



**China National Accord Medicines Corporation Ltd.**

**Annual Report 2016**

**April 2017**

## **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.**

**Lin Zhaoxiong, Principal of the Company, Wei Pingxiao, person in charge of accounting works and Wang Ying, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2016 Annual Report is authentic, accurate and complete.**

**Other directors attending the Meeting for annual report deliberation except for the followed**

<b>Name of director absent</b>	<b>Title for absent director</b>	<b>Reasons for absent</b>	<b>Attorney</b>
Li Zhiming	director	Official business	Ma Wanjun

**It is likely to existing risks in aspect of industrial competition, operation& management, market and national policy, and majority investors are advised to exercise caution of investment risks.**

**The profit distribution plan that deliberated and approved by the Board is: based on total stock issued 428,126,983 shares, distributed 3.30 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.**

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## Paraphrase

Items	Refers to	Contents
Listed Company, Company, the Company, Sinopharm Accord, the Group	Refers to	China National Accord Medicines Corporation Ltd.
Sinopharm Holding	Refers to	Sinopharm Group Co., Ltd.; 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 of selling drug to the hospital directly
GMP certificate	Refers to	Good Manufacture Practice of Drugs certificate
GSP certificate	Refers to	Good Supply Practice certificate
Supply Chain Management	Refers to	That is CMS, and information system processing workflow & procurement, inventory & sales documents
Abbreviation	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.
Guoda Pharmacy	Refers to	Sinopharm Holding Guoda Pharmacy Co., Ltd.
Sinopharm Holding Guangxi	Refers to	Sinopharm Holding Guangxi Co., Ltd.
Zhijun Pharmaceutical	Refers to	China National Zhijun (Shenzhen) Pharmaceutical Co., Ltd.
Zhijun Pharmacy Trade	Refers to	Shenzhen Zhijun Pharmacy Trade Co., Ltd.
Pingshan Pharmaceutical	Refers to	China National Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.
Main Luck Pharmaceutical	Refers to	Shenzhen Main Luck Pharmaceuticals Inc.
China National Zhijun (Suzhou)	Refers to	China National Zhijun (Suzhou) Pharmaceutical Co., Ltd.

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	Sinopharm Accord ; Accord B	Stock code	000028, 200028
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	国药集团一致药业股份有限公司		
Short form of the Company (in Chinese)	国药一致		
Foreign name of the Company (if applicable)	China National Accord Medicines Corporation Ltd.		
Short form of foreign name of the Company (if applicable)	Sinopharm Accord		
Legal representative	Lin Zhaoxiong		
Registrations add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Code for registrations add	518029		
Offices add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Codes for office add.	518029		
Company's Internet Web Site	<a href="http://www.szaccord.com.cn">http://www.szaccord.com.cn</a>		
E-mail	<a href="mailto:gyyz0028@sinopharm.com">gyyz0028@sinopharm.com</a>		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Chen Changbing	
Contact add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	
Tel.	+(86)755 25875195	
Fax.	+(86)755 25195435	
E-mail	gyyzinvestor@sinopharm.com;	

### III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times; China Securities Journal; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	HTTP://WWW.SZSE.CN; <a href="http://WWW.CNINFO.COM.CN">HTTP://WWW.CNINFO.COM.CN</a>
Preparation place for annual report	Secretariat of the Board of Directors

#### IV. Registration changes of the Company

Organization code	19218626-7
Changes of main business since listing (if applicable)	No change.
Previous changes for controlling shareholders (if applicable)	No change.

#### V. Other relevant information

CPA engaged by the Company

Name of CPA	Ernst & Young CPA (Special General partnership)
Offices add. for CPA	21/F, China Resources Building, No. 5001, Shennan East Road, Luohu District, Shenzhen
Signing Accountants	Li Jianguang, Zhang Yongkun

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Not applicable

Name of the financial consultant	Offices add. for the financial consultant	Financial advisor	Continuous supervision period
China International Capital Corporation Limited	27/F-28/F, Building 2, International Trade Mansion, No.1 Jianguomen Outer Street, Beijing	Zhang Lei, Chen Chao	2017-2018

#### VI. 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

	2016	2015	Changes over last year	2014
Operating income (RMB)	41,248,429,322.91	37,819,277,959.01	9.07%	33,745,321,295.39
Net profit attributable to shareholders of the listed company (RMB)	1,186,601,899.27	927,610,234.41	27.92%	808,392,679.17
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	834,359,349.80	709,923,823.36	17.53%	529,096,553.54

Net cash flow arising from operating activities (RMB)	1,472,545,587.85	1,457,416,143.80	1.04%	-365,016,206.55
Basic earnings per share (RMB/Share)	2.80	2.19	27.85%	2.00
Diluted earnings per share (RMB/Share)	2.80	2.19	27.85%	2.00
Return on Equity	15.06%	13.43%	1.63%	15.11%
	End of 2016	End of 2015	Changes over end of last year	End of 2014
Total assets (RMB)	21,312,754,511.97	20,313,335,694.54	4.92%	18,231,124,183.27
Net assets attributable to shareholder of listed company (RMB)	8,450,150,621.93	7,352,924,544.29	14.92%	6,128,373,728.41

## VII. Difference of the accounting data under accounting rules in and out of China

### 1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

### 2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

## VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	10,279,365,074.72	10,248,011,483.12	10,544,689,840.15	10,176,362,924.92
Net profit attributable to shareholders of the listed company	246,385,445.06	408,301,295.21	252,031,302.51	279,883,856.49
Net profit attributable to shareholders of the listed company	187,445,696.09	217,063,712.32	174,075,812.75	255,774,128.64

after deducting non-recurring gains and losses				
Net cash flow arising from operating activities	-119,648,923.44	925,231,893.73	-9,018,970.70	675,981,588.26

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes  No

The financial data for enterprise combined merger under the same control, needs to trace from beginning of the period to the delivery date, affected by the reorganization. There are differences between first three quarters and the quarterly report & semi-annual report that have been disclosed.

Note: explain main reasons if the above mentioned financial index and total numbers have major difference with the data disclosed in quarterly and semi-annual report.

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

Applicable  Not applicable

In RMB

Item	2016	2015	2014	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	11,931,729.24	5,863,107.27	2,262,989.96	The revenue received from assets disposal from subsidiary Guoda Pharmacy and Guangxi Logistic
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	34,000,702.25	34,025,749.62	31,534,869.05	Mainly for receiving of all kinds of special subsidies and fiscal interest discount in the period.
Current net gain/losses of the subsidiary merger under the same control from beginning of the period to combination date	260,527,573.39	247,889,700.57	238,044,602.29	Current net gain/losses of the subsidiary from period-begin to combination date, which is included by merger under the same control in major restructuring

Switch back of provision for depreciation of account receivable which was singly taken depreciation test	5,952,565.52	7,421,904.86	3,518,118.71	
Gains and losses on foreign entrusted loans	2,880,583.33			Earnings obtained from entrusted loans offered Sinopharm Zhijun (Suzhou)
Consigning fee received for consigned operation	393,081.77	750,000.00	750,000.00	The managed service offering to Sinopharm Holding and China National Pharmaceutical Foreign Trade Corporation
Other non-operating income and expenditure except for the aforementioned items	6,300,281.94	19,155,803.67	16,116,561.38	
Earnings of the residual shareholding re-measured by fair value after losing control	35,080,116.91			The earnings of the residual 33% shareholding re-measured by fair value after disposing 67% equity of Sinopharm Zhijun (Suzhou)
Investment income from disposal of long term equity investment	86,674,065.35			Investment earnings from disposal of 67% equity of Sinopharm Zhijun (Suzhou)
Less: Impact on income tax	28,392,824.03	11,848,624.93	11,767,755.13	
Impact on minority shareholders' equity (post-tax)	63,105,326.20	85,571,230.01	1,163,260.63	
Total	352,242,549.47	217,686,411.05	279,296,125.63	--

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 III Summary of Company Business

### I. Main businesses of the company in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In the reporting period, the main business of China National Accord Medicines includes pharmaceutical distribution, pharmaceutical retail and pharmaceutical industry, specifically as follows:

(i) In the pharmaceutical distribution field, the company continues to integrate the distribution and logistics business, deeply penetrates into the end markets, improves the multistep distribution network, creates intelligent supply chain, and devotes to become a provider for pharmaceutical and healthcare products and services with the strongest influence, the highest share, the most complete variety, the best service, and the fastest delivery in south district of China.

1. The Company's pharmaceutical distribution business is established in Guangdong and Guangxi, the company has completed the network construction of Guangdong and Guangxi in 2013, and the business has extended to the county-level regions, and accelerated the integration of three-level companies in 2014, and realized the entire network operations in 2015. In year of 2016, the network has been further expanded, including: 1660 A-grade hospitals, 3348 community-oriented primary cares and 1447 retail terminal clients.

2. The Company's pharmaceutical distribution business has achieved the first scale in Guangdong and Guangxi and the leading position in market segment of Guangdong and Guangxi, and has obtained the relatively leading position in vaccine, instrument, and e-commerce industries based on the full integration of resources.

(ii) In the pharmaceutical retail field, Guoda Pharmacy is a pharmaceutical retail enterprise that ranks the first in the sales volume throughout the country, and is one of the few enterprises in China with national direct sales drug retail network. Up to the date of disclosure, the retail chain network of Guoda Pharmacy spreads over 18 provinces, autonomous regions and municipalities, covers nearly 70 large and medium-sized cities, and manages a total of more than 3,500 retail drugstores.

1. Abundant commodity category system and nationwide procurement network

In accordance with the number of operating goods, Guoda Pharmacy is one of the nationwide pharmaceutical retail chain enterprises with the most abundant commodities. By virtue of the strong procurement network and years of experience in commodity operations, and based on the consumer demands and medication habits, Guoda Pharmacy has established a set of commodity system with wide coverage, high professionalization, and rich varieties. Guoda Pharmacy manages nearly 120,000 kinds of commodities, and its abundant and attractive commodity combinations promote the steady growth of its sales volume.

2. Modern logistics and distribution system

Guoda Pharmacy has a nationwide modern logistics and distribution system, which establishes the logistics and distribution networks including Shanghai National Logistics Center and 23 provincial and municipal distribution centers, and covers all the stores throughout the country. Guoda Pharmacy takes use of the national and provincial and municipal distribution centers to support collective purchasing and regional purchasing model, efficiently

respond to the business needs, and effectively realize the logistics cost minimization.

(iii) In 2016, the company implemented a major asset reorganization, and the pharmaceutical industry enterprises completed the setting out of controlling interests, the company continued to integrate R & D and marketing, took technological innovation as the guide, and became the provider providing the medical & healthcare products and services with quality leadership, core competitive advantages, diversified transverse correlation, complete vertical industry chain, and brand influence in both domestic and overseas markets.

1. The company passed international certifications in the pharmaceutical industry field, improved the quality system, integrated the export and product resources, opened up the mainstream markets in Europe and America, and realized internationalization in technical cooperation, intellectual property protection, talent introduction, and joint venture and cooperation.

2. The company continued to develop cephalosporin series products and the upgrade products of APIs, gradually introduced the cardiovascular, digestive system, respiratory system series products, took APIs and chemical agents as the core business and strategic business, and the traditional Chinese medicine and massive health as the emerging business.

## II. Major changes in main assets

### 1. Major changes in main assets

Major assets	Note of major changes
Equity assets	Increased 1,222,751,500 Yuan over that of period-begin with 642.60% up, mainly due to the major assets restructuring in the period
Fixed assets	Decreased 885.64 million Yuan over that of period-begin with 64.52% down, mainly due to the major assets restructuring in the period
Intangible assets	Decreased 88.87 million Yuan over that of period-begin with 21.71% down, mainly due to the major assets restructuring in the period
Construction in progress	Decreased 153,504,900 Yuan over that of period-begin with 76.53% down, mainly due to the major assets restructuring in the period.
Financial assets available for sale	Increased 11.01 million Yuan over that of period-begin with 411.47% up, mainly because Guoda Pharmacy has new investment in the Period.

### 2. Main overseas assets

Applicable  Not applicable

### III. Core competitiveness analysis

Whether the company needs to comply with the disclosure requirements of the particular industry

No

#### (I) Distribution core competitiveness of Sinopharm Accord

##### 1. Perfect distribution network

The Company owns an integrated distribution networks for pharmaceutical in Guangdong and Guangxi province, and completely covers second grade class-A or above medical institutions and major chain drugstores in the above two provinces. Furthermore, the Company offering medicine delivery services for the third terminal, represented by many monomer drugstores, community health service network, clinic and new rural cooperative medical system. Sinopharm Accord fully explore advantages of distribution network, provides customers with value-added services and creating client value.

##### 2. Leading edge intelligent supply chain

Distribution of the Company core with an intelligent supply chain, by means of promoting the jointly managed inventory and intellectualized inventory management in hospital pharmacy, supply chain services extends effectively with resources sharing and effective coordination in upstream-and-downstream achieved.

##### 3. High-efficiency management & control integration

The Company continues to promoted an integrated operation system in Guangdong and Guangxi province in aspect of medicine distribution, focus on promoting integration both in procurement and foundation operation in Guangdong and Guangxi province; accelerate the move towards collaboration in business of apparatus, consumables, vaccine etc. within Guangdong and Guangxi, realized a synchronous of management in areas of Guangdong and Guangxi.

##### 4. Rich product resources

In aspect of pharmaceutical distribution, the Company building an extensive cooperation with thousands of venders and commercial enterprise in China, establishing a stable business relationship with hundreds of importers and joint venture companies, owns variety resources of products.

##### 5. Unique-influence Sinopharm brand

Brand of the Company and distribution, industry child-brand and controlling shareholder and actual controller's brand come down in one continuous line, depending on powerful force of central enterprises, the Company's popularity and influence are prominent day by day in the industry.

#### (II) Core-competitiveness of the Guoda Pharmacy

##### 1. A national wide marketing network leads in scale

Guoda Pharmacy is a pharmaceutical retail enterprise that ranks the first in the sales volume throughout the country, and is one of the few enterprises in China with national direct sales drug retail network. Up to end of December 2016, the retail chain network of Guoda Pharmacy spreads over 18 provinces in total including Shanghai, Jiangsu, Shandong, Fujian, Zhejiang, Anhui, Shanxi, Beijing, Hebei, Inner Mongolia, Tianjin, Liaoning, Guangdong,

Guangxi, Hunan, Henan, Ningxia and Xinjiang, autonomous regions and municipalities, covers nearly 70 large & small and medium-sized cities, and manages a total of more than 3,502 retail drugstores.

## 2. Abundant commodity category system and nationwide procurement network

In accordance with the number of operating goods, Guoda Pharmacy is one of the nationwide pharmaceutical retail chain enterprises with the most abundant commodities. By virtue of the strong procurement network and years of experience in commodity operations, and based on the consumer demands and medication habits, Guoda Pharmacy has established a set of commodity system with wide coverage, high professionalization, and rich varieties. Up to 31<sup>st</sup> December 2016, Guoda Pharmacy manages nearly 120,000 kinds of commodities, and its abundant and attractive commodity combinations promote the steady growth of its sales volume.

The abundant commodity system of Guoda Pharmacy comes from the nationwide, stable and reliable procurement network. Over the years, Guoda Pharmacy continued to strengthen the sales concentration of quality products, expanded the cooperation scale with key manufacturers, and won trust of the majority partners by the nationwide headquarters centralized purchasing and regional purchasing network system, and the integrative purchasing management. Guoda Pharmacy is the preferred long-term strategic partner for the domestic and international well-known enterprises producing and distributing medical and healthcare products, most suppliers have cooperated with Guoda Pharmacy for many years, and ensured the competitive advantages of Guoda Pharmacy in the purchasing price and quality. At the same time, Guoda Pharmacy established a complete set of strict quality assurance system, implemented a number of quality management measures, strictly followed the national GSP standards for the whole process of commodity purchasing, logistics and sales, and further ensured the product quality safety.

## 3. Modern logistics and distribution system

Guoda Pharmacy has a nationwide modern logistics and distribution system, which establishes the logistics and distribution networks including Shanghai National Logistics Center and 23 provincial and municipal distribution centers, and covers all the stores throughout the country. Guoda Pharmacy takes use of the national and provincial and municipal distribution centers to support collective purchasing and regional purchasing model, efficiently respond to the business needs, and effectively realize the logistics cost minimization.

With the modern logistics and distribution system, Guoda Pharmacy has achieved the delivery within 48 hours for the stores. In addition, Guoda Pharmacy has greatly enhanced the operational efficiency and delivery accuracy by using the advanced Manhattan warehouse management system (WMS) which supports a variety of operations and optimizes each operation.

## Section IV Discussion and Analysis of Business

### 1. Introduction

2016 was the transformation year of enterprise restructuring and reorganization. Over the past year, under the leadership of the board of directors, Sinopharm Accord adhered to embrace the changes with sunny attitude in the face of changing external policy environment and industry changes, answered the changes with "changes", sought and seized opportunities in the challenges, continued to consolidate the traditional businesses, strove to open up innovative businesses, developed businesses in new transboundary fields, achieved progress in "stability", and successfully completed the key work.

#### I. The whole business in 2016

In 2016, the Company realized operating income of RMB 41.248 billion, representing a year-on-year increase of 9.07%; net profit attributable to shareholders of listed company of RMB 1187 million, representing a year-on-year increase of 27.92%. The Company has continued to keep growth, including:

As for distribution, operating income was RMB 31.136 billion, representing a year-on-year increase of 9.9%; net profit of RMB 604 million, representing a year-on-year increase of 10.15%.

As for retail, operating income was RMB 9.109 billion, representing a year-on-year increase of 13.99%; net profit of RMB 223 million, representing a year-on-year increase of 60.93%.

As for pharmaceutical, operating income was RMB 1.192 billion from January to October 2016; net profit of RMB 217 million.

#### II Work overview of the board of directors

##### (i) Optimize the industrial layout, successfully complete the major assets restructuring projects

Actively cooperate and promote the "platform" strategy of Sinopharm, solve the horizontal competition, and fulfill the relevant commitments, Sinopharm Accord Company delisted and launched the major asset restructuring project on October 21, 2015. This restructuring project included: (1) Sinopharm Accord subscribed the shares newly issued by Shanghai Shyndec Pharmaceutical with 51% stock rights of Zhijun Pharmaceutical, and 51% stock rights of Zhijun Pharmacy Trade, and 51% stock rights of Pingshan Pharmaceutical, and all productive assets of Pingshan base; (2) Sinopharm Accord bought 100% stock rights of Guoda Pharmacy, 100% stock rights of Foshan Nanhai, 100% stock rights of Guangdong Uptodate & Special Medicines from the non-public offering of shares of Sinopharm Group, and 51% stock rights of Nanfang Pharmaceutical Trade from the non-public offering of shares of Sinopharm Foreign Trade, and 49% stock rights of Nanfang Pharmaceutical Trade by cash from Fu Yuequn and other 10 natural minority shareholders; (3) raised supporting funds to pay the equity cash consideration.

This reorganization was a significant action to deepen the reform of state-owned enterprises and optimize the industrial layout of Sinopharm, Sinopharm Accord has become an independent listing platform for pharmaceutical

retail of Sinopharm through this reorganization, which would enable the pharmaceutical retail business to obtain high-quality financing platform and gain the specialized development, and lay a solid foundation for the foreign merger and acquisition and integration of pharmaceutical retail business, construction of retail network, innovation of business model, and other development strategies; after the completion of reorganization, Sinopharm Accord would hold 100% stock rights of Foshan Nanhai, Guangdong Uptodate & Special Medicines, and Nanfang Pharmaceutical Trade, and become the only platform for pharmaceutical distribution in Guangdong and Guangxi provinces under Sinopharm, at the same time, Sinopharm Accord no longer would hold the controlling stakes of Zhijun Pharmaceutical, Zhijun Pharmacy Trade, and Pingshan Pharmaceutical, and all productive assets of Pingshan base, moreover, Sinopharm Accord and its subordinate holding subsidiaries would no longer hold any pharmaceutical industry businesses, which thoroughly solved the horizontal competition in pharmaceutical distribution businesses between the listed company and controlling shareholders and between the actual controller and controlling enterprise and the existing and potential horizontal competition in the pharmaceutical industry field; the pharmaceutical industry stock rights held by the company would also benefit from the research and development, marketing resource synergies brought by the unified integration of pharmaceutical platform of Sinopharm, and share the operating results of professional development of Shanghai Shydec Pharmaceutical, and help to enhance the overall profitability of listed companies. The transaction would help to promote the professional development of listed companies, enhance the business scale and scope of listed companies, improve the market-oriented operational level and differentiated competitiveness, strengthen the core competitiveness, enhance the profitability of listed companies, return the minority shareholders of listed companies, and achieve the win-win.

The company's sustained profitability will be enhanced through this transaction:

Item	2015-12-31/2015		Increase (%)
	Pre-trade (in 10 thousand Yuan)	Post-trade (in 10 thousand Yuan)	
Total assets	1,321,834.97	2,142,606.72	62.09%
Net assets	556,647.50	919,053.92	65.11%
Equity attributable to owners of the parent company	545,339.37	877,965.83	60.99%
Operation income	2,599,313.93	3,656,790.83	40.68%
Operation profit	90,659.32	114,462.14	26.26%
Total profit	96,130.79	119,427.26	24.23%
Net profit	78,734.79	96,673.86	22.78%
Net profit attributable to owners of the parent company	76,131.23	88,620.14	16.40%
Net profit attributable to owners of the parent company after deducting non recurring gains and losses	71,521.27	84,633.16	18.33%

[Note: The data in the table derive from the report about asset sales, stock issuance, asset purchase by cash, raised supporting funds and related transactions of Sinopharm Accord disclosed on September 28, 2016 (revision)]

The reorganization involved three listed companies listed in Shenzhen, Shanghai, and Hong Kong, faced with different regulatory requirements, so its complexity was evident. After more than one year of intense and efficient promotion, the company has completed the initial public offering on January 5, 2017, the major assets restructuring has been completed successfully.



(ii) Plan and prepare the new journey for strategic transformation

Combining with the objective changes after the reorganization of Sinopharm Accord and deeply analyzing the macroeconomic situation and industry changes, the company has initially defined to build the nationwide pharmaceutical retail integration platform subordinated to Sinopharm and position the development strategy of "nationwide retail + Guangdong and Guangxi distribution + industrial investment", boost "wholesale-retail integration", integrate existing resources, create wholesale-retail integration and two-wheel driving development model, and deeply give play to synergies. Initially boost "wholesale-retail integration" strategy and "internationalization" process, aim to become the pharmaceutical & healthcare products and services provide with international competitiveness, create the leading drug distribution and supply chain service provider in southern district of China for distribution, follow "adhere to two-wheel driving, build one system, promote three changes" to conduct a comprehensive layout, speed up the pace of transformation, improve quality and efficiency, build the new driving forces of development and core competitiveness; create the reliable Chinese pharmaceutical & healthcare retail brand, give play to the capital advantages, improve the network layout, innovate the service products, explore the e-commerce model, enhance the business operation capacity, improve the market influence, and ensure the industry-leading position.

(iii) Actively explore and continue to promote the mixed ownership reforms of state-owned enterprises

As one of the pilot enterprises of Sinopharm, according to the requirements of SASAC, Sinopharm and Sinopharm Group, Sinopharm Accord has actively promoted the company to develop mixed ownership reforms of state-owned enterprises. According to the Company Law and the Securities Law and other laws and regulations, the company has set up leading groups and working groups to actively explore and promote the Company's mixed ownership reforms plan, pay close attention to the capital market dynamics, and actively communicate with regulatory authorities so as to comprehensively guarantee the smooth progress of mixed ownership reforms in the light of the unified arrangements of Sinopharm and Sinopharm Group.

At the beginning of August 2016, the company's controlling shareholder, Sinopharm Group, has formed a restricted stock incentive plan and disclosed and implemented it in respect of the pilot work of mixed ownership reforms.

(iv) Elaborate norms, maintain a good reputation in the industry

The board of directors of Sinopharm Accord is rigorous and normative in operations, and is professional and responsible in work. In 2016, the major assets restructuring project of Sinopharm Accord was arduous and complex, the board of directors of the company, on the one hand, complete the restructuring plan making, and communicate and discuss, on the other hand, strictly follow the relevant laws and regulations of capital market, fulfill the information disclosure and investor instructions in accordance with the regulatory requirements of regulatory authorities. In 2016, Sinopharm Accord totally disclosed 4 periodical reports and 98 temporary announcements in

the capital market supervision level, actively cooperated with the regulation, and effectively protected the interests of investors, and gained the compliments from supervisor and investors by virtue of rigorous and efficient work style and pragmatic and progressive professional ethics.

### III Work arrangement of the company's board of directors in 2017

In 2017, Sinopharm Accord inside faces the main business adjustment after restructuring, the outside faces the "two-vote system" and sunshine procurement and other more severe and thick market policy changes, establish the "innovation" and "progress" as the main work ideas. On the basis of new platform, establish new strategies, build the nationwide pharmaceutical retail integration platform subordinated to China National Pharmaceutical Group, position the "nationwide retail + Guangdong and Guangxi distribution + industrial investment", integrate the existing resources, build wholesale-retail integration and two-wheel driving development patterns, and deeply give play to synergies; march toward the new goal to promote the "wholesale-retail integration" strategy and the "internationalization" process, become the pharmaceutical and healthcare products and services providers with international competitiveness; develop new momentum, adhere to the "strategy-driven culture-leading", complete the management mechanism, accumulate and release new growth momentum; create new models, transform from doing "products" to doing "services", and return to the "user-centered" nature; achieve the leapfrog development by "innovation and transformation", promote the retail treatment business, improve the network layout, set up retail distribution, socialize Guoda Pharmacy merger and acquisition, implement Guangdong and Guangxi distribution network layout, achieve the breakthrough development of internet-based business, and accelerate the international process to expand international business; achieve steady development by "intensive cultivation", strengthen business units, realize industry-leading, give play to the existing network advantages and core competitiveness, actively carry out the regional integration by implementing the internal refined and lean management, ensure the traditional business advantages, increase the profitability, develop new commercial activities and new growth, and all commercial activities accelerate the new business innovation, bloom the vitality, and make characteristics.

## II Main business analysis

### 1. Overview

In 2016, Sinopharm Accord went through another important journey in its development history. In this year, the company successfully completed a major asset restructuring, and achieved the main business upgrades. In order to seize the opportunities to meet the challenges, the company continued to promote the organizational change and structural adjustment, continuously optimized the format structure and variety structure, and consolidated the traditional businesses, at the same time, constantly opened up innovative formats, enhanced the company's development; comprehensively strengthened the compliance management, deepened the operations management, and constantly improved the fine management level of enterprise. The main work was as follows:

#### 1. Successfully completed the major assets restructuring project

Actively cooperated to promote the "platform" strategy of Sinopharm, relied on the capital market, added Guoda Pharmacy plate, built Guangdong and Guangxi pharmaceutical distribution and the only nationwide retail platform, and strengthened the strategic objectives of professional development.

#### 2. Reinforced the foundation, and enhanced the control efficiency

Based on the professional, enhanced the control and service capabilities, supported the business development, strengthened the forward-looking and agility of management background, and completed the risk prevention.

