Shanghai Institute of Biological Products Co., Ltd. | Controlled by Sinopharm Group |
| Shandong Lu Ya Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| Shanghai Modern Hasen (Shangqiu) Pharmacertical Co., Ltd. | Controlled by Sinopharm Group |
| China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd. | Controlled by Sinopharm Group |
| Guizhou Longlife Pharmacertical Co., Ltd. | Controlled by Sinopharm Group |
| Guangdong Medi-World Pharmacertical Co., Ltd. | Controlled by Sinopharm Group |
| Qinghai Pharmaceutical Factory Co., Ltd. | Controlled by Sinopharm Group |
| China medicine company | Controlled by Sinopharm Group |
| Wuhan Zhonglian Pharmaceutical Group Co., Ltd. | Controlled by Sinopharm Group |
| China Sinopharm International Corporation | Controlled by Sinopharm Group |
| Reed Sinopharm Exhibitions Co., Ltd. | Controlled by Sinopharm Group |
| China National Scientific Instruments & Materials Corporation | Controlled by Sinopharm Group |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | |
|--|-------------------------------|
| Heilongjiang Sinopharm Medical Herbs Co., Ltd. | Controlled by Sinopharm Group |
| Sinopharm Fortuneway Company | Controlled by Sinopharm Group |
| Sinopharm United Engineering Corporation | Controlled by Sinopharm Group |
| Beijing Fusheng Tiandi Property Management Ltd. | Controlled by Sinopharm Group |
| The Chinese medicine (Shanghai) Agel Ecommerce Ltd | Controlled by Sinopharm Group |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | Relationship with the Company |
|---|--|
| Sinopharm Group Guangdong Province medical instrument limited company | Controlled by Sinopharm Group |
| Shanghai Institute of Pharmaceutical Industry | Controlled by Sinopharm Group |
| Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute | Controlled by Sinopharm Group |
| China State Institute of Pharmaceutical Industry | Controlled by Sinopharm Group |
| Foshan Dezhong Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| Sinopharm Group Beijing Medical equipment Co., Ltd. | Controlled by Sinopharm Group |
| Foshan Fengliaoqing Pharmaceutical Co., Ltd. | Controlled by Sinopharm Group |
| The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group | Controlled by Sinopharm Group |
| Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd. | Controlled by Sinopharm Group |
| Winteam Pharmaceutical Group Co., Ltd. | Controlled by Sinopharm Group |
| Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharm") | Shareholders have significant influence on Sinopharm Group |
| Jiangsu Wanbang Pharmacy Marketing Co., Ltd. | Subsidiary of Fosun Pharm |
| Chongqing Yaoyou Pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Chongqing Haisiman Pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Guilin South pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Handan Pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Hunan Dongting Pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Shanghai Chaohui Pharmecurical Co., Ltd. | Subsidiary of Fosun Pharm |
| Foshan Chancheng District Central Hospital | Subsidiary of Fosun Pharm |
| Wanbang Biopharmaceuticals | Subsidiary of Fosun Pharm |
| Shanghai Fosun Pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Jiangsu the Yellow River pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Shenyang Hongqi Pharmaceutical Co., Ltd. | Subsidiary of Fosun Pharm |
| Wang Yang | Family member of minority interest of subsidiary |
| Shaoguan Wujang District Muyang Medicine Information Consultant Co., Ltd. | Controlled by minority interest of subsidiary |
| Yichang Humanwell Pharmaceutical Co., Ltd. | Associate of Sinopharm Group |
| Renaissance Shanghai Medical Beauty Clinic Co. Ltd. | Associate of Sinopharm Group |
| Sino-Swed Pharmaceutical Corp.Ltd. | Associate of Sinopharm Group |
| China Otsuka Pharmaceutical Co., Ltd. | Associate of Sinopharm Group |
| Shanghai Sailun Biological Technology Co., Ltd. | Associate of Sinopharm Group |
| Shenzhen Wanwei Medicine trading Co., Ltd. | Controlled by Wanle |
| Jiang Meng Renren Medical instrument Co., Ltd. | Controlled by subsidiary's key management |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions

(a) Purchase of goods

| Related party | Pricing policies | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---|------------------|--|-----------------------|--|-----------------------|
| | | Amount | % of same transaction | Amount | % of same transaction |
| Sinopharm Holding Sub Marketing Center Co., Ltd. | Market price | 44,811.98 | 4.26% | 47,304.67 | 5.09% |
| Sinopharm Group | Market price | 22,026.46 | 2.10% | 24,151.00 | 2.60% |
| China National Medicines Co., Ltd. | Market price | 15,692.30 | 1.49% | 12,882.76 | 1.38% |
| Sino-Swed Pharmaceutical Co., Ltd. | Market price | 4,052.95 | 0.39% | 4,180.62 | 0.45% |
| Guang dong South Pharmaceutical Foreign Trade Co., Ltd. | Market price | 2,670.00 | 0.25% | 1,942.21 | 0.21% |
| Shenzhen Wanwei Medicine trading Co., Ltd. | Market price | 2,643.04 | 0.25% | 981.19 | 0.11% |
| Foshan Yingtian Pharmaceutical Sales Co., Ltd. | Market price | 2,124.24 | 0.20% | 1,174.29 | 0.13% |
| Jiangsu Wanbang Pharmacy Marketing Co., Ltd. | Market price | 1,678.77 | 0.16% | 1,112.72 | 0.12% |
| Chengdu Rongsheng Pharmacy Co., Ltd. | Market price | 1,653.07 | 0.16% | 3,133.32 | 0.34% |
| Sinopharm Holding Guizhou Co., Ltd. | Market price | 1,549.58 | 0.15% | 93.34 | 0.01% |
| Wanle Medical | Market price | 1,523.09 | 0.14% | 2,069.99 | 0.22% |
| Sinopharm Holding Hunan Co., Ltd. | Market price | 900.93 | 0.09% | 784.74 | 0.08% |
| Chongqing Yaoyou Pharmaceutical Co., Ltd. | Market price | 879.55 | 0.08% | 710.32 | 0.08% |
| Lanzhou Biotechnology Development Co., Ltd. | Market price | 542.57 | 0.05% | 835.22 | 0.09% |
| Chongqing Haisiman Pharmaceutical Co., Ltd. | Market price | 496.60 | 0.05% | 507.81 | 0.05% |
| Qinghai Pharmaceutical Co., Ltd. | Market price | 467.78 | 0.04% | - | - |
| Sinopharm Holding Macheng Co., Ltd. | Market price | 422.86 | 0.04% | - | - |
| Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | Market price | 337.10 | 0.03% | 94.87 | 0.01% |
| Wuhan Institute of Biological Products Co., Ltd. | Market price | 334.83 | 0.03% | 1,043.50 | 0.11% |
| Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. | Market price | 296.49 | 0.03% | 105.96 | 0.01% |
| Sinopharm Holding Beijing Co., Ltd. | Market price | 220.25 | 0.02% | 158.89 | 0.02% |
| Sinopharm Holding Hubei Co., Ltd. | Market price | 202.73 | 0.02% | 0.79 | 0.00% |
| Sinopharm Group Weiqida Medicine Co., Ltd. | Market price | 127.74 | 0.01% | 428.11 | 0.05% |
| Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd. | Market price | 126.07 | 0.01% | - | 0.00% |
| Guizhou Tongjitang Pharmaceutical Co., Ltd. | Market price | 106.75 | 0.01% | - | 0.00% |
| Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd. | Market price | 102.36 | 0.01% | - | 0.00% |
| Shanghai Shyndec Pharmaceutical Co., Ltd. | Market price | 96.94 | 0.01% | 121.90 | 0.01% |
| Sinopharm Group Rongsheng Pharmaceutical Co., Ltd. | Market price | 55.50 | 0.01% | 62.95 | 0.01% |
| China National Pharmaceutical Foreign Trade Co., Ltd. | Market price | 49.77 | 0.00% | 123.84 | 0.01% |
| Sinopharm Holding Beijing Huahong Co., Ltd. | Market price | 49.14 | 0.00% | 77.20 | 0.01% |
| Sinopharm Holding Fujian Co., Ltd. | Market price | 49.10 | 0.00% | 18.64 | 0.00% |
| Shandong Lu Ya Pharmaceutical Co., Ltd. | Market price | 34.91 | 0.00% | 41.79 | 0.00% |
| China Otsuka Pharmaceutical Co., Ltd. | Market price | 34.66 | 0.00% | 24.97 | 0.00% |
| Anhui Jingfang Pharmaceutical Co., Ltd. | Market price | 33.52 | 0.00% | - | 0.00% |
| Sinopharm Holding Shanxi Co., Ltd. | Market price | 26.16 | 0.00% | - | 0.00% |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | |
|---|--------------|------------|--------|------------|--------|
| Sinopharm Group Guorui Medicine Co., Ltd. | Market price | 25.77 | 0.00% | 12.25 | 0.00% |
| To next page | | 106,445.56 | 10.09% | 104,179.86 | 11.20% |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions

(a) Purchase of goods(continued)

| Related party | Pricing policies | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|--|------------------|--|-----------------------|--|-----------------------|
| | | Amount | % of same transaction | Amount | % of same transaction |
| continued | | 106,445.56 | 10.09% | 104,179.86 | 11.20% |
| Wuhan Zhonglian Pharmaceutical Group Co., Ltd. | Market price | 22.19 | 0.00% | - | 0.00% |
| Guilin South pharmaceutical Co., Ltd. | Market price | 20.68 | 0.00% | 20.25 | 0.00% |
| Sinopharm Group Chemical Reagent Co., Ltd. | Market price | 20.07 | 0.00% | 57.48 | 0.01% |
| Shanghai Modern Hasen (Shangqiu) Pharmacertical Co., Ltd. | Market price | 14.00 | 0.00% | 9.09 | 0.00% |
| Sinopharm Holding Heilongjiang Co., Ltd. | Market price | 13.19 | 0.00% | - | 0.00% |
| Foshan Nanhai Medicine Co., Ltd. | Market price | 11.87 | 0.00% | 18.11 | 0.00% |
| Sinopharm Group Chemical Reagent Suzhou Co., Ltd. | Market price | 8.32 | 0.00% | 4.52 | 0.00% |
| Shenyang Hongqi Pharmaceutical Co., Ltd. | Market price | 8.09 | 0.00% | 3.24 | 0.00% |
| Handan Pharmaceutical Co., Ltd. | Market price | 6.53 | 0.00% | 13.66 | 0.00% |
| Sinopharm Yixin Medicine Co., Ltd. | Market price | 6.11 | 0.00% | 29.02 | 0.00% |
| Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd. | Market price | 5.18 | 0.00% | - | 0.00% |
| Sinopharm Holding Hainan Co., Ltd. | Market price | 5.13 | 0.00% | 42.65 | 0.00% |
| Hunan Dongting Pharmaceutical Co., Ltd. | Market price | 4.72 | 0.00% | 3.97 | 0.00% |
| Sinopharm Holding Jiangsu Co., Ltd. | Market price | 3.24 | 0.00% | 198.06 | 0.02% |
| Yichang Humanwell Pharmaceutical Co., Ltd. | Market price | 2.20 | 0.00% | 2.87 | 0.00% |
| Sinopharm Holding Henan Co., Ltd. | Market price | 2.08 | 0.00% | - | 0.00% |
| Sinopharm Holding Dezhou Co., Ltd. | Market price | 1.47 | 0.00% | 5.87 | 0.00% |
| China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd. | Market price | 1.12 | 0.00% | 1.79 | 0.00% |
| Sinopharm Group Southwest Medicine Co., Ltd. | Market price | 1.02 | 0.00% | - | 0.00% |
| Sinopharm Guoda Drug Store(Shenzhen) Chain Co., Ltd. | Market price | 0.70 | 0.00% | 1.33 | 0.00% |
| Sinopharm Holding Shaanxi Co., Ltd. | Market price | 0.61 | 0.00% | - | 0.00% |
| Jiangsu the Yellow River pharmaceutical Co.,Ltd. | Market price | 0.49 | 0.00% | - | 0.00% |
| Sinopharm Holding Ningxia Co., Ltd. | Market price | 0.26 | 0.00% | - | 0.00% |
| Sinopharm Holding Zhangzhou Co., Ltd. | Market price | - | 0.00% | 93.16 | 0.01% |
| Shanghai Institute of Biological Products Co., Ltd. | Market price | - | 0.00% | 67.55 | 0.01% |
| Sinopharm Holding Fuzhou Co., Ltd. | Market price | - | 0.00% | 27.39 | 0.00% |
| Winteam Pharmaceutical Group Co., Ltd. | Market price | - | 0.00% | 21.00 | 0.00% |
| Sinopharm Holding Hainan Hongyi Co., Ltd. | Market price | - | 0.00% | 3.49 | 0.00% |
| Shanghai Sailun Biological Technology Co., Ltd. | Market price | - | 0.00% | 0.27 | 0.00% |
| Sinopharm Holding Sanyi Medicine(Wuhu) Co., Ltd. | Market price | - | 0.00% | 0.17 | 0.00% |
| Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | Market price | - | 0.00% | (0.03) | 0.00% |
| Guangdong Medi-World Pharmacertical Co., Ltd. | Market price | (0.03) | 0.00% | (0.01) | 0.00% |
| Sinopharm Holding Suzhou Co., Ltd. | Market price | (0.49) | 0.00% | 21.80 | 0.00% |
| Guizhou Longlife Pharmacertical Co., Ltd. | Market price | (0.77) | 0.00% | - | 0.00% |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | | | | |
|-------|-------|-------|------|-------|
| Total | 14.00 | 0.00% | 9.09 | 0.00% |
|-------|-------|-------|------|-------|