### 3. Transformation innovation promoted the business development

Distribution sector: accelerated the service transformation focusing on the consumers and the terminal patients, optimized and stocked, made bigger increments, and cultivated new formats; the integrated sales scale reached 4.875 billion Yuan, an increase of 14.34% on a year-on-year basis; Guangxi distribution integration operation mechanism has been improved, and the operation ability has been promoted; combed the foreground-background operation process, optimized the foreground-background division of labor and collaboration, and improved the operational efficiency; implemented the logistics action charges, and promoted the supply chain collaborative optimization; terminal network has been further expanded, including: 1660 hospitals above class A, 3348 primary medical care customers, and 1447 retail terminal customers; medicine material crude slices business initially established production, quality, management and marketing system; apparatus business created the provincial integrated apparatus purchasing platform, and explored and formed hospital supplies management new model; depth distribution covered more than 1,300 customers across the province; logistics services network construction was further improved, and totally increased 30,000 square meters warehouse. Innovation business: expanded medical services, sped up the medical management services, disinfection center businesses, equipment maintenance businesses, and reagent supplies business innovation and incubation; carried out the network layout for retail diagnoses and treatment in Guangdong and Guangxi, opened 16 DTP drugstores, and set up 17 drugstores within/beside the hospital. The retail management system was further improved and completed the unified and standardized operating guidelines, accelerated the business development, and the profitability of initially showed: sales volume exceeded 409 million, achieved gross margin of 10.6%, and comprehensively achieved profitability in Guangdong.

Retail sector: continued to promote the fine management, deepened the potentials, accelerated the layout of retail diagnoses and treatment business, innovation driven provided new growth points; up to now, there were totally 3502 retail stores, 2503 regular chain stores, and 999 franchised outlets; in 2016, there was an increase of 422 retail stores on a year-on-year basis, a net increase of 374 regular chain stores, and a net increase of 48 franchised outlets; 5 + X retail diagnoses and treatment stores: an increase of 20 stores; opened 31 new stores around the hospitals, a total of 138; in 2016, there were 15 suppliers for unified collection, of which the income reached 33.4 million Yuan. In the innovation business, actively expanded the store multi-channel businesses, achieved the links of multiple O2O applications, achieved business connection with many operators such as Sinopharm Online, Tmall, Jingdong, etc., and opened multiple payment channels; promoted the member development work, the total number of members reached 17.99 million, valid members reached 8.7 million, and gradually enhanced the member quality; actively carried out the chronic disease management projects, achieved sales volume of 370 million Yuan, and built the professional competitiveness of Guoda Pharmacy; developed various measures simultaneously, and actively carried out the regional governance of losses; focused on the operation special projects, established the national inventory control program, and optimized the inventory: the valid inventory accounted for 0.7%, a decrease of 0.1% on a year-on-year basis. The inventory of invalid goods has been completely cleared; refined the management, strengthened the corporate governance and quality management, optimized the logistics and distribution, and improved the

information system; optimized the staff structure and organizational structure, adjusted the organizational structure of headquarters, and achieved the upper and lower linkage between the headquarters and the regions.

Industry sector: adjusted the organizational structure, promoted the transformation of marketing model and the node work of research and development, ensured the smooth transition of Shenzhen industry; completed the optimization to the integration, specialization, and gradient organizational structure of Shenzhen industry; optimized the incentive program, established the performance view, improved the personnel efficiency and organizational performance; took fine marketing as the basis, and market policy as the guide, and promoted the transformation of marketing model; boosted the "generic drug consistency evaluation" work to lay a solid foundation for the company's future development; promoted the internationalization, and signed a strategy Cooperation agreement with German company, and discussed the three-party strategic cooperation with Indonesia and Hong Kong; the sales volume of industrial investment subordinate enterprises - Sinopharm Zhijun, Sinopharm Zhijun Pingshan, Zhijun Pharmacy Trade, Zhijun Suzhou nearly reached 1.2 billion, a total of five varieties over a hundred million; the sales volume of Main Luck Pharmaceuticals was close to 800 million, a total of three varieties over a hundred million.

#### 4. Cultural upgrading led the strategic transformation

Started from the enterprise's current environment and strategic needs, inherited the culture accumulation, enriched the open and inclusive cultural connotation, and stimulated the transformation kinetic energy.

#### 5. Organizational change promoted the atmosphere change

Started from the professional point of view, optimized the structure, reconstructed the mechanism, remolded the concept, and enhanced the organizational atmosphere at headquarters.

#### 6. Personnel training strengthened the team building

Took stock of human resources, built a manpower mechanism to promote strategic transformation, tapped the potential of human resources, stimulated the talent vitality, and completed the talent echelon building.

#### 7. Strengthened the party building to provide the ideological guarantee for transformation

Strengthened the organization construction, discipline construction and system construction, and gave full play to the advantages of party building.

## 2. Revenue and cost

### (1) Constitute of operation revenue

In RMB

	2016		2015		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	41,248,429,322.91	100%	37,819,277,959.01	100%	9.07%
According to industries					
Medicine wholesale	30,982,482,620.75	75.11%	28,452,153,683.28	75.22%	8.89%
Medicine retail	8,761,101,587.23	21.24%	7,382,199,442.63	19.52%	18.68%

Pharmaceutical manufacturing	1,174,241,370.22	2.85%	1,628,474,289.30	4.31%	-27.89%
Logistic & storage service	20,551,062.91	0.05%	17,678,920.37	0.05%	16.25%
Lease and other income	310,052,681.80	0.75%	338,771,623.43	0.90%	-8.48%
According to products					
Medicine	40,238,426,935.37	97.55%	37,165,380,598.79	98.27%	8.27%
Apparatus	678,860,843.04	1.65%	538,085,402.20	1.42%	26.16%
Other	331,141,544.50	0.80%	115,811,958.02	0.31%	185.93%
According to region					
Domestic revenue	41,194,040,337.33	99.87%	37,743,479,000.46	99.80%	9.14%
Foreign revenue	54,388,985.58	0.13%	75,798,958.55	0.20%	-28.25%

**(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit**

Applicable  Not applicable

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Medicine wholesale	30,982,482,620.75	29,319,997,756.02	5.37%	8.89%	8.99%	-0.08%
Medicine retail	8,761,101,587.23	6,605,050,729.00	24.61%	18.68%	19.89%	-0.76%
According to products						
Medicine	40,238,426,935.37	35,971,239,209.41	10.60%	8.27%	9.45%	-0.97%
According to region						
Domestic revenue	41,194,040,337.33	36,605,759,113.41	11.14%	9.14%	9.69%	-0.44%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable  Not applicable

### (3) Income from physical sales larger than income from labors

√Yes □ No

Industries	Item	Unit	Jan.-Oct. 2016	2015	Increase/decrease y-o-y
Chemical	Sales volume	10 thousand branches/box	32,551	42,914	-24.15%
	Output	10 thousand branches/box	28,980	44,324	-34.62%
	Storage	10 thousand branches/box	6,575	9,543	-31.10%
Chemical API (Active Pharmaceutical Ingredient)	Sales volume	KG	0	132,211	-100.00%
	Output	KG	0	163,622	-100.00%
	Storage	KG	0	45,981	-100.00%
Chinese patent drug	Sales volume	10 thousand branches/box	917	1,208	-24.09%
	Output	10 thousand branches/box	856	1,378	-37.88%
	Storage	10 thousand branches/box	191	318	-39.94%
Massive health	Sales volume	10 thousand branches/box	148.53	8.36	1,676.67%
	Output	10 thousand branches/box	141.15	8.84	1,496.72%
	Storage	10 thousand branches/box	49.95	3.88	1,187.37%
International trade	Sales volume	10 thousand branches/box	2,135	2,207	-3.26%
	Output	10 thousand branches/box	2,093	2,161	-3.15%
	Storage	10 thousand branches/box	187	241	-22.41%

Reasons for y-o-y relevant data with over 30% changes

√Applicable □ Not applicable

Chemical output: mainly because (i) Zhijun Suzhou exclude in the consolidation scope in the Period, (ii) and part of the production line for powder preparation was out of service in 2016 for GMP certification and workshop reconstruction; furthermore (iii) the period for counting has two months shorter than same period of last year.

Chemical storage: mainly because (i) Zhijun Suzhou exclude in the consolidation scope in the Period, (ii) and secondary affected by the sharply decline in output (iii) furthermore, the period for counting has two months shorter than same period of last year.

Chemical API: no chemical API in the Period, mainly because Zhijun Suzhou exclude in the consolidation scope in the Period.

Chinese patent drug output: mainly because (i) the period for counting has two months shorter than same period of last year (ii) part of the products needs to preparing due to the Bagualing Plant removal at end of 2015.

Chinese patent drug storage: mainly because (i) the period for counting has two months shorter than same period of last year (ii) part of the products needs to preparing due to the Bagualing Plant removal at end of 2015.

Massive health sales volume: developed new business in the period, adjusted sales structure and the new product of National Soap has rapidly growth in sales.

Massive health output: new business module, optimized production structures, new products National Soap has major output in the Period.

Massive health storage: mainly because new products National Soap has major output in the Period.

#### (4) Fulfillment of the company's signed significant sales contracts up to this reporting period

Applicable  Not applicable

#### (5) Constitute of operation cost

Industry classification

In RMB

Industries	Item	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Medicine wholesale	Sales cost	29,319,997,756.0 2	80.00%	26,901,734,940.5 6	80.46%	8.99%
Medicine retail	Sales cost	6,605,050,729.00	18.02%	5,509,074,867.30	16.48%	19.89%
Pharmaceutical manufacturing	Sales cost	677,553,586.23	1.85%	951,255,881.90	2.85%	-28.77%
Logistic & storage service	Transportation & storage cost	13,271,551.53	0.04%	12,984,126.10	0.04%	2.21%
Lease and other income	Service cost	32,363,280.78	0.09%	57,798,028.73	0.17%	-44.01%

Note:

1. Sales cost for pharmaceutical manufacturing takes a declined of 28.77% in operation costs, mainly because affected by reorganization, the costs of pharmaceutical manufacturing in the above table refers to the data in industrial plate from January to October while the contrast period is the data from whole year.
2. Costs for lease and other income takes a declined of 44.01% in operation costs, mainly because 67% equity of the subsidiary

Sinopharm Zhijun (Suzhou) was disposed in the Period, other business costs from Zhijun (Suzhou) refers to the data from January to April while the contrast period is the data from whole year.

**(6) Whether the changes in the scope of consolidation in Reporting Period**

Yes  No

Details of the changes in the scope of consolidation in reporting Period can be seen in Note VI of Audit Report.

**(7) Major changes or adjustment in business, product or service of the Company in Reporting Period 【net profit attributable to parent company】**

Applicable  Not applicable

In RMB

Enterprise placement:	Operation income	Total profit	Net profit attributable to shareholders of the parent company
Sinopharm Holding Guoda Pharmacy Co., Ltd.	9,109,459,900.42	306,427,433.40	165,044,047.22
Foshan Nanhai Pharmaceutical Group Co., Ltd.	1,854,458,730.12	66,400,682.62	49,450,875.41
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	981,042,251.37	25,705,701.48	19,232,071.83
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	2,112,809,945.67	54,411,210.13	40,178,338.91

Enterprise replaced:	Operation income	Total profit	Net profit attributable to shareholders of the parent company
China National Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	909,620,950.55	220,547,065.08	189,221,408.06
China National Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	206,174,817.60	47,937,658.52	35,976,818.41
Shenzhen Zhijun Pharmacy Trade Co., Ltd.	63,813,161.13	3,287,738.62	2,801,747.02

Note: During the reporting period, the company implemented a major asset restructuring, before the reorganization, the main business of Sinopharm Accord included pharmaceutical distribution and pharmaceutical industry. Among them, the operations of pharmaceutical distribution business mainly concentrated in Guangdong and Guangxi, the market shares of Guangdong and Guangxi ranked first, and took the lead in the market segment of Guangdong and Guangxi; pharmaceutical industry business mainly produced and developed cephalosporin series products and the upgrade products of APIs, cardiovascular, digestive system, respiratory system series products.

After completed the reorganization, the original pharmaceutical industry-related assets of Sinopharm Accord would be taken out of the listed company, Sinopharm Accord would no longer hold the pharmaceutical industry-related assets, which would help the company to actively and steadily promote the main business adjustment work, and focus on the pharmaceutical business. At the same time, the company would inject the national pharmaceutical retail assets and the pharmaceutical distribution assets of Guangdong and Guangxi so as to realize the connection between the state-owned pharmaceutical retail leading enterprise - Guoda Pharmacy and the capital market, further consolidate and enhance the competitive advantage of pharmaceutical distribution in Guangdong and Guangxi, greatly expand the company's business scale and scope, effectively enhance the company's sustainable development capacity and comprehensive competitiveness, and enhance the profitability of listed companies.

Up to the date of disclosure, all underlying assets of the company's major assets reorganization had transferred ownership.

In addition, the company completed the transfer of 67% stock rights of Sinopharm Zhijun (Suzhou) Pharmaceutical Co., Ltd. during the reporting period (See details on the announcement at [www.cninfo.co.com](http://www.cninfo.co.com) on June 2, 2016, Sinopharm Accord: Notice on the Public Listing of the Transfer of 67% Stock Rights of Sinopharm Zhijun (Suzhou) Pharmaceutical Co., Ltd.).

Up to the date of disclosure, the Company no longer held the above pharmaceutical industry company.

## (8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	1,970,021,480.66
Proportion in total annual sales volume for top five clients	4.81%
Ratio of related parties in annual total sales among the top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	First	456,523,283.78	1.11%
2	Second	432,870,347.95	1.06%
3	Third	426,817,994.86	1.04%
4	Fourth	355,523,259.20	0.87%
5	Fifth	298,286,594.87	0.73%
Total	--	1,970,021,480.66	4.81%

Other situation of main clients

Applicable  Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	4,970,130,155.53
Proportion in total annual purchase amount for top five suppliers	10.10%
Ratio of related parties in annual total sales among the top five suppliers	2.42%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchases
1	First	1,246,866,571.86	2.53%
2	Second	1,192,663,035.08	2.42%
3	Third	992,806,191.25	2.02%
4	Fourth	790,850,691.31	1.61%
5	Fifth	746,943,666.03	1.52%
Total	--	4,970,130,155.53	10.10%

Other notes of main suppliers of the Company

Applicable  Not applicable

### 3. Expenses

In RMB

	2016	2015	Increase/decrease y-o-y	Note of major changes
Sales expense	2,198,203,437.27	2,039,829,217.72	7.76%	No major change.
Management expense	859,720,679.17	880,634,356.47	-2.37%	No major change.
Financial expense	101,855,104.66	128,651,208.50	-20.83%	No major change.

### 4. R&D expenses

Applicable  Not applicable

In 2016, in accordance with the relevant policy requirements that the state actively promoted the consistency evaluation of generic drug, Sinopharm Zhijun rapidly responded, quickly carried out the project selection and evaluation of consistency evaluation, based on the principle of large varieties priority, adopted the phased orderly promotion way and determined nine varieties, a total of 11 products as the first batch of varieties to develop the consistency evaluation, concentrated the superior resources, quickly started the project, and actively carried out the in vitro pharmacy comparative study, in vivo bioequivalence pre-research. Under the premise of ensuring the progress and quality of the generic drug consistency evaluation project, Sinopharm Zhijun also actively carried out the research on new products to ensure the sustainable competitiveness of the enterprise. In 2016, the company launched three new product projects by combing and reevaluating the established new product projects, and would carry our the research in 2017.

The consistency evaluation of generic drugs is related to the continuity of enterprises in the production of large varieties, new products affect the future market competitiveness of enterprises, and only actively carrying out the consistency evaluation of varieties in production and the research of new products can guarantee the sustainable development of enterprises.

R&D investment of the Company

	Jan. - Oct. 2016	2015	Change ratio
Number of R&D (people)	221	240	-7.92%
Ratio of number of R&D	13.90%	15.10%	-1.20%
R&D investment (Yuan)	43,731,710.16	73,150,395.26	-40.22%
R&D investment accounted for R&D income	0.11%	0.19%	-0.08%
R&D investment capitalization (Yuan)	0.00	0.00	0.00%
Capitalization R&D investment accounted for R&D investment	0.00%	0.00%	0.00%

The reason of great changes in the proportion of total R&D investment accounted for operation income than last year

Applicable  Not applicable

Affected by the reform of drug registration policy, the project in research needs evaluation again, R&D investment has slow progress as a result.

Reason for the great change in R&D investment capitalization rate and rational description

Applicable  Not applicable

## 5. Cash flow

In RMB

Item	2016	2015	Y-o-y changes
Subtotal of cash in-flow from operation activity	45,588,958,626.59	44,773,015,854.73	1.82%
Subtotal of cash out-flow from operation activity	44,116,413,038.74	43,315,599,710.93	1.85%
Net cash flow from operation activity	1,472,545,587.85	1,457,416,143.80	1.04%
Subtotal of cash in-flow from investment activity	1,670,147,707.67	6,168,078,398.09	-72.92%
Subtotal of cash out-flow from investment activity	1,679,286,473.62	6,720,021,850.83	-75.01%
Net cash flow from investment activity	-9,138,765.95	-551,943,452.74	98.34%
Subtotal of cash in-flow from financing activity	1,037,266,668.95	1,459,468,047.42	-28.93%

Subtotal of cash out-flow from financing activity	1,513,509,387.78	1,478,973,844.93	2.34%
Net cash flow from financing activity	-476,242,718.83	-19,505,797.51	-2,341.54%
Net increased amount of cash and cash equivalent	986,601,066.49	885,869,137.50	11.37%

Main reasons for y-o-y major changes in aspect of relevant data

Applicable  Not applicable

- (1) Subtotal of cash in-flow from investment activity: a 72.92% declined from a year earlier, mainly because the subsidiary Guoda Pharmacy, replaced for reorganization, has a y-o-y decrease of business in cash pooling with its former parent company;
- (2) Subtotal of cash out-flow from investment activity: a 75.01% declined from a year earlier, mainly because the subsidiary Guoda Pharmacy, replaced for reorganization, has a y-o-y decrease of business in cash pooling with its former parent company;
- (3) Net cash flow from investment activity: a 98.34% up from a year earlier, mainly because the subsidiary Guoda Pharmacy, replaced for reorganization, has a y-o-y decrease of business in cash pooling with its former parent company;
- (4) Net cash flow from financing activity: a 2,341.54% declined from a year earlier, mainly because the subsidiary Guoda Pharmacy, replaced for reorganization, received a capital increment from its former parent company with 410 million Yuan in last period, while no such amount occurred in the period.

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable  Not applicable

The Company has 1,472,545,587.85 Yuan achieved in the period for net cash flow from operation activity, net profit amounting to 1,186,601,899.27 Yuan, the main reasons for major difference is that, the fund collection accelerated in the period, than the operational cash in-flow increased on a y-o-y basis.

### III. Analysis of the non-main business

Applicable  Not applicable

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

	End of 2016		End of 2015		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	3,519,955,564.98	16.52%	2,654,931,479.88	13.07%	3.45%	No major change.
Account receivable	7,654,225,510.89	35.91%	7,827,466,715.32	38.53%	-2.62%	No major change.

Inventory	4,049,482,529.71	19.00%	4,165,157,673.06	20.50%	-1.50%	No major change.
Investment property	166,715,848.80	0.78%	162,653,174.74	0.80%	-0.02%	No major change.
Long-term equity investment	1,413,034,165.56	6.63%	190,282,629.14	0.94%	5.69%	Caused by the material asset reorganization in the period
Fix assets	487,009,600.10	2.29%	1,372,649,567.99	6.76%	-4.47%	Caused by the material asset reorganization in the period
Construction in process	47,063,868.49	0.22%	200,568,804.08	0.99%	-0.77%	Caused by the material asset reorganization in the period
Short-term loans	1,512,713,629.95	7.10%	1,633,231,960.35	8.04%	-0.94%	No major change.
Long-term loans	-	-	72,495,172.30	0.36%	-0.36%	Mainly because the Company return loans in the Period, and the long-term loans almost to due was re-classified as non-current liability due within one year.

## 2. Assets and liability measured by fair value

Applicable  Not applicable

## 3. Assets right restriction till end of reporting period

Nil

## V. Investment

### 1. Overall situation

During the reporting period, the company implemented material asset reorganization: the shares placement and cash paid for assets amounting to 3504 million Yuan(including 100% equity of Guoda Pharmacy, 100% equity of Foshan Nanhai, 100% equity of Guangdong Uptodate & Special Medicines and 100% equity of Nanfang Pharmaceutical Trade). At the same time, the Company acquired 29% equity (9.86 million Yuan) of Sinopharm Steri Guard Medical Service Guangdong Co., Ltd. and 30% equity (3.5 million Yuan) of Sinopharm Holding Shantou Co., Ltd in the Period, an increased of 3516 million Yuan from a year earlier.

### 2. The major equity investment obtained in the reporting period

Relevant material asset reorganization proposals have been deliberated and approved by 13<sup>th</sup> session of 7<sup>th</sup> BOD, 16<sup>th</sup> session of 7<sup>th</sup> BOD, 17<sup>th</sup> session of 7<sup>th</sup> BOD and the third extraordinary shareholders general meeting of 2016, the Company acquired 100% equity of Guoda Pharmacy, 100% equity of Foshan Nanhai and 100% equity of

Guangdong Uptodate & Special Medicines by privately placement to Sinopharm. Acquired 51% equity of Nanfang Pharmaceutical Trade with private placement to Sinopharm Foreign Trade and acquired another 49% equity of Nanfang Pharmaceutical Trade from 11 minority shareholder including Fu Yuqun, with cash. The above mentioned object equities have concluded in the consolidation statement in October 2016. More are as:

Name of invested company	Main business	Equity ratio in investee enterprise
Guoda Pharmacy	Investment and management of pharmaceuticals industry; domestic trading (special license excluded), wholesale of Chinese patent drug, traditional Chinese medicines prepared in ready-to-use forms, chemical medicine preparation, antibiotic, biochemical drug, biological, anabolic agents and peptide hormone; sales of chemical products (toxic and dangerous goods prohibit), medical apparatus and instruments (found in license), glassware, general merchandise, household appliances and edible agricultural products (pig products excluded); food distribution (engaged in business before obtained a permit), management consulting; development and sales of the software and network projects. [In right of exequatur to run if refers to permission operation ]	100%
Foshan Nanhai	Investment and management in respect of medical, armarium, medical apparatus and instruments, hospital, hygiene material, health foods and cosmetics industry and paid services (operates pursuit to the laws and regulations, permission required for the projects restricted by laws and regulations); general cargo warehousing services; own property leasing; sales of domestic appliances, general merchandise, ironware, construction material, arts and crafts (gold and silver exclude), disinfection products and health products. (In right of exequatur to run if refers to permission operation)	100%
Guangdong Uptodate & Special Medicines	Wholesale of the Chinese patent drug, chemical API, chemical medicine preparation, antibiotic APT, antibiotic preparation, biochemical drugs, biological (vaccines and IVD reagents included), 2 <sup>nd</sup> species psychotropic drugs (preparation), medicinal toxic drug (western medicine), anabolic agent, peptide hormone and health foods; sales of medical apparatus and instruments (the above mentioned items operates in line with the valid license), ironware, electric material, chemical products and raw materials (hazardous chemicals exclude), general merchandise and antiseptic; import and export of goods (excluded the items prohibited by laws and regulations; permission required for the projects restricted by laws and regulations ), information consulting service for the above mentioned items. (In right of exequatur to run if refers to permission operation)	100%
Southern Medical Trade	Import and export of goods, as well as technology(excluded the items prohibited by laws and regulations; permission required for the projects restricted by laws and regulations ); medical information consultation and exhibition. wholesale of Chinese patent drug, chemical API, chemical medicine preparation, antibiotic APT, antibiotic preparation, biochemical drugs, biological (vaccines excluded), 2 <sup>nd</sup> species psychotropic drugs (preparation), anabolic agents and peptide hormone; sales of 2 <sup>nd</sup> and 3 <sup>rd</sup> species medical apparatus and instruments; wholesale and retail of pre-packaged food (including alcoholic beverages), dairy product (including infant formula milk powder, operates in valid license); sales of cosmetics, general merchandise, cloths, shoes and hats, storage and logistic services. (In right of exequatur to run if refers to permission operation)	100%

### 3. The major non-equity investment doing in the reporting period

Applicable  Not applicable

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Not applicable

The company had no securities investment in the reporting period.

#### (2) Derivative investment

Applicable  Not applicable

The Company has no derivatives investment in the Period

### 5. Application of raised proceeds

Applicable  Not applicable

#### (1) Overall application of raised proceeds

Applicable  Not applicable

In 10 thousand Yuan

Year	Way	Total raised capitals	Total raised capital used in Period	Total accumulative raised capitals used	Total raised capital has purpose of uses changed in Period	Cumulative raised capitals has purpose of uses changed in total	Ratio of cumulative raised capitals has purpose of uses changed	Total accumulative raised capitals unused	Usage of the retained raised capitals and what is expected to invested with those capitals	Raised capitals idle for more than two years
2016	Non-public offering of shares	27,361.49	579.82	579.82	0	0	0.00%	26,781.67	Deposit bank	0
Total	--	27,361.49	579.82	579.82	0	0	0.00%	26,781.67	--	0

Explanation on General usage of raised capital
More details of the use of raised capitals can be seen in “Special report on the storage and the actual use of raised capitals of Sinopharm Accord in 2016” disclosed on 19 April 2017.

## (2) Situation of committed project of raised proceeds

√Applicable □ Not applicable

In 10 thousand Yuan

Committed investment projects and capital invested in areas with fund raising out of the plan	Projects changed or not (including changed partially)	Total committed investment of raised capitals	Total investment after adjustment (1)	Amount invested in report period	Amount of accumulated investment till the period-end (2)	Investment program till the period-end (3)=(2)/(1)	Predicted useable date of project	Realized interests in Period	Reach the predicted interest or not	Project feasibility was changed hugely or not
<b>Committed investment projects</b>										
Cash consideration of 49% equity of Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd. paid	No	26,781.67	26,781.67	0	0	0.00%	Not applicable	Not applicable	Not applicable	No
Payment of issuance cost	No	579.82	579.82	579.82	579.82	100.00%	Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment projects	--	27,361.49	27,361.49	579.82	579.82	--	--		--	--
<b>Capital invested in areas with fund raising out of the plan</b>										
Not applicable										
Total	--	27,361.49	27,361.49	579.82	579.82	--	--	0	--	--
Situation about not coming up to schemed progress or expected revenue and the reason(In specific project)	Not applicable									
Explanation on major changes on project feasibility	Not applicable									
Amount, usage and progress of using for	Not applicable									

fund raising out of the plan	
Change of implementation place of investment project of raised capitals	Not applicable
Regulation of implementation ways of investment project of raised capitals	Not applicable
Preliminary investment and replacement of investment project of raised capitals	Not applicable
Temporarily supplement for the current capitals with idle raised capitals	Not applicable
Amount and reason for surplus of raised capitals when implementing projects	Not applicable
Usage of the retained raised fund and what is expected to invested with those fund	Not applicable
Issues or other conditions found in use of fund raised and disclosure	Use of the fund raised are strictly execute in line with the “tri-party supervision agreement for fund raised”, and no related issues or other conditions been found

### (3) The changed project of raised proceeds

Applicable  Not applicable

The Company has no project of raised proceeds changed in the Period

## VI. Sales of major assets and equity

### 1. Sales of major assets

On 28 September 2016, the “Notice of assets on sale, shares offering, acquiring assets in cash and raising supporting funds and related transactions” was released on Juchao website, Sinopharm Accord subscribed the shares newly issued by Shanghai Shyndec Pharmaceutical with 567,621,500 Yuan, all productive assets of Pingshan base. Till end of the disclosure date, all productive assets of Pingshan base have transferred to Shyndec Pharmaceutical.

### 2. Sales of major equity

√Applicable □ Not applicable

Counter party	Assets for sale	The date of sale	Transaction price (in 10 thousand Yuan)	The net profits contributed to the listed company by the equity from the beginning of current period to the date of sale (in 10 thousand Yuan)	Impact on the Company	The proportion of the net profits that the equity contributed to the listed company in total profits	Pricing principle	Related transaction confirmed (Y/N)	The association with the counter party	The ownership of equity that involved has transferred totally	Whether the equity sales on plan or not, explain the reasons and countermeasure taken by the Company	Date of disclosure	Index of disclosure
Shanghai Shyndec Pharmaceutical Co., Ltd.	51% equity of Zhijun Pharmaceutical	2016-10-31	154,327.18	18,922.14	Impact 0Yuan on current net profit	0.00%	Based on the results of the evaluation report	Yes	The same controller	Yes	Yes	2016-05-31	“Notice of assets on sale, shares offering, acquiring assets in cash and raising supporting funds and related transactions” on Juchao website dated 28 September 2016
Shanghai	51% equity	2016-10-31	812.53	280.17	Impact 0Yuan	0.00%	Based on the	Yes	The same	Yes	Yes	2016-05-31	“Notice of assets on sale, shares offering,

Shyndec Pharmaceutical Co., Ltd.	of Zhijun Pharmaceutical				on current net profit		results of the evaluation report		controll er				acquiring assets in cash and raising supporting funds and related transactions” on Juchao website dated 28 September 2016
Shanghai Shyndec Pharmaceutical Co., Ltd.	51% equity of Pingshan Pharmaceutical	2016-10-31	39,230.39	3,597.68	Impact 0Yuan on current net profit	0.00%	Based on the results of the evaluation report	Yes	The same controller	Yes	Yes	2016-05-31	“Notice of assets on sale, shares offering, acquiring assets in cash and raising supporting funds and related transactions” on Juchao website dated 28 September 2016
Xinyu Boda Hengka ng Investment Management Center (Limited Partnership)	67% equity of Sinopharm Zhijun Suzhou	2016-04-26	15,780	-1,116.99	Impact 121,754,200 Yuan on current net profit	9.50%	Based on the results of the evaluation report	No	Unrelated party	Yes	Yes	2016-06-02	”Resolution Notice of the 12 <sup>th</sup> session of 7 <sup>th</sup> BOD” (Notice No. 2015-56) released on jucharo website dated 31 December 2015

## VII. Analysis of main holding company and stock-jointly companies

√Applicable □ Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Sinopharm Holding Guangzhou Co., Ltd.	Subsidiary	Chinese traditional patent medicine, chemical preparations, antibiotics, bio-chemical medicine,	1,000,000,000.00	6,201,439,755.87	1,269,663,039.25	15,715,341,554.78	215,474,944.65	159,964,487.88

		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						
Sinopharm Holding Guangxi Co., Ltd.	Subsidiary	Sales of drugs, medical apparatus and instruments, freightage, storage, loading and unloading, glass wares, cosmetics and daily merchandise; other business services, other professional consultation, various goods agency and for self-operation, import & export of technology, houses leasing	500,000,000.00	1,855,599,510.84	675,838,320.67	3,813,794,639.30	125,365,234.54	110,569,992.08
Sinopharm Holding Guoda Pharmacy Co., Ltd.	Subsidiary	Retail and distribution in respect of pharmaceutical products and medical apparatus and instruments, wholesale and retails of health products	1,010,000,000.00	4,941,581,204.36	1,733,724,849.58	9,109,459,900.42	290,299,955.53	223,107,979.90

Particular about subsidiaries obtained or disposed in report period

√Applicable □ Not applicable

Company Name	The method of obtaining and handling subsidiaries during the report period	The influence to the whole production and performance
Sinopharm Holding Guoda Pharmacy Co., Ltd.	Acquisition	The company will achieve the connection between the state-owned pharmaceutical retail leading enterprise - Guoda Pharmacy and the capital market through the injection of national pharmaceutical retail assets, substantially expand the company's business scale and scope, effectively enhance the company's sustainable development capacity and comprehensive competitiveness, and promote the profitability of listed company.
Foshan Nanhai Pharmaceutical Group Co., Ltd.	Acquisition	Further to consolidate the pharmaceutical distribution business in Guangxi & Guangdong
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	Acquisition	Further to consolidate the pharmaceutical distribution business in Guangxi & Guangdong
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	Acquisition	Further to consolidate the pharmaceutical distribution business in Guangxi & Guangdong
Sinopharm Holding Suzhou Co., Ltd.	Transfer	Transformation focus on pharmaceutical business and retail business, not controlling relevant asses of health care industry any more
China National Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	Transfer	Transformation focus on pharmaceutical business and retail business, not controlling relevant asses of health care industry any more
Shenzhen Zhijun Pharmacy Trade Co., Ltd.	Transfer	Transformation focus on pharmaceutical business and retail business, not controlling relevant asses of health care industry any more
China National Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	Transfer	Transformation focus on pharmaceutical business and retail business, not controlling relevant asses of health care industry any more

### VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

## **IX. Future Development Prospects**

### **(i) Industry environment analysis**

#### **1. Recent policy analysis**

With the continuous promotion of a new round of medical reform thinking, i.e. “hospital, medical insurance, and medical reform linkage, reducing drug prices, and vacating cage to change bird”, the concentration ratio of pharmaceutical business and pharmaceutical industry continues to increase, the outflow of hospital prescriptions intensifies, and the corresponding increase in the retail market accelerates; drive the circulation enterprises to transform to intelligent pharmaceutical service provider, and become a large-scale drug circulation enterprise with annual sales exceeding 500 billion in 2020.

The country supports to separate the clinic and pharmacy once again, and will carry out the "two-vote system" across the country in 2018, the policy trends of production and circulation push the exit of backward enterprises, large-scale enterprises increase scale and promote the scale, standardization and intensive development of drug circulation enterprises, and encourage the strong social logistics enterprises with modern logistics base to enter the pharmaceutical logistics field.

#### **2. Pharmaceutical market analysis**

China’s pharmaceutical market development trends: growth, optimization, integration, and supervision. In 2016, China’s pharmaceutical market was adjusted in the policies, in 2017, the pharmaceutical industry will complete more qualified growth. The sales terminal transfers to grassroots markets, with the deepening of medical reform, the first terminal pharmaceutical market share will be squeezed. The drugstore market will achieve rapid growth by service extension and system management. The broad market based on grass-roots medical will usher in faster growth in the future.

#### **3. Changes in the pharmaceutical market pattern**

Motivating factors: the masses have more requirements in health (from treatment to prevention), rigid demands increase (urbanization, aging, etc.), payment ability improves (health insurance coverage reaches 95%, the masses raise health awareness).

Risk factors: intense competition in the subdivision field (logistics, pharmacies, services, etc.); industry standards and regulatory become strict, product costs increase; pharmaceutical procurement and drug price management mechanism put pressure on the market.

Drug sales growth will further slow down to innovate and develop, impacted by the price limit of tendering, the cancellation of drug price addition in public hospitals, and the strict control to medicine fee growth, the drug terminal sales growth will slow down year by year. In the uncertain environment, it’s required to tap the internal potential, positively innovate and develop, and constantly make up their deficiencies mutually based on the international vision.

#### **4. Competitive dynamics**

The strong pharmaceutical enterprises continue to innovate and lay out in the industrial chain integration, service and cooperation extension and other aspects. In 2016, drug retail springs up everywhere, influenced by the concern of capital, the promotion of policy trends, and the industrial structure of current industry, the merger and acquisition

will continue. With the changes in industry policy, the business model will also have huge changes, create the wholesale- retail integrated control and operating model, fully integrate the distribution and retail resources to build new core competitiveness.

**(ii) The company's development strategy**

1. Focus on the wholesale- retail integration strategy, reconstruct the organizational structure, and enhance the foreground-background synergies

Achieve the dual headquarters control of strategic investment headquarters and business operations headquarters in the future, of which:

(1) Strategic investment headquarters: strengthen the strategic control, resource allocation, investment, and risk controls, etc.; build mechanism, allocate resources, promote the business layout by strategy; possess the customer orientation, professional degree and forward looking.

(2) Business operations headquarters: undertake the strategy implementation; focus on operation control, quality management, and efficiency improvement, etc.; build the profit model of all business units; sensitive and fast market response, strong execution; strengthen the business background construction and resource integration capabilities.

Face to the market, create a strong management service background, reconstruct the core competitiveness such as the operations decision-making, strategy promotion and new business promotion, etc., and support the business development.

2. Strengthen the headquarters building, enhance the business unit services and resource allocation capabilities

Establish the wholesale-retail integrated management system with special competitiveness: establish the integrated procurement management system for integrated distribution and retail procurement resources; establish the financial management system suitable for wholesale-retail integrated development, resources and platform sharing; establish the human resources management system dynamically and rapidly matches with the business diversification development.

3. Distribute the two-wheel drive, refine and vitalize, bloom together, and take the lead in various commercial activities

Focus on building the intelligent supply chain, deepen the integration operations.

(1) Refine and vitalize the traditional businesses

1. Improve quality and efficiency

Promote the network layout in Guangdong and Guangxi and the terminal network construction of subsidiaries; refactor the business network: from the "big business" to "small business", clinics, single store, complete the risk control and information exchange; consolidate the basic management, accomplish the management improvement; find benefits from the management; purchase and sale linkage, enhance the integrated operation capabilities.

2. Dig the potential and new advantages

Chinese medicine pieces and equipment require new breakthroughs, create new profit growth points for distribution; Logistics: focus on the intelligent supply chain construction, and establish the distribution system for service terminal consumers.

(2) Innovative businesses bloom together

Adept in integrating resources and highlighting the profession, and build the multilayer, differentiated service product system.

(3) Vigorously expand the retail and clinics

Integrate the distribution and procurement resources, integrate the retail procurement resources, give full play to the wholesale-retail integrated benefits; orderly promote the network layout to open drugstores in Guangdong and Guangxi; establish the business model of distribution opening retail .

4. Guoda Pharmacy intensively cultivates, optimizes and innovates, and the terminal generates power to achieve new breakthroughs

1. Focus on the "wholesale-retail integration", and establish an integrated business operating system

Strengthen the control functions of the headquarters; establish the provincial platform; create the strong background and sensitive foreground.

2. Improve quality and efficiency, and strengthen the stock business

Focus on promoting mergers and acquisitions and network layout; classify commercial activities management and store-type management for retail to

improve quality and efficiency; eliminate the enterprises running a deficit, reduce the stores having losses; further rationalize the ownership structure of subsidiaries.

3. Integrate resources, and innovate the business model

Retail should be based on building and implementing the professional service system; integrate the distribution and retail procurement resources; innovate the business model.

## X. Reception of research, communication and interview

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

√Applicable □ Not applicable

Time	Way	Type	Basic situation index of investigation
2016-01-13	Field research	Institute	Found more in “record chart of investor relations activities dated 13 January 2016 ” uploaded to interactive easy of Shenzhen Stock Exchange
2016-04-22	Field research	Institute	Resolution Notice of AGM of 2015
2016-06-16	Field research	Institute	Resolution Notice of Third Extraordinary Shareholders General Meeting of 2016
Reception (times)		3	
Number of hospitality		60	
Number of individual reception		4	
Number of other reception		0	

Disclosed, released or let out major undisclosed information

No disclosed, released or let out major undisclosed information

## Section V Important Events

### I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable  Not applicable

On 22 April 2016, the profit distribution plan for year of 2015 was deliberated and approved by annual general meeting of 2014, that is taking total 362,631,943 shares as the radix, distributed RMB 3.00 (tax included) for each 10 shares in cash. The announcement of 2015 interest distribution implementation was released on 24 May 2016 by the Board (published in Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website <http://www.cninfo.com.cn>), the profit distribution plan for year of 2015 was completed, and dividend for public shares was distributed to the account of shareholders dated 30 May 2016 (A-share) and 1 June 2016 (B-share) 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

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

(1) Profit distribution plan for year of 2014

Taking the total 362,631,943 shares as of 31 December 2014 as the radix, cash bonus of RMB 2.00 (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

(2) Profit distribution plan for year of 2015

Taking the total 362,631,943 shares as of 31 December 2015 as the radix, cash bonus of RMB 3.00 (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

(3) Profit distribution plan for year of 2016

Taking the total 428,126,983 shares as the radix, cash bonus of RMB 3.30 (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2016	141,281,904.39	1,186,601,899.27	11.91%	0.00	0.00%
2015	108,789,582.90	761,312,261.06	14.29%	0.00	0.00%
2014	72,526,388.60	652,497,176.03	11.12%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable  Not applicable

## II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable  Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	3.30
Equity base of distribution plan (Share)	428,126,983
Total cash dividend(RMB) (Tax included)	141,281,904.39
Distributable profits (RMB)	2,829,823,727.08
Ratio of cash dividend in total profit distribution	100.00%
Cash dividend policy:	
If the company's development is at the growth stage with significant capital expenditures, the minimum proportion of cash dividend in the profit distribution should reach 40%.	

### III. Implementation of commitment

#### 1. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

√Applicable   □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform						
Commitments in report of acquisition or equity change	Sinopharm Holding	Commitment of shareholders	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 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.”	2005-06-21	Long-term effective	Normally implementing
Commitments in assets reorganization	Sinopharm Group Co., Ltd.; China National Pharmaceutical Foreign Trade Corporation	Commitment restricted shares	“Sinopharm Holding and Sinopharm Foreign Trade made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the non-public offering of shares of Sinopharm Accord obtained from this transaction shall not be transferred within 36 months since the finish date of issuance and shall be unlocked after 36 months since the date of listing. Within 6 months after the completion of this transaction, if the closing price of the stock of Sinopharm Accord is less than the issue price in continuous 20 trading days, or the closing price at the end of 6 months after the completion of this transaction is less than the issue price, the lockup period of the stock of Sinopharm Group and Sinopharm Foreign Trade obtained from Sinopharm Accord by	2016-05-31	36 months	Normally implementing

		<p>this transaction will automatically prolong at least 6 months. The shares derived from stock dividends allocation and capital reserve increase transferring of Sinopharm Accord based on the non-public offering of shares of Sinopharm Accord obtained by this transaction should also abide by the above stock restricted arrangements.”</p>			
Ping'an Assets Management Co., Ltd.	Commitment on restricted shares	<p>"China Ping An Asset Management Co., Ltd. made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the non-public offering of shares of Sinopharm Accord obtained from this transaction shall not be transferred within 36 months since the finish date of issuance and shall be unlocked after 36 months since the date of listing. After placement completed, the shares of the listed company increased due to bonus shares and turning to increase capital should pursuit to the restriction arrangement the above mentioned.</p>	2016-05-31	36 months	Normally implementing
Sinopharm Group Co., Ltd.	Performance commitment and compensation arrangement	<p>“Sinopharm Group made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the 2016 annual net profits of Foshan Nanhai, Guangdong Uptodate &amp; Special Medicines and Guoda Pharmacy should respectively be no less than RMB 47,385,600.00, RMB 19,167,000.00, and RMB 98,466,100.00, while the 2017 annual net profits should respectively be no less than RMB 49,394,500.00, RMB 20,209,700.00, and RMB 110,998,90.00, and the 2018 annual net profits should respectively be no less than RMB 51,148,200.00, RMB 21,330,100.00, and RMB 131,275,500.00. Net profit refers to the lower one between the after-tax net profit attributable to the owners of parent company planning to invest in the target company and the net profit attributable to the owners of parent company after deducting the non-recurring gains and losses. If the actual net profit of the target company doesn't reach the committed net profit, Sinopharm Group will need to compensate according to the stipulations of the "Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase.”</p>	2016-05-31	2018-12-31	Normally implementing
China National Pharmaceutical Foreign Trade Corporation	Performance commitment and compensation arrangement	<p>Sinopharm Foreign Trade made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the 2016 annual net profits of Southern Medical Trade should be no less than RMB 39880700, while the 2017 annual net profits should be no less than RMB 47323200, and should not less than RMB 55364600 in 2018. Net profit refers to the lower one between the after-tax net profit attributable to the owners of parent company planning to invest in the target company and the net profit attributable to the owners of parent company after deducting the non-recurring gains and losses. If the actual net profit of the Southern Medical Trade doesn't reach the committed net profit, Sinopharm Foreign Trade will need to compensate according to the</p>	2016-05-31	2018-12-31	Normally implementing

		stipulations of the "Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase."			
Fu Jiancheng; Fu Yuequn Gu Chaoqun; Guo Shu'er; Huang Qiufang; Li Hongbing; Liao Zhi; Lin Wanqun; SunWei; Zhang Zhaohua; Zhang Zhaotang	Performance commitment and compensation arrangement	"Fu Yueling and other 10 natural person made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the 2016 annual net profits of Southern Medical Trade should be no less than RMB 39,880,700, while the 2017 annual net profits should be no less than RMB 47,323,200, and should not less than RMB 55,364,600 in 2018. Net profit refers to the lower one between the after-tax net profit attributable to the owners of parent company planning to invest in the target company and the net profit attributable to the owners of parent company after deducting the non-recurring gains and losses. If the actual net profit of the Southern Medical Trade doesn't reach the committed net profit, Fu Yuequn and other 10 natural person will need to compensate according to the stipulations of the "Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase."	2016-05-31	2018-12-31	Normally implementing
China National Accord Medicines Corporation Ltd.	Performance commitment and compensation arrangement	"Sinopharm Accord made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the net profits attributable to the owners of parent company after deducting the non-recurring gains and losses committed by Zhijun Pharmaceutical in 2016, 2017 and 2018 should be respectively no less than RMB 222,671,700.00, RMB 232,561,600.00, and RMB 241,878,700.00; the net profits attributable to the owners of parent company after deducting the non-recurring gains and losses committed by Zhijun Pharmacy Trade in 2016, 2017 and 2018 should be respectively no less than RMB 2,379,600.00, RMB 2,335,100.00, and RMB 2,345,600.00; the net profits attributable to the owners of parent company after deducting the non-recurring gains and losses committed by Pingshan Pharmaceutical in 2016, 2017 and 2018 should be respectively no less than RMB 39,716,300.00, RMB 43,033,500.00, and RMB 50,325,500.00. If the actual net profits attributable to the owners of parent company after deducting the non-recurring gains and losses of Zhijun Pharmaceutical / Zhijun Pharmacy Trade / Pingshan Pharmaceutical don't reach the committed net profits attributable to the owners of parent company after deducting the non-recurring gains and losses, Sinopharm Accord should compensate in accordance with the stipulations of the Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase."	2016-05-31	2018-12-31	Normally implementing

	China National Accord Medicines Corporation Ltd.; Sinopharm Group Co., Ltd.; China National Pharmaceutical Group Corporation	Other commitments	“The listed company, controlling shareholders, the actual controllers made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall not violate the relevant regulations of Article 16 in Securities Issuance and Underwriting Management Approach, and directly or indirectly providing financial assistance or compensation for the subscription objects and its shareholders / partners / clients (if any) of this non-public offering does not exist and will not occur in the future.”	2016-05-31	Long-term effective	Normally implementing
	Ping'an Assets Management Co., Ltd.	Other commitments	“Ping An Asset Management Co., Ltd. Promises that the unit intends to utilize Ping An Asset Xinxiang No.3 asset management product and Ping An Asset Xinxiang No.7 asset management product to fund and subscribe some non-public offering of shares of Sinopharm Accord in this major asset restructuring process, and has the ability to subscribe the shares, the relevant capital sources are legitimate, there is no hierarchical income and other structured arrangements, and there is no use of leveraged funds. The unit does not receive financial assistance or compensation from Sinopharm Accord and its controlling shareholders, or the actual controllers. The investors' structure of above - mentioned products do not change from the issue date of the commitment letter to the end date of the lockup period of the stock that the unit subscribes from Sinopharm Accord.”	2016-03-24	Long-term effective	Normally implementing
	China National Pharmaceutical Group Corporation	Increase holding commitment	“Sinopharm made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that 1. if the stock intraday price of Sinopharm Accord on any trading day of the 30 trading days after the listing of newly increased shares in this transaction is less than the issue price of newly increased shares in this transaction, Sinopharm will accumulatively invest no more than RMB 150 million in these 30 trading days to increase the holding by the stock trading system of the Shenzhen Stock Exchange (this increase of holding) until the earlier one of below two situations occurs: (1) the above-mentioned funds are use up; (2) the intraday price of Sinopharm Accord is no less than the issue price of newly increased shares in this transaction. 2. Sinopharm shall not sell the shares obtained from this increase of holding within 3 years after the end of this increase of holding.”	2017-01-06	2017-02-24	Normally implementing

	Sinopharm Group Co., Ltd.	<p>Commitments on horizontal competition, relation transaction and capital occupation</p> <p>“Sinopharm Group made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall be the controlling shareholder of China National Accord Medicines Corporation Ltd. (hereinafter referred to as Sinopharm Accord) up to the issue date of this commitment letter, after the completion of this major assets reorganization (hereinafter referred to as “this reorganization”), Sinopharm Accord shall no longer hold shares or operate relevant businesses of pharmaceutical industry, the main business will become the national pharmaceutical retail and pharmaceutical distribution business in Guangdong and Guangxi. In order to support the business development of Sinopharm Accord and avoid horizontal competition with Sinopharm Accord and its controlling enterprises, the Company made following irrevocable commitments and promises:1, after the completion of this reorganization, as for the social retail drugstore assets except for Sinopharm Group Guoda Pharmacy Co., Ltd. and its subsidiaries and branches owned or controlled by the Company, the Company promised to take appropriate measures to solve the horizontal competition problem in the pharmaceutical retail business between the Company and Sinopharm Accord within 5 years since the completion date of this reorganization. 2. The Company's way of resolving horizontal competition problems includes and is not limited to purchasing the social retail drugstore assets subordinated to the Company by Sinopharm Accord, taking the entrusted operation, leasing or contracting operation by Sinopharm Accord and its controlling enterprises in accordance with the methods permitted to national laws to hold or control the social retail drugstore assets, or transferring the controlling stake of the social retail drugstore assets by the Company. 3. If the shareholders of the social retail drugstore assets (hereinafter referred to as "the third party") of the Company or the enterprises controlled by the Company have or are going to perform the preemptive rights under the same conditions in accordance with relevant laws and corresponding Articles of Association, then the above commitment will not be applicable, but in this case, the Company should try its utmost to urge the third party to waive its preemptive rights. If the Company is unable to urge the third party to give up the preemptive rights, the Company will urge the enterprises controlled by the Company to transfer the social retail drugstore assets to the third party to solve the horizontal competition problem. 4. The pharmaceutical distribution assets currently owned or controlled by the Company are distributed outside Guangdong and Guangxi regions, there is no horizontal competition with Sinopharm Accord, the Company will not engage in the same or similar operation businesses to Sinopharm Accord in Guangdong and Guangxi in the future, if the Company and its holding enterprises obtain the new business opportunities constituting substantial horizontal competition (hereinafter referred to as competitive new business) within the pharmaceutical</p>	2016-12-28	Long-term effective	Normally implementing
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			distribution business scope of Sinopharm Accord in Guangdong and Guangxi, the Company will send written notice to Sinopharm Accord and try its utmost to firstly provide the new business opportunities to Sinopharm Accord or its holding enterprises according to the reasonable and fair terms and conditions so as to avoid the horizontal competition with Sinopharm Accord and its holding enterprises. 5. Since the issue date of this commitment letter, the Company promises to indemnify Sinopharm Accord for all actual losses, damages and expenses caused by the Company in violation of any commitments under this commitment letter. 6. This commitment letter terminates when following circumstances occur (subject to the earlier one): (1) the Company is no longer the controlling shareholder of Sinopharm Accord; or (2) the shares of Sinopharm Accord terminate the listing at the stock exchange.”			
	China National Pharmaceutical Group Corporation	Commitments on horizontal competition, relation transaction and capital occupation	<p>“Sinopharm made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall be the actual controller of China National Accord Medicines Corporation Ltd. (hereinafter referred to as Sinopharm Accord) up to the issue date of this commitment letter, after the completion of this major assets reorganization (hereinafter referred to as “this reorganization”), Sinopharm Accord shall no longer hold shares or operate relevant businesses of pharmaceutical industry, the main business will become the national pharmaceutical retail and pharmaceutical distribution business in Guangdong and Guangxi. In order to support the business development of Sinopharm Accord and avoid horizontal competition with Sinopharm Accord and its controlling enterprises, the Company made following irrevocable commitments and promises:1, after the completion of this reorganization, as for the social retail drugstore assets except for Sinopharm Group Guoda Pharmacy Co., Ltd. and its subsidiaries and branches owned or controlled by the Company, the Company promised to take appropriate measures to solve the horizontal competition problem in the pharmaceutical retail business between the Company and Sinopharm Accord within 5 years since the completion date of this reorganization. 2. The Company's way of resolving horizontal competition problems includes and is not limited to purchasing the social retail drugstore assets subordinated to the Company by Sinopharm Accord, taking the entrusted operation, leasing or contracting operation by Sinopharm Accord and its controlling enterprises in accordance with the methods permitted by national laws to hold or control the social retail drugstore assets, or transferring the controlling stake of the social retail drugstore assets by the Company. 3. If the shareholders of the social retail drugstore assets (hereinafter referred to as "the third party") of the Company or the enterprises controlled by the Company have or are going to perform the preemptive rights under the same conditions in accordance</p>	2016-12-28	Long-term effective	Normally implementing

			with relevant laws and corresponding Articles of Association, then the above commitment will not be applicable, but in this case, the Company should try its utmost to urge the third party to waive its preemptive rights. If the Company is unable to urge the third party to give up the preemptive rights, the Company will urge the enterprises controlled by the Company to transfer the social retail drugstore assets to the third party to solve the horizontal competition problem. 4. The pharmaceutical distribution assets currently owned or controlled by the Company are distributed outside Guangdong and Guangxi regions, there is no horizontal competition with Sinopharm Accord, the Company will not engage in the same or similar operation businesses to Sinopharm Accord in Guangdong and Guangxi in the future, if the Company and its holding enterprises obtain the new business opportunities constituting substantial horizontal competition (hereinafter referred to as competitive new business) within the pharmaceutical distribution business scope of Sinopharm Accord in Guangdong and Guangxi, the Company will send written notice to Sinopharm Accord and try its utmost to firstly provide the new business opportunities to Sinopharm Accord or its holding enterprises according to the reasonable and fair terms and conditions so as to avoid the horizontal competition with Sinopharm Accord and its holding enterprises. 5. This commitment letter terminates when following circumstances occur (subject to the earlier one): (1) the Company is no longer the actual controller of Sinopharm Accord; or (2) the shares of Sinopharm Accord terminate the listing at the stock exchange.”			
Commitments make in initial public offering or re-financing	Sinopharm Holding	Commitment of shareholders	" Sinopharm Holding made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Avoid Horizontal Competition: “First, the Company and the Company’s wholly-owned, controlling or other enterprises with actual control (in addition to Sinopharm Accord and its controlling enterprises, hereinafter the same) don’t have businesses and operations constituting the substantial horizontal competition to Sinopharm Accord and its controlling enterprises. Second, the Company and the Company’s wholly-owned, controlling or other enterprises with actual control shall not engage, participate in or do businesses and activities in Guangdong and Guangxi which constitute substantial competition to Sinopharm Accord and pharmaceutical business services. Third, the Company and the Company’s wholly-owned, controlling or other enterprises with actual control shall not engage, participate in or do businesses and activities which constitute substantial competition to Sinopharm Accord and pharmaceutical industry businesses. Fourth, the Company shall not take advantage of the control to Sinopharm Accord to damage the legitimate rights and interests of Sinopharm Accord and other shareholders (especially medium and small shareholders). This commitment letter takes effect from the issue date, and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord. Within the	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

		effective period of the commitment, if the Company violates this commitment and causes a loss to Sinopharm Accord, the Company will timely make full compensation for Sinopharm Accord.”			
Sinopharm Holding	Commitment of shareholders	<p>Sinopharm Holding made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Regulate the Related Transactions with China National Accord Medicines Corporation Ltd.: “First, when the Company is controlling Sinopharm Accord, the Company and the companies and enterprises directly and indirectly controlled by the Company (“related party” for short) will strictly regulate the related transactions with Sinopharm Accord and its controlling enterprises. Second, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall sign normative related transaction agreement in accordance with relevant laws with Sinopharm Accord. Sinopharm Accord implements the approval procedures and fulfills the information disclosure obligations of the related transactions according to relevant laws, regulations, rules, other normative documents and the constitutions of Sinopharm Accord. Third, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall abide by the open, fair and just market principles and confirm the price of related transactions in accordance with the price that the independent third party without association sets for the same and similar transactions, and ensure the fairness of the price of the related transactions. Fourth, when the board of directors and the general meeting of stockholders of Sinopharm Accord vote on the related transactions involving the Company and other enterprises controlled by the Company, the Company shall fulfill the necessary obligations that the associated directors and associated shareholders abstain from voting in accordance with the relevant provisions, and abide by the legal procedures for approving related transactions and the information disclosure obligations. Fifth, the Company guarantees to participate in the shareholders' general meeting, equally exercise the corresponding rights and take the corresponding obligations in accordance with the constitutions of Sinopharm Accord, not to take advantage of controlling shareholder status to seek improper benefits or utilize related transactions to illegally transfer the funds and profits of Sinopharm Accord, and not to damage the legitimate rights and interests of other shareholders (especially the medium and small shareholders) of Sinopharm Accord. Sixth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord. Within the effective period of the commitment, if the Company violates this commitment and causes a loss to Sinopharm Accord, the Company will timely make full compensation for Sinopharm Accord.”</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