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(b) Sales of goods

| Related party | Pricing policies | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---|------------------|--|-----------------------|--|-----------------------|
| | | Amount | % of same transaction | Amount | % of same transaction |
| Sinopharm Holding Hunan Co., Ltd. | Market price | 7,210.59 | 0.62% | 6,897.20 | 0.68% |
| Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | Market price | 6,658.88 | 0.58% | 6,723.28 | 0.67% |
| Sinopharm Holding Hubei Co., Ltd. | Market price | 4,320.15 | 0.37% | 3,428.67 | 0.34% |
| Sinopharm Holding Hainan Co., Ltd. | Market price | 3,968.26 | 0.34% | 2,911.68 | 0.29% |
| Sinopharm Le -Ren-Tang Medicine Co., Ltd. | Market price | 3,690.71 | 0.32% | 1,532.53 | 0.15% |
| Sinopharm Holding Beijing Co., Ltd. | Market price | 3,474.50 | 0.30% | 2,618.69 | 0.26% |
| Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | Market price | 3,348.78 | 0.29% | 3,382.18 | 0.34% |
| Foshan Nanhai Medicine Co., Ltd. | Market price | 3,128.53 | 0.27% | 2,485.62 | 0.25% |
| Sinopharm Holding Beijing Huahong Co., Ltd. | Market price | 3,041.49 | 0.26% | 3,259.54 | 0.32% |
| Sinopharm Holding Sub Marketing Center Co., Ltd. | Market price | 2,835.19 | 0.24% | 1,354.53 | 0.13% |
| Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd. | Market price | 2,810.09 | 0.24% | 2,451.50 | 0.24% |
| Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd. | Market price | 2,777.93 | 0.24% | 2,171.71 | 0.22% |
| Sinopharm Holding Shandong Co., Ltd. | Market price | 2,639.06 | 0.23% | 1,653.61 | 0.16% |
| Sinopharm Holding Ningxia Co., Ltd. | Market price | 2,209.86 | 0.19% | 1,950.19 | 0.19% |
| Sinopharm Holding Zhejiang Co., Ltd. | Market price | 1,847.16 | 0.16% | 1,461.43 | 0.15% |
| Sinopharm Group Southwest Medicine Co., Ltd. | Market price | 1,568.83 | 0.14% | 1,909.04 | 0.19% |
| Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | Market price | 1,474.83 | 0.13% | 1,720.06 | 0.17% |
| Sinopharm Holding Nantong Co., Ltd. | Market price | 1,335.53 | 0.12% | 1,349.61 | 0.13% |
| Sinopharm Holding Wenzhou Co., Ltd. | Market price | 1,293.45 | 0.11% | 818.87 | 0.08% |
| Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd. | Market price | 1,269.15 | 0.11% | 941.24 | 0.09% |
| Sinopharm Group | Market price | 1,250.33 | 0.11% | 928.88 | 0.09% |
| Chongqing Yaoyou Pharmaceutical Co., Ltd. | Market price | 1,220.19 | 0.11% | 2,625.23 | 0.26% |
| Sinopharm Holding Tianjin Co., Ltd. | Market price | 1,186.49 | 0.10% | 1,936.98 | 0.19% |
| Sinopharm Holding Hainan Hongyi Co., Ltd. | Market price | 1,156.57 | 0.10% | 1,321.37 | 0.13% |
| Sinopharm Holding Jinzhou Co., Ltd. | Market price | 1,085.97 | 0.09% | 736.32 | 0.07% |
| Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. | Market price | 834.44 | 0.07% | 585.90 | 0.06% |
| Sinopharm Holding Shenyang Co., Ltd. | Market price | 722.45 | 0.06% | 985.36 | 0.10% |
| Sinopharm Holding Yunnan Co., Ltd. | Market price | 710.93 | 0.06% | 778.36 | 0.08% |
| Sinopharm Holding Fuzhou Co., Ltd. | Market price | 664.89 | 0.06% | 717.26 | 0.07% |
| Sinopharm Holding Chongqing Co., Ltd. | Market price | 559.12 | 0.05% | 765.58 | 0.08% |
| Sinopharm Holding Henan Co., Ltd. | Market price | 555.94 | 0.05% | 373.18 | 0.04% |
| Foshan Chancheng District Central Hospital | Market price | 508.67 | 0.04% | - | 0.00% |
| Sinopharm Holding Xuzhou Co., Ltd. | Market price | 495.87 | 0.04% | 313.37 | 0.03% |
| Sinopharm Holding Yangzhou Co., Ltd. | Market price | 449.30 | 0.04% | 417.94 | 0.04% |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | |
|---|--------------|-----------|-------|-----------|-------|
| Sinopharm Holding Shanxi Co., Ltd. | Market price | 419.74 | 0.04% | 263.93 | 0.03% |
| Sinopharm Holding Heilongjiang Co., Ltd. | Market price | 418.27 | 0.04% | 334.99 | 0.03% |
| China Pharmaceutical Group Shanxi Co., Ltd. | Market price | 411.44 | 0.04% | 402.75 | 0.04% |
| Sinopharm Guoda Drug Store Jiangmen Chain Co., Ltd. | Market price | 332.10 | 0.03% | 133.93 | 0.01% |
| Sinopharm Holding Guizhou Co., Ltd. | Market price | 325.97 | 0.03% | 174.72 | 0.02% |
| China National Medicines Co., Ltd. | Market price | 267.04 | 0.02% | 435.01 | 0.04% |
| Sinopharm Holding Jilin Co., Ltd. | Market price | 234.93 | 0.02% | 179.49 | 0.02% |
| To next page | | 74,713.62 | 6.46% | 65,431.73 | 6.48% |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(b) Sales of goods (continued)

| Related party | Pricing policies | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---|------------------|--|-----------------------|--|-----------------------|
| | | Amount | % of same transaction | Amount | % of same transaction |
| continued | | 74,713.62 | 6.46% | 65,431.73 | 6.48% |
| Sinopharm Holding Fujian Co., Ltd. | Market price | 232.47 | 0.02% | 105.72 | 0.01% |
| China Sinopharm International Corporation | Market price | 231.87 | 0.02% | - | 0.00% |
| Sinopharm Holding Qingdao Co., Ltd. | Market price | 220.93 | 0.02% | - | 0.00% |
| Sinopharm Holding Wuxi Co., Ltd. | Market price | 213.16 | 0.02% | 110.38 | 0.01% |
| Sinopharm Holding Yancheng Co., Ltd. | Market price | 173.19 | 0.01% | 97.64 | 0.01% |
| Sinopharm Holding Inner Mongolia Co., Ltd. | Market price | 141.73 | 0.01% | 101.42 | 0.01% |
| Sinopharm Holding Gansu Co., Ltd. | Market price | 132.55 | 0.01% | 1,018.11 | 0.10% |
| Sinopharm Holding Qinghai Co., Ltd. | Market price | 123.83 | 0.01% | 44.70 | 0.00% |
| Guang dong South Pharmaceutical Foreign Trade Co., Ltd. | Market price | 112.25 | 0.01% | 83.21 | 0.01% |
| Sinopharm Holding Tianjin North Medicine Co., Ltd. | Market price | 109.53 | 0.01% | 95.87 | 0.01% |
| Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd. | Market price | 103.87 | 0.01% | - | 0.00% |
| Sinopharm Holding Quanzhou Co., Ltd. | Market price | 93.23 | 0.01% | - | 0.00% |
| Sinopharm Lerentang Tangshan Medicine Co., Ltd. | Market price | 92.77 | 0.01% | - | 0.00% |
| Sinopharm Holding Taizhou Co., Ltd. | Market price | 89.57 | 0.01% | 99.50 | 0.01% |
| Sinopharm Holding Guoda Pharmacy Co., Ltd. | Market price | 88.77 | 0.01% | 101.96 | 0.01% |
| Sinopharm Holding Dalian Co., Ltd. | Market price | 80.97 | 0.01% | 85.47 | 0.01% |
| Sinopharm Holding Linyi Co., Ltd. | Market price | 73.62 | 0.01% | 180.02 | 0.02% |
| Sinopharm Holding Longyan Co., Ltd. | Market price | 66.25 | 0.01% | 63.89 | 0.01% |
| Sinopharm Holding Putian Co., Ltd. | Market price | 63.33 | 0.01% | 19.63 | 0.00% |
| Sinopharm Holding Anqing Co., Ltd. | Market price | 62.21 | 0.01% | 14.32 | 0.00% |
| Sinopharm Holding Shaanxi Co., Ltd. | Market price | 54.01 | 0.00% | 442.36 | 0.04% |
| Sinopharm Holding Ningde Co., Ltd. | Market price | 52.88 | 0.00% | 63.05 | 0.01% |
| Shanghai Donghong Medicine Co., Ltd. | Market price | 49.36 | 0.00% | 0.10 | 0.00% |
| Shanghai Meiluo Medicine Co., Ltd. | Market price | 45.96 | 0.00% | - | 0.00% |
| Sinopharm Holding Changde Co., Ltd. | Market price | 35.67 | 0.00% | 59.28 | 0.00% |
| Sinopharm Holding Yantai Co., Ltd. | Market price | 30.28 | 0.00% | 16.13 | 0.00% |
| Sinopharm Holding Changzhou Medical logistics center Co., Ltd. | Market price | 28.21 | 0.00% | 64.21 | 0.01% |
| Sinopharm Holding Suzhou Co., Ltd. | Market price | 24.32 | 0.00% | 103.12 | 0.01% |
| Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd. | Market price | 18.22 | 0.00% | 76.52 | 0.01% |
| Sinopharm Holding Jiangsu Co., Ltd. | Market price | 17.72 | 0.00% | 96.81 | 0.01% |
| Sinopharm Lerentang Qinhuaangdao Medicine Co., Ltd. | Market price | 14.29 | 0.00% | - | 0.00% |
| Sinopharm Holding Sanming Co., Ltd. | Market price | 13.19 | 0.00% | 7.11 | 0.00% |
| China National Scientific Instruments & Materials Corporation | Market price | 12.18 | 0.00% | 3.81 | 0.00% |
| Sinopharm Holding Huaian Co., Ltd. | Market price | 8.60 | 0.00% | 10.30 | 0.00% |
| Sinopharm Holding Jiangxi Co., Ltd. | Market price | 8.39 | 0.00% | 38.31 | 0.00% |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | | | | | |
|--|--------------|-----------|-------|-----------|-------|
| Sinopharm Holding ChiFeng Co., Ltd. | Market price | 7.79 | 0.00% | 2.60 | 0.00% |
| Sinopharm Holding Jinan Co., Ltd. | Market price | 7.62 | 0.00% | 4.82 | 0.00% |
| Sinopharm Holding HongKong Co., Ltd. | Market price | 4.13 | 0.00% | 2.25 | 0.00% |
| Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd. | Market price | 3.69 | 0.00% | - | 0.00% |
| Beijing Fusheng Tiandi Property Management Ltd. | Market price | 2.57 | 0.00% | 1.54 | 0.00% |
| Sinopharm Holding Changzhou Co., Ltd. | Market price | 2.08 | 0.00% | 9.62 | 0.00% |
| Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch Co., Ltd. | Market price | 2.07 | 0.00% | 126.82 | 0.01% |
| Sinopharm Holding Zhangzhou Co., Ltd. | Market price | 1.06 | 0.00% | 2.90 | 0.00% |
| Sinopharm Holding Wuhu Co., Ltd. | Market price | 0.92 | 0.00% | 22.05 | 0.00% |
| Heilongjiang Sinopharm Medical Herbs Co., Ltd. | Market price | 0.79 | 0.00% | 6.86 | 0.00% |
| Huayi Pharmaceutical Co., Ltd. | Market price | 0.75 | 0.00% | - | 0.00% |
| Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd. | Market price | 0.72 | 0.00% | 0.75 | 0.00% |
| Sinopharm Holding Jining Co., Ltd. | Market price | 0.72 | 0.00% | - | 0.00% |
| To next page | | 77,667.91 | 6.70% | 68,814.89 | 6.80% |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(b) Sales of goods (continued)

| Related party | Pricing policies | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---|------------------|--|-----------------------|--|-----------------------|
| | | Amount | % of same transaction | Amount | % of same transaction |
| Continued | | 77,667.91 | 6.70% | 68,814.89 | 6.80% |
| Sinopharm Holding Dezhou Co., Ltd. | Market price | 0.72 | 0.00% | | 0.00% |
| Sinopharm Holding Zhoukou Co., Ltd. | Market price | 0.70 | 0.00% | 0.60 | 0.00% |
| Sinopharm Holding Kaifeng Co., Ltd. | Market price | 0.64 | 0.00% | 0.30 | 0.00% |
| Sinopharm Holding Anyang Co., Ltd. | Market price | 0.60 | 0.00% | 0.60 | 0.00% |
| Shanxi Guoyi Drug Store Co., Ltd. | Market price | 0.58 | 0.00% | 3.88 | 0.00% |
| Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd. | Market price | 0.57 | 0.00% | 0.80 | 0.00% |
| Sinopharm Holding Dandong Co., Ltd. | Market price | 0.54 | 0.00% | - | - |
| Sinopharm Holding Nanping Co., Ltd. | Market price | 0.45 | 0.00% | - | 0.00% |
| Sinopharm Holding Tongliao Co., Ltd. | Market price | 0.45 | 0.00% | - | 0.00% |
| Sinopharm Holding Qianxinan Co., Ltd. | Market price | 0.36 | 0.00% | 0.21 | 0.00% |
| Shanghai Nutraceuticals (Shanghai) Co., Ltd. | Market price | 0.33 | 0.00% | 0.38 | 0.00% |
| Sinopharm Holding Xinxiang Co., Ltd. | Market price | 0.27 | 0.00% | - | - |
| Shanghai Tongyu Information Technology Co., Ltd. | Market price | 0.26 | 0.00% | - | - |
| The Chinese medicine (Shanghai) Agel Ecommerce Ltd | Market price | 0.20 | 0.00% | - | - |
| Shanghai Yunnuo Marketing Consulting Co., Ltd. | Market price | 0.08 | 0.00% | 63.26 | 0.01% |
| Sinopharm holding Zhejiang Biological Products Co., Ltd. | Market price | 0.04 | 0.00% | - | - |
| Sinopharm Group Weiqida Medicine Co., Ltd. | Market price | - | 0.00% | 547.04 | 0.05% |
| Shanghai Chaohui Pharmecurical Co., Ltd. | Market price | - | 0.00% | 247.95 | 0.02% |
| CNPGC | Market price | - | 0.00% | 8.94 | 0.00% |
| Sinopharm Holding Guoda Drug Store Guangzhou Chain Co., Ltd. | Market price | - | 0.00% | 8.35 | 0.00% |
| Sinopharm Holding Xinjiang New Kashi Pharmaceutical Co., Ltd. | Market price | - | 0.00% | 7.30 | 0.00% |
| Sinopharm Jiankun (Beijing) Medicines Co., Ltd. | Market price | - | 0.00% | 4.58 | 0.00% |
| Renaissance Shanghai Medical Beauty Clinic Co. Ltd. | Market price | - | 0.00% | 4.10 | 0.00% |
| Reed Sinopharm Exhibitions Co., Ltd. | Market price | - | 0.00% | 1.86 | 0.00% |
| Sinopharm Fortuneway Company | Market price | - | 0.00% | 1.54 | 0.00% |
| Sinopharm Holding Shiyan Co., Ltd. | Market price | - | 0.00% | 1.36 | 0.00% |
| China National Pharmaceutical Foreign Trade Co., Ltd. | Market price | - | 0.00% | 1.13 | 0.00% |
| Sinopharm Holding Jingmen Co., Ltd. | Market price | - | 0.00% | 0.69 | 0.00% |
| Sinopharm Holding Shangqiu Co., Ltd. | Market price | - | 0.00% | 0.56 | 0.00% |
| Sinopharm Holding Lishui Co., Ltd. | Market price | - | 0.00% | 0.48 | 0.00% |
| Sinopharm Holding Jingzhou Co., Ltd. | Market price | - | 0.00% | 0.24 | 0.00% |
| Sinopharm Holding Medical Devices Co., Ltd. | Market price | - | 0.00% | 0.22 | 0.00% |
| Sinopharm Holding Siping Co., Ltd. | Market price | - | 0.00% | 0.14 | 0.00% |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | |
|--|--------------|-----------|-------|-----------|-------|
| Shanghai Huyong Pharmaceutical Co., Ltd. | Market price | - | 0.00% | 0.09 | 0.00% |
| Sinopharm Holding Xinyu Co., Ltd. | Market price | - | 0.00% | -4.09 | 0.00% |
| Sinopharm Holding Anhui Co., Ltd. | Market price | -0.69 | 0.00% | 7.18 | 0.00% |
| Jiang Meng Renren Medical instrument Co., Ltd. | Market price | - | 0.00% | 34.07 | 0.01% |
| Group Financial Co. | Market price | - | 0.00% | 2.47 | 0.00% |
| Total | | 77,674.01 | 6.70% | 69,761.12 | 6.89% |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

VI 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 | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | Building | 1 January 2013 | 31 December 2015 | 81.43 |
| Huixin Investment | Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd. | Building | 1 January 2014 | 31 December 2014 | 30.47 |
| Guangxi Logistics | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | Building | 1 July 2009 | 31 December 2015 | 19.07 |
| Sinopharm liuzhou | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | Building | 1 January 2014 | 31 December 2016 | 16.59 |
| Huixin Investment | Sinopharm Group Guangdong Province medical instrument limited company | Building | 18 September 2013 | 31 December 2015 | 13.51 |
| The Company | Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd. | Building | 1 January 2013 | 31 December 2015 | 5.12 |
| Huixin Investment | China National Medicines Co., Ltd. | Building | 1 January 2014 | 31 December 2014 | 4.32 |
| Sinopharm Materials | Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd. | Building | 1 January 2014 | 31 December 2014 | 3.00 |
| Huixin Investment | Sinopharm industry and Drug Sales Co. Ltd. | Building | 20 December 2013 | 31 December 2014 | 2.16 |
| | | | | | <u>175.67</u> |

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

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

VI Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(c) Lease(continued)**

The Group as lessee:

| Lessees | Leasers | Type of assets use for | Contract beginning date | Contract terminated date | Lease expenses |
|------------------------|---|---------------------------|----------------------------|-----------------------------|-------------------|
| Sinopharm Guangzhou | Sinopharm Group Medicine Logistic Co., Ltd. | Equipment | 1 January 2014 | 31 December 2014 | 375.00 |
| Sinopharm Guangzhou | Sinopharm Group Medicine Logistic Co., Ltd. | Building | 1 January 2014 | 31 December 2014 | 354.00 |
| Sinopharm Shaoguan | Shaoguan Wujiang Muyang Medicine Information Cousulting Co., Ltd. | Building | 1 August 2012 | 31 July 2020 | 32.48 |
| Sinopharm Yanfeng | Wang Yang | Building | 1 January 2014 | 31 December 2014 | 27.60 |
| Sinopharm Foshan | Foshan Nanhai Medicine Co., Ltd. | Building | 1 March 2013 | 28February 2015 | 11.09 |
| | | | | | <u>800.17</u> |

Lease charges paid to related parties are negotiated by both parties involved in the lease and by making reference to the market price.

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

VI 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 |
|---|---------------------|-----------------------|---|--|------------------------------------|
| Sinopharm Group | Sinopharm Guangzhou | 49,950.14 | 3 June 2014 | 3 June 2015 | No |
| The Company | Sinopharm Guangzhou | 34,902.16 | 26 June 2013 | 25 June 2014 | No |
| The Company | Sinopharm Guangzhou | 30,958.53 | 20 May 2014 | 20 May 2015 | No |
| The Company | Sinopharm Guangzhou | 25,108.68 | 30 April 2014 | 30 April 2015 | No |
| The Company | Sinopharm Guangzhou | 22,801.02 | 16 September 2013 | 13 August 2014 | No |
| The Company | Sinopharm Guangxi | 17,934.83 | 26 June 2013 | 25 June 2014 | No |
| The Company | Sinopharm Guangzhou | 14,906.77 | 29 April 2014 | 29 April 2015 | No |
| The Company | Sinopharm Guangxi | 14,577.64 | 26 June 2014 | 25 June 2015 | No |
| Zhijun Medicine | The Company | 10,400.35 | 30 May 2014 | 30 May 2015 | No |
| The Company | Sinopharm Guangzhou | 9,026.73 | 30 June 2014 | 29 June 2015 | No |
| Zhijun Medicine | The Company | 9,000.00 | 13 May 2014 | 11 February 2015 | No |
| The Company | Sinopharm Guangxi | 6,290.83 | 18 April 2014 | 19 April 2015 | No |
| The Company | Sinopharm Liuzhou | 5,774.15 | 26 June 2013 | 25 June 2014 | No |
| Sinopharm Guangzhou & Zhijun Medicine | The Company | 5,000.00 | 12 March 2014 | 11 March 2015 | No |
| The Company | Zhijun Medicine | 4,412.51 | 10 September 2013 | 25 June 2014 | No |
| The Company | Sinopharm Liuzhou | 4,310.09 | 29 April 2014 | 28 April 2015 | No |
| The Company | Zhijun Suzhou | 4,251.11 | 28 August 2013 | 27 August 2014 | No |
| The Company | Sinopharm Guangxi | 4,097.87 | 27 August 2013 | 27 August 2014 | No |
| The Company | Zhijun Medicine | 3,953.34 | 8 August 2013 | 8 August 2014 | No |
| The Company | Zhijun Suzhou | 2,426.03 | 27 May 2014 | 27 May 2015 | No |
| The Company | Sinopharm Yanfeng | 1,985.33 | 23 May 2013 | 23 May 2014 | No |
| The Company | Sinopharm Yuexing | 1,939.14 | 13 May 2014 | 12 May 2015 | No |
| The Company | Sinopharm Yuexing | 1,929.22 | 20 May 2014 | 20 May 2015 | No |
| The Company | Zhijun Suzhou | 1,500.00 | 12 October 2013 | 12 October 2014 | No |
| The Company | Sinopharm Yanfeng | 1,499.70 | 26 June 2013 | 25 June 2014 | No |
| The Company | Zhijun Suzhou | 1,307.46 | 16 December 2013 | 25 June 2014 | No |
| The Company | Sinopharm Jiangmen | 997.72 | 11 July 2013 | 25 June 2014 | No |
| The Company | Sinopharm Yanfeng | 996.69 | 13 February 2014 | 12 February 2015 | No |
| Zhijun Medicine | The Company | 809.54 | 4 April 2014 | 4 April 2022 | No |
| The Company | Sinopharm Jiangmen | 768.00 | 1 July 2013 | 30 June 2014 | No |
| The Company | Sinopharm Jiangmen | 650.03 | 28 May 2013 | 27 May 2014 | No |
| The Company | Sinopharm Liuzhou | 624.82 | 29 October 2013 | 28 October 2014 | No |
| The Company | Sinopharm Guangzhou | 498.36 | 20 May 2013 | 23 April 2014 | No |
| To next page | | <u>295,588.79</u> | | | |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(d) Guarantees provided (continued)

| Guarantor | Guarantee | Amount (RMB'0,000) | Beginning date of guarantee contract | Maturity date of guarantee contract | Guarantee obligation expired |
|-------------|-------------------------|-----------------------|---|--|------------------------------------|
| Continued | | 295,588.79 | | | |
| The Company | Zhijun Suzhou | 478.80 | 25 November 2013 | 25 November 2014 | No |
| The Company | Sinopharm Drugs | 330.67 | 26 November 2013 | 25 June 2014 | No |
| The Company | Zhijun Suzhou | 100.00 | 22 October 2013 | 21 October 2014 | No |
| The Company | Zhijun Medicine & Trade | 19.99 | 13 September 2013 | 13 September 2014 | No |
| | Total | <u>296,518.25</u> | | | |