	Sinopharm Group	Commitment of actual controller	<p>Sinopharm made commitments in the Commitment Letter About China National Pharmaceutical Group Corporation to Avoid Horizontal Competition with China National Accord Medicines Corporation Ltd.: “First, in the next five years, Sinopharm plans to take appropriate measures (including assets replacement or acquisition, equity reorganization, etc.) to resolve the horizontal competition between Sinopharm Weiqida and Sinopharm Accord. Second, in addition to the past matters and matters disclosed in this commitment letter, the Company and the Company’s wholly-owned, controlling or other enterprises with actual control rights (except for Sinopharm Accord and its controlling enterprises, the same as below) shall not directly engaged in, participate in or do the businesses and activities constituting actual competition to the production and operation of Sinopharm Accord in China. The relevant commitments about avoiding horizontal competition that the Company made in the past still remain in effect. Third, the Company shall not take advantage of the control relationship to Sinopharm Accord to damage the legitimate rights and interests of Sinopharm Accord and its shareholders (especially the medium and small shareholders). Fourth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord.”</p>	2013-10-16	Long-term effective	Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
	Sinopharm Group	Commitment of actual controller	<p>Sinopharm Group made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Regulate the Related Transactions with China National Accord Medicines Corporation Ltd.: “First, when the Company is controlling Sinopharm Accord, the Company and the companies and enterprises directly and indirectly controlled by the Company (“related party” for short) will strictly regulate the related transactions with Sinopharm Accord and its controlling enterprises. Second, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall sign normative related transaction agreement in accordance with relevant laws with Sinopharm Accord. Sinopharm Accord implements the approval procedures and fulfills the information disclosure obligations of the related transactions according to relevant laws, regulations, rules, other normative documents and the constitutions of Sinopharm Accord. Third, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall abide by the open, fair and just market principles and confirm the price of related transactions in accordance with the price that the independent third party without association sets for the same and similar transactions, and ensure the fairness of the price of the related transactions. Fourth, when the board of directors and the general meeting of stockholders of Sinopharm Accord vote on the related transactions involving the Company and other enterprises controlled by the</p>	2013-09-22	Long-term effective	Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments

			Company, the Company shall fulfill the necessary obligations that the associated directors and associated shareholders abstain from voting in accordance with the relevant provisions, and abide by the legal procedures for approving related transactions and the information disclosure obligations. Fifth, the Company guarantees not to take advantage of actual controller status to seek improper benefits or utilize related transactions to illegally transfer the funds and profits of Sinopharm Accord, and not to damage the legitimate rights and interests of other shareholders (especially the medium and small shareholders) of Sinopharm Accord. Sixth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the actual controller or its related party of Sinopharm Accord.			
Equity incentive commitment						
Other commitments for medium and small shareholders						
Completed on time (Y/N)	Yes					

**2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast**

√Applicable □ Not applicable

Assets or project with profit forecasted	Starting time	Terminal time	Current forecast performance (in 10 thousand Yuan)	Current actually performance (in 10 thousand Yuan)	Reasons of fails to achieved the forecast number (if applicable)	Disclosure date for former prediction	Index
Foshan Nanhai	2016-01-01	2018-12-31	4,738.56	4,930.7	Not applicable	2016-05-31	"Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement" on Juchao website
Guangdong Uptodate &	2016-01-01	2018-12-31	1,916.7	1,923.21	Not applicable	2016-05-31	"Sinopharm Accord: Acquiring Assets by

Special Medicines							Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Guoda Pharmacy	2016-01-01	2018-12-31	9,846.61	15,278.82	Not applicable	2016-05-31	“Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Southern Medical Trade	2016-01-01	2018-12-31	3,988.07	3,993.33	Not applicable	2016-05-31	“Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Zhijun Pharmaceutical	2016-01-01	2018-12-31	22,267.17	22,408.57	Not applicable	2016-05-31	”Sinopharm Accord: Shanghai Shyndec Pharmaceutical Co., Ltd. and the Company of Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Zhijun Pharmacy Trade	2016-01-01	2018-12-31	237.96	260.44	Not applicable	2016-05-31	”Sinopharm Accord: Shanghai Shyndec Pharmaceutical Co., Ltd.and the Company of Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Pingshan Pharmaceutical	2016-01-01	2018-12-31	3,971.63	4,157.16	Not applicable	2016-05-31	”Sinopharm Accord: Shanghai Shyndec Pharmaceutical Co., Ltd..and the Company of Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website

Commitment made by shareholders of the Company and counterparty in annual operation performance

Applicable  Not applicable

#### **IV. Non-operational fund occupation from controlling shareholders and its related party**

Applicable  Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

#### **V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA**

Applicable  Not applicable

#### **VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year**

Applicable  Not applicable

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

Applicable  Not applicable

According to the requirement of *Regulation of the Accounting Treatments on Value-Added Tax* (Cai Kuai [2016] No.22), in year of 2016, the item of “Business tax and surcharge” listed in profit statement is adjusted to item of “Taxes and surcharge”; as for the relevant taxes occurring since 1 May 2016 from operation activities, such as house duty, land holding tax, vehicle and vessel usage tax as well as stamp tax are listed under the item of “Taxes and surcharge” instead of “Administration expenses”; while the taxes (except the house duty and land holding tax with investment property concerned reckoned in “Business tax and surcharge”) occurred before 1 May 2016 still in item of “Administration expenses”. The debited balance of sub-item as “Payable VAT”, “Unpaid VAT”, “Pending deduct VAT on purchase”, “Certified purchase duty” and “VAT retained” under “Taxes payable”, are re-classified to “other current assets” and “other non-current assets” instead of the “payable taxes” in balance sheet at end of 2016; while the above mentioned items are listed in original item at end of 2015. The credit balance of sub-item as “substituted money on VAT” under “Taxes payable” are re-classified to “Other current liability” and “Other non-current liability” instead of the “payable taxes” in balance sheet at end of 2016 while the above mentioned items are listed in original item at end of 2015. Due to the above requirements, the following items have difference among “taxes and surcharge” and “administration expenses” for year of 2016 and year of 2015, the items of “taxes payable”, “other current assets”, “other receivable”, “other non-current assets”, “other current liability” and “other non-current liability” for year ended as 2016 and ended as 2015. However, the consolidated net profit and net profit of the Company as well as the shareholders’ equity of the Company and consolidated shareholders’ equity for year of 2016 and 2015 have no influences. Due to the influence, the taxes and surcharges increased RMB28,560,596.90, administrative expenses decreased RMB28,560,596.90; the current liability increased RMB123,294.77, taxes payable decreased RMB123,294.77.

## VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

## VIII. Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable  Not applicable

Details of changes in consolidation statement's scope can be seen in Note VI of Audit Report.

## IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	Ernst & Young CPA (Special General partnership)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	292 (excluding the auditing charge for internal control)
Continuous life of auditing service for domestic accounting firm	One year
Name of domestic CPA	Li Jianguang, Zhang Yongkun
Name of foreign accounting firm (if applicable)	N/A
Remuneration for foreign accounting firm (10 thousand Yuan) (if applicable)	0
Continuous life of auditing service for foreign accounting firm (if applicable)	0
Name of foreign CPA (if applicable)	N/A

Re-appointed accounting firms in this period

Yes  No

Whether change the CPA in auditing period or not

Yes  No

Performing approval procedures while change the CPA

Yes  No

Explanation on re-engagement and changes of the CPA

The company's controlling shareholder, Sinopharm Group, proceeded with the bidding work of accounting firms for 2016 annual financial final account audit in accordance with the relevant provisions of SASAC to audit

intermediary organizational management, Sinopharm Group engaged Ernst & Young as the audit institution for the company's financial final account audit. In order to engage the same audit institution as the controlling shareholder Sinopharm Group for the company's financial final account audit to improve the efficiency of the company's financial work and audit work, and avoid the repeated audit, and the audit team of the company's original audit institution, Price Waterhouse Coopers, has been providing the audit services for more than 5 years, the risk internal control and audit committee company's board of directors, the 18<sup>th</sup> meeting of the company's 7<sup>th</sup> board of directors and 12<sup>th</sup> session of the company's 7<sup>th</sup> board of supervisors, and the company's 4<sup>th</sup> extraordinary general meeting in 2016 deliberated and agreed to engage Ernst & Young to provide the audit services for 2016 annual audit and internal controls of financial reports. The independent directors made agreed independent opinions on this matter.

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable  Not applicable

The Company engaged Ernst & Young CPA (Special General partnership) as the audit body for internal control, and auditing charge for internal control amounting as RMB 0.247 million.

The Company engaged China International Capital Corporation Limited as the finance consultant for material asset reorganization and privately placement. The finance consultation charge was 16,536,000 Yuan (tax included) and consignment inward costs 5,798,200 Yuan (tax included).

## **X. Particular about suspended and delisting after annual report disclosed**

Applicable  Not applicable

## **XI. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

## **XII. Significant lawsuits and arbitrations of the Company**

Applicable  Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

Other lawsuits

Till end of the disclosure date, the Company has 20 contract disputes in routine operations, 37,104,428 Yuan involved in total; one infringement dispute with 2,518,408 Yuan concerned; one labor dispute with 1,044,000 Yuan involved and four equity transfer disputes with 2,507,300 Yuan involved.

Totally 26 disputes in the above mentioned with 43,173,822 Yuan involved. There are no accrual liability resulted, and has no impact

on normal operation management of the Company.

### **XIII. Penalty and rectification**

Applicable  Not applicable

No penalty and rectification for the Company in reporting period.

### **XIV. Integrity of the company and its controlling shareholders and actual controllers**

Applicable  Not applicable

In the reporting period, integrity of the company and its controlling shareholders and actual controllers is good and they do not have a relatively large amount of due existing debt with court's effective judgments.

### **XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

Applicable  Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

### **XVI. Major related transaction**

#### **1. Related transaction with routine operation concerned**

(1) The related transaction with routine operations concerned found more in the "X. Related parties and related transaction" in "Section XI. Financial Report";

(2) The related transactions are settled by cash and notes, disclosed on 27 March 2016, and disclosure on Juchao Website with Notice No.: 2016-032;

(3) In accordance with the "Forecast for Routine Related Transactions for year of 2016" approved by 14<sup>th</sup> session of 7<sup>th</sup> BOD on 26 March 2016 and the AGM of 2015 held on 22 April 2016, during the reporting period, the sales from related parties takes 77.91% in total amount predicted while purchasing with related parties takes 146.36% (actual amount occurred from related parties including the amount in all year place-in the Company from merger under the same control, for material asset reorganization in the period. After deducted the data of the enterprise place-in from period-begin to delivery date of reorganization, purchasing with related parties takes 93.86% without aboving the quota ); the loan principal & interest from related parties takes 16.96% in total amount predicted for whole year; note buyer discount interest from related parties takes 103.04% in total amount predicted for whole year(has 36500 Yuan over the quota and did not qualify the disclosure standards); finance lease interest from related parties takes 29.16% in total amount predicted for whole year; purchasing fixed assets and long-term assets from related parties takes 5.47% in total amount predicted for whole year; leasing revenue from related parties takes 9.96% in total amount predicted for whole year and house and equipment leasing costs from related parties takes 471.52% in total amount predicted for whole year(actual amount occurred from related parties including the amount in all year place-in the Company from merging under the same control, for material asset reorganization in the period. After deducted the data of the enterprise place-in from period-begin to delivery date of reorganization, house and equipment leasing costs from related parties amounted as 26,870,700 Yuan, a 157.14% in total amount predicted for whole year with 9,770,700 Yuan over the

quota, a 0.18% in the audited net assets from latest period without qualify the disclosure standards. Mainly because the Guoda Pharmacy-place in from reorganization, has more business from house leasing); revenue from providing service from related parties takes 46.89% in total amount predicted for whole year while received services from related parties takes 59.45% in total amount predicted for whole year.

## **2. Related transactions by assets acquisition and sold**

Applicable  Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period

## **3. Main related transactions of mutual investment outside**

Applicable  Not applicable

No main related transactions of mutual investment outside for the Company in reporting period

## **4. Contact of related credit and debt**

Applicable  Not applicable

Whether the Company had non-operating contact of related credit and debt

Yes  No

The Company had no non-operating contact of related credit and debt in the reporting period.

## **5. Other related transactions**

Applicable  Not applicable

During the reporting period, the company implemented major asset reorganization:

Sinopharm Accord subscribed the shares newly issued by Shanghai Shyndec Pharmaceutical with 51% stock rights of Zhijun Pharmaceutical, and 51% stock rights of Zhijun Pharmacy Trade, and 51% stock rights of Pingshan Pharmaceutical, and all productive assets of Pingshan base; at the same time, Sinopharm Accord bought 100% stock rights of Guoda Drugstore, 100% stock rights of Foshan Nanhai, 100% stock rights of Guangdong Uptodate & Special Medicines from the non-public offering of shares of Sinopharm Holding, and bought 51% stock rights of Nanfang Pharmaceutical Trade from the non-public offering of shares of Sinopharm Foreign Trade, and bought 49% stock rights of Nanfang Pharmaceutical Trade by cash from Fu Yuequn and other 10 natural minority shareholders. Except for buying 49% stock rights of Nanfang Pharmaceutical Trade by cash from Fu Yuequn and other 10 natural minority shareholders, this assets sale and share issuance and asset purchase all involved the transactions between the company and controlling shareholders or other enterprises controlled by actual controllers, therefore, the above

transactions constituted related transactions.

Up to the date of disclosure, all subjects of this major assets reorganization have completed the transfer.

Disclosure information for major related transaction temporary disclosed

Temporary notice	Dated disclosed	Website for disclosure
Sinopharm Accord: Notice of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment	2016-03-10	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sinopharm Accord: Notice of Plans of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment	2016-03-25	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sinopharm Accord: Supplement Notice of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment	2016-05-31	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sinopharm Accord: Report of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment (draft) (Revised)	2016-06-14	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sinopharm Accord: Report of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment (draft) (3 <sup>rd</sup> Revised)	2016-08-18	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sinopharm Accord: Report of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment (Revised)	2016-09-28	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sinopharm Accord: Notice of the Target Assets' Ownership Transfer for Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment	2016-12-13	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## **XVII. Significant contract and implementations**

### **1. Trusteeship, contract and leasing**

#### **(1) Trusteeship**

Applicable  Not applicable

Explanation on trust

1. Foshan Nanhai Pharmaceutical Co., Ltd. and Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. were subordinate enterprises of major shareholders, their operation businesses were pharmaceutical distribution, and business scope was in Guangdong region, and there were some overlaps with the Company's pharmaceutical distribution businesses and regions, which constituted the horizontal competition, in July 2013, in order to

effectively solve the horizontal competition, the major shareholders handed over these two companies to Sinopharm Accord for trusteeship, and Sinopharm Accord also agreed to accept the entrust and manage the subject companies. Up to July 2016, trusteeship has ended.

2. Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd. was the subordinate enterprise of actual controllers, its operation business was pharmaceutical distribution, and business scope was in Guangdong region, and there were some overlaps with the Company's pharmaceutical distribution businesses and regions, which constituted the horizontal competition, in September 2013, in order to effectively solve the horizontal competition, the actual controllers of Sinopharm handed it over to Sinopharm Accord for trusteeship, and Sinopharm Accord also agreed to accept the entrust and manage the subject company. Up to June 2016, trusteeship has ended.

The above three companies have become the Company's wholly owned subsidiaries by the company's major asset reorganization and acquisition of assets.

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

Applicable  Not applicable

The Company had no trust items generated over 10% gains/losses in total profit in reporting period

## **(2) Contract**

Applicable  Not applicable

No contract for the Company in reporting period

## **(3) Leasing**

Applicable  Not applicable

No leasing for the Company in reporting period

## **2. Major guarantees**

Applicable  Not applicable

### **(1) Guarantees**

In 10 thousand Yuan

Particulars about the external guarantee of the Company and the subsidiaries (Barring the guarantee for subsidiaries)
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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	Implemented (Y/N)	Guarantee for related party (Y/N)
Total approving external guarantee in report period (A1)				Total actual occurred - external guarantee in report period (A2)				
Total approved external guarantee at the end of report period (A3)				Total actual balance of - external guarantee at the end of report period (A4)				
Guarantee between the Company and 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	Implemented (Y/N)	Guarantee for related party (Y/N)
China National Accord Medicines Corporation Ltd.	2016-03-26	25,000	2016-05-25	10,708.05	General assurance	2016.5.25-2017.5.25	No	Yes
China National Accord Medicines Corporation Ltd.	2016-03-26	20,000	2016-11-23	12,018.46	General assurance	2016.11.23-2017.11.22	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	35,000	2016-05-18	19,005.33	General assurance	2016.5.20-2017.5.20	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	10,000	2016-10-19	9,606.54	General assurance	2016.10.19-2017.10.18	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	21,000	2016-09-22	10,483.85	General assurance	2016.9.22-2017.9.21	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2015-08-20	20,000	2015-12-21	10,963.07	General assurance	2015.12.21-2016.12.20	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	40,000	2016-06-29	36,212.26	General assurance	2016.6.29-2017.6.28	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	40,000	2016-09-20	7,664.25	General assurance	2016.9.20-2017.9.19	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	35,000	2016-09-26	1,501.54	General assurance	2016.9.26-2017.9.25	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	30,000	2016-07-06	21,155.83	General assurance	2016.7.6-2017.4.30	No	Yes
Sinopharm Holding	2016-03-26	35,000	2016-05-09	17,968.82	General	2016.5.9-	No	Yes

Guangzhou Co., Ltd.					assurance	2017.4.28		
Sinopharm Holding Guangzhou Co., Ltd.	2015-03-21	10,000	2015-10-23	6,656.75	General assurance	2015.10.23- 2016.10.31	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	50,000	2016-06-30	35,615.73	General assurance	2016.6.30- 2017.6.30	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	20,000	2016-05-10	5,767.02	General assurance	2016.5.10- 2017.5.9	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	30,000	2016-06-28	1,149.16	General assurance	2016.6.28- 2017.4.28	No	Yes
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	126,000	2016-04-01	35,247.99	General assurance	2016.4.1- 2017.3.31	No	Yes
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2016-03-26	3,500	2016-05-20		General assurance	2016.5.20- 2017.5.20	No	Yes
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2016-03-26	5,000	2016-09-26	4,422.88	General assurance	2016.9.26- 2017.9.25	No	Yes
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2016-03-26	3,000	2016-09-18	1,737.31	General assurance	2016.9.18- 2017.9.17	No	Yes
Sinopharm Holding Guangxi Co., Ltd.	2016-03-26	5,000	2016-09-14	60.39	General assurance	2016.9.14- 2016.9.13	No	Yes
Sinopharm Holding Guangxi Co., Ltd.	2016-03-26	20,000	2016-11-02	7,404.01	General assurance	2016.11.2- 2017.11.2	No	Yes
Sinopharm Holding Guangxi Co., Ltd.	2016-03-26	25,000	2016-09-26	11,669.04	General assurance	2016.9.26- 2017.9.25	No	Yes
Sinopharm Holding Guangxi Co., Ltd.	2016-03-26	20,000	2016-09-24		General assurance	2016.9.24- 2017.9.24	No	Yes
Sinopharm Holding Guangxi Co., Ltd.	2016-03-26	20,000	2016-09-30	13,832.28	General assurance	2016.9.30- 2017.9.30	No	Yes
Sinopharm Holding Jiangmen Renren Co., Ltd.	2016-03-26	2,000	2016-12-23	1,999.6	General assurance	2016.12.23- 2017.9.25	No	Yes
Sinopharm Holding Liuzhou Co., Ltd.	2016-03-26	9,000	2016-09-26	4,919.55	General assurance	2016.9.26- 2017.9.25	No	Yes
Sinopharm Holding Liuzhou Co., Ltd.	2016-03-26	5,000	2016-06-20	3,096.98	General assurance	2016.6.20- 2017.6.19	No	Yes
Sinopharm Holding Liuzhou Co., Ltd.	2015-08-20	6,000	2015-11-24	1,143.18	General assurance	2015.11.24- 2016.11.23	No	Yes

Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2016-03-26	2,000	2016-07-04		General assurance	2016.07.04-2017.07.04	No	Yes
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2016-03-26	7,000	2016-09-26	4,598.92	General assurance	2016.09.26-2017.09.25	No	Yes
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2016-03-26	2,000	2016-11-23	2,000	General assurance	2016.11.23-2017.11.22	No	Yes
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2016-03-26	3,000	2016-04-29	1,800	General assurance	2016.6.28-2017.04.28	No	Yes
Sinopharm Holding Zhanjiang Co., Ltd.	2016-03-26	1,500	2016-09-26		General assurance	2015.9.26-2016.9.25	No	Yes
Sinopharm Holding Zhaoqing Co., Ltd.	2016-03-26	2,000	2016-09-26	2,000	General assurance	2016.12.20-2017.9.25	No	Yes
Sinopharm Holding Foshan Co., Ltd.	2016-03-26	1,000	2016-09-26	877.41	General assurance	2016.9.26-2017.9.25	No	Yes
Sinopharm Holding Shenzhen Medicine Co., Ltd.	2016-03-26	1,000	2016-09-26	908.5	General assurance	2016.9.26-2017.9.25	No	Yes
Total amount of approving guarantee for subsidiaries in report period (B1)			654,000		Total amount of actual occurred guarantee for subsidiaries in report period (B2)			1,087,619.35
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			690,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)			304,194.7
Guarantee between the subsidiaries and 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	Implemented (Y/N)	Guarantee for related party (Y/N)
Sinopharm Holding Guoda Pharmacy Shenyang Chain Co.,Ltd	2016-12-30	5,600	2016-03-01	4,072	General assurance	2016.3.1-2017.3.1	No	Yes
Sinopharm Holding Guoda Pharmacy	2016-12-30	4,500	2016-03-01	4,255	General assurance	2016.3.1-2017.3.1	No	Yes

Shenyang Chain Co.,Ltd								
Sinopharm Holding Guoda Pharmacy Shenyang Chain Co.,Ltd	2016-12-30	5,000	2016-06-01	4,963	General assurance	2016.6.1- 2017.6.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shenyang Chain Co.,Ltd	2016-12-30	6,000	2016-02-01	1,411	General assurance	2016.2.1- 2017.2.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shenyang Chain Co.,Ltd	2016-12-30	6,000	2016-11-01	2,452	General assurance	2016.11.1- 2017.11.1	No	Yes
Fujian Guoda Pharmacy Chain Co.,Ltd	2016-12-30	2,000	2016-03-01		General assurance	2016.3.1- 2017.3.1	No	Yes
Fujian Guoda Pharmacy Chain Co.,Ltd	2016-12-30	3,000	2016-05-01	1,560	General assurance	2016.5.1- 2017.5.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shanxi Yiyuan Chain Co.,Ltd	2016-12-30	4,000	2016-02-01	4,000	General assurance	2016.2.1- 2017.1.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shanxi Yiyuan Chain Co.,Ltd	2016-12-30	3,000	2016-02-01	2,037	General assurance	2016.2.1- 2017.1.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shanxi Yiyuan Chain Co.,Ltd	2016-12-30	4,000	2016-07-01	3,132	General assurance	2016.7.1- 2017.7.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shanxi Yiyuan Chain Co.,Ltd	2016-12-30	2,800	2016-10-01	550	General assurance	2016.10.1- 2017.10.1	No	Yes
Sinopharm Holding Guoda Pharmacy Shanxi Yiyuan Chain Co.,Ltd	2016-12-30	1,500	2016-09-01	1,385	General assurance	2016.9.1- 2017.12.1	No	Yes
Sinopharm Holding	2016-12-30	1,960	2016-10-01	1,960	General	2016.10.1-	No	Yes

Guoda Pharmacy Shanxi Yiyuan Chain Co.,Ltd					assurance	2017.10.1		
Sinopharm Holding Guoda Pharmacy Inner Mongolia Co.,Ltd	2016-12-30	3,000	2016-04-01	2,143	General assurance	2016.4.1- 2017.4.1	No	Yes
Sinopharm Holding Guoda Pharmacy Inner Mongolia Co.,Ltd	2016-12-30	5,000	2016-04-01	1,635	General assurance	2016.4.1- 2017.4.1	No	Yes
Sinopharm Holding Guoda Fumei Pharmaceutical (Shanghai) Co., Ltd.	2016-12-30	6,000	2015-12-01	2,772	General assurance	2015.12.1- 2016.12.1	No	Yes
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	2016-12-30	980	2015-12-01	938	General assurance	2015.12.1- 2016.12.1	No	Yes
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	2016-12-30	5,000	2016-03-01	3,143	General assurance	2016.3.1- 2017.2.1	No	Yes
Sinopharm Holding Guoda Pharmacy Guangxi Chain Co.,Ltd	2016-12-30	1,500	2015-05-01	1,299	General assurance	2015.5.1- 2016.12.1	No	Yes
Sinopharm Holding Guoda Pharmacy Guangdong Co.,Ltd	2016-12-30	2,000	2016-03-01	1,996	General assurance	2016.3.1- 2017.2.1	No	Yes
Tianjin Guoda Pharmacy Chain Co.,Ltd	2016-12-30	1,000	2016-04-01	555	General assurance	2016.4.1- 2017.3.1	No	Yes
Sinopharm Holding Guoda Pharmacy Yangzhou Dadesheng Chain Co.,Ltd	2016-12-30	1,000	2016-09-01	512	General assurance	2016.9.1- 2017.9.1	No	Yes
Shanxi Tongfeng Logistics Co., Ltd.	2016-12-30	2,100	2016-11-01	1,800	General assurance	2016.11.1- 2017.11.1	No	Yes
Total amount of approving guarantee for subsidiaries in report period (C1)			76,940		Total amount of actual occurred guarantee for subsidiaries in report period (C2)			50,682

Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)	76,940	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)	48,570
Total amount of guarantee of the Company( total of three abovementioned guarantee)			
Total amount of approving guarantee in report period (A1+B1+C1)	730,940	Total amount of actual occurred guarantee in report period (A2+B2+C2)	1,138,301.35
Total amount of approved guarantee at the end of report period (A3+B3+C3)	766,940	Total balance of actual guarantee at the end of report period (A4+B4+C4)	352,764.7
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)		41.75%	
Including:			

Note:

Before delivery date of the material asset reorganization, Guoda Pharmacy and its subordinate subsidiary entered into relevant guarantee agreement (Sinopharm Holding provide a guaranty) before the reorganizataion. After delivery date, as the “Adjustment on General Credit Limit Application to the Bank for year of 2016 and Guarantee Arrangement” was deliberated and approved by the 20<sup>th</sup> session of 7<sup>th</sup> BOD of Sinopharm Accord held on 29 December 2016 and First Extraordinary Shareholders General Meeting of Sinopharm Accord for year of 2017 dated 18 January 2017, Sinopharm Accord act as the guarantor for Guoda Pharmacy and its subsidiary to resigning relevant guarantee agreement. Found more in the “Sinopharm Accord: Notice of Adjustment on General Credit Limit Application to the Bank for year of 2016 and Guarantee Arrangement” (Notice No.:2016-96) released on 30 December 2016 and “Sinopharm Accord: Resolution Notice of First Extraordinary Shareholders General Meeting for year of 2017” (Notice No.:2017-05) dated 18 January 2017 published on Juchao website

## (2) Guarantee outside against the regulation

Applicable  Not applicable

No guarantee outside against the regulation in Period.

## 3. Entrust others to cash asset management

### (1) Trust financing

Applicable  Not applicable

The Company had no trust financing in the reporting period.

### (2) Entrusted loans

Applicable  Not applicable

The company had no entrusted loans in the reporting period.

#### 4. Other material contracts

Applicable  Not applicable

No other material contracts for the Company in reporting period

### XVIII. Social responsibility

#### 1. Execution of social responsibility of targeted poverty alleviation

Applicable  Not applicable

#### 2. Execution of other social responsibility

“Social Responsibility Report of Sinopharm Accord in 2016” can be seen in Juchao website dated 19 April 2017 (HTTP://WWW.CNINFO.COM.CN)

Listed company and its subsidiary belongs to the key pollution enterprise listed by Department of Environmental Protection

No

Whether the social responsibility report released

Yes  No

CSR report					
Nature of the corporate	Whether contained the environment information	Whether contained the social information	Whether contained the corporate governance information	Disclosure standards	
				Domestic standards	Foreign standards
State-owned enterprise	Yes	Yes	Yes	Yes	

Note

1. Whether the company has the Environment Management System Certification (ISO14001)	Yes
2. Amount the company annually invested and paid for environmental protection (Yuan)	328.98
3. The company's emission reduction performance of waste gas, waste water, and waste residue	According to the group's energy-saving and environmental protection objectives and requirements, establish the industry environmental protection and energy saving working group, supervise and urge

	enterprises to implement the policies and guidelines, laws and regulations relevant to environmental protection and energy saving issued by the state and superior companies; at the same time, actively implement the technology improvement for environmental protection and energy saving, continue to upgrade and optimize the sewage treatment system according to the changes in production capacity, and hand over to the professional environmental protection company for operation and maintenance, the daily operation process is normal, no operational accident occurs. In addition, strictly classify, unify to collect and hand over the wastes generated in the production process to the qualified professional companies for treatment as required. Through the above series of measures, ensure that the waste disposal of enterprises' three wastes is legal and environmentally friendly, and obtain the government's approval and recognition. Among which, Zhijun Guanlan sewage treatment upgrade and renovation project declares the cyclic economy, and energy-saving and emission reduction special funds of Shenzhen City, and gains subsidy of 1.22 million Yuan, and has passed the energy management system certification in 2016.	
4. Investment the company made for enhancing the employees' individual knowledge and skills so as to improve employees' career development ability (Yuan)		659
5. Amount of the company's social charitable donations (funds, goods and materials, free professional services) (Yuan)		70

## **XIX. Explanation on other significant events**

√Applicable   □ Not applicable

During the Period, relevant progress with material asset reorganization concerned has promoted in a steady way: the “Plan of Sinopharm Accord Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment” was published respectively on 10 March 2016 and 25 March, and respectively released the “Report of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment (draft)” on 31 May 2016 and on 14 June; on 28 September 2016, we released the “Official Reply on Sinopharm Accord Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment from CSRC” and “Report of Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment (Revised)”; and released the “Sinopharm Accord: Notice of the Target Assets' Ownership Transfer for Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment” on 13 December 2016. Till end of the Report released, target assets in the material asset reorganization have completed transfer of ownership.

## XX. Significant event of subsidiary of the Company

Applicable  Not applicable

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	74,484,531	20.54%						74,484,531	20.54%
2. State-owned legal person's shares	74,482,543	20.54%						74,482,543	20.54%
3. Other domestic shareholding	1,988	0.00%						1,988	0.00%
Including: Domestic nature person shares	1,988	0.00%						1,988	0.00%
II. Unrestricted shares	288,147,412	79.46%						288,147,412	79.46%
1. RMB Ordinary shares	233,261,812	64.32%						233,261,812	64.32%
2. Domestically listed foreign shares	54,885,600	15.14%						54,885,600	15.14%
III. Total shares	362,631,943	100.00%						362,631,943	100.00%

Reasons for share changed

Applicable  Not applicable

Approval of share changed

Applicable  Not applicable

Ownership transfer of share changes

Applicable  Not applicable

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

Applicable  Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

Applicable  Not applicable

Numbers of private placement for purchasing assets with shares issue in material asset reorganization amounting to 65,495,040 shares (circulated shares with restriction condition), the stocks have listed on 5 January 2017. after shares increased for listing, total shares of the Company comes to 428,126,983 shares.

## 2. Changes of restricted shares

Applicable  Not applicable

## II. Securities issuance and listing

### 1. Security offering (without preferred stock) in Reporting Period

Applicable  Not applicable

### 2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable  Not applicable

### 3. Existing internal staff shares

Applicable  Not applicable

## III. Particulars about shareholder and actual controller of the Company

### 1. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in	13,506	Total common stock shareholders at end of last month	11,789	Total preference shareholders with voting rights recovered at end of	0	Total preference shareholders with voting rights recovered	0
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reporting period-end		before annual report disclosed		reporting period (if applicable) (found in note8)		at end of last month before annual report disclosed (if applicable) (found in note8)		
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Sinopharm Holding Co., Ltd.	State-owned Corporation	51.00%	184,942,291		74,482,543	110,459,748		
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign Corporation	2.28%	8,255,056					
TARGET VALUE FUND	Foreign Corporation	1.32%	4,791,914					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign Corporation	1.25%	4,526,392					
China Securities Finance Co., Ltd.	State-owned Corporation	1.24%	4,495,815					
China Life Insurance Co., Ltd. – tradition –general insurance products -005L-CT001 Shen	Domestic non state-owned Corporation	1.16%	4,216,998					
CITIC Securities Co., Ltd.	Domestic non state-owned Corporation	1.16%	4,212,630					
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	Domestic non state-owned Corporation	1.16%	4,199,772					

VALUE PARTNERS CLASSIC FUND	Foreign Corporation	1.05%	3,808,966					
Central Huijin Investment Ltd.	State-owned Corporation	1.05%	3,804,400					
Explanation on associated relationship among the aforesaid shareholders	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' name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
Sinopharm Holding Co., Ltd.	110,459,748	RMB ordinary shares	110,459,748					
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	8,255,056	Domestic listed foreign shares	8,255,056					
TARGET VALUE FUND	4,791,914	Domestic listed foreign shares	4,791,914					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,526,392	Domestic listed foreign shares	4,526,392					
China Securities Finance Co., Ltd.	4,495,815	RMB ordinary shares	4,495,815					
China Life Insurance Co., Ltd. – tradition –general insurance products - 005L-CT001 Shen	4,216,998	RMB ordinary shares	4,216,998					
CITIC Securities Co., Ltd.	4,212,630	RMB ordinary shares	4,212,630					
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	4,199,772	RMB ordinary shares	4,199,772					
VALUE PARTNERS CLASSIC FUND	3,808,966	Domestic listed foreign shares	3,808,966					
Central Huijin Investment Ltd.	3,804,400	RMB ordinary shares						
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	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 top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: central state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Sinopharm Holding Co., Ltd.	Li Zhiming	2003-01-08	74618434-4	Industrial investment holding; management and assets reorganization entrusted by pharmaceutical enterprise; Chinese medicine, Chinese medicine tablets, chemical medicine preparations, chemical raw materials, antibiotics, biochemical drugs, biological products, narcotic drugs, psychotropic substances, toxic drugs for medical use (compatible with the business scope), medicine IVD Reagents, vaccine, anabolic agents, Peptide hormone and medical equipment. III: injection puncture instruments, hygienic materials & dressings, medical polymer materials and products, categories II: medical X-ray ancillary equipment and components; food marketing management (non-physical way), and domestic trade (other than special licensing), logistics and other consulting services, cosmetics, stationeries and related consulting services, operating various types of goods and import and export of technology (not attached directory of import and export commodities), but excluded the import and export of goods and technology the State limits or prohibit the company. [In right of exequatur to run if refers to permission operation].
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	Sinopharm Group Co., Ltd. hold 44.01 percent equity of China National Medicines Corporation Ltd (Stock code: 600511) up to the end of Period.			

Changes of controlling shareholders in reporting period

Applicable  Not applicable

The Company had no changes of controlling shareholders in reporting period

### 3. Actual controller of the Company

Nature of actual controller: central state-owned assets management

Type of actual controller: legal person

Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business	
China National Pharmaceutical Group Corporation	She Lulin	198-03-26	10000588-8	Chinese patent drug, traditional Chinese medicines prepared in ready-to-use forms, traditional Chinese medicinal materials, chemical API, chemical medicine preparation, antibiotics, biochemical drug and biologic pharmacy (License for pharmaceutical trading runs until 12 May 2020); mandatory for pharmaceutical enterprise, asset reorganization; consulting service of medicine industrial investment; exhibition of medical devices; consulting services with main business concerned. (the enterprise has independent choices on operation items for business; in right of exequatur to run if refers to permission operation ; operation activity that prohibited or restricted by the City Government are not allowed)	
Equity of domestic/oversea listed company control by actual controller in report period	Name	Name of listed company with shares held	Total shareholders (10 thousand shares)	Proportion of shares held	
	Sinopharm Group	Jianmin Group	132.35	0.86%	
	Sinopharm Group	Sinopharm Holding	272.84	0.10%	
	Sinopharm Holding Industrial Investment Co., Ltd.	Sinopharm Holding	157,155.60	56.79%	
	Sinopharm Holding	Sinopharm	21,070.15	44.01%	
	Sinopharm Holding	Sinopharm Accord	18,494.23	51%	
	Sinopharm	JLPC	321.93	2.12%	
	Shanghai Institute of Pharmaceutical Industry	Modern Pharmaceutical	11,975.63	41.62%	

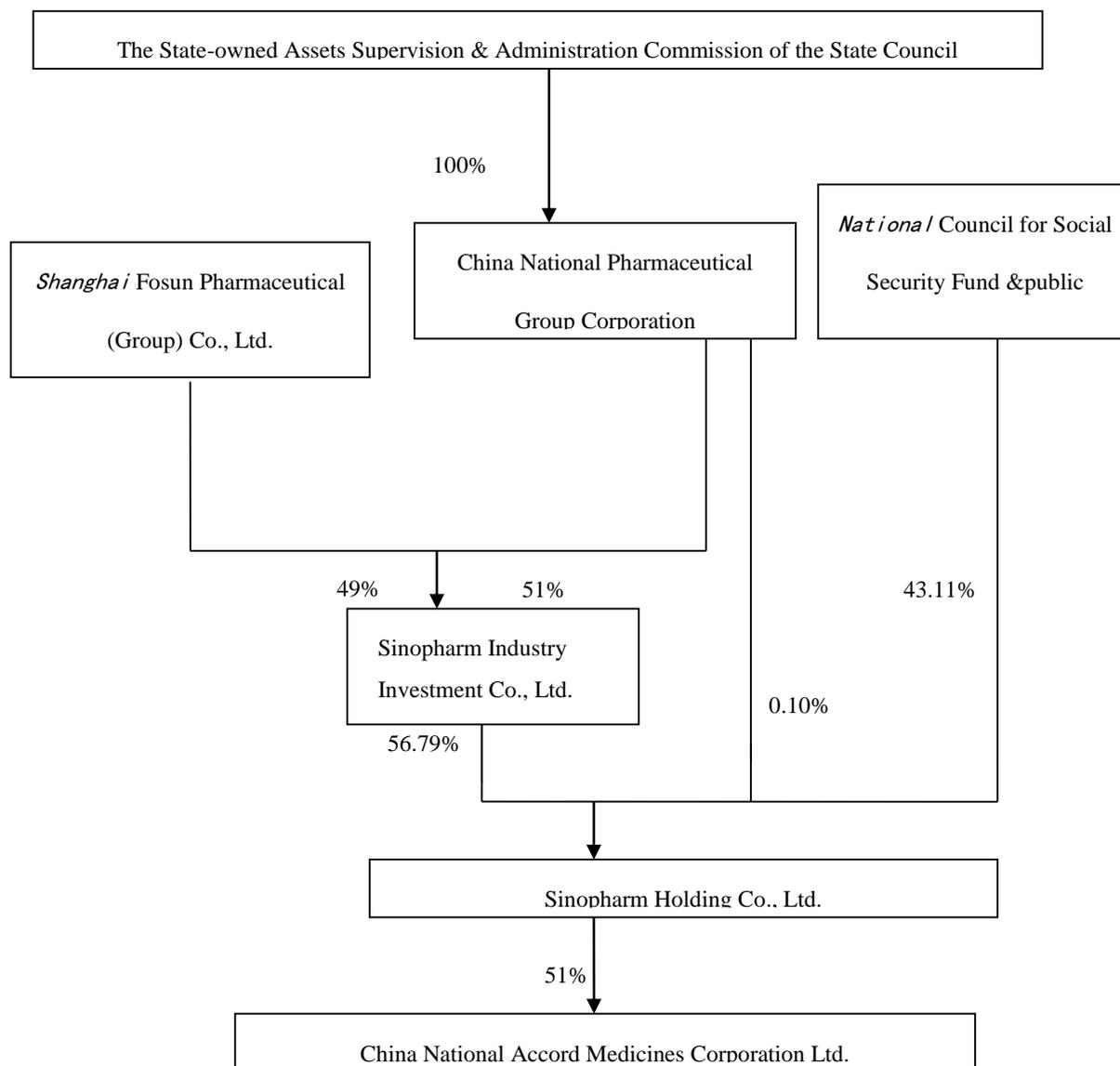
	Chinese Medicine Industry Co., Ltd.	Hengrui Medicine	10,621.86	4.52%	
	Biosino	Tiantan Biological	27,472.50	53.30%	
	Sinopharm Group H.K. Co., Ltd.	China TCM	161,431.36	36.43%	

Changes of actual controller in reporting period

Applicable  Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable  Not applicable

#### 4. Particulars about other legal person shareholders with over 10% shares held

Applicable  Not applicable

**5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects**

Applicable  Not applicable

## **Section VII. Preferred Stock**

Applicable  Not applicable

The Company had no preferred stock in the Period.

## Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Chen Changbing	Secretary of the Board	Currently in office	M	48	2015-01-13		2,651	0	0		2,651
Total	--	--	--	--	--	--	2,651	0	0		2,651

### II. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Yan Zhigang	Deputy GM	Appointment and removal	2016-03-09	Mr. Yan Zhigang resign from director and specialized committee of the Company and step down from GM of the Company; BOD agreed to appointed Mr. Yan Zhigang as deputy GM of the Company.
Lin Zhaoxiang	GM	Appointment and removal	2016-03-09	According to work arrangement, BOD appointed Mr. Lin Zhaoxiang as the GM (legal representative) of the Company; and nominated as additional director candidate by the recommendation from Sinopharm Holding-controlling shareholders of the Company
Lin Zhaoxiang	Director	Appointment and removal	2016-04-06	Mr. Lin ZhaoXiong elected as director of the 7 <sup>th</sup> BOD of the Company in 2 <sup>nd</sup> extraordinary shareholders general meeting of 2016
Yan Zhigang	N/A	Dismissal	2016-05-23	Resign from deputy GM due to individual reasons.
Li Zhiming	Director	Office leaving	2016-08-16	Li Zhiming step down from the chairman of 7 <sup>th</sup> BOD of Sinopharm Accord by the recommendation from controlling shareholder
Ma Wanjun	Chairman	Appointment and removal	2016-08-16	Ma Wanjun serves as Chairman of 7 <sup>th</sup> BOD of the Sinopharm Accord by the recommendation from controlling shareholder
Feng	N/A	Office	2016-08-12	Feng Yifeng request to resign from chairman of supervisory

Yifeng		leaving		committee of 7 <sup>th</sup> supervisor committee of the Company due to individual reasons
Guang Xiaohui	N/A	Office leaving	2016-08-16	Guang Xiaohui request to resign from supervisor of the 7 <sup>th</sup> supervisory committee of the Company due to career moves
Wu Yijian	Supervisor	Appointment and removal	2016-09-02	Wu Yijian elected as Supervisor of the 7 <sup>th</sup> Supervisor Committee of the Company in 4 <sup>th</sup> extraordinary shareholders general meeting of 2016
Liu Jingyun	Supervisor	Appointment and removal	2016-09-02	Liu Jingyun elected as Supervisor of the 7 <sup>th</sup> Supervisor Committee of the Company in 4 <sup>th</sup> extraordinary shareholders general meeting of 2016
Wu Yijian	Chairman of supervisory committee	Appointment and removal	2016-09-27	Mr. Wu Yijian elected as Chairman of 7 <sup>th</sup> supervisory committee of the Company in 2 <sup>nd</sup> extraordinary meeting of 7 <sup>th</sup> supervisory committee
Deng Baojun	N/A	Dismissal	2016-11-17	Deng Baojun resign from former deputy GM of the Company due to the work adjustment after integration of China National Pharmaceutical Industry Corporation Ltd.
Cui Dieling	N/A	Office leaving	2016-12-29	Cui Dieling resign from former director, deputy chairman and specialized committee due to the work adjustment after integration of China National Pharmaceutical Industry Corporation Ltd; nominated Mr. Liu Yong as additional director candidate by recommendation from Sinopharm Holding-controlling shareholder of the Company
Liu Yong	Director	Appointment and removal	2017-01-18	Liu Yong elected as director of 7 <sup>th</sup> BOD of the Company in 1 <sup>st</sup> extraordinary shareholders general meeting of 2017
He Zhiyi	N/A	Office leaving while term is due	2017-02-14	Resign from Independent Director of the Company due to term of office has run out
Chen Honghui	Independent Director	Appointment and removal	2017-03-14	Elected as Independent Director of 7 <sup>th</sup> BOD of the Company in 2 <sup>nd</sup> extraordinary shareholders general meeting of 2017
Pan Rangren	N/A	Dismissal	2017-02-22	Resign from Deputy GM of the Company due to individual reasons
Wei	Director	Office	2017-03-25	Not in post of director of the Company for statutory retirement age

Yulin		leaving		come
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### III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive at the present in latest five years

#### 1. Members of the Board

Chairman-- Mr. Ma Wanjun, EMBA. He served as the follow post in latest 5 years: deputy GM of Operation Center of Sinopharm Group Co., Ltd. from December 2009 to September 2010; Director of Sinopharm Holding Shenyang Co., Ltd from January 2010 to November 2011; he serves as Chairman of Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. since March 2010; Director of Sinopharm Holding Suzhou Co., Ltd from May 2010 to November 2011; Chairman of Sinopharm Holding Jiangsu Co., Ltd from May 2010 to November 2011; Director of Wenzhou Biomedicine-Appliances Supplies Co., Ltd. from July 2010 to November 2011; deputy President of Sinopharm Group Co., Ltd. since September 2010; Chairman of Sinopharm Holding Henan Co., Ltd from October 2010 to January 2013; Director of Sinopharm Holding Changzhou Co., Ltd from December 2010 to November 2011; Director of Shanghai Bionuo Enterprise Management Co., Ltd. from December 2010 to November 2011; general counsel of Sinopharm Group Co., Ltd. from May 2011 to October 2012; he serves as Director of Sinopharm Le-Ren-Tang Medicine Co., Ltd. since April 2011; Director of Sinopharm Group Shaanxi Co., Ltd. from April 2011 to September 2011; Director of China National Medicines Corporation Ltd since October 2011; Director of Yujia Medicine Service Co., Ltd. since November 2011; Chairman of Sinopharm Health Industry (Shanghai) Co., Ltd. since November 2011; Director of 6<sup>th</sup> and 7<sup>th</sup> Session of the Board for the Company since March 2011; Chairman of Sinopharm Holding Health Development (Shanghai ) Co., Ltd since May 2012; Chairman of Sinopharm Holding Fujian Co., Ltd and Sinopharm Holding Fuzhou Co., Ltd since August 2012; he serves as executive Director of Sinopharm Holding Henan Co., Ltd. since January 2013 and executive Director of Shanghai Tongyu Information Technology Co., Ltd. since April 2013 and serves as chairman of the Company since August 2016.

Director -- Mr. Li Zhiming, college graduation, a senior economist, and he served as the follow post in latest 5 years: chairman, GM and party secretary of Sinopharm Group Xinjiang Pharmaceutical Co., Ltd. from February 2009 to May 2013; deputy president of Sinopharm Group Co., Ltd. from May 2020 to November 2013; he hold a concurrent post of General Counsel of Sinopharm Group Co., Ltd. from October 2012 to January 2014; a deputy party secretary, discipline inspection commission secretary and labor union chairman of Sinopharm Group Co., Ltd. from November 2012 to November 2013; president of Sinopharm Group Co., Ltd. since November 2013; meanwhile, served as Chairman of China National Medicines Corporation Ltd from August 2010 to October 2011; chairman of Sinopharm Holding Tianjin Co., Ltd. from August 2010 to December 2013; chairman of Sinopharm Holding Heilongjiang Co., Ltd. from November 2010 to April 2013; chairman of Sinopharm Holding Shenyang Co., Ltd. from October 2011 to April 2013; chairman of Sinopharm Holding Jilin Co., Ltd. from October 2011 to April 2013; chairman of Sinopharm Holding Inner Mongolia Co., Ltd. from March 2011 to December 2013; serves as chairman of Sinopharm Holding Ningxia Co., Ltd. since June 2011; chairman of Sinopharm Holding Shaanxi Co., Ltd. since October 2011; chairman of Sinopharm Holding Gansu Co., Ltd. since October 2011; he had a concurrent post of

chairman of Sinopharm Holding Shanxi Co., Ltd. from October 2011 to December 2013; serves as chairman of Sinopharm Holding Qinghai Co., Ltd. since October 2011; he took post of chairman of Sinopharm Holding Mudan River Co., Ltd. from October 2011 to April 2013; serves as chairman of Sinopharm Group Shanxi Co., Ltd. since March 2012; chairman and party secretary of Sinopharm Group Xinjiang Pharmaceutical Co., Ltd. since May 2013; president of Sinopharm Group Co., Ltd. since November 2013; Director of Sinopharm Group Hong Kong Co., Ltd. since January 2014 and chairman of China National Medicines Corporation Ltd since February 2014; he serves as executive director of Sinopharm Holding Sub Marketing Center Co., Ltd. since January 2014 and serves as chairman of 6<sup>th</sup> and 7<sup>th</sup> session of the Board for the Company since February 2014 and serves as director of the Company since August 2016.

Director -- Mr. Jiang Xiuchang, a university background, senior economists and senior accountant. He served as the follow post in latest 5 years: CFO of Sinopharm Group Co., Ltd. since May 2010; he acts as deputy President of Sinopharm Group Co., Ltd. since July 2013 and hold concurrent post of Supervisor of Sinopharm Holding Guoda Pharmacy Co., Ltd since June 2010; Supervisor of Yujia Medicine Co., Ltd. since September 2010; Director of China National Medicines Corporation Ltd since February 2011; Director of Sinopharm Le-Ren-Tang Medicine Co., Ltd since April 2011; Director of Sinopharm Holding H.K. Co., Ltd since November 2011; Director of Sinopharm Group Financial Co., Ltd since November 2011; Director of Sinopharm Group Shaanxi Co., Ltd. from April 2011 to September 2011; Supervisor of Sinopharm Sub Marketing Center Co., Ltd. since April 2011; Supervisor of Sinopharm Holding Beijing Co., Ltd. and Director of Sinopharm Group Financial Co., Ltd since November 2011; he serves as Director of 6<sup>th</sup> and 7<sup>th</sup> session of the Board for the Company since March 2011, Chairman of Sinopharm Holding Jiangxi Co., Ltd. since June 2013; Chairman of Sinopharm Holding Shanxi Co., Ltd., deputy Chairman of Sinopharm Group Shanxi Co., Ltd., Chairman of Sinopharm Holding Tianjin Co., Ltd. and Chairman of Sinopharm Holding Inner Mongolia Co., Ltd. since December 2013.