(e) Financing

| | Category | Amount (RMB'0,000) | Effective date | Maturity date |
|---------------------------------------|-----------------------------------|-----------------------|------------------|-------------------|
| For the six months ended 30 June 2014 | | | | |
| Borrowed from- | | | | |
| Sinopharm Group | Entrusted borrowings | 3,160.00 | 7 May 2014 | 7 May 2017 |
| Group Financial Co. | Short-term loans | 2,000.00 | 25 February 2014 | 28 February 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 200.00 | 24 March 2014 | 17 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 165.00 | 29 May 2014 | 26 September 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 150.00 | 24 March 2014 | 21 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 124.58 | 24 March 2014 | 7 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 24 March 2014 | 13 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 24 March 2014 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 30 June 2014 | 17 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 78.62 | 24 March 2014 | 24 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 61.80 | 24 March 2014 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 58.85 | 29 May 2014 | 24 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 24 March 2014 | 24 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 24 March 2014 | 24 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 29 May 2014 | 26 June 2014 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | |
|---------------------|-----------------------------------|-----------------|-------------|----------------|
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 29 May 2014 | 26 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 29 May 2014 | 26 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 29 May 2014 | 29 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 29 May 2014 | 22October 2014 |
| To next page | | <u>6,648.85</u> | | |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(e) Financing(continued)

| | Category | Amount (RMB'0,000) | Effective date | Maturity date |
|---------------------|-----------------------------------|-----------------------|----------------|------------------|
| Continued | | 6,648.85 | | |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 29May 2014 | 22October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 30June 2014 | 16November 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 48.54 | 29May 2014 | 28June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 48.53 | 29May 2014 | 20June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 47.24 | 30June 2014 | 30August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 44.99 | 24 March 2014 | 17 April 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 43.23 | 24 March 2014 | 28May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 42.00 | 30June 2014 | 23October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 40.01 | 24 March 2014 | 17April 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 40.00 | 24 March 2014 | 24 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 37.94 | 24 March 2014 | 19May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 37.91 | 24 March 2014 | 24 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 34.18 | 30June 2014 | 30August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 34.00 | 29May 2014 | 18June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 31.68 | 29May 2014 | 24 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 30.00 | 24 March 2014 | 19 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 30.00 | 24 March 2014 | 19 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 30.00 | 24 March 2014 | 19 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 30.00 | 29May 2014 | 22 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 30.00 | 30June 2014 | 29August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 28.48 | 29May 2014 | 17 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 27.63 | 30June 2014 | 29 November 2014 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | |
|---------------------|-----------------------------------|-----------------|---------------|----------------|
| Group Financial Co. | Discount on bank acceptance notes | 25.22 | 29May 2014 | 20 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 21.76 | 30June 2014 | 29 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.43 | 30June 2014 | 19 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.19 | 29May 2014 | 14 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 24 March 2014 | 22 April 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 24 March 2014 | 22 April 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 24 March 2014 | 17 June 2014 |
| To next page | | <u>7,632.81</u> | | |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

VI Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(e) Financing(continued)**

| | Category | Amount (RMB'0,000) | Effective date | Maturity date |
|---------------------|-----------------------------------|-----------------------|----------------|------------------|
| Continued | | 7,632.81 | | |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 25 June 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 25 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 28 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 28 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 28 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 14 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 20 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 20 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 29 May 2014 | 20 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 22 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 29 November 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 15 November 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 10 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 20.00 | 30 June 2013 | 13 November 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 19.00 | 29 May 2014 | 23 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 17.71 | 29 May 2014 | 26 June 2014 |
| | | <u>8,049.52</u> | | |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(e) Financing(continued)

| | Category | Amount (RMB'0,000) | Effective date | Maturity date |
|---------------------|-----------------------------------|-----------------------|----------------|------------------|
| Continued | | | | |
| Group Financial Co. | Discount on bank acceptance notes | 8,049.52 | | |
| Group Financial Co. | Discount on bank acceptance notes | 15.89 | 30 June 2014 | 30 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 14.70 | 29 May 2014 | 24 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 14.59 | 24 March 2014 | 23 May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 14.00 | 24 March 2014 | 12 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 14.00 | 30 June 2014 | 9 September 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 12.50 | 29 May 2014 | 17 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 12.08 | 30 June 2014 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 12.00 | 30 June 2014 | 27 November 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 11.00 | 29 May 2014 | 23 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.53 | 29 May 2014 | 20 June 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 10.06 | 30 June 2014 | 15 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 24 March 2014 | 14 July 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 17 October 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 27 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 28 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 28 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 28 August 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 19 November 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 10.00 | 30 June 2014 | 15 October 2014 |
| | | <u>8,270.87</u> | | |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(e) Financing(continued)

| | Category | Amount (RMB'0,000) | Effective date | Maturity date |
|--|--------------------------------------|-----------------------|----------------|------------------|
| For the six months ended 30 June 2013 | | | | |
| Borrowed from- | | | | |
| Group Financial Co. | Short-term loans | 3,000.00 | 4March 2013 | 4March 2014 |
| Group Financial Co. | Short-term loans | 7,000.00 | 2 April 2013 | 2 April 2014 |
| Group Financial Co. | Short-term loans | 4,300.00 | 27May 2013 | 27May 2014 |
| Group Financial Co. | Short-term loans | 2,500.00 | 29May 2013 | 29May 2014 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 22 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 30 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 30 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 30 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 30 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 30 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 100.00 | 28 June 2013 | 30 August 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |
| Group Financial Co. | Discount on bank acceptance notes | 50.00 | 28 June 2013 | 4 September 2013 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | |
|---------------------|--------------------------------------|------------------|--------------|------------------|
| Group Financial Co. | Discount on bank acceptance notes | 60.16 | 28 June 2013 | 7 September 2013 |
| | | <u>18,210.16</u> | | |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(5) Related party transactions (continued)

(f) Interest expenses

| Related party | Type of transaction | For the six months ended 30 June 2014 (RMB'0,000) | For the six months ended 30 June 2013 (RMB'0,000) |
|--|--|--|--|
| Sinopharm Group | Interest paid for the entrusted loans | 504.00 | - |
| Sinopharm Group Financial Co. | Interest paid for the loans from Group Financial Co. | 397.68 | 607.30 |
| Sinopharm Holding Sub Marketing Center Co., Ltd. | Charges of discounted notes payable | 242.16 | 468.16 |
| Sinopharm Group Financial Co. | Payment bill discount interest | 42.60 | 14.73 |
| CNPGC | Interest paid for the entrusted loans | 26.07 | - |
| Sinopharm Group | Charges of discounted notes payable | 52.04 | 29.30 |
| | | <u>1,264.55</u> | <u>1,119.49</u> |

(g) Interest income

| Related party | Type of transaction | For the six months ended 30 June 2014 (RMB'0,000) | For the six months ended 30 June 2013 (RMB'0,000) |
|---------------------|---------------------|--|--|
| Group Financial Co. | Deposit interest | <u>1.27</u> | <u>0.32</u> |

(h) Rendering of service

| Related party | Type of transaction | For the six months ended 30 June 2014 (RMB'0,000) | For the six months ended 30 June 2013 (RMB'0,000) |
|--|--|--|--|
| Sinopharm Group Medicine Logistic Co., Ltd. | Dispatching and transportation charges | 325.51 | 715.89 |
| China National Medicines Co., Ltd. | Dispatching and transportation charges | 217.30 | 314.20 |
| Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | Dispatching and transportation charges | 176.86 | - |
| Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | Dispatching and transportation charges | 168.91 | 166.75 |
| Foshan Nanhai Medicine Co., Ltd. | Dispatching and transportation charges | 139.59 | - |
| Sinopharm Group | entrusted revenue | 25.00 | - |
| Shenzhen Wanwei Medicine trading Co., Ltd. | Consultation revenue | 13.11 | 5.15 |
| China National Pharmaceutical Foreign Trade Co., Ltd. | entrusted revenue | 12.50 | - |
| Wanle Medical | Consultation revenue | 5.22 | 10.88 |
| Foshan Yingtian Pharmaceutical Sales Co., Ltd. | Consultation revenue | 0.63 | - |
| Sinopharm Holding Guoda Drug Store Guangzhou Chain Co., Ltd. | Parking fee | 0.60 | - |
| | | <u>1,085.23</u> | <u>1,212.87</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

VI Related party relationships and significant related party transactions (continued)**(5) Related party transactions (continued)****(j) Other services**

| Related party | Type of transaction | For the six months ended 30 June 2014 (RMB'0,000) | For the six months ended 30 June 2013 (RMB'0,000) |
|--|--|---|---|
| Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute | Pinshan management fees | 537.27 | - |
| Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute | Designing fee | 285.50 | - |
| Sinopharm Group Medicine Logistic Co., Ltd. | CMS system operating charges | 28.49 | 15.00 |
| Sinopharm Group Medicine Logistic Co., Ltd. | CMS system operating charges | 79.12 | 57.93 |
| Sinopharm Holding Shenyang Co., Ltd. | Other expenses | 40.06 | 31.05 |
| Shanghai Institute of Pharmaceutical Industry | Research and development expenses | 20.25 | - |
| Reed Sinopharm Exhibitions Co., Ltd. | Exhibition expenses | 4.40 | 4.20 |
| Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | Products promotion fee | 2.13 | 1.44 |
| Sinopharm Holding Guoda Pharmacy Co., Ltd. | Products promotion fee | 0.25 | - |
| Sinopharm Group Chemical Reagent Suzhou Co., Ltd. | Research and development expenses | 0.08 | - |
| Sinopharm Holding Shenyang Co., Ltd. | Dispatching and transportation charges | - | 17.05 |
| | | <u>997.55</u> | <u>126.67</u> |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(6) Accounts receivable from and payables to related parties

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|---------------------|---|-----------------------------|---------------------------------|
| Notes receivable | Chongqing Yaoyou Pharmaceutical Co., Ltd. | 690.19 | 479.85 |
| | Foshan Nanhai Medicine Co., Ltd. | 263.48 | - |
| | Sinopharm Holding Hainan Co., Ltd. | 220.52 | 208.67 |
| | Sinopharm Holding Tianjin Co., Ltd. | 210.43 | 62.92 |
| | Sinopharm Holding Shandong Co., Ltd. | 148.94 | 848.54 |
| | Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | 136.65 | 309.88 |
| | Sinopharm Holding Hainan Hongyi Co., Ltd. | 131.85 | 105.20 |
| | Sinopharm Holding Hubei Co., Ltd. | 117.10 | 199.04 |
| | Sinopharm Holding Chongqing Co., Ltd. | 71.77 | 20.05 |
| | Sinopharm Holding Yancheng Co., Ltd. | 70.75 | 55.40 |
| | Sinopharm Holding Shaanxi Co., Ltd. | 30.54 | 98.75 |
| | Sinopharm Holding Hunan Co., Ltd. | 24.90 | 407.58 |
| | Sinopharm Holding Changzhou Medical logistics center Co., Ltd. | 15.00 | - |
| | Sinopharm Holding Yangzhou Co., Ltd. | 14.62 | 10.00 |
| | Sinopharm Holding Jiaozuo Co., Ltd. | 11.76 | - |
| | Sinopharm Holding Hunan Guoda Minshengtang Drug Store Chain Co., Ltd. | 10.59 | 8.60 |
| | Sinopharm Le -Ren-Tang Medicine Co., Ltd. | 9.98 | - |
| | Sinopharm Holding Shenyang Co., Ltd. | 9.50 | 15.28 |
| | Sinopharm Holding Yantai Co., Ltd. | 5.44 | 3.02 |
| | Sinopharm Holding Jiangsu Co., Ltd. | 3.80 | - |
| | Sinopharm Guoda pharmacy Shenyang chain Co., Ltd. | 2.79 | 4.01 |
| | Sinopharm Holding Henan Co., Ltd. | 2.39 | - |
| | Sinopharm Holding Guizhou Co., Ltd. | 2.23 | 71.08 |
| | Shanghai Chaohui Pharmecurical Co., Ltd. | - | 150.50 |
| | Sinopharm Holding Beijing Huahong Co., Ltd. | - | 92.33 |
| | Sinopharm Holding Gansu Co., Ltd. | - | 71.31 |
| | China National Medicines Co., Ltd. | - | 66.50 |
| | Sinopharm Holding Fuzhou Co., Ltd. | - | 56.70 |
| | Sinopharm Holding Xuzhou Co., Ltd. | - | 52.67 |
| | Sinopharm Holding Bengbu Co., Ltd. | - | 15.00 |
| | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | - | 10.80 |
| | Sinopharm Holding Heilongjiang Co., Ltd. | - | 8.83 |
| | | <u>2,205.22</u> | <u>3,432.51</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Accounts receivable | Sinopharm Holding Hunan Co., Ltd. | 3,014.18 | 2,857.02 |
| | Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | 2,362.44 | 1,704.67 |
| | | | - 172 - |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|---|------------------|------------------|
| Sinopharm Le -Ren-Tang Medicine Co., Ltd. | 1,810.22 | 1,313.68 |
| Sinopharm Holding Hubei Co., Ltd. | 1,749.88 | 1,158.86 |
| Sinopharm Holding Shandong Co., Ltd. | 1,320.10 | 2,051.41 |
| Sinopharm Holding Beijing Co., Ltd. | 1,269.16 | 946.84 |
| Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd. | 1,238.53 | 676.72 |
| Sinopharm Holding Hainan Co., Ltd. | 1,154.61 | 1,260.47 |
| Sinopharm Holding Beijing Huahong Co., Ltd. | 1,072.45 | 1,347.20 |
| Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | 1,000.18 | 1,100.37 |
| Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd. | 914.09 | 1,381.80 |
| To next page | <u>16,905.84</u> | <u>15,799.04</u> |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|---------------------|--|-----------------------------|---------------------------------|
| Accounts receivable | Continued | 16,905.84 | 15,799.04 |
| | Foshan Nanhai Medicine Co., Ltd. | 832.68 | 634.33 |
| | Sinopharm Holding Ningxia Co., Ltd. | 743.72 | 352.55 |
| | Sinopharm Group Southwest Medicine Co., Ltd. | 730.00 | 642.34 |
| | Sinopharm Holding Zhejiang Co., Ltd. | 651.28 | 753.76 |
| | Sinopharm Holding Tianjin Co., Ltd. | 622.77 | 650.50 |
| | Chongqing Yaoyou Pharmaceutical Co., Ltd. | 595.48 | 333.73 |
| | Sinopharm Group Medicine Logistic Co., Ltd. | 545.11 | 324.48 |
| | Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd. | 472.15 | 394.44 |
| | Sinopharm Holding Nantong Co., Ltd. | 455.12 | 375.65 |
| | Sinopharm Holding Sub Marketing Center Co., Ltd. | 443.15 | 397.32 |
| | Foshan Chancheng District Central Hospital | 429.42 | 337.12 |
| | Sinopharm Holding Chongqing Co., Ltd. | 400.97 | 345.65 |
| | Sinopharm Group | 392.29 | 469.33 |
| | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | 357.14 | 467.60 |
| | Sinopharm Holding Jinzhou Co., Ltd. | 352.17 | 243.44 |
| | Sinopharm Holding Wenzhou Co., Ltd. | 320.97 | 385.01 |
| | Sinopharm Holding Hainan Hongyi Co., Ltd. | 316.42 | 489.49 |
| | Sinopharm Holding Henan Co., Ltd. | 301.07 | 214.39 |
| | Sinopharm Holding Yunnan Co., Ltd. | 268.61 | 221.05 |
| | Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. | 267.33 | 331.81 |
| | China National Medicines Co., Ltd. | 218.98 | 250.94 |
| | Sinopharm Holding Heilongjiang Co., Ltd. | 214.33 | 193.73 |
| | Sinopharm Holding Shanxi Co., Ltd. | 198.55 | 135.02 |
| | Sinopharm Holding Guizhou Co., Ltd. | 183.93 | 52.09 |
| | Sinopharm Holding Fuzhou Co., Ltd. | 182.96 | 426.40 |
| | Sinopharm Holding Shenyang Co., Ltd. | 154.40 | 217.46 |
| | Sinopharm Holding Yangzhou Co., Ltd. | 115.97 | 167.90 |
| | China Pharmaceutical Group Shanxi Co., Ltd. | 107.54 | 144.57 |
| | Sinopharm Holding Qingdao Co., Ltd. | 106.07 | 63.35 |
| | Sinopharm Holding Fujian Co., Ltd. | 105.90 | 45.52 |
| | Sinopharm Holding Yancheng Co., Ltd. | 88.32 | 45.71 |
| | Sinopharm Holding Gansu Co., Ltd. | 77.51 | 169.01 |
| | Sinopharm Guoda Drug Store Jiangmen Chain Co., Ltd. | 73.19 | 89.31 |
| | Sinopharm Holding Inner Mongolia Co., Ltd. | 73.13 | 35.66 |
| | Sinopharm Holding Jilin Co., Ltd. | 70.59 | 67.63 |
| | Sinopharm Holding Guoda Pharmacy Co., Ltd. | 69.90 | 106.17 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|--|-----------|-----------|
| Sinopharm Holding Dalian Co., Ltd. | 44.73 | 66.00 |
| Shanghai Donghong Medicine Co., Ltd. | 43.75 | 16.34 |
| Sinopharm Holding Qinghai Co., Ltd. | 42.46 | 28.70 |
| Sinopharm Holding Longyan Co., Ltd. | 42.14 | 15.56 |
| Sinopharm Holding Xuzhou Co., Ltd. | 41.00 | 69.25 |
| Guang dong South Pharmaceutical Foreign Trade Co., Ltd. | 37.29 | 42.34 |
| Sinopharm Holding Tianjin North Medicine Co., Ltd. | 34.77 | 27.82 |
| Sinopharm Holding Putian Co., Ltd. | 32.48 | 17.30 |
| Sinopharm Holding Wuxi Co., Ltd. | 24.78 | 124.61 |
| Sinopharm Holding Quanzhou Co., Ltd. | 23.90 | 8.72 |
| Sinopharm Holding Changzhou Medical logistics center Co., Ltd. | 19.55 | 33.01 |
| Sinopharm Holding Ningde Co., Ltd. | 18.59 | 10.62 |
| To next page | 28,850.40 | 26,833.77 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|---------------------|--|-----------------------------|---------------------------------|
| Accounts receivable | Continued | 28,850.40 | 26,833.77 |
| | Sinopharm Holding Suzhou Co., Ltd. | 18.29 | 25.19 |
| | Sinopharm Holding Shaanxi Co., Ltd. | 17.30 | 137.78 |
| | Sinopharm Holding Taizhou Co., Ltd. | 16.36 | 27.60 |
| | Sinopharm Holding Anqing Co., Ltd. | 11.66 | 8.82 |
| | Sinopharm Lerentang Tangshan Medicine Co., Ltd. | 11.40 | 95.52 |
| | Shanghai Yunnuo Marketing Consulting Co., Ltd. | 10.00 | 10.07 |
| | Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd. | 9.66 | 30.01 |
| | Sinopharm Holding Changde Co., Ltd. | 7.88 | 32.08 |
| | Sinopharm Holding Jiangsu Co., Ltd. | 7.57 | 33.74 |
| | Sinopharm Holding Yantai Co., Ltd. | 7.23 | 17.68 |
| | Sinopharm Holding Zunyi Co., Ltd. | 3.02 | 3.02 |
| | Sinopharm Holding Huaian Co., Ltd. | 2.74 | 7.85 |
| | Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd. | 2.50 | 5.70 |
| | Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch Co., Ltd. | 2.43 | 5.23 |
| | Sinopharm Holding HongKong Co., Ltd. | 2.07 | - |
| | Shanxi Guoyi Drug Store Co., Ltd. | 1.87 | 1.19 |
| | Sinopharm Holding Changzhou Co., Ltd. | 1.68 | 4.30 |
| | Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd. | 1.62 | - |
| | Sinopharm Holding Sanming Co., Ltd. | 1.22 | 0.91 |
| | Sinopharm Holding Jiangxi Co., Ltd. | 0.88 | 3.87 |
| | Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd. | 0.77 | 0.62 |
| | Sinopharm Holding Zhoukou Co., Ltd. | 0.72 | - |
| | Sinopharm Holding Yueyang Co., Ltd. | 0.68 | 0.68 |
| | Beijing Fusheng Tiandi Property Management Ltd. | 0.61 | - |
| | Sinopharm Holding Qianxinan Co., Ltd. | 0.43 | - |
| | Shanghai Tongyu Information Technology Co., Ltd. | 0.30 | - |
| | Shanghai Nutraceuticals (Shanghai) Co., Ltd. | 0.23 | 0.16 |
| | Sinopharm Holding Kaifeng Co., Ltd. | 0.14 | 0.14 |
| | Foshan Yingtian Pharmaceutical Sales Co., Ltd.. | 0.02 | - |
| | Sinopharm Holding Qujing Co., Ltd. | - | 2.34 |
| | Heilongjiang Sinopharm Medical Herbs Co., Ltd. | - | 1.20 |
| | Sinopharm Holding Shiyan Co., Ltd. | - | 1.09 |
| | Sinopharm Jiankun (Beijing) Medicines Co., | - | 0.80 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|--|------------------|------------------|
| Ltd. | | |
| Sinopharm Holding Anhui Co., Ltd. | - | 0.75 |
| Sinopharm Holding Anyang Co., Ltd. | - | 0.70 |
| Sinopharm United Engineering Corporation | - | 0.35 |
| Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd. | - | 0.34 |
| Lanzhou Biotechnology Development Co., Ltd. | - | 0.32 |
| Sinopharm Holding Honghe Co., Ltd. | - | 0.13 |
| Sinopharm Holding Xinxiang Co., Ltd. | - | 0.13 |
| Sinopharm Holding Wuhu Co., Ltd. | - | 0.12 |
| Sinopharm Holding Puyang Co., Ltd. | - | 0.04 |
| Total | <u>28,991.68</u> | <u>27,294.24</u> |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|-----------------------|--|-----------------------------|---------------------------------|
| Other receivables | Sinopharm Group Medicine Logistic Co., Ltd. | 121.50 | 211.76 |
| | Sinopharm Group | 25.00 | 25.00 |
| | China National Pharmaceutical Foreign Trade Co., Ltd. | 12.50 | 8.33 |
| | | <u>159.00</u> | <u>245.09</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Advances to suppliers | Chengdu Rongsheng Pharmacy Co., Ltd. | 164.00 | 0.05 |
| | Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute | 65.22 | 111.80 |
| | Sinopharm Holding Sub Marketing Center Co., Ltd. | 64.55 | - |
| | Wuhan Institute of Biological Products Co., Ltd. | 31.04 | - |
| | Wanle Medical | 4.71 | - |
| | Shanghai Modern Hasen (Shangqiu) Pharmacertical Co., Ltd. | 1.84 | - |
| | Reed Sinopharm Exhibitions Co., Ltd. | 0.90 | - |
| | Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | 0.69 | - |
| | Sinopharm Holding Suzhou Co., Ltd. | 0.49 | - |
| | Sinopharm Holding Fujian Co., Ltd. | 0.44 | 0.44 |
| | Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd. | 0.16 | - |
| | Sinopharm Holding Guizhou Co., Ltd. | 0.12 | 0.04 |
| | Sinopharm Group Guorui Medicine Co., Ltd. | 0.10 | 12.06 |
| | Sinopharm Holding Hainan Co., Ltd. | 0.05 | - |
| | Guangdong Medi-World Pharmacertical Co., Ltd. | 0.03 | - |
| | Qinghai Pharmaceutical Factory Co., Ltd. | - | 383.84 |
| | Shanghai Institute of Pharmaceutical Industry | - | 20.25 |
| | Foshan Nanhai Medicine Co., Ltd. | - | 2.75 |
| | China National Medicines Co., Ltd. | - | 2.50 |
| | Sinopharm Holding Jiangsu Co., Ltd. | - | 0.49 |
| | Hunan Dongting Pharmaceutical Co., Ltd. | - | 0.31 |
| | Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | - | 0.04 |
| | Sinopharm Group Chemical Reagent Co., Ltd. | - | 0.02 |
| | | <u>334.34</u> | <u>534.59</u> |