Director -- Mr. Liu Yong, a doctor degree, pharmacist-in-charge and licensed pharmacist. He successively acting as deputy GM of marketing department in China National Pharmaceutical Group Corporation since July 1999, deputy GM of Shanghai Guoda Drugstore Chain Co., Ltd., the GM and secretary of the party committee and chairman in Sinopharm Holding Shengyang Co., Ltd., chairman of Sinopharm Holding Shandong Co., Ltd.; Chairman of Sinopharm Holding Henan Co., Ltd., executive director of Shanghai Huyong Medicine Co., Ltd., executive director of Sinopharm Group Medicine Logistic Co., Ltd., the chairman of Sinopharm Group Chemical Reagent Co., Ltd. and Sinopharm Group Shanghai Likang Pharmaceutical Co., Ltd.; Chairman of Sinopharm Holding Anhui Co., Ltd., GM, secretary of the party committee and Chairman of Sinopharm Holding Beijing Co.,Ltd, Chairman of Sinopharm Holding Jiling Co., Ltd., Chairman of Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd., Director of Sinopharm Group Shanxi Co., Ltd., Director and Chairman of the China National Medicines Corporation Ltd., Chairman of Sinopharm Holding Chongqing Co., Ltd., Chairman of Sinopharm Holding Hunan Co., Ltd., Chairman of Sinopharm Holding Chongqing Taimin Pharmaceutical Co., Ltd., Chairman of Sinopharm Holding Xinan Co., Ltd., GM of Beijing Sinopharm Tianyuan Property Management Co., Ltd. and Director of Sichuan Medicine Co., Ltd.; now he acting as Director of China National Medicines

Corporation Ltd., Chairman of Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co.,Ltd, Chairman of Sinopharm Holding Guoda Drugstore Co., Ltd., Chairman of Sinopharm Holding Beijing Huahong Biological Medicine Co.Ltd and Sinopharm Holding Guizhou Co., Ltd., Chairman of Sinopharm Holding Yunnan Co., Ltd., Director of Sinopharm Guohua Network Technology Co., Ltd. and Chairman of Sinopharm Health On-line Co., Ltd.; he serves as Deputy president of Sinopharm Group Co., Ltd. since January 2009; General counsel of Sinopharm Group Co., Ltd. since January 2014, the Secretary of the Board of Sinopharm Group Co., Ltd.since October 2016 and acting as director of the 7<sup>th</sup> BOD of the Company since January 2017.

Director -- Mr. Lin Zhaoxiong, executive MBA and pharmacist in-charge. He worked in China Medicine (Group) Guangzhou Company from January 1999 to December 2003, and successively served as deputy manager and manager of the pharmaceutical department, manager in pharmaceutical company and chief in operation management department; served as Deputy GM of Sinopharm Holding Guangzhou Co., Ltd. from January 2004 to December 2006; serves as GM of Sinopharm Holding Guangzhou Co., Ltd. since December 2006 and deputy GM of the Company from December 2008 to 9 March 2016; he serves as GM of the Company since 9 March 2016 and director of 7<sup>th</sup> BOD of the Company since April 2016.

Independent Director -- Mr.Xiong Chuxiong, a doctor degree, professor and a CPA. He graduated from Accounting Dept. of Southwestern University of Finance & Economics and Accounting Dept. of Xiamen University successively. After obtained the PhD. Economics in Xiamen University in 1992, he was assigned to teach in accounting majors of Shenzhen University. He used to be a visiting scholar in University of Manchester, U.K. currently; he works as professor in Shenzhen University. He serves as Independent Director of the 6<sup>th</sup> and 7<sup>th</sup> Session of the Board for the Company since April 2011.

Independent Director -- Mr. Xiao Shengfang, civil and commercial law graduate in Renmin University of China, MBA of Jinan University, and lawyer. He acts as director of Sino-Win Law Firm, whose social functions include vice director of Labor and Social Security Law Committee of All China Lawyers Association, president of Guangdong Lawyers Association, legal adviser of Guangzhou Municipal People's Government, counselor of CPPCC Guangzhou Committee, legal consultant of the People's Government of Guangzhou Baiyun District, adjunct professor at Lawyer College of Renmin University of China, adjunct professor at School of Law of South China Normal University, executive vice president of MBA sodality in Ji'nan University, arbitrator at South China International Economic and Trade Arbitration Commission, arbitrator at Guangzhou Arbitration Commission, and mediation expert at South China International Economic and Trade Arbitration Commission. He has acted as the independent director for the Company's sixth and seventh board of director since April 2011.

Independent Director -- Mr. Chen Honghui, professor of Lingnan (University) College of Sun Yat-Sen University, a doctoral supervisor of management. He worked in school of management, Wuhan University of Science & Technology from July 1993 to June 2003 and successively acted as a tutor and instructor; he works in Lingnan (University) College of Sun Yat-Sen University since July 2003 and also served as deputy professor and professor; vice president of the Lingnan (University) College of Sun Yat-Sen University from 2007 to 2012; the director of department of business administration in Lingnan College since 2008 and deputy chairman of the GDISR. he serves as independent director of Cabbeen Fashion Co., Ltd. since October 2013 and Guangzhou Grandbuy Co., Ltd. since

September 2016. Serves as independent director of 7<sup>th</sup> BOD of the Company since March 2017.

## **2. Members of supervisors:**

Chairman of supervisory committee-- Mr. Wu Yijian, a postgraduate background. He currently serves as the assistant president of Shanghai Fosun Pharmaceutical Group Co., Ltd. and director of pharmaceutical business management committee. He worked in Sanjiu Enterprise Group since July 1993, and successively served as the sales director of Sanjiu Medical Trading Co., Ltd., COO of Sanjiu Medical Chain Co., Ltd. and deputy GM of Shanghai Sanjiu Technology Development Co., Ltd. He also works in Fosun Pharma Group since June 2004 and successively took post of Gm of the Shanghai Fosun Pharmaceutical Investment Co., Ltd., GM of Shanghai Fosun Pharmaceutical Co., Ltd. and GM of Shanghai Fumei Drugstore Co., Ltd. Mr. Wu served as deputy president of the Shanghai Yuyuan Tourist Mart Co., Ltd. from 2014 to 2015. now he serves as the chairman of supervisory committee of the Company since September 2016.

Supervisor -- Ms. Liu Jingyun, postgraduate background. Currently she serves as the director of financial and asset management in Sinopharm Group Co., Ltd. and he successively hold a teaching post in Nanjing Radio and Television University, works in Sinopharm Group Co., Ltd. since November 2003 and serves as deputy director of assets management department and Director of ministry of finance and credit management. She serves as supervisor of the 7<sup>th</sup> supervisory committee of the Company since September 2016.

Staff Supervisor -- Mr. Wang Huaiqin, junior college background, a polical engineer and assistant accountant. He served as first union chairman from September 2005 to March 2009; and serves as member of the party committee, deputy secretary and union chairman of the Company since September 2008; and serves as the staff supervisor of 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> supervisory of the Company since September 2007.

## **3. Senior executive**

Deputy GM-- Mr. Lin Zhaoxiong, found in aforesaid previous work experience

Deputy GM-- Mr. Lin Min, senior MBA, Pharmaceutical *Engineer*, Licensed *Pharmacist*, worked in *China National* Pharmaceutical Group Guangzhou Corporation with successively taking the posts of assistant to manager, deputy general manger of Pharmacy Department and deputy general manger of purchasing in Pharmaceutical Company from Jan. 2001 to Nov. 2003; supervisor of Guangzhou pharmacy sales of Sinopharm Holding Guangzhou Co., Ltd from Nov. 2003 to Jan. 2005; general manager of Sinopharm Holding Liuzhou Co., Ltd from March 2006 to Nov. 2007; took deputy general manager of Sinopharm Holding Guangzhou Co., Ltd from Jan. 2005 to Dec. 2008; serves as deputy GM of the Company since December 2008.

Deputy GM-- Mr. Lin Xinyang, MBA, Licensed *Pharmacist*, he took the turns of deputy GM of Nanfang Pharm. Co., deputy GM of China Medicine Group (Guangzhou) Company Yuexing Company, general supervisor of PD of Sinopharm Holding Guangzhou Company successively since January 1996; took the post of deputy GM of Sinopharm Holding Guangzhou Company from Jan. to Dec. 2004; serves as deputy GM of the Company since January 2005.

CFO-- Mr. Wei Pingxiao, MBA, an accountant, took the turns of Financial department of State-owned Beijing Electronic Tube Plant, Modern Electronic Shenzhen Industrial Company, China Electronic Industrial Headquarter

since August 1985; and took the turns of deputy section chief of financial department of China Electronic Information Industry Group, financial director of AMOI, section chief of planning financial department of China Electronic Finance Leasing Company, Deputy GM of AMOI Beijing branch, financial charger of AMOI and director of its subsidiary since April 1993; and he hold the post of CFO of the Company since December 2004.

Secretary of the Board-- Mr. Chen Changbing, Master Degree. He serves as secretary of the Board since December 2000; and serves as assistant GM and Chief of planning investment management department since November 2015

Post-holding in shareholder's unit

√ Applicable    □ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Ma Wanjun	Sinopharm Group Co., Ltd.	Deputy president, General counsel Secretary of the Board	2011-05-01		Y
Wei Yulin	Sinopharm Group Co., Ltd.	Chairman, Executive Director, secretary of the party committee	2013-11-01		Y
Li Zhiming	Sinopharm Group Co., Ltd.	President	2013-11-01		Y
Jiang Xiuchang	Sinopharm Group Co., Ltd.	CFO	2010-06-01		Y
Liu Yong	Sinopharm Group Co., Ltd.	Deputy president, Secretary of the Board, General counsel	2009-01-01		Y
Liu Jingyun	Sinopharm Group Co., Ltd.	Director of ministry of finance and credit management	2003-11-1		Y

Post-holding in other unit

√ Applicable    □ Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Ma Wanjun	Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	Chairman	2010-03-01		N
Ma Wanjun	Sinopharm Holding Henan Co., Ltd.	Chairman	2010-10-01		N
Ma Wanjun	Sinopharm Holding Henan Co., Ltd.	Executive Director	2013-01-01		N

Ma Wanjun	Sinopharm Holding Changzhou Co., Ltd.	Director	2010-12-01		N
Ma Wanjun	Shanghai Bionuo Industrial Co., Ltd.	Director	2010-12-01		N
Ma Wanjun	Sinopharm Le -Ren-Tang Medicine Co., Ltd.	Director	2011-04-01		N
Ma Wanjun	Sinopharm Group Shanxi Co., Ltd.	Director	2011-04-01		N
Ma Wanjun	China National Medicines Corporation Ltd.	Director	2011-10-01		N
Ma Wanjun	Yujia Medical Service Co., Ltd.	Director	2011-11-01		N
Ma Wanjun	Sinopharm Health Industry (Shanghai) Co., Ltd.	Chairman	2011-11-01		N
Ma Wanjun	Sinopharm Holding Health Development (Shanghai) Co., Ltd.	Chairman	2012-05-01		N
Ma Wanjun	Sinopharm Holding Fujian Co., Ltd.	Chairman	2012-08-01		N
Ma Wanjun	Sinopharm Holding Fuzhou Co., Ltd.	Chairman	2012-08-01		N
Wei Yulin	Sinopharm Holding Hong Kong Co.,Ltd	Chairman	2011-01-01		N
Wei Yulin	Sinopharm Group Chemical Reagent Co.,Ltd	Chairman	2011-12-01		N
Wei Yulin	Sinopharm Le -Ren-Tang Medicine Co., Ltd.	Chairman	2011-04-01		N
Wei Yulin	Sinopharm Holding Guoda Drugstore Co., Ltd.	Director	2012-08-01		N
Li Zhiming	Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Chairman	2013-05-01		N
Li Zhiming	Sinopharm Holding Ningxia Co., Ltd	Chairman	2011-06-01		N
Li Zhiming	Sinopharm Holding Shaanxi Co., Ltd	Chairman	2011-10-01		N
Li Zhiming	Sinopharm Holding Gangsu Co., Ltd	Chairman	2011-10-01		N
Li Zhiming	Sinopharm Holding Qinghai Co., Ltd	Chairman	2011-10-01		N
Li Zhiming	China National Medicines Corporation Ltd.	Chairman	2011-10-01		N
Li Zhiming	Sinopharm Holding Hong Kong Co.,Ltd	Director	2014-01-01		N
Li Zhiming	Sinopharm Holding Sub Marketing Center Co., Ltd.	Executive Director	2014-01-01		N
Jiang Xiuchang	Sinopharm Holding Guoda Drugstore Co., Ltd.	Supervisor	2010-06-01		N
Jiang Xiuchang	Yujia Medical Co., Ltd.	Supervisor	2010-09-01		N
Jiang Xiuchang	China National Medicines Corporation Ltd.	Director	2011-02-01		N
Jiang Xiuchang	Sinopharm Le -Ren-Tang Medicine Co., Ltd.	Director	2011-04-01		N

Jiang Xiuchang	Sinopharm Holding Hong Kong Co.,Ltd	Director	2011-11-01		N
Jiang Xiuchang	Sinopharm Group Financial Co.,Ltd	Director	2011-11-01		N
Jiang Xiuchang	Sinopharm Group Shanxi Co., Ltd.	Director	2011-04-01		N
Jiang Xiuchang	Sinopharm Holding Sub Marketing Center Co., Ltd.	Supervisor	2011-04-01		N
Jiang Xiuchang	Sinopharm Holding Beijing Co.,Ltd	Supervisor	2011-11-01		N
Liu Yong	Sinopharm Holding Beijing Co.,Ltd	Chairman	2010-08-02		N
Liu Yong	Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	Chairman	2010-07-01		N
Liu Yong	China National Medicines Corporation Ltd.	Director	2014-01-01		N
Liu Yong	Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co.,Ltd	Chairman	2011-10-10		N
Liu Yong	Sinopharm Holding Guoda Drugstore Co., Ltd.	Chairman	2011-11-01		N
Liu Yong	Sinopharm Holding Beijing Huahong Biological Medicine Co.Ltd	Chairman	2013-09-02		N
Liu Yong	Sinopharm Holding Guizhou Co., Ltd.	Chairman	2014-01-06		N
Liu Yong	Sinopharm Holding Yunnan Co., Ltd.	Chairman	2014-01-06		N
Liu Yong	Sinopharm Guohua Network Technology Co., Ltd.	Director	2015-04-01		N
Liu Yong	Sinopharm Health On-line Co., Ltd.	Chairman	2015-07-02		N

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable  Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

(i) Remuneration decision procedure of directors, supervisors, senior management:

The Company implemented the annual salary system for senior executives based on the 2016 annual performance appraisal (scheme) on management staff, paid annual salary remuneration according to the appraisal results. Remuneration and appraisal committee of the company's board of directors is responsible for the formulation and examination of salary plan and program as well as formulation and examination of salary plan and assessment standards of directors (not including the independent directors), supervisors and senior executives. They also evaluate the performance assessment of directors, supervisors and senior officers in accordance with the assessment criteria, compensation scheme.

(ii) Remuneration determining basis

The main principles of making standard of compensation are: (1) the company's overall business and the profit level; (2) the overall salary level and dynamic index over past years; (3) difference in position and duty; (4) relative importance and risks of position; (5) related post salary level in the same industry; (6) individual professional ability.

(iii) Actual payment

Executives get monthly basic salary and annual salary after the issuance of annual examination.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration before tax obtained from the Company	Received remuneration from related party of the Company(Y/N)
Ma Wanjun	Chairman	M	47	Currently in office	0	Y
Wei Yulin	Director	M	59	Currently in office	0	Y
Li Zhiming	Director	M	53	Currently in office	0	Y
Jiang Xiuchang	Director	M	53	Currently in office	0	Y
Liu Yong	Director	M	47	Currently in office	0	Y
Cui Dieling	Deputy Chairman	F	51	Office leaving	0	Y
Lin Zhaoxiong	Director, GM	M	49	Currently in office	184	N
Yan Zhigang	Director, GM	M	57	Office leaving	65	N
He Zhiyi	Independent Director	M	61	Office leaving	8	N
Xiong Chuxiong	Independent Director	M	61	Currently in office	8	N
Xiao Shengfang	Independent Director	M	47	Currently in office	8	N
Chen Honghui	Independent Director	M	45	Currently in office	0	N
Wu Yijian	Chairman of supervisory	M	46	Currently in office	0	Y

	committee					
Liu Jingyun	Supervisor	F	40	Currently in office	0	Y
Wang Huaiqin	Supervisor	M	59	Currently in office	63	N
Lin Min	Deputy GM	M	52	Currently in office	162	N
Lin Xinyang	Deputy GM	M	52	Currently in office	133	N
Deng Baojun	Deputy GM	M	55	Office leaving	134	N
Pan Rangren	Deputy GM	M	52	Office leaving	133	N
Wei Pingxiao	CFO	M	53	Currently in office	133	N
Chen Changbing	Secretary of the Board	M	49	Currently in office	95	N
Total	--	--	--	--	1,126	--

Delegated equity incentive for directors and senior executives in reporting period

Applicable  Not applicable

## V. Particulars of workforce

### 1. Number of staff, professional composition and education background

The number of current employees of parent company (people)	95
The number of current employees of main subsidiaries (people)	21,097
Total number of current employees (people)	21,192
The total number of employees in payroll (people)	21,192
The total number of retired staff and workers that the parent company and main subsidiaries need to bear the costs (people)	1,836
Professional composition	
Category of professional composition	Number of professional composition (people)
Production staff	0
Salesman	16,534
Technical staff	0
Financial staff	540
Administrative staff	2,339
Logistics Staff	1,779

Total	21,192
Education background	
Category of education	Number (people)
Post-graduate qualification and above	125
Undergraduate	2,721
Junior college	7,377
Secondary technical school and below	10,969
Total	21,192

## 2. Remuneration policy

Sinopharm Accord and the subordinate enterprises provide perfect compensation and benefits for the staff, the compensation level is closely combined with organization (total amount of labor, compensation strategy, job value), staff (capacity development, performance results), and market (market level, talent competition). The company adjusts the remuneration for staff having abilities and contributions every year by the responsibility sorting, position evaluation, target remuneration range positioning, and the staff annual work performance and ability assessment; at the same time, performance bonuses and performance closely link together, and realize win-win of the interests of company and the interests of employees. Pay attention to the income growth requirements of low-income groups, develop annual wage growth program, and implement after the deliberation and approval of the workers' congress.

## 3. Training programs

Based on the company's strategic direction and combined with the training needs, the human resources department develops annual training plan and monthly implements in accordance with established plans. Develop the induction training to new employees, carry out the targeted job skills training to on-the-job staff, implement the leadership promotion projects to middle & senior management, establish the talent team adapting to the enterprises' production and management development, and ensure the healthy and sustainable development of enterprises.

## 4. Labor outsourcing

√ Applicable    □ Not applicable

Total number of working hours of labor outsourcing (Hour)	448,920
Total remuneration paid of labor outsourcing (RMB)	22,424,512.06

## Section IX. Corporate Governance

### I. Corporate governance of the Company

Articles of Association are formulated at governance level. In compliance with requirements of Articles, rules of procedures for shareholders' meeting, board and board of supervisors, working system of strategy committee, nomination committee, internal risk control and audit committee, remuneration and evaluation committee, general manager and secretary to board, corporate governance system regarding information disclosure, connected transactions, fund raising, performance of social responsibilities, inside information and informant management, investor relation management, engagement of accounting firm and prevention of occupation by major shareholders and connected parties of capital of listing companies are also established.

During the Reporting Period, the Article of Association has been revised according to regulatory requirements and governance needs. The effective implementation of corporate governance system ensures the effective performance of duties and responsibilities of respective committees, thereby facilitating the board of supervisors to play a supervisory role and offering help for the board to make scientific decisions.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

### II. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The Company totally separates from the controlling shareholders in business, personnel, assets, institutions, financial and other aspects, with independent and complete self-management ability.

1. The business: the Company was independent from controlling shareholders, having a complete business system and self-managing ability; the company has independent procurement and sales system thus all procurement and sales of drugs and raw materials is in charge of the purchasing department and subordinate subsidiary, branch and production enterprises; production, supply, marketing and R & D separate from each other; the Company is a legal market person with independent operation.

2. Personnel: procedures of the controlling shareholder nominating directors and general and deputy general manager are legal; no intervene on the appointment and removal of personnel made by the board of directors and shareholders' meeting happened; the Company set up independent human resource department, responsible for assessment, training and salary review on staff, making rules and regulations and handbook the employees should abide by. Labor, personnel, wages and pension, medical insurance and other insurance are independently managed.

3. Institution: production and operation mechanism and administrative management is completely independent from the controlling shareholder or actual controller; offices and sites of business operation separate from the controlling shareholder; the Company established corporate governance structure where the board of directors, board of

supervisors and managers carry out their duties and exercise their respective duties in accordance with relevant provisions of the articles of association.

4. Asset: property and rights relationship between the Company and the controlling shareholder is clear, with independent operations; the company has independent production system, auxiliary production system and supporting system; industrial property rights, trademarks, non-patented technology and other intangible assets owned by the Company and its subsidiary.

5. Financial aspects: the Company established independent financial departments and independent financial accounting system; the Company opened a bank account independently; the financial staff is independent without taking part-time and receiving remuneration in the controlling shareholder; the Company pays tax independently.

### III. Horizontal competition

√ Applicable   □ Not applicable

Type	Name of controlling shareholder	Nature of controlling shareholder	Reason	Solution measure	Work schedule and follow-up plan
Horizontal competition	Sinopharm Holding	SASAC	Distribution subsidiary of Sinopharm Holding established some social retail pharmacy, which might has horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	In March 2016, Sinopharm Holding issued a commitment letter of avoiding horizontal competition with Sinopharm pharmacy, which Accord, and promise to solve the horizontal competition in respect of pharmaceutical retail business in an appropriate way within five years since the date when reorganization completed	Normally performing
Horizontal competition	Sinopharm Group	SASAC	Distribution subsidiary of Sinopharm Holding established some social retail pharmacy, which might has horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	In March 2016, Sinopharm Holding issued a commitment letter of avoiding horizontal competition with Sinopharm pharmacy, which Accord, and promise to solve the horizontal competition in respect of pharmaceutical retail business in an appropriate way within five years since the date when reorganization completed	Normally performing

#### IV. AGM (Annual General Meeting) and extraordinary shareholders' general meeting held in the

##### Period

##### 1. AGM

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
First extraordinary general meeting of 2016	Extraordinary general meeting	68.61%	2016-01-19	2016-01-20	Juchao Website— ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) “Resolution Notice of First extraordinary general meeting of 2016” No.: 2016-10
Second extraordinary general meeting of 2016	Extraordinary general meeting	58.89%	2016-04-06	2016-04-07	Juchao Website— ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) “Resolution Notice of Second extraordinary general meeting of 2016” No.: 2016-39
Annual general meeting 2015	AGM	61.78%	2016-04-22	2016-04-23	Juchao Website— ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) “Resolution Notice of AGM of 2015” No.: 2016-45
Third extraordinary general meeting of 2016	Extraordinary general meeting	69.77%	2016-06-16	2016-06-17	Juchao Website— ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) “Resolution Notice of Third extraordinary general meeting of 2016” No.: 2016-62
Fourth extraordinary general meeting of 2016	AGM	55.22%	2016-09-02	2016-09-03	Juchao Website— ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) “Resolution Notice of Fourth extraordinary general meeting of 2016” No.: 2016-81

##### 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable  Not applicable

#### V. Responsibility performance of independent directors

## 1. The attending of independent directors to Board meetings and general meeting

The attending of independent directors to Board Meeting						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
He Zhiyi	10	1	9	0	0	N
Xiong Chuxiong	10	4	6	0	0	N
Xiao Shengfang	10	2	8	0	0	N
Times for attending general meeting from independent directors		3				

Explanation of absent the Board Meeting for the second time in a row

## 2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes  No

Independent directors has no objections for relevant events in reporting period

## 3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes  No

Explanation on advice that accepted/not accepted from independent directors

During the reporting period, the independent directors performed their duties in a careful, diligent, dedicated attitude in accordance with requirements of the "Working System of Independent Director", offered some useful suggestions and opinions on business decision-making, legal affairs, financial management and other aspects; carefully examined important matters those needed opinions of independent directors, made independent judgments and issued a written independent opinion on major related transactions, daily related transactions, accountancy hiring and other matters, playing a positive role in safeguarding the legitimate rights and interests of small shareholders. Besides, independent directors played an important role in operation of special committee. At the same time, the Company can guarantee independent directors and other directors of the same right to know. During the reporting period, the independent directors have no objection on the related issues of the Company.

## VI. Duty performance of the special committees under the board during the reporting period

(i) Duties fulfillment of the board of directors and audit committee on internal control over risk

Internal control on risk and Audit Committee of the board of directors of the company comprises 3 independent non-executive directors and three directors, including the convener (professional accountant) is an independent

director. In accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange and working system, Internal control on risk and Audit Committee of the board of directors seriously performed duties in a dedicated attitude. In the annual financial report audit, they acted as supervisors, maintained individuality of audit and issued a series of notices such as the Written Opinion on Financial Accounting Statements Issued by the Company before CPA of Annual Examination Entered, the Written Opinion on Financial Accounting Statements after Preliminary Audit Issued by CPA of Annual Examination, the Summary Report of Internal Risk Control and Audit Committee on the Annual Audit Work of CPA as well as the Resolution on Rehire the Audit Institution. Its main duties comprise the following:

1. Risk internal control and audit committee is responsible for determining the audit work schedule, negotiating with CPA who engages in audit;
2. Before CPA enters, audit committee should review the financial statements prepared by the Company and issue written opinions;
3. Strengthen communication with the CPA, and urge them to submit audit report within stipulated time with urgency letter;
4. Review again the financial statements after the CPA issues preliminary opinion, and issue written opinions;
5. The Committee held annual work conference 2016, approved proposal of financial accounting report, summary report of annual audit work of CPA and rehiring Ernst & Young CPA (Special General Partnership) as the audit institution, and then formed a resolution to submit to board of directors for approval.

(ii) Duties fulfillment of Remuneration and Appraisal Committee

As special working mechanism of the board of directors, the remuneration and appraisal committee is responsible for approving the assessment standard of directors and senior executives, formulating and reviewing compensation policies and programs of directors and executive. And they take charge in examining according to the standard and policies. The remuneration and appraisal committee is composed of three directors, including two independent directors; convener is He Zhiyi, an independent director.

During the reporting period, remuneration and assessment committee actively performed duty; clearly defined their responsibilities; did serious research and appraisal on the remuneration and appraisal system, especially salary, assessment system and program over directors, supervisors and senior executive. According to working rules of the remuneration and appraisal committee, they have rights to check regular reports, meetings records, business planning and other materials by telephone, interviews and other methods to learn the performance of directors, executives. And they're required to submit problems existing in implementation of system to the Board of Directors and raise up suggestion on them. Their contents are as follows:

1. In 2016, the remuneration and appraisal committee carried out the performance evaluation of executives according to the 2015 Annual operation standard and performance.
2. It proposed the "2017 Evaluation Scheme of Operating Performance", and submitted it to the board of directors for approval.
3. The remuneration and appraisal committee approved salary of directors, supervisors and senior executives disclosed in 2016 annual report. And it issued the following opinions:

Compensation decision procedures of directors, supervisors and senior management personnel was in accordance with the provisions; the standard was in accordance with the remuneration system; the disclosure of 2016 annual report about personnel salary of the directors, supervisors and senior management is real and accurate.

## VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## VIII. Examination and incentives of senior management

Senior executives of the Company took responsibility for the board of directors, in the reporting period, the board of directors implemented the performance checking mechanism that the remuneration of senior executives related with their performance checking, with achievement as direction, and made relevant reward and punishment according to target completion. The Company's relevant incentive and restriction mechanism gradually in order to further exert the enthusiasm and creativity of senior executives, urge the senior executives to perform the obligations of being honest and diligent. The Company had no incentive mechanism for senior executives such as stock option, purchase of management team and equity held by owner.