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

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|------------------|--|-----------------------------|---------------------------------|
| Notes payable | Sinopharm Holding Sub Marketing Center Co., Ltd. | 6,911.35 | 11,839.49 |
| | Sinopharm Group | 3,488.64 | 2,611.93 |
| | China National Medicines Co., Ltd. | 1,333.38 | 1,185.05 |
| | Chongqing Haisiman Pharmaceutical Co., Ltd. | 223.97 | 242.08 |
| | Sinopharm Holding Beijing Co., Ltd. | 157.57 | 29.11 |
| | Shenzhen Wanwei Medicine trading Co., Ltd. | 152.18 | - |
| | Chongqing Yaoyou Pharmaceutical Co., Ltd. | 108.05 | 173.88 |
| | Jiangsu Wanbang Pharmacy Marketing Co., Ltd. | 93.90 | 216.49 |
| | Sinopharm Group Chemical Reagent Suzhou Co., Ltd. | 64.90 | 10.99 |
| | Guizhou Tongjitang Pharmaceutical Co., Ltd. | 62.57 | - |
| | Sinopharm Group Rongsheng Pharmaceutical Co., Ltd. | 43.04 | - |
| | Anhui Jingfang Pharmaceutical Co., Ltd. | 30.76 | - |
| | Foshan Yingtian Pharmaceutical Sales Co., Ltd. | 19.67 | - |
| | Shanghai Shyndec Pharmaceutical Co., Ltd. | 6.42 | 23.01 |
| | Lanzhou Biotechnology Development Co., Ltd. | - | 186.00 |
| | Wanle Medical | - | 73.21 |
| | Sinopharm Holding Guoda Drug Store Guangdong Co., Ltd. | - | - |
| | | <u>12,696.40</u> | <u>16,591.24</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Accounts payable | Sinopharm Holding Sub Marketing Center Co., Ltd. | 16,843.78 | 12,614.82 |
| | Sinopharm Group | 5,145.08 | 3,811.48 |
| | China National Medicines Co., Ltd. | 3,172.98 | 3,019.50 |
| | Sino-Swed Pharmaceutical Corp.Ltd. | 1,472.08 | 1,461.94 |
| | Shenzhen Wanwei Medicine trading Co., Ltd. | 1,202.64 | 360.23 |
| | Foshan Yingtian Pharmaceutical Sales Co., Ltd. | 1,135.20 | 755.74 |
| | Guangdong South Pharmaceutical Foreign Trade Co., Ltd. | 782.71 | 436.16 |
| | Jiangsu Wanbang Pharmacy Marketing Co., Ltd. | 558.06 | 268.24 |
| | Chongqing Yaoyou Pharmaceutical Co., Ltd. | 372.73 | 358.13 |
| | Sinopharm Holding Hubei Co., Ltd. | 228.26 | 57.48 |
| | Lanzhou Biotechnology Development Co., Ltd. | 210.00 | 150.00 |
| | Chongqing Haisiman Pharmaceutical Co., Ltd. | 196.58 | 139.17 |
| | Sinopharm Group Medicine Logistic Co., Ltd. | 190.71 | 139.13 |
| | Foshan Nanhai Uptodate & Special Medicines Co., Ltd. | 142.42 | 28.89 |
| | Sinopharm Holding Macheng Co., Ltd. | 137.43 | - |
| | Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. | 92.50 | 27.67 |
| | Shanghai Shyndec Pharmaceutical Co., Ltd. | 58.43 | 61.81 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|---|-----------|-----------|
| Sinopharm Group Weiqida Medicine Co., Ltd. | 52.82 | 56.72 |
| Sinopharm Holding Beijing Huahong Co., Ltd. | 44.15 | - |
| Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd. | 41.96 | 0.06 |
| Sinopharm Holding Fujian Co., Ltd. | 39.69 | 31.75 |
| Sinopharm Holding Beijing Co., Ltd. | 39.07 | 10.57 |
| Sinopharm Group Rongsheng Pharmaceutical Co., Ltd. | 37.42 | 32.18 |
| Guizhou Tongjitang Pharmaceutical Co., Ltd. | 33.26 | 36.49 |
| Shandong Lu Ya Pharmaceutical Co., Ltd. | 31.81 | 13.68 |
| To next page | 32,261.77 | 23,871.84 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|------------------|--|-----------------------------|---------------------------------|
| Accounts payable | Continued | 32,261.77 | 23,871.84 |
| | Sinopharm Holding Hunan Co., Ltd. | 21.64 | 233.13 |
| | Wuhan Zhonglian Pharmaceutical Group Co., Ltd. | 20.48 | 2.71 |
| | Guilin South pharmaceutical Co., Ltd. | 20.20 | 13.73 |
| | Sinopharm Holding Heilongjiang Co., Ltd. | 13.19 | - |
| | China Otsuka Pharmaceutical Co., Ltd. | 11.62 | 20.25 |
| | Sinopharm Group Chemical Reagent Co., Ltd. | 5.92 | 11.37 |
| | Sinopharm Group Chemical Reagent Suzhou Co., Ltd. | 4.03 | - |
| | China National Pharmaceutical Foreign Trade Co., Ltd. | 6.49 | 95.05 |
| | Foshan Dezhong Pharmaceutical Co., Ltd. | 6.00 | 5.83 |
| | Handan Pharmaceutical Co., Ltd. | 5.96 | 8.51 |
| | Hunan Dongting Pharmaceutical Co., Ltd. | 5.00 | 4.90 |
| | Shenyang Hongqi Pharmaceutical Co., Ltd. | 4.78 | 0.55 |
| | Sinopharm Holding Jiangsu Co., Ltd. | 3.31 | - |
| | Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd. | 3.24 | - |
| | Guangdong Medi-World Pharmacertical Co., Ltd. | 3.05 | 3.05 |
| | Foshan Nanhai Medicine Co., Ltd. | 2.77 | - |
| | Guizhou Longlife Pharmacertical Co., Ltd. | 2.69 | 3.46 |
| | Yichang Humanwell Pharmaceutical Co., Ltd. | 2.25 | 0.05 |
| | Sinopharm Holding Sanyi Medicine(Wuhu) Co., Ltd. | 1.96 | 0.17 |
| | China Pharmaceutical Group Shanghai Medical Instrument Co., Ltd. | 1.66 | 3.02 |
| | Sinopharm Holding Liaocheng Co., Ltd. | 1.62 | 1.62 |
| | Anhui Jingfang Pharmaceutical Co., Ltd. | 0.96 | 11.78 |
| | Sinopharm Group Beijing Medical equipment Co., Ltd. | 0.88 | 0.88 |
| | Shanghai Chaohui Pharmecurical Co., Ltd. | 0.75 | 0.75 |
| | Sinopharm Holding Shaanxi Co., Ltd. | 0.72 | - |
| | Jiangsu the Yellow River pharmaceutical Co.,Ltd. | 0.28 | - |
| | Sinopharm Holding Dezhou Co., Ltd. | 0.43 | 6.84 |
| | Foshan Fengliaoqing Pharmaceutical Co., Ltd. | 0.39 | 0.39 |
| | Wanle Medical | 0.37 | 578.28 |
| | Sinopharm Holding Ningxia Co., Ltd. | 0.30 | - |
| | Shanghai Sailun Biological Technology Co., Ltd. | 0.29 | 0.29 |
| | Xiamen Xingsha Huaideju Pharmaceutical Co., Ltd. | 0.11 | 0.11 |
| | The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group | 0.08 | 0.08 |
| | Chengdu Rongsheng Pharmacy Co., Ltd. | 0.08 | - |
| | Shanghai Fosun Pharmaceutical Co., Ltd. | 0.02 | 0.02 |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|--|-----------|-----------|
| Wanbang Biopharmaceuticals | - | 51.06 |
| Sinopharm Holding Chongqing Co., Ltd. | - | 17.07 |
| Sinopharm Holding Hainan Co., Ltd. | - | 16.90 |
| Sinopharm Pharmaceutical Logistics Co., Ltd. Guangzhou Branch | - | 6.30 |
| Sinopharm Holding Yunnan Co., Ltd. | - | 1.91 |
| Sinopharm Holding Suzhou Co., Ltd. | - | 1.62 |
| Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd. | - | 1.38 |
| Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd. | - | 0.30 |
| Total | 32,415.29 | 24,975.20 |

CHINA NATIONAL ACCORD MEDICINES CO., LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|-------------------------|--|-----------------------------|---------------------------------|
| Other payables | Sinopharm Group | 453.07 | 453.07 |
| | China State Institute of Pharmaceutical Industry | 400.00 | 15.00 |
| | Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute | 255.00 | 216.83 |
| | China National Pharmaceutical Group Shanghai Co., Ltd. | 166.04 | 166.04 |
| | China medicine company | 150.00 | 150.00 |
| | CNPGC | 90.00 | 170.00 |
| | Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. | 56.76 | 56.76 |
| | Sinopharm Holding Guoda Drug Store Guangzhou Chain Co., Ltd. | 15.00 | 30.00 |
| | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | 5.53 | 0.28 |
| | Sinopharm Group Guangdong Province medical instrument Co., Ltd. | 4.40 | - |
| | Sinopharm Holding Shanxi Co., Ltd. | 1.50 | 1.50 |
| | Sinopharm Holding Tianjin Co., Ltd. | 1.00 | 1.00 |
| | Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd. | 1.00 | 1.00 |
| | Sinopharm industry Drug Sales Co. Ltd. | 0.72 | - |
| | Sinopharm Group Southwest Medicine Co., Ltd. | 0.50 | 0.50 |
| | Sinopharm Holding Hubei Co., Ltd. | 0.50 | 0.50 |
| | Sinopharm Holding Yangzhou Co., Ltd. | 0.50 | 0.50 |
| | Sinopharm Holding Sub Marketing Center Co., Ltd. | 0.50 | 0.50 |
| | Sinopharm Holding Wuxi Co., Ltd. | 0.50 | 0.50 |
| | Sinopharm Le -Ren-Tang Medicine Co., Ltd. | 0.50 | 0.50 |
| | Sinopharm Group Medicine Logistic Co., Ltd. | 0.04 | - |
| | Sinopharm Group Shanghai Medical Instrument Co., Ltd. | - | 4.40 |
| | China National Scientific Instruments & Materials Corporation | - | 4.40 |
| | | 1,603.06 | 1,273.28 |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Advances from customers | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | 9.47 | 9.47 |
| | Sinopharm Holding Yunnan Co., Ltd. | 3.02 | - |
| | Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd. | 1.57 | - |
| | Sinopharm Holding Gansu Co., Ltd. | 1.44 | 0.04 |
| | Sinopharm Holding Anhui Co., Ltd. | 0.80 | - |
| | Sinopharm Holding Xuzhou Co., Ltd. | 0.51 | - |
| | Sinopharm Holding Beijing Tianxing Puxin | 0.34 | - |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|--|--------------|--------------|
| Biological Medical Co., Ltd. | | |
| Sinopharm Holding Tianjin Co., Ltd. | 0.13 | - |
| Sinopharm Holding Chongqing Co., Ltd. | 0.08 | - |
| Sinopharm holding Zhejiang Biological Products Co., Ltd. | 0.05 | - |
| Sinopharm Holding Inner Mongolia Co., Ltd. | 0.03 | - |
| Sinopharm Le -Ren-Tang Medicine Co., Ltd. | 0.01 | - |
| Sinopharm Holding Fujian Co., Ltd. | - | 2.58 |
| Sinopharm Holding Zhangzhou Co., Ltd. | - | 0.53 |
| Sinopharm Holding Beijing Huahong Co., Ltd. | - | 0.10 |
| Sinopharm Holding Changzhou Medical logistics center Co., Ltd. | - | 0.10 |
| Sinopharm holding (Shanghai) Agel Ecommerce Ltd | - | 0.08 |
| Wanle Medical | - | 0.01 |
| | <u>17.45</u> | <u>12.91</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|-------------------------------|---------------------|-----------------------------|---------------------------------|
| Interests payable | CNPGC | 4.74 | - |
| | Sinopharm Group | - | 68.44 |
| | Group Financial Co. | - | 52.80 |
| | | <u>4.74</u> | <u>121.24</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Entrusted loans | CNPGC | 3,160.00 | - |
| | Sinopharm Group | - | 40,000.00 |
| | | <u>3,160.00</u> | <u>40,000.00</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Other non-current liabilities | Sinopharm Group | <u>3,506.18</u> | <u>3,506.18</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Short-term loans | Group Financial Co. | <u>-</u> | <u>32,000.00</u> |
| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
| Cash at related party | Group Financial Co. | <u>11,172.59</u> | <u>27.28</u> |

(7) Commitment with related parties

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

| | | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|--------------|---|-----------------------------|---------------------------------|
| Lease | | | |
| -As a lessee | | | |
| | Sinopharm Group Medicine Logistic Co., Ltd. | 729.00 | - |
| | Shaoguan Wujiang District Muyang Consulting Co., Ltd. | 501.06 | 194.42 |
| | Wang Yang | 27.60 | - |
| | Foshan Nanhai Medicine Co., Ltd. | 12.94 | 25.87 |
| | | <u>1,270.60</u> | <u>220.29</u> |
| -As a leaser | | | |
| | Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd. | 302.21 | 333.88 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | |
|--|------------------|-----------------|
| Sinopharm Holding Guoda Pharmacy Co., Ltd. | 56.82 | 75.75 |
| Sinopharm Group Guangdong Medicine Device Co., Ltd. | 41.89 | 55.41 |
| Sinopharm Guoda Drug Store(Shenzhen) Chain Co., Ltd. | 23.50 | 25.90 |
| Chinese medicine industry and Drug Sales Co. Ltd. | 2.16 | |
| | <u>426.58</u> | <u>490.94</u> |
| Guarantee | | |
| - Guaranteed by related party(Not yet used amount) | | |
| Sinopharm Group | <u>21,049.86</u> | <u>8,346.80</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

VII Contingencies

Nil.

VIII Commitments**(1) Capital commitments**

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

| | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|------------------------------------|-----------------------------|---------------------------------|
| Buildings, machinery and equipment | 16,885.23 | 21,398.14 |

(2) Operating lease commitments

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

| | 30 June 2014 (RMB'0,000) | 31 December 2013 (RMB'0,000) |
|-----------------------|-----------------------------|---------------------------------|
| Within one year | 4,276.27 | 2,272.32 |
| Between 1 and 2 years | 2,334.49 | 2,120.22 |
| Between 2 and 3 years | 2,216.38 | 2,148.15 |
| Over 3 years | 12,236.15 | 15,782.29 |
| | 21,063.29 | 22,322.98 |

(3) Execution of commitments of prior years

The Group has fulfilled the commitments as of 30 June 2014 according to the relevant contracts.

IX Subsequent events after the balance sheet date

Nil.

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

| | 30 June 2014 | 31 December 2013 |
|-------------------------------|----------------|------------------|
| Accounts receivable | 475,772,476.43 | 428,545,652.48 |
| Less: provision for bad debts | (1,169,085.93) | (1,169,085.93) |
| | 474,603,390.50 | 427,376,566.55 |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

| | 30 June 2014 | 31 December 2013 |
|---------------|-----------------------|-----------------------|
| Within 1 year | 474,603,390.50 | 427,376,566.55 |
| Over 3 years | <u>1,169,085.93</u> | <u>1,169,085.93</u> |
| | <u>475,772,476.43</u> | <u>428,545,652.48</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(1) Accounts receivable(continued)

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

| | | 30 June 2014 | | | | 31 December 2013 | | | |
|--|------------------|-----------------|--------------------|---------------------|---------|------------------|--------------------|---------------------|---------|
| | | Carrying amount | | Bad debt provisions | | Carrying amount | | Bad debt provisions | |
| | | amount | % of total balance | amount | rate | amount | % of total balance | amount | rate |
| Receivable within credit risk group | accounts similar | 474,603,390.50 | 99.75% | - | - | 427,376,566.55 | 99.73% | - | - |
| Individually significant but not individually evaluated for impairment | | 1,169,085.93 | 0.25% | (1,169,085.93) | 100.00% | 1,169,085.93 | 0.27% | (1,169,085.93) | 100.00% |
| | | 475,772,476.43 | 100.00% | (1,169,085.93) | 0.25% | 428,545,652.48 | 100.00% | (1,169,085.93) | 0.27% |

(c) As at 30 June 2014, accounts receivable individually not significant but individually evaluated for impairment are analysed below:

| | Per book | Bad debt provisions | % of provision | Reason |
|--|--------------|---------------------|----------------|---|
| Guangdong Liyuan Pharmaceutical Co.,Ltd. | 1,169,085.93 | (1,169,085.93) | 100.00% | Disputed receivables with uncertainty in recoverability |

(d) As at 30 June 2014, there is no accounts receivable due from shareholders who holds more than 5% (including 5%) shares of the Company (31December2013: Nil).

(e) As at 30 June 2014, the top five accounts receivable by customer are analysed as below:

| | Relationship with the Company | Amount | Ageing | % of the total accounts receivable |
|---|-------------------------------|----------------|---------------|------------------------------------|
| Shenzhen People's Hospital | The third party | 32,322,841.37 | Within 1 year | 6.79% |
| Shenzhen Second People's Hospital | The third party | 31,349,294.36 | Within 1 year | 6.59% |
| Peking University Shenzhen Hospital | The third party | 25,182,670.75 | Within 1 year | 5.29% |
| Shenzhen Nanshan Center People's Hospital | The third party | 18,477,495.07 | Within 1 year | 3.88% |
| Shenzhen Baoan People's Hospital | The third party | 18,027,694.93 | Within 1 year | 3.79% |
| | | 125,359,996.48 | | 26.34% |

(f) Accounts receivable due from related party

As at 30 June 2014, there are accounts receivable of RMB25,947,267.73 due from related party (31 December 2013: RMB27,194,712.47), which is 5.45% of the total accounts receivable (31 December 2013: 6.35%), without any bad debt

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

provided (31 December 2013: Nil).

- (g) In half year of 2014, accounts receivable of RMB 188,557,344.33 are derecognized given that irrevocable factoring contracts agreed with financial institute (Half year of 2013: RMB 115,552,613.39).

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(2) Other receivables

| | 30 June 2014 | 31 December 2013 |
|------------------------------------|-------------------------|-------------------------|
| Amounts due from subsidiaries | 2,348,869,112.11 | 1,156,486,010.97 |
| Receivable from equity transaction | 8,980,000.00 | 8,980,000.00 |
| Borrowings due from employees | 963,647.96 | 979,997.96 |
| Others | 3,317,857.52 | 4,222,309.36 |
| | <u>2,362,130,617.59</u> | <u>1,170,668,318.29</u> |
| Less: provision for bad debts | <u>(10,141,380.00)</u> | <u>(10,140,380.00)</u> |
| | <u>2,351,989,237.59</u> | <u>1,160,527,938.29</u> |

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

| | 30 June 2014 | 31 December 2013 |
|---------------|-------------------------|-------------------------|
| Within 1 year | 2,351,922,357.59 | 1,160,480,058.29 |
| 1 to 2 years | 70,400.00 | 50,400.00 |
| Over 3 years | 10,137,860.00 | 10,137,860.00 |
| | <u>2,362,130,617.59</u> | <u>1,170,668,318.29</u> |

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

| | 30 June 2014 | | | | 31 December 2013 | | | |
|--|-------------------------|-------------------|------------------------|--------------|-------------------------|-------------------|------------------------|--------------|
| | 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 | 0.38% | (8,980,000.00) | 100.00% | 8,980,000.00 | 0.77% | (8,980,000.00) | 100.00% |
| Receivable accounts within similar credit risk group | 2,351,992,757.59 | 99.57% | (3,520.00) | 0.00% | 1,160,530,458.29 | 99.13% | (2,520.00) | 0.00% |
| Individually not significant but individually evaluated for impairment | 1,157,860.00 | 0.05% | (1,157,860.00) | 100.00% | 1,157,860.00 | 0.10% | (1,157,860.00) | 100.00% |
| | <u>2,362,130,617.59</u> | <u>100.00%</u> | <u>(10,141,380.00)</u> | <u>0.43%</u> | <u>1,170,668,318.29</u> | <u>100.00%</u> | <u>(10,140,380.00)</u> | <u>0.87%</u> |

(c) As at 30 June 2014, 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 |

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

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

| | 30 June 2014 | | | | 31 December 2013 | | | |
|---------------|-------------------------|-------------------|--------------------|--------------|-------------------------|-------------------|--------------------|--------------|
| | 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 | 2,351,922,357.59 | 100.00% | - | - | 1,160,480,058.29 | 100.00% | - | - |
| 1 to 2 years | 70,400.00 | 0.00% | (3,520.00) | 5.00% | 50,400.00 | 0.00% | (2,520.00) | 5.00% |
| | <u>2,351,992,757.59</u> | <u>100.00%</u> | <u>(3,520.00)</u> | <u>0.00%</u> | <u>1,160,530,458.29</u> | <u>100.00%</u> | <u>(2,520.00)</u> | <u>0.00%</u> |

CHINA NATIONAL ACCORD MEDICINESCO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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

- (e) As at 30 June 2014, 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 |

- (f) As at 30 June 2014, there is RMB250,000.00 due from shareholders who holds more than 5% (including 5%) shares of the Company (31 December 2013: RMB250,000.00).

- (g) As at 30 June 2014, the top five other receivables by customer are analysed below:

| | Relationship with the Company | Amount | Ageing | % of the total other receivable |
|---------------------|-------------------------------|-------------------------|---------------|---------------------------------|
| Sinopharm Guangzhou | Subsidiary | 787,664,717.36 | Within 1 year | 33.35% |
| Sinopharm Guangxi | Subsidiary | 369,198,417.05 | Within 1 year | 15.63% |
| Sinopharm Yuxing | Subsidiary | 212,704,652.93 | Within 1 year | 9.00% |
| Sinopharm Zhanjiang | Subsidiary | 148,000,000.00 | Within 1 year | 6.27% |
| Zhijun Suzhou | Subsidiary | 109,100,000.00 | Within 1 year | 4.62% |
| | | <u>1,626,667,787.34</u> | | <u>68.87%</u> |

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

As at 30 June 2014, there are other receivables of RMB2,349,244,112.11 due from related party (31 December 2013: RMB1,156,486,010.97), which is 99.45% of the total other receivables (31 December 2013: 98.79%), without any bad debt provided (31 December 2013: Nil).

(3) Long-term equity investments

| | 30 June 2014 | 31 December 2013 |
|--|-------------------------|-------------------------|
| Investments in subsidiaries (a) | 1,455,489,494.38 | 1,447,999,494.38 |
| Investments in associates (b) | <u>130,784,733.02</u> | <u>135,341,010.52</u> |
| | 1,586,274,227.40 | 1,583,340,504.90 |
| Less: provision for impairment of long-term equity investments | <u>-</u> | <u>-</u> |
| | <u>1,586,274,227.40</u> | <u>1,583,340,504.90</u> |

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

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

X 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 2013 | Increases/(decreases) in investment cost | 30 June 2014 | Equity interest held (%) | Voting rights held (%) |
|---------------------|-------------------|--------------------------|------------------|---|----------------|-----------------------------|---------------------------|
| Zhijun Pharm | Cost method | 73,903,284.87 | 204,903,284.87 | - | 204,903,284.87 | 100 | 100 |
| Sinopharm Jianmin | Cost method | 45,054,911.04 | 45,054,911.04 | - | 45,054,911.04 | 100 | 100 |
| Sinopharm Materials | Cost method | 5,400,000.00 | 6,450,875.93 | - | 6,450,875.93 | 100 | 100 |
| Shenzhen 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 |
| Sinopharm Hengxing | Cost method | 8,421,544.08 | 35,763,288.00 | - | 35,763,288.00 | 100 | 100 |
| Sinopharm Liuzhou | Cost method | 21,407,965.79 | 21,407,965.79 | - | 21,407,965.79 | 51 | 51 |
| Sinopharm Dongguan | Cost method | 2,742,000.00 | 9,942,000.00 | - | 9,942,000.00 | 100 | 100 |
| Huixin Investment | Cost method | 109,416,937.72 | 64,416,937.72 | - | 64,416,937.72 | 100 | 100 |
| Guangdong Logistic | Cost method | 1,269,502.30 | 5,596,006.21 | - | 5,596,006.21 | 100 | 100 |
| Sinopharm Yuexing | Cost method | 16,459,326.27 | 43,459,326.27 | - | 43,459,326.27 | 100 | 100 |
| Sinopharm Foshan | Cost method | 6,995,065.51 | 14,995,065.51 | - | 14,995,065.51 | 100 | 100 |
| Zhijun Suzhou | Cost method | 134,250,000.00 | 265,900,000.00 | - | 265,900,000.00 | 100 | 100 |
| Sinopharm Guangxi | Cost method | 33,048,985.28 | 104,048,985.28 | - | 104,048,985.28 | 100 | 100 |
| Sinopharm Zhanjiang | Cost method | 1,369,864.65 | 15,769,864.65 | - | 15,769,864.65 | 100 | 100 |
| Sinopharm Yanfeng | 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 |
| Sinopharm Zhaoqing | Cost method | 5,060,000.00 | 5,060,000.00 | - | 5,060,000.00 | 100 | 100 |
| Sinopharm Jiangmen | Cost method | 56,000,000.00 | 56,000,000.00 | - | 56,000,000.00 | 100 | 100 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | | | |
|---------------------|-------------|---------------|-------------------------|---------------------|-------------------------|-----|-----|
| Sinopharm Zhongshan | Cost method | 10,000,000.00 | 10,000,000.00 | - | 10,000,000.00 | 100 | 100 |
| Sinopharm Shaoguan | Cost method | 13,580,000.00 | 13,580,000.00 | - | 13,580,000.00 | 70 | 70 |
| Sinopharm Shantou | Cost method | 7,490,000.00 | - | 7,490,000.00 | 7,490,000.00 | 70 | 70 |
| | | | <u>1,447,999,494.38</u> | <u>7,490,000.00</u> | <u>1,455,489,494.38</u> | | |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

X 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 2013 | Movement | | 30 June 2014 | Equity interest held (%) | Voting rights held (%) | Explanation for the inconsistency between equity interest held and voting rights held |
|---------------|-------------------|-------------------------|------------------|-------------------------|-------------------|----------------|--------------------------|------------------------|--|
| | | | | Share of profit or loss | Dividend declared | | | | |
| Wanle Medical | Equity method | 4,457,400.00 | 135,341,010.52 | 23,595,722.50 | (28,152,000.00) | 130,784,733.02 | 35.19 | 33.33 | Board of the directors is the highest decision making organization, which is formed by 3 shareholder of Wanle Medical evenly |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