## IX. Internal Control

### 1. Details of major defects in IC appraisal report that found in reporting period

Yes  No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2017-03-23
Disclosure index of full internal control evaluation report	"Self-evaluation report of internal control for 2016" in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	66.53%
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	65.92%
Defects Evaluation Standards	

Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>Financial report defects are mainly judged and decided by the degree of influence and the likelihood of occurrence to the misstatements of financial reports caused by defects. (1) Significant defects: a combination of one or multiple internal control defects that exists in internal control and may cause the material misstatements in financial statements cannot be prevented, found or corrected in time; (2) Major defects: a combination of one or multiple internal control defects that exists in internal control and has lower severity level than significant defects but still should be concerned by the superintendents of enterprise financial reports; (3) Common defects: other defects except for significant and major defects.</p>	<p>Non-financial report defects are mainly judged and decided by the degree of influence and the likelihood of occurrence of defects to the validity of business process. (1) Significant defects: a combination of one or multiple internal control defects that may cause the enterprise's serious deviation to internal control objectives; (2) Major defects: a combination of one or multiple internal control defects whose severity level and economic consequences are lower than significant defects but still may cause the enterprise's deviation to internal control objectives; (3) Common defects: other defects except for significant and major defects.</p>
Quantitative standard	<p>Quantitative criteria: a quantitative criterion determines the degree of importance of misstatements (including missing reports) in the consolidated statements of listed companies based on the consolidated statement data. (1) Significant defects: equal to or greater than 5% of profit before tax (2) Major defects: between 1% and 5% of profit before tax; (3) Common defects: less than or equal to 1% of profit before tax.</p>	<p>Quantitative criteria: a quantitative criterion determines the degree of importance of the company's defects based on the amount of direct loss and the degree of significant influence to the company. (1) Significant defects: the amount of direct property loss is or more than 10 million Yuan, or has been officially disclosed and caused negative effects to periodic report disclosure of the joint-stock companies; (2) Major defects: the amount of direct property loss is between 5 million and 10 million Yuan, or has been punished by the national government departments but has not caused negative effects to periodic report disclosure of the joint-stock companies;(3) Common defects: the amount of direct property loss is between 0.1 million and 5 million Yuan, or has been punished by the provincial or sub-provincial government departments but has not caused negative effects to periodic report disclosure of the joint-stock companies.</p>

Amount of significant defects in financial reports	0
Amount of significant defects in non-financial reports	0
Amount of important defects in financial reports	0
Amount of important defects in non-financial reports	0

## X. Auditing report of internal control

Applicable  Not applicable

Deliberations in Internal Control Audit Report	
According to relevant regulations and “Basic Rules of Internal Control for Enterprises”, China National Accord Medicines Corporation Ltd. in all major aspects, keeps an efficiency of internal control of financial report dated 31 December 2016.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2017-04-19
Index of audit report of internal control (full-text)	Audit Report of Internal Control under the name of China National Accord Medicines Corporation Ltd. released on Juchao Website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes  No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes  No

## **Section X. Corporate Bond**

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

## **Section XI. Financial Report**

## **Auditor's report**

Ernst & Young Hua Ming (2017) Shen Zi No. 61295118\_H01

To the Shareholders of China National Accord Medicines Corporation Ltd.

We have audited the accompanying financial statements of China National Accord Medicines Corporation Ltd. (hereinafter the "Company") and its subsidiaries ("the Group"), which comprise the consolidated and company balance sheets as at 31 December 2016, the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management of China National Accord Medicines Corporation Ltd. is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Auditor's report (Continued)**

Ernst & Young Hua Ming (2017) Shen Zi No. 61295118\_H01

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016, and their financial performance and cash flows of the Company and the Group for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Li Jian Guang

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Zhang Yong Kun

17 April 2017

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**CONSOLIDATED BALANCE SHEET**

**As at 31 December 2016**

**(Expressed in Renminbi Yuan)**

<b><u>ASSETS</u></b>	<b>Note V</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Current assets</b>			
Cash and bank balances	1	3,519,955,564.98	2,654,931,479.88
Notes receivable	2	1,504,000,909.21	912,341,423.78
Accounts receivable	3	7,654,225,510.89	7,827,466,715.32
Advances to suppliers	4	424,867,581.80	635,602,648.17
Interest receivable	5	450,722.67	197,875.00
Dividends receivable	6	-	964,600.00
Other receivables	7	474,787,643.28	498,631,612.04
Inventories	8	4,049,482,529.71	4,165,157,673.06
Assets classified as held-for-sale		-	2,456,876.83
Other current assets	9	<u>57,207,307.35</u>	<u>53,955,160.61</u>
Total current assets		<u>17,684,977,769.89</u>	<u>16,751,706,064.69</u>
<b>Non-current assets</b>			
Financial assets available-for-sale	10	13,685,760.00	2,675,760.00
Long-term equity investments	11	1,413,034,165.56	190,282,629.14
Investment properties	12	166,715,848.80	162,653,174.74
Fixed assets	13	487,009,600.10	1,372,649,567.99
Construction in progress	14	47,063,868.49	200,568,804.08
Intangible assets	15	320,435,400.89	409,306,586.01
Development costs	16	-	5,619,315.47
Goodwill	17	823,890,174.21	825,083,446.98
Long-term prepaid expenses	18	188,377,725.64	141,662,520.11
Deferred tax assets	19	72,914,722.30	134,785,070.05
Other non-current assets	20	<u>94,649,476.09</u>	<u>116,342,755.28</u>
Total non-current assets		<u>3,627,776,742.08</u>	<u>3,561,629,629.85</u>
Total assets		<u>21,312,754,511.97</u>	<u>20,313,335,694.54</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**CONSOLIDATED BALANCE SHEET (Continued)**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

<b>LIABILITIES</b>	<b>Note V</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Current liabilities</b>			
Short-term borrowings	22	1,512,713,629.95	1,633,231,960.35
Notes payable	23	2,406,642,582.86	2,528,499,859.34
Accounts payable	24	6,701,558,514.10	6,011,673,284.50
Advances from customers	25	163,450,365.92	247,426,363.39
Employee benefits payable	26	195,138,079.85	249,760,884.00
Tax payable	27	187,043,717.52	144,411,878.93
Interest payable	28	6,956,463.02	7,297,682.23
Dividends payable	29	8,483,370.21	36,517,259.20
Other payables	30	917,193,911.34	1,155,395,354.95
Non-current liabilities due within one year	31	36,411,339.96	7,754,878.16
Other current liabilities	32	<u>123,294.77</u>	<u>-</u>
<b>Total current liabilities</b>		<u>12,135,715,269.50</u>	<u>12,021,969,405.05</u>
<b>Non-current liabilities</b>			
Long-term borrowings	33	-	72,495,172.30
Long-term payables	34	14,616,598.34	13,785,657.94
Payable for specific projects	35	800,000.00	1,287,000.00
Provision	36	-	3,936,157.67
Deferred income	37	123,953,462.81	195,505,543.33
Long-term employee benefits payable	38	1,722,599.89	3,523,100.00
Deferred tax liabilities	19	76,535,704.01	83,695,072.39
Other non-current liabilities	39	<u>45,427,343.31</u>	<u>45,427,343.31</u>
<b>Total non-current liabilities</b>		<u>263,055,708.36</u>	<u>419,655,046.94</u>
<b>Total liabilities</b>		<u>12,398,770,977.86</u>	<u>12,441,624,451.99</u>

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

<b>SHAREHOLDERS' EQUITY</b>	<b>Note V</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
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CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET (Continued)

For the Year ended 31 December 2016

(Expressed in Renminbi Yuan)

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<b>Shareholders' equity</b>			
Share capital	40	362,631,943.00	362,631,943.00
Capital surplus	41	3,151,518,024.92	3,197,599,303.65
Other equity instruments	42	65,495,040.00	-
Surplus reserve	43	181,315,971.50	181,315,971.50
Retained earnings	44	<u>4,689,189,642.51</u>	<u>3,611,377,326.14</u>
Shareholders' equity attributable to shareholders of the parent		8,450,150,621.93	7,352,924,544.29
Non-controlling interests	45	<u>463,832,912.18</u>	<u>518,786,698.26</u>
Total shareholders' equity		<u>8,913,983,534.11</u>	<u>7,871,711,242.55</u>
Total liabilities and shareholders' equity		<u>21,312,754,511.97</u>	<u>20,313,335,694.54</u>

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

The financial statements have been signed by:

Legal representative:

Financial controller:

Head of Accounting Department:

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**CONSOLIDATED INCOME STATEMENT**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

	Note V	2016	2015
Operating revenue	46	41,248,429,322.91	37,819,277,959.01
Less: Operating costs	46	36,648,236,903.56	33,432,847,844.59
Tax and surcharge	47	124,271,433.05	99,159,941.59
Selling expenses	48	2,198,203,437.27	2,039,829,217.72
Administrative expenses	49	859,720,679.17	880,634,356.47
Finance costs	50	101,855,104.66	128,651,208.50
Impairment loss	51	(8,548,825.97)	59,537,034.70
Add: Investment income	52	223,467,928.58	56,212,724.93
Incl: Investment income from associates		<u>97,075,494.40</u>	<u>58,544,653.18</u>
Operating profits		1,548,158,519.75	1,234,831,080.37
Add: Non-operating income	53	58,941,395.37	68,076,926.28
Incl: Gain from disposal of non-current assets		10,501,930.08	2,518,092.37
Less: Non-operating expenses	54	6,842,790.86	5,402,071.03
Incl: Loss from disposal of non-current assets		<u>1,326,826.43</u>	<u>1,162,517.88</u>
Total profit		1,600,257,124.26	1,297,505,935.62
Less: Income taxes	56	<u>318,376,817.78</u>	<u>267,557,184.01</u>
Net profit		<u>1,281,880,306.48</u>	<u>1,029,948,751.61</u>
Incl: Net profit of acquiree before business combinations involving enterprises under common control		<u>260,527,573.39</u>	<u>247,889,700.57</u>
Net profit attributable to shareholders of the parent		<u>1,186,601,899.27</u>	<u>927,610,234.41</u>
Profit or loss of non-controlling interests		<u>95,278,407.21</u>	<u>102,338,517.20</u>
Total comprehensive income		<u>1,281,880,306.48</u>	<u>1,029,948,751.61</u>
Incl: Total comprehensive income for the year attributable to owners of the parent		<u>1,186,601,899.27</u>	<u>927,610,234.41</u>
Total comprehensive income for the year attributable to non-controlling interests		<u>95,278,407.21</u>	<u>102,338,517.20</u>
Earnings per share	57		
Basic earnings per share		<u>2.80</u>	<u>2.19</u>
Diluted earnings per share		<u>2.80</u>	<u>2.19</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

2016	Shareholders' equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital surplus	Surplus reserve	Retained earnings	Subtotal		
Closing balance of the preceding year	362,631,943.00	-	1,863,894,533.34	181,315,971.50	3,045,551,246.71	5,453,393,694.55	113,081,262.72	5,566,474,957.27
Business combination involving enterprises under common control	-	-	1,333,704,770.31	-	565,826,079.43	1,899,530,849.74	405,705,435.54	2,305,236,285.28
Opening balance of the current year	362,631,943.00	-	3,197,599,303.65	181,315,971.50	3,611,377,326.14	7,352,924,544.29	518,786,698.26	7,871,711,242.55
Movements in the current year	-	65,495,040.00	(46,081,278.73)	-	1,077,812,316.37	1,097,226,077.64	(54,953,786.08)	1,042,272,291.56
(1) Total comprehensive income	-	-	-	-	1,186,601,899.27	1,186,601,899.27	95,278,407.21	1,281,880,306.48
(2) Capital paid and reduced by owners	-	65,495,040.00	(46,081,278.73)	-	-	19,413,761.27	(117,965,822.18)	(98,552,060.91)
1.Capital injection by owners	-	5,114,297.00	263,030,592.50	-	-	268,144,889.50	-	268,144,889.50
2.Significant reorganization	-	60,380,743.00	(156,366,978.12)	-	-	(95,986,235.12)	-	(95,986,235.12)
3. Acquisition of non-controlling interests	-	-	(152,385,126.76)	-	-	(152,385,126.76)	(124,729,773.24)	(277,114,900.00)
4.Others	-	-	(359,766.35)	-	-	(359,766.35)	6,763,951.06	6,404,184.71
(3) Profit distribution	-	-	-	-	(108,789,582.90)	(108,789,582.90)	(32,266,371.11)	(141,055,954.01)
1.Distribution to equity owners	-	-	-	-	(108,789,582.90)	(108,789,582.90)	(32,266,371.11)	(141,055,954.01)
Closing balance of the current year	362,631,943.00	65,495,040.00	3,151,518,024.92	181,315,971.50	4,689,189,642.51	8,450,150,621.93	463,832,912.18	8,913,983,534.11

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the Year ended 31 December 2015**

**(Expressed in Renminbi Yuan)**

2015	Shareholders' equity attributable to shareholders of the parent					Non-controlling interests	Total equity
	Share capital	Capital surplus	Surplus reserve	Retained earnings	Subtotal		
Closing balance of the preceding year	362,631,943.00	1,863,894,533.34	181,315,971.50	2,356,765,374.25	4,764,607,822.09	86,607,614.56	4,851,215,436.65
Business combination involving enterprises under common control	-	923,704,770.31	-	440,061,136.01	1,363,765,906.32	316,556,724.02	1,680,322,630.34
Opening balance of the current year	362,631,943.00	2,787,599,303.65	181,315,971.50	2,796,826,510.26	6,128,373,728.41	403,164,338.58	6,531,538,066.99
Movements in the current year	-	410,000,000.00	-	814,550,815.88	1,224,550,815.88	115,622,359.68	1,340,173,175.56
(1) Total comprehensive income	-	-	-	927,610,234.41	927,610,234.41	102,338,517.20	1,029,948,751.61
(2) Capital paid and reduced by owners	-	410,000,000.00	-	(25,233,029.93)	384,766,970.07	79,912,773.09	464,679,743.16
1.Capital injection by owners	-	-	-	-	-	1,470,000.00	1,470,000.00
2.Capital contribution by non-controlling shareholders of subsidiaries	-	410,000,000.00	-	-	410,000,000.00	2,470,000.00	412,470,000.00
3.Acquisition of non-controlling interests - from business combination involving enterprises under common control	-	-	-	(25,233,029.93)	(25,233,029.93)	(20,065,970.07)	(45,299,000.00)
4.Acquisition of subsidiaries - from business combination involving enterprises under common control	-	-	-	-	-	96,038,743.16	96,038,743.16
(3) Profit distribution	-	-	-	(87,826,388.60)	(87,826,388.60)	(66,628,930.61)	(154,455,319.21)
1.Distribution to owners	-	-	-	(72,526,388.60)	(72,526,388.60)	(1,032,000.00)	(73,558,388.60)
2.Distribution to Guoda Pharmacy - business combination involving enterprises under common control	-	-	-	-	-	(50,896,930.61)	(50,896,930.61)
3.Distribution to South Pharma & Trade - business combination involving enterprises under common control	-	-	-	(15,300,000.00)	(15,300,000.00)	(14,700,000.00)	(30,000,000.00)
Closing balance of the current year	362,631,943.00	3,197,599,303.65	181,315,971.50	3,611,377,326.14	7,352,924,544.29	518,786,698.26	7,871,711,242.55

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

	Note V	31 December 2016	31 December 2015
<b>1.CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sales of good or rendering of services		45,257,448,760.86	44,506,946,623.95
Tax refunds		16,985,904.86	10,573,860.85
Cash receipts related to other operating activities	58	<u>314,523,960.87</u>	<u>255,495,369.93</u>
Sub-total of cash inflows from operating activities		<u>45,588,958,626.59</u>	<u>44,773,015,854.73</u>
Cash paid for goods and services		39,904,501,683.58	39,360,953,053.57
Cash paid to and on behalf of employees		1,794,695,502.08	1,636,966,579.52
Cash paid for all types of taxes		1,124,648,508.06	1,093,677,245.33
Cash payments related to other operating activities	58	<u>1,292,567,345.02</u>	<u>1,224,002,832.51</u>
Sub-total of cash outflows from operating activities		<u>44,116,413,038.74</u>	<u>43,315,599,710.93</u>
Net cash flows from operating activities	59	<u>1,472,545,587.85</u>	<u>1,457,416,143.80</u>
<b>2.CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from recovery of investments		226,000.00	2,385,000.00
Cash received from returns on investments		41,420,278.36	41,849,691.77
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		23,568,618.35	11,550,816.84
Cash receipts related to other investing activities	58	<u>1,604,932,810.96</u>	<u>6,112,292,889.48</u>
Sub-total of cash inflows from investing activities		<u>1,670,147,707.67</u>	<u>6,168,078,398.09</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**CONSOLIDATED CASH FLOW STATEMENT (Continued)**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

	Note V	2016	2015
<b>2.CASH FLOWS FROM INVESTING ACTIVITIES(Continued)</b>			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		265,885,799.28	300,373,202.53
Cash paid for acquisition of investments		21,860,000.00	7,870,000.00
Net cash paid for acquisition of subsidiaries and other business units	59	11,639,196.11	95,524,807.48
Net cash paid from disposal of subsidiaries and other business units	59	105,527,131.30	-
Cash payments related to other investing activities	58	<u>1,274,374,346.93</u>	<u>6,316,253,840.82</u>
Sub-total of cash outflows from investing activities		<u>1,679,286,473.62</u>	<u>6,720,021,850.83</u>
Net cash flows from investing activities		<u>(9,138,765.95)</u>	<u>(551,943,452.74)</u>
<b>3.CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from investments by others		271,286,689.50	413,940,000.00
Incl: Cash received from capital contributions from non-controlling shareholders of subsidiaries		3,470,000.00	2,470,000.00
Cash received from borrowings		467,980,655.24	754,980,434.42
Cash receipts related to other financing activities	58	<u>297,999,324.21</u>	<u>290,547,613.00</u>
Sub-total of cash inflows from financing activities		<u>1,037,266,668.95</u>	<u>1,459,468,047.42</u>
Cash repayments for debts		787,922,055.10	870,239,116.16
Cash payments for distribution of dividends or profit and interest expenses		254,987,476.35	259,255,184.14
Incl: Profit and dividends paid to non-controlling shareholders of subsidiaries		8,287,977.64	37,722,183.44
Cash payments related to other financing activities	58	<u>470,599,856.33</u>	<u>349,479,544.63</u>
Sub-total of cash outflows from financing activities		<u>1,513,509,387.78</u>	<u>1,478,973,844.93</u>
Net cash flows from financing activities		<u>(476,242,718.83)</u>	<u>(19,505,797.51)</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**CONSOLIDATED CASH FLOW STATEMENT (Continued)**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

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	Note V	2016	2015
4.EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>(563,036.58)</u>	<u>(97,756.05)</u>
5.NET INCREASE IN CASH AND CASH EQUIVALENTS	59	986,601,066.49	885,869,137.50
Add: Cash and cash equivalents at beginning of the year		<u>2,164,308,359.05</u>	<u>1,278,439,221.55</u>
6.CASH AND CASH EQUIVALENTS AT END OF YEAR	59	<u>3,150,909,425.54</u>	<u>2,164,308,359.05</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.****COMPANY BALANCE SHEET****For the Year ended 31 December 2016****(Expressed in Renminbi Yuan)**

<b><u>ASSETS</u></b>	<b><u>Note XIV</u></b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Current assets			
Cash and bank balances		1,342,041,409.86	429,437,078.35
Notes receivable		79,868,867.49	43,896,287.87
Accounts receivable	1	397,351,577.24	381,093,808.53
Advances to suppliers		2,135,439.82	5,452,046.55
Interest receivable		2,029,125.06	2,053,659.27
Other receivables	2	1,801,567,851.50	1,613,862,656.17
Inventories		184,708,273.76	182,659,794.51
Other current assets		<u>6,937,946.90</u>	<u>39,482.38</u>
Total current assets		<u>3,816,640,491.63</u>	<u>2,658,494,813.63</u>
Non-current assets			
Long-term equity investments	3	5,914,542,602.10	2,795,231,208.93
Investment properties		3,571,809.38	4,379,786.84
Fixed assets		16,555,996.92	391,937,393.50
Construction in progress		-	129,851,067.29
Intangible assets		1,534,730.15	35,678,610.77
Long-term deferred expenses		6,645,211.13	7,417,691.74
Deferred tax assets		2,869,931.88	2,906,189.80
Other non-current assets		<u>9,859,840.00</u>	<u>34,856,698.50</u>
Total non-current assets		<u>5,955,580,121.56</u>	<u>3,402,258,647.37</u>
Total assets		<u>9,772,220,613.19</u>	<u>6,060,753,461.00</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**COMPANY BALANCE SHEET (Continued)**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

<b><u>LIABILITIES</u></b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Current liabilities		
Short-term borrowings	50,000,000.00	106,000,000.00
Notes payable	334,383,191.54	285,394,838.22
Accounts payable	391,726,381.93	292,794,309.39
Advances from customers	2,997,964.16	5,841,769.74
Employee benefits payable	30,618,183.84	22,441,125.24
Tax payables	3,308,582.29	10,770,924.28
Interest payable	37,801.50	354,492.17
Other payables	1,100,143,593.55	680,741,770.79
Non-current liabilities due within one year	31,600,000.00	-
Other current liabilities	123,294.77	-
Total current liabilities	<u>1,944,938,993.58</u>	<u>1,404,339,229.83</u>
Non-current liabilities		
Long-term borrowings	-	72,495,172.30
Payables for specific projects	800,000.00	800,000.00
Deferred income	1,570,000.00	5,074,999.99
Long-term employee benefits payable	26,000.00	72,000.00
Deferred tax liabilities	3,773,319.00	3,773,319.00
Total non-current liabilities	<u>6,169,319.00</u>	<u>82,215,491.29</u>
Total liabilities	<u><u>1,951,108,312.58</u></u>	<u><u>1,486,554,721.12</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY BALANCE SHEET (Continued)

For the Year ended 31 December 2016

(Expressed in Renminbi Yuan)

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<u>SHAREHOLDERS' EQUITY</u>	31 December 2016	31 December 2015
Shareholders' equity		
Share capital	362,631,943.00	362,631,943.00
Capital surplus	4,381,845,619.03	1,869,692,921.70
Surplus reserves	181,315,971.50	181,315,971.50
Other equity instruments	65,495,040.00	-
Retained earnings	<u>2,829,823,727.08</u>	<u>2,160,557,903.68</u>
Total shareholders' equity	<u>7,821,112,300.61</u>	<u>4,574,198,739.88</u>
Total liabilities and shareholders' equity	<u><u>9,772,220,613.19</u></u>	<u><u>6,060,753,461.00</u></u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**COMPANY INCOME STATEMENT**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

	<u>Note XIV</u>	2016	2015
Operating revenue	4	3,138,854,618.97	2,863,660,401.47
Less: Operating costs	4	3,004,349,631.69	2,737,910,097.84
Tax and surcharge		7,524,958.43	6,075,183.19
Selling expenses		50,852,431.61	46,270,636.71
Administrative expenses		86,328,173.16	55,216,452.28
Finance costs		(60,205,031.57)	(66,168,235.86)
Impairment loss		337,659.11	487,293.37
Add: Investment income	5	588,945,025.76	571,927,007.23
Incl: Investment income from associates		<u>209,757,868.18</u>	<u>57,413,887.70</u>
Operating profits		638,611,822.30	655,795,981.17
Add: Non-operating income		13,669,692.02	6,114,684.26
Incl: Gain from disposal of non-current assets		49,837.86	
Less: Non-operating expenses		698,639.61	-
Incl: Loss from disposal of non-current assets		324,736.85	-
Total profit		651,582,874.71	661,910,665.43
Less: Income taxes		<u>12,348,207.78</u>	<u>23,664,542.54</u>
Net profit		<u><u>639,234,666.93</u></u>	<u><u>638,246,122.89</u></u>
Total comprehensive income		<u><u>639,234,666.93</u></u>	<u><u>638,246,122.89</u></u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the Year ended 31 December 2016**

**(Expressed in Renminbi Yuan)**

<b>2016</b>	Share capital	Other equity instruments	Capital surplus	Surplus reserve	Retained earnings	Total equity
Closing balance of the preceding year	362,631,943.00	-	1,869,692,921.70	181,315,971.50	2,160,557,903.68	4,574,198,739.88
Others	-	-	-	-	138,820,739.37	138,820,739.37
Opening balance of the current year	<u>362,631,943.00</u>	<u>-</u>	<u>1,869,692,921.70</u>	<u>181,315,971.50</u>	<u>2,299,378,643.05</u>	<u>4,713,019,479.25</u>
Movements in the current year	-	65,495,040.00	2,512,152,697.33	-	530,445,084.03	3,108,092,821.36
(1) Total comprehensive income	-	-	-	-	639,234,666.93	639,234,666.93
(2) Capital paid and reduced by owners	-	65,495,040.00	2,512,152,697.33	-	-	2,577,647,737.33
1. Capital injection by owners	-	5,114,297.00	263,030,592.50	-	-	268,144,889.50
2. Significant reorganization	-	60,380,743.00	2,249,481,871.18	-	-	2,309,862,614.18
3. Others	-	-	(359,766.35)	-	-	(359,766.35)
(3) Profit distribution	-	-	-	-	(108,789,582.90)	(108,789,582.90)
1. Distribution to owners	-	-	-	-	(108,789,582.90)	(108,789,582.90)
Closing balance of the current year	<u><u>362,631,943.00</u></u>	<u><u>65,495,040.00</u></u>	<u><u>4,381,845,619.03</u></u>	<u><u>181,315,971.50</u></u>	<u><u>2,829,823,727.08</u></u>	<u><u>7,821,112,300.61</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

For the Year ended 31 December 2015

(Expressed in Renminbi Yuan)

2015	Share capital	Capital surplus	Surplus reserve	Retained earnings	Total equity
Closing balance of the preceding year and opening balance of the current year	362,631,943.00	1,869,692,921.70	181,315,971.50	1,594,838,169.39	4,008,479,005.59
Movements in the current year	-	-	-	565,719,734.29	565,719,734.29
(1) Total comprehensive income	-	-	-	638,246,122.89	638,246,122.89
(2) Profit distribution	-	-	-	(72,526,388.60)	(72,526,388.60)
1. Distribution to owners	-	-	-	(72,526,388.60)	(72,526,388.60)
Closing balance of the current year	362,631,943.00	1,869,692,921.70	181,315,971.50	2,160,557,903.68	4,574,198,739.88

The accompanying notes form an integral part of these financial statements

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## COMPANY CASH FLOW STATEMENT

For the Year ended 31 December 2016

(Expressed in Renminbi Yuan)

	2016	2015
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales of good or rendering of services	3,401,302,572.88	3,285,822,755.42
Cash receipts related to other operating activities	51,854,505.86	22,129,617.81
Sub-total of cash inflows from operating activities	3,453,157,078.74	3,307,952,373.23
Cash paid for goods and services	3,186,087,599.05	3,192,267,206.67
Cash paid to and on behalf of employees	64,460,810.25	54,576,026.24
Cash paid for all types of taxes	41,496,603.39	47,163,193.25
Cash payments related to other operating activities	24,972,169.45	26,759,541.81
Sub-total of cash outflows from operating activities	3,317,017,182.14	3,320,765,967.97
Net cash flows from operating activities	136,139,896.60	(12,813,594.74)
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from returns of investments	418,909,426.90	616,517,083.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,580.00	-
Net cash paid from disposal of subsidiaries and other business	156,111,000.00	-
Cash receipts related to other investing activities	1,857,919,415.00	2,604,319,315.47
Sub-total of cash inflows from investing activities	2,432,945,421.90	3,220,836,398.85
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	46,855,153.72	145,095,042.98
Net cash paid for purchasing subsidiaries and other business	-	9,452,000.00
Cash payments related to other investing activities	2,005,548,023.10	3,081,753,248.70
Sub-total of cash outflows from investing activities	2,052,403,176.82	3,236,300,291.68
Net cash flows from investing activities	380,542,245.08	(15,463,892.83)

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY CASH FLOW STATEMENT (Continued)

For the Year ended 31 December 2016

(Expressed in Renminbi Yuan)

	2016	2015
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from investments by others	267,816,689.50	-
Cash received from borrowings	80,100,000.00	112,799,724.30
Cash receipts related to other financing activities	<u>9,255,846,037.96</u>	<u>220,661,123.28</u>
Sub-total of cash inflows from financing activities	<u>9,603,762,727.46</u>	<u>333,460,847.58</u>
Cash repayments for debts	189,800,218.30	10,000,000.00
Cash payments for distribution of dividends or profit and interest expenses	116,941,247.37	85,759,595.29
Cash payments related to other financing activities	8,901,099,071.96	37,160,001.18
Sub-total cash outflows from financing activities	<u>9,207,840,537.63</u>	<u>132,919,596.47</u>
Net cash flows from financing activities	<u>395,922,189.83</u>	<u>200,541,251.11</u>
4. NET INCREASE IN CASH AND CASH EQUIVALENTS	912,604,331.51	172,263,763.54
Add: Cash and cash equivalents at beginning of the year	<u>429,437,078.35</u>	<u>257,173,314.81</u>
5. CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,342,041,409.86</u></u>	<u><u>429,437,078.35</u></u>

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

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements

For the Year ended 31 December 2016

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

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### I Profile of the Company

#### (1) Historical development and basic information

As approved by the People’s Government of Shenzhen (SFBF (1993) No.356), China National Accord Medicines Corporation Ltd. (hereinafter referred to as the “the Company”), formerly known as Shenzhen Health Mineral Water Corp., Ltd., was registered as a joint stock liability limited company on 1 February 1993 through stock transformation. 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 convert capital surplus into share capital, bonus issues and issuance of shares for years, the share capital of the Company increased to RMB362,631,943 as at 31 December 2016.

In November 2000, the Company entered into an Assets Exchange Agreement with Shenzhen Investment Management Company, the original major 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. The above assets exchange proposal was approved by shareholders in the Second Extraordinary General Meeting on December 29, 2000. The transaction was completed on 8 January 2001.

On 18 February 2004, the Company’s original major 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 the State-owned Assets Supervision and Administration Commission of the State Council (GZCQ (2004) No.525) and the China Securities Regulatory Commission (ZJGSZ (2004) No.94), the nature of these shares was changed from state-owned stock to state-owned legal entity stock and Sinopharm Group became the largest 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-shareholders 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 shareholdings.

On March 14 2014, the company issued 74,482,543 ordinary shares (A shares) through the non-public offering. Par value per share is RMB1 yuan. The shares shall not be transferred within 36 months since the issued day. The total number of shares of the Company was 362,631,943 since the date of issue.

As of 31 December 2016, the total share capital was RMB362,631,943.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### I Profile of the Company (Continued)

#### (1) Historical development and basic information (Continued)

As of 31 December 2016, the total other equity instruments amounted to RMB65,495,040.00. The Company acquired the companies under common control, including Sinopharm Holding Guoda Pharmacy Co., Ltd. (“Guoda Pharmacy”), Foshan Nanhai Medicine Group Co., Ltd. (“Foshan Nanhai”), Guangdong South Pharmaceutical Foreign Trade Co., Ltd. (“South Pharma & Trade”), Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. (“Guangdong Uptodate & Special Medicines”) by issuing shares and raised supporting funds by issuing shares to Ping An Asset Management Co., Ltd. (“Ping An Asset Management”) to acquire non-controlling interest of South Pharma & Trade. The relevant shares were successfully issued and listed on 5 January 2017.

The Company is registered with Shenzhen Administration for Industry & Commerce. Its Uniform Social Credit Code is 91440300192186267U. The operation period of the Company is from 2 August 1986 to the long term. The registered capital of the Company is RMB362,631,943. The legal representative of the Company is Lin Zhaoxiong.

The approved scope of business of the Company and its subsidiaries (together “the Group”) includes: the 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; material supply and marketing industry (other than special licensing); sale of ambulances; trade of second-class and third-class 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; import and export services (excluding projects that are prohibited by the country; limited projects has to be approved before operating).

#### (2) Change in the consolidation scope and the significant reorganization in the current year

Subsidiaries consolidated in the financial statements for the current year and change in the consolidation scope are shown in Note VI.

On 9 March 2016, the Board of the Company approved the reorganization plan regarding the commercial and manufacturing business with related parties as follows:

- 1) The Company purchases 100% of the equity of Guoda Pharmacy, Foshan Nanhai, Guangdong Uptodate & Special Medicines and 51% of the equity of South Pharma & Trade from the parent company, Sinopharm Holding, and the related party, China National Pharmaceutical Foreign Trade Co., Ltd. (“China Pharma & Trade”), respectively, with consideration of non-public issuance of A share. Meanwhile, the Company purchased 49% of the equity in South Pharm & Trade from its non-controlling shareholders, eleven natural persons with cash.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### I Profile of the Company (Continued)

#### (2) Change in the consolidation scope and the significant reorganization in the current year (Continued)

- 2) The Company sold Pingshan pharmaceutical research & development manufacturing base (“Pingshan base”) and 51% of the equity in 3 subsidiaries, including Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd. (“Zhijun Medicine”), Zhijun Pharmaceutical Trade Co., Ltd. (“Zhijun Trade”), and Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd. (“Pingshan Medicine”) and subscribe the new shares of Shanghai Shyndec Pharmaceutical Co., Ltd (“Shyndec Pharmaceutical”).
- 3) The Group’s parent and ultimate parent company is Sinopharm Group and China National Pharmaceutical Group Corporation respectively.
- 4) These financial statements were authorized for issue by the board of directors of the Company on 17 April 2017.

### II Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and the specific accounting standards and the 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 issued by the China Securities Regulatory Commission.

These financial statements are prepared on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

The Group has made accounting policies and accounting estimates according to its own operation and production characteristics, which are mainly reflected in the bad debt provision for account receivables (Note III (10)), inventory costing methods (Note III (11)), depreciation methods for fixed assets and amortization method for intangible assets (Note III (15), Note III (18)), judgement basis for capitalization of development costs (Note III (18)), impairment of long-term assets (Note III (21)), revenue recognition (Note III (25)).

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates

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

The financial statements of the Company for the year ended 31 December 2016 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 31 December 2016 and the operating results, cash flows and other information of the Group and the Company for the year then ended.

#### (2) Accounting year

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

#### (3) Functional currency

The functional currency is Renminbi (RMB).

#### (4) Business combinations

##### (a) Business combinations involving entities under common control

Assets and liabilities (including goodwill arising from ultimate controlling shareholder's acquisition of the party being absorbed) that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The transaction costs of issuing equity securities or debt securities for business combination are recognized at the initial recognition amount of equity securities 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 recognized 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 recognized 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 recognized amounts of the equity or debt securities.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (4) Business combinations (Continued)

Where the business combination not involving enterprises under common control which is achieved in stages, the acquirer’s previously held equity interests in the acquiree are remeasured at the fair value on the acquisition date, with the difference between fair value and carrying amount recognized as investment income for the current period. If the acquirer’s previously held equity interests of the acquiree involve other comprehensive income (“OCI”) under the equity method, the accounting treatment is conducted on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities, and the changes in shareholders’ equity other than net profit or loss, OCI and profit distributions are charged to profit or loss for the current period on the acquisition date.

#### (5) 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 realized 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 unrealized 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 the Company are recognized as non-controlling interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive income respectively. Unrealized gain or loss from selling assets to subsidiaries fully offsets the net income attributable to equity holders of the company. Unrealized gain or loss from purchasing assets from subsidiaries offsets the net income attributable to equity holders of the company and attributable to the non-controlling interest by the distribution proportion regarding the Company and the subsidiary. Unrealized gain or loss from transaction between subsidiaries offsets the net income attributable to equity holders of the company and attributable to the non-controlling interest by the distribution proportion regarding the Company and the selling side of the subsidiaries. If different recognition perspectives for the same transaction arise within different accounting identities setup, there is an adjustment for the transaction from the Group’s perspective.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (6) Acquisition of non-controlling interests in controlled subsidiaries

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

#### (7) Cash and cash equivalents

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 are subject to an insignificant risk of changes in value.

#### (8) Foreign currency translation

Foreign currency transact 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 recognized 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 capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

#### (9) Financial instruments

##### (a) Financial assets

##### (i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The Group currently holds the financial assets including receivables and available-for-sale financial assets. 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. Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale at initial recognition or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or borrowings and receivables.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (9) Financial instruments (Continued)

- (a) Financial assets (Continued)
- (ii) Recognition and measurement

Financial assets are recognized 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 amortized cost using the effective interest method. After initial recognition, financial assets available-for-sale are measured at fair value.

The premium/discount is amortized using the effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized as other comprehensive income, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets which are recognized in profit or loss, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized is transferred to profit or loss of the current period. Interests and dividends relating to an available-for-sale financial asset are recognized in profit or loss of the current period. Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

- (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.

Objective evidence refers to matters that occur after the financial assets have been recognized, affect the estimated future cash flow and could be measured accurately by the Group.

When an impairment loss on a financial asset carried at amortized 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

Where there is objective evidence of impairment of available for sale financial assets, the cumulative loss which results from a decline in fair value and is previously recognized in other comprehensive income is removed from other comprehensive income and recognized in profit or loss. The cumulative loss removed is measured as the difference between the acquisition cost and the current fair value, less any retrieved costs, amortization and impairment loss previously recognized in profit or loss. In the case of equity investments classified as available for sale, objective evidence of impairment would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss removed is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

(iv) Derecognition of financial assets

A financial asset is derecognized when any of the following 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 recognized directly in equity is recognized in profit or loss.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (9) Financial instruments (Continued)

##### (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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

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

##### (c) Offset of financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when both of the following conditions are satisfied: 1) the enterprise has a legal right to set off the recognized amounts and the legal right is currently enforceable; 2) the enterprise intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

##### (d) Transfer of financial assets

A financial asset is derecognized when the Group has transferred substantially all the risks and rewards of the asset to the referee. A financial asset is not derecognized when the Group retains substantially all the risks and rewards of the asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the asset, it either i) derecognizes the transferred asset when it has transferred control of the asset; or ii) continues to recognize the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Group could be required to repay.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### III Summary of significant accounting policies and accounting estimates (Continued)

#### (10) Receivables

Receivables comprise notes receivable, accounts receivable and other receivables. Accounts receivable arising from the sale of goods or rendering of services are initially recognized 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 receivable	Provision ratios used for other receivables
Within 1 year	0-5%	0-5%
1 to 2 years	5-10%	5-10%
2 to 3 years	10-30%	10-30%
3 to 4 years	20-50%	20-50%
4 to 5 years	20-80%	20-80%
More than 5 years	20-100%	20-100%

- (c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

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

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

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (10) Receivables (Continued)

- (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 recognized in profit or loss for the current period.

#### (11) Inventories

- (a) Classification

Inventories include raw materials, work in progress, finished goods, delegate processing supplies and turnover materials, and are measured at the lower of cost and net realizable 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 labor and an allocation of systematically allocated overhead expenditures incurred based on the normal operating capacity.

- (c) Basis for determining net realizable values of inventories and method for making provisions 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 realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

- (d) The Group adopts the perpetual inventory system.

- (e) Amortization methods of low value consumables and packaging materials

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

#### (12) Assets classified as held for sale

Non-current assets or disposal group satisfying the following conditions will be classified as assets held for sale: (i) the non-current assets or disposal group are instantly ready for sale under the custom terms; (ii) the resolution regarding the disposal of the non-current assets or disposal group has been appropriately approved. (iii) Company has signed an irrevocable agreement. (iv) The disposal will be accomplished within 1 year.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (12) Assets classified as held for sale (Continued)

Non-current assets which meet the conditions of assets classified as held for sale, excluding financial assets, investment properties measured by the fair value method, and deferred income tax assets could be appraised as the lower number of the book value and fair value minus disposal cost. The difference between the fair value minus disposal cost and the book value should be recognized as an Impairment loss.

Assets and liabilities among the non-current assets or disposal group that are classified as assets classified as held for sale should be classified as current assets and current liabilities respectively, and should be individually presented on the balance sheet.

#### (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

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 shareholders' equity of the party being absorbed at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

##### (b) Subsequent measurement and recognition of related profit or 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 recognized 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.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (13) Long-term equity investments (Continued)

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues recognizing 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 recognizing the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Group adjusts the book value of the investment and records capital surplus accordingly. 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 unrealized 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 recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

#### (c) Basis for determining existence of control, joint 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.

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 III (21)).

#### (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 properties are included in the cost of the Investment properties 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 recognized in profit or loss in the period in which they are incurred.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### III Summary of significant accounting policies and accounting estimates (Continued)

#### (14) Investment properties (Continued)

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortized 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 (amortization) rates of investment properties are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation (amortization) rates
Buildings	12-35 years	0-5%	2.71-7.92%
Land use rights	30-50 years	-	2.00-3.33%

When an Investment properties is transferred to owner-occupied properties, it is reclassified as a 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 an investment property at its carrying amount at the date of the transfer.

The Investment properties' estimated useful life, net residual value and depreciation (amortization) method applied are reviewed and adjusted as appropriate at each end of year.

An Investment properties is derecognized on disposal or when the Investment properties 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 properties after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

The carrying amount of an Investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III (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.

Fixed assets are recognized 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 reorganization of the Company into a corporation entity are recognized 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 derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### III 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	0-5%	2.71-5.00%
Machinery and equipment	5-14 years	3-6%	6.79-19.40%
Motor vehicles	3-10 years	0-5%	9.50-33.33%
Other equipment	3-10 years	0-5%	9.50-33.33%
Leasehold improvements	within 5 years	0%	20% and above

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 end of year.

(c) The carrying amount of fixed assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note III (21)).

##### (d) Recognition basis and measurement method for financing leased fixed assets.

Finance leases are leases with the whole risks and rewards related to the asset substantially transferred. Fixed assets leased under finance lease are recognized with at smaller value of the fair value and minimum lease payments. The difference between the book value and the minimum lease payments should be recognized as unrecognized financing charges (Note III (28) (b)).

Fixed assets leased under finance lease are depreciated using the same policy as that those fixed assets owned by the company. For those leased assets that the ownership of the assets can be ascertained by the expiration date, the assets should be depreciated within estimated useful lives. Otherwise, the assets should be depreciated within the shorter period of the leasing period and estimated useful lives.

##### (e) Disposal of fixed assets

A fixed asset is derecognized 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 recognized in profit or loss for the current period.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (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 capitalization 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 III (21)).

#### (17) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalized 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 capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization 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.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization 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 capitalization period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization 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 an applicable shorter period are discounted to the initial amount of the borrowings.

#### (18) Intangible assets

Intangible assets include land use rights, computer software, technology patents, trademarks and distribution network, which are initially recognized at cost. Intangible assets contributed by state-owned shareholders during the Company reorganization were recorded based on the valuation amount approved by the State-owned Assets Supervision and Management Department.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### III Summary of significant accounting policies and accounting estimates (Continued)

#### (18) Intangible assets (Continued)

<u>Categories</u>	<u>Useful lives</u>
Land use rights	Between the approved useful period and the Company's operating period
Software	3-5 years
Trademarks	5-10 years
Technology patents	5 years
Distribution network	20 years
Franchising rights	10 years
Favorable leases	17-20 years

A land use right granted by government with an infinite useful life would not be amortized. Other land use rights are amortized 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 recognized as fixed assets.

For an intangible asset with a finite useful life, review of its useful life and amortization method is performed at each end of year, with adjustments made as appropriate. For an intangible asset without a definite useful life, review of its useful life is performed at each end of year.

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 for investigation, evaluation and selection of production process and new drugs researches is recognized in profit or loss in the period in which it is incurred. Expenditure on the designation, measurement of the final utilization of the production process and new drugs before mass production, is capitalized only if all of the following conditions are satisfied:

- development of the production process and new drugs has been fully demonstrated by the technical team;
- management has approved the budget of drug production development and new drugs;
- market research analysis suggests that the products produced by the new production technology are able to be promoted;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (18) Intangible assets (Continued)

Other development costs that do not meet the conditions above are recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Capitalized 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.

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note III (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 recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

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

Appointed by the PRC Government, 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 Guangxi Co., 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 serious disasters, epidemics and other emergencies as well as endemic diseases 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 recognized as 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 recognizes as other non-current assets.

#### (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 and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet 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 recognized 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 recognized 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.

### III Summary of significant accounting policies and accounting estimates (Continued)

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### (21) Impairment of long-term assets (Continued)

Goodwill that is separately presented in the financial statements, intangible assets with infinite useful lives and capitalized development costs 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 recognized. 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 amount of other assets within the asset groups or groups of asset groups in proportion to the carrying amount of other assets.

Once the above Impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

### (22) Employee benefits

Employee benefits mainly include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labor relation.

#### (a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, and labor union funds and employee education funds. The employee benefits are recognized in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

#### (b) Post-employment benefits (defined contribution plans)

The Company classifies post-employment benefit plans into either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Company's post-employment benefits mainly include basic pensions, unemployment insurance and enterprise annuity, both of which belong to the defined contribution plans.

#### Basic pensions

The Company's employees participate in the defined basic pension insurance plan set up and administered by local labor and social protection authorities. Basic pensions are provided monthly according to stipulated bases and proportions to local labor and social security contribution. When employees retire, local labor and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognized as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (22) Employee benefits (Continued)

##### (c) Termination benefits

The Group recognizes the debt and the gain or loss, when offering compensation for terminating the labor contract before the due date, or encouraging the staff to resign voluntarily, at the earlier of when the Group cannot unilaterally withdraw the labor relation plan and when the Group recognizes the cost relating to recombinant involving the payment of termination benefits.

##### (d) Retirement benefits

The Group provides retirement benefits to employees who accept the internal retirement arrangements. Retirement benefits refer to the salary and social security contribution provided to those staff who voluntarily quit the job with approval from the management team, before the retirement age.

The group offers retirement benefits from the date when the arrangement begins, to the date when the staff reaches the retirement age. The liability including salary and security contribution funds is recognized when conditions for recognition are meet, regarding to the period from the staff leaves the position to the normal retirement date. Difference arising from the changes in actuarial assumptions for retirement benefits and adjustments in welfare standard, will be accounted for in the current profits and losses.

Retirement benefits that are expected to be paid within one year from the balance sheet date are disclosed as current liabilities.

#### (23) Provisions

An obligation related to a contingency shall be recognized by the Group as a provision when all of the following conditions are satisfied, except contingent considerations and contingent liabilities assumed in a business combination not involving enterprises under common control:

- (1) The obligation is a present obligation of the Group;
- (2) It is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) The amount of the obligation can be measured reliably.

The provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. The carrying amount of provisions is reviewed at the balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

Contingent liabilities of the acquiree obtained in a business combination shall be measured at fair value in initial recognition. After initial recognition, subsequent measurement is conducted using the higher of the amount recognized by provisions and the amount of initial recognition deducting the accumulated amortization amount determined by the principles of revenue recognition.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (24) Dividend distribution

Cash dividend distribution is recognized as a liability in the period in which it is approved by shareholder at the annual shareholders' meeting.

#### (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 can be recognized on condition that the transaction-related economic interest is expected to be satisfied, the amount is able to reliably measured, and the following recognition conditions are met:

##### (a) Sale of goods

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

##### (b) Rendering of services

The Group provides freight, storage and other services to external parties. The freights are recognized as revenue right after the goods are transported to the place of delivery according to contracts or agreements, received and confirmed by the purchasers. Other revenue is determined in accordance with the amount provided in the service period stipulated in the contract.

##### (c) Customer loyalty programme

The Group, offers a customer loyalty programme where points earned through the purchase of goods can only be redeemed for goods provided by Sinopharm Group Zhijun (Shenzhen) 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.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (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 recognized 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 a grant received aimed to create a long-term asset by contracting or other methods. A government grant related to income is any grant other than government grants related to assets.

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

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

#### (27) Income tax

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense in profit or loss of the current period, or recognized directly in shareholders' equity if it arises from a business combination or relates to a transaction or event which is recognized directly in shareholders' equity.

The Group measures a current tax asset or liability arising from the current and prior period based on the amount of income tax expected to be paid by the Group or returned by tax authority calculated according to related tax laws.

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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 realized or the liability is settled.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (27) Income tax (Continued)

Deferred tax assets are only recognized 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 utilized.

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 recognized 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 utilized, the corresponding deferred tax assets are recognized.

#### (28) Leases

Finance leases are leases with the whole risks and rewards related to the asset substantially transferred. The other kinds of leases are nominated operating leases.

##### (a) Operating leases

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets or charged as an expense for the current period.

Lease income under an operating lease is recognized on a straight-line basis over the period of the lease.

##### (b) Finance leases

Fixed assets leased under finance leases are recognized at the smaller value of the fair value and present value of the minimum lease payments. The difference between the book value and the minimum lease payments should be recognized as unrecognized financing charges, and amortized within the leasing period. The minimum lease payments net off the unrecognized financing charges should be classified as long-term payables.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### III Summary of significant accounting policies and accounting estimates (Continued)

#### (29) Discontinued operations

A discontinued operation is a component of an enterprise that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purpose, and satisfies one of the following conditions:

- (1) Represents a separate major line of business or geographical area of operations;
- (2) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation;
- (3) Is a subsidiary acquired exclusively with a view to resale.

#### (30) Segment information

The Group identifies operating segments based on the internal organization 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.

#### (31) Critical accounting estimates

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 the use of estimates (Note V (17)).

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 recognize further impairment against goodwill and fixed assets.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**III Summary of significant accounting policies and accounting estimates (Continued)**

(a) Critical accounting estimates and key assumptions (Continued)

(i) Accounting estimates on impairment of goodwill (Continued)

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

(iii) Accounting estimates on impairment of inventories

In accordance with the Group's accounting policy (Note III (11) (c)), the Group's management estimates the net realizable value of the inventory. Net realizable 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.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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### IV Taxation

#### 1. Main categories and rates of taxes:

Categories	Tax base	Tax rate
Corporate income tax (“CIT”)	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 the current period) Revenue from rental income, interest income and etc. (from 1 January 2016 to 30 April 2016)	0%,3%,6%,11%,13% or 17%
Business tax		5%
City maintenance and construction tax	Amount of VAT and business tax paid	5% or 7%
Educational surcharge	Amount of VAT and business tax paid	3%
Local educational surcharge	Amount of VAT and business tax paid	2%

#### 2. Tax preferences

- (a) In 2014, Zhijun Medicine obtained the Certificate of High-Tech Corporation issued by the Shenzhen Bureau of Technology & Information, Bureau of Finance, National Tax Bureau and Local Tax Bureau. The Certificate is valid from 2014 to 2016.

According to the 28th rule of the Corporation Income Tax Law of People’s Republic of China, corporations which obtained the Certificate of High-Tech Corporation can obtained a tax deduction and pay tax at a tax rate of 15%. The tax rate that is applicable to Zhijun Medicine is 15% (2015: 15%).

- (b) In 2014, the Group’s subsidiary Sinopharm Holding Guangxi Logistics Co., Ltd. (“Sinopharm Guangxi Logistics”) was approved by the Guangxi Local Tax Bureau to enjoy a tax discount applicable to corporations in the region of Western Development to pay income tax at a tax rate of 15%. Due to the real estate relocation income, the operating revenue’s proportion is below 70%, which does not meet the requirements of the preferential tax rate, so Sinopharm Guangxi Logistics was subject to a corporate income tax rate of 25% during the year. (2015: 15%).

From May to December of 2015, eight subsidiaries in Guangxi Province of the Group, including Sinopharm Guangxi, Sinopharm Holding Liuzhou Co., Ltd. (“Sinopharm Liuzhou”), Sinopharm Holding Beihai Co., Ltd (“Sinopharm Beihai”), Sinopharm Holding Guilin Co., Ltd. (“Sinopharm Guilin”), Sinopharm Holding Guigang Co., Ltd. (“Sinopharm Guigang”), Sinopharm Holding Yulin Co., Ltd. (“Sinopharm Yulin”), Sinopharm Holding Baise Co., Ltd (“Sinopharm Baise”)and Sinopharm Holding Wuzhou Co., Ltd. (“Sinopharm Wuzhou”) were all approved by the Guangxi Local Tax Bureau to enjoy a tax concession of Western Development at a preferential CIT rate of 15%. The applicable period for Sinopharm Guangxi, Sinopharm Liuzhou and Sinopharm Beihai is 1 January 2014 to 31 December 2020, and that for the other 5 subsidiaries is 1 January 2015 to 31 December 2020.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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### IV Taxation (Continued)

#### 2. Tax preferences (Continued)

- (c) The Urumqi Head Office, Changji Branch and Karamay Branch of Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd. (“Xinjiang New & Special Medicines”), a subsidiary of the Group, shall pay tax at a rate of 15% by jurisdictions According to the Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Concerning Tax Policies for the Further Development of the Western Regions (Cai shui [2011] No.58), enterprises from encouraged industries in the Western Regions, could enjoy a reduced CIT rate of 15% from 1 January 2011 to 31 December 2020. According to the reply to *Registration Form for Items Enjoying Preferential Treatments in Corporate Income Tax* by local tax authorities, in 2015 and 2016, the Urumqi Head Office, Changji Branch and Karamay Branch of Xinjiang New & Special Medicines were subject to a reduced CIT rate of 15%.

According to Ning cai (shui) fa [2012] No.957, Ningxia Guoda Pharmacy Chain Store Co., Ltd., a subsidiary of the Group, was qualified for the enterprise from encouraged industries of Western Development. Therefore, in 2015 and 2016, the company was exempt from the local retained portion of the corporate income tax (40%), and therefore subject to a CIT rate of 15%.

According to Cai shui [2011] No.58 and Notices on Tax Reduction and Exemption (Hu shi hui guo shui deng zi [2014] No. 37), Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd., a subsidiary of the Group, was entitled to the preferential tax rate for the further development of the Western Regions. Therefore the company is entitled to a preferential CIT rate of 15%.

According to the tax reduction and exemption conditions under the Circular of Local Taxation Bureau of the Autonomous Region on Printing and Distributing the Administration and Implementation Measures for Preferential Corporate Income Tax (Gui di shui fa [2009] No. 150), Sinopharm Holding Guoda Guangxi Pharmacy Chain Store Co., Ltd., received the Written Decision on Approval and Confirmation of Preferential Tax from local taxation bureau of Liuzhou city on 21 May 2015, which approved that the company was subject to a CIT rate of 15% in 2015 and 2016.

- (d) The Corporate Income Tax