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

(4) Sales and cost of sales

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|----------------------------|--|--|
| Revenue of main operations | 1,339,376,773.85 | 1,189,379,218.09 |
| Other operating income | 5,156,613.11 | 4,062,055.85 |
| | <u>1,344,533,386.96</u> | <u>1,193,441,273.94</u> |
| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
| Cost of main operations | (1,289,133,611.14) | (1,140,794,978.30) |
| Other operating expenses | (1,778,763.16) | (1,872,163.40) |
| | <u>(1,290,912,374.30)</u> | <u>(1,142,667,141.70)</u> |

(a) Revenue and cost of main operations

Analysed by industry:

| | For the six months ended 30 June 2014 | | For the six months ended 30 June 2013 | |
|---|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | Revenue of main operations | Cost of main operations | Revenue of main operations | Cost of main operations |
| Commercial pharmaceutical wholesale | <u>1,339,376,773.85</u> | <u>(1,289,133,611.14)</u> | <u>1,189,379,218.09</u> | <u>(1,140,794,978.30)</u> |

(b) Other operating income and expenses

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|---------------------------------------|---------------------------------------|
|--|---------------------------------------|---------------------------------------|

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | Other operating income | Other operating expenses | Other operating income | Other operating expenses |
|--------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Rental income | 3,290,970.68 | (900,653.75) | 2,311,563.12 | (532,919.37) |
| Rendering of services | 1,865,642.43 | (878,109.41) | 1,750,492.73 | (1,339,244.03) |
| | <u>5,156,613.11</u> | <u>(1,778,763.16)</u> | <u>4,062,055.85</u> | <u>(1,872,163.40)</u> |

(c) Top five customers are analysed as follows:

The sales to the top five customers of the Company totaling to RMB431,217,833.94 (For the six months ended 30 June 2013: RMB403,795,388.58), which accounted for 32.07% (2013:33.83%) of the total revenue from main operations. Details are set out below:

| | Sales | % of total revenue from main operations |
|---|-----------------------|--|
| Sinopharm Jianmin | 168,093,996.01 | 12.50% |
| Shenzhen People's Hospital | 80,658,797.44 | 6.00% |
| Shenzhen Second People's Hospital | 72,447,591.89 | 5.39% |
| Peking University Shenzhen Hospital | 64,317,781.07 | 4.78% |
| Shenzhen Nanshan Center People's Hospital | 45,699,667.53 | 3.40% |
| | <u>431,217,833.94</u> | <u>32.07%</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

X Notes to the main items of financial statement of the Company (continued)**(5) Investment income**

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|--|--|
| Cash dividends declared by subsidiaries (a) | 456,948,364.73 | 384,667,945.90 |
| Share of profit in an associated company (b) | 23,595,722.50 | 18,576,985.34 |
| Investment income from disposal of long-term equity investment | - | - |
| | <u>480,544,087.23</u> | <u>403,244,931.24</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:

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | Reason of Fluctuation |
|---------------------|---|---|---------------------------------|
| Zhijun Pharm | 234,559,959.43 | 208,233,461.30 | Profit increased comparing 2013 |
| Sinopharm Guangzhou | 123,183,476.82 | 111,653,923.40 | Profit increased comparing 2013 |
| Sinopharm Guangxi | 38,155,909.66 | 30,056,575.76 | Profit increased comparing 2013 |
| Sinopharm Yuexing | 14,612,152.47 | 8,334,758.40 | Profit increased comparing 2013 |
| Sinopharm Jianmin | 10,292,930.09 | 6,338,217.07 | Profit increased comparing 2013 |
| | <u>420,804,428.47</u> | <u>364,616,935.93</u> | |

(b) Share of profit in an associated company

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | Reason of Fluctuation |
|---------------|---|---|---------------------------------|
| Wanle Medical | <u>23,595,722.50</u> | <u>18,576,985.34</u> | Profit increased comparing 2013 |

(6) Notes to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|--|--|
| Net profit | 505,980,755.05 | 415,274,263.68 |
| Add: Provision for assets impairment reversal | 153,394.98 | 319,855.94 |
| Depreciation of fixed assets and Investment properties | 3,536,884.58 | 3,651,261.19 |
| Amortisation of intangible assets | 781,278.08 | 683,584.76 |
| Amortisation of long-term prepaid expenses | 553,040.94 | 553,549.62 |
| (Gains) /Losses on disposal of fixed assets | (326.59) | - |
| Financial expenses | (30,420,949.30) | 5,352,962.48 |
| Investment income | (480,544,087.23) | (403,244,931.24) |
| (Increase) /decrease in deferred income tax assets | (28,507.99) | (53,392.68) |
| Increasein inventories | (1,913,680.85) | (20,585,829.83) |
| Increase in operating receivables | (36,449,337.03) | (94,100,583.70) |
| Increasein operating payables | (20,830,052.57) | 81,163,369.55 |
| Net cash flows from operating activities | <u>(59,181,587.93)</u> | <u>(10,985,890.23)</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

X Notes to the main items of financial statement of the Company (continued)**(6) Notes to cash flow statement(continued)****(b) Net increase in cash**

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|---|--|--|
| Cash at end of period | 217,796,047.77 | 141,911,747.30 |
| Less: cash at beginning of year | (218,342,947.03) | (160,633,355.13) |
| Net decrease in cash and cash equivalents | <u>(546,899.26)</u> | <u>(18,721,607.83)</u> |

(c) Cash

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|-------------------------------------|--|--|
| Cash at bank and on hand | 217,796,047.77 | 141,911,747.30 |
| Less: restricted other cash balance | - | - |
| Cash at end of period | <u>217,796,047.77</u> | <u>141,911,747.30</u> |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

I Non-routine items

| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
|--|--|--|
| Gains on disposal of non-current assets | 436,751.38 | 3,665.89 |
| Government grants | 14,575,338.73 | 12,384,950.86 |
| Receivables impairment reversal by individual assessment | 2,473,206.68 | 469,770.27 |
| Other non-operating income /(expenses), net | 12,116,477.87 | (12,371,947.75) |
| | <u>29,601,774.66</u> | <u>486,439.27</u> |
| Tax impact of above non-routine items | (6,865,661.39) | 169,935.06 |
| Share of minority interests of above non-routine items after tax | (48,228.76) | (41,883.12) |
| | <u>22,687,884.51</u> | <u>614,491.21</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 | |
| | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 | For the six months ended 30 June 2014 | For the six months ended 30 June 2013 |
| Consolidated net profit attributable to the shareholders of the Company | 10.39% | 13.81% | 1.073 | 0.905 | 1.073 | 0.905 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

| | | | | | | |
|-------------------------|-------|--------|-------|-------|-------|-------|
| Consolidated net profit | | | | | | |
| attributable to the | | | | | | |
| shareholders of the | | | | | | |
| Company, excluding | | | | | | |
| non-routine items | 9.74% | 13.78% | 1.003 | 0.903 | 1.003 | 0.903 |

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

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 | 30 June 2014 | 31 December 2013 | Fluctuation | % |
|---------------------------|-------|---------------|------------------|----------------|------------|
| | | Consolidated | Consolidated | | |
| Cash at bank and on hand | 1.1 | 1,417,891,485 | 1,113,562,212 | 304,329,274 | 27.33% |
| Notes receivable | 1.2 | 668,212,842 | 739,061,142 | -70,848,299 | -9.59% |
| Accounts receivable | 1.3 | 6,379,994,615 | 5,675,658,507 | 704,336,109 | 12.41% |
| Advance to suppliers | 1.4 | 98,894,282 | 64,367,040 | 34,527,242 | 53.64% |
| Inventories | 1.5 | 2,189,768,999 | 1,831,267,290 | 358,501,709 | 19.58% |
| Other current assets | 1.6 | 21,496,420 | 12,203,753 | 9,292,667 | 76.15% |
| Fixed assets | 1.7 | 745,157,659 | 766,741,591 | -21,583,931 | -2.82% |
| Construction in progress | 1.8 | 192,687,064 | 126,606,806 | 66,080,258 | 52.19% |
| Short-term borrowings | 1.9 | 1,400,802,174 | 2,744,941,589 | -1,344,139,415 | -48.97% |
| Accounts payable | 1.10 | 4,184,497,889 | 3,436,936,497 | 747,561,392 | 21.75% |
| Advance from customers | 1.11 | 25,982,230 | 38,570,231 | -12,588,001 | -32.64% |
| Other current liabilities | 1.12 | 10,262,276 | 22,040,000 | -11,777,724 | -53.44% |
| Surplus reserve | 1.13 | 1,860,333,209 | 5,750,339 | 1,854,582,870 | 32,251.72% |
| Undistributed profits | 1.14 | 2,081,045,817 | 1,806,002,285 | 275,043,532 | 15.23% |

1.1 Increase was due to the receipt of Non-public offering funds.

1.2 Decrease was mainly due to increase of purchase and Notes receivable endorsement.

1.3 Increase was mainly due to increase of sales.

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

- 1.4 Increase was mainly due to increase new suppliers and the increase of purchase.
- 1.5 Increase was mainly due to the increased inventory amount from increased purchase.
- 1.6 Increase was mainly because of the increase of VAT offset.
- 1.7 Decrease was mainly due to the depreciation of the period.
- 1.8 Increase was mainly due to the investment of the construction projects.
- 1.9 Increase mainly due to the repayments to most of the short-term debt with the fund raised from insurance.
- 1.10 Increase was mainly due to the increase of purchase.
- 1.11 Decrease was mainly due to decrease of purchase from commercial customers.
- 1.12 Decrease was mainly because the compensation amount for court case reduced in final judgement.
- 1.13 Increase was due to the Non-public offering.
- 1.14 Increase was mainly due to the profit increase.

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.**Notes to financial statements****For the six months ended 30 June 2014**

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

III Notes for significant fluctuation of major accounts in financial statements (Continued)**(2) Consolidated Income Statement**

| | Notes | For the six months ended 30 June 2014 Consolidated | For the six months ended 30 June 2013 Consolidated | Fluctuation | % |
|---|-------|---|--|---------------|---------|
| Sales | 2.1 | 11,612,642,434 | 10,131,712,690 | 1,480,929,744 | 14.62% |
| Cost of sales | 2.2 | 11,219,447,997 | 9,821,563,933 | 1,397,884,065 | 14.23% |
| Selling and distribution expenses | 2.3 | 271,149,211 | 242,609,042 | 28,540,168 | 11.76% |
| General and administrative expenses | 2.4 | 215,813,784 | 182,897,044 | 32,916,740 | 18.00% |
| Financial expenses - net | 2.5 | 70,931,725 | 76,468,651 | -5,536,926 | -7.24% |
| Assets impairment | 2.6 | 7,312,907 | 16,807,659 | -9,494,751 | -56.49% |
| Investment income | 2.7 | 23,595,723 | 18,576,985 | 5,018,737 | 27.02% |
| Non-operationg expenses | 2.8 | 1,207,497 | 22,119,062 | -20,911,564 | -94.54% |
| Income tax expenses | 2.9 | 83,365,728 | 60,942,245 | 22,423,483 | 36.79% |
| Profit and loss of equity holders of the Company | 2.10 | 340,317,282 | 260,794,679 | 79,522,603 | 30.49% |

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 sales was mainly due to the increase in sales volume.

2.4 Increase in general and administrative expenses was mainly due to the increase in tax, technical service fee and the staff expenses increased due to the increased scale of recruitment of staff.

2.5 Decrease in financial expenses was mainly due to the receipt of non-public funds and thus reduced the cost of financing.

CHINA NATIONAL ACCORD MEDICINES CO.,LTD.

Notes to financial statements

For the six months ended 30 June 2014

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

- 2.6 Decrease in assets impairment was mainly due to the decrease of bad debt and inventory impairment risks.
- 2.7 Increase in investment income was mainly due to the profit increase from associate company.
- 2.8 Decrease in non-operating expenses was mainly because the Group accure provision related to the court case in last period but no similar transaction in this period.
- 2.7 Increase in income tax expenses was mainly the profit increased.
- 2.8 Increase mainly because of the profit increase.

Section X. Documents Available for Reference

1. Accounting Statements carried with the signature and seals of legal representative, chief financial officer and person in charge of accounting;
2. Original text of all documents of the Company as well as manuscript of the announcement disclosed in reporting period on *Securities Times*, *China Securities Journal* and *Hong Kong Commercial Daily* appointed by the CSRC;
3. Annual Report carried with the personal signature of the Chairman;
4. The Place Where the document placed: Office of Secretariat of the Board of Directors, Accord Pharm Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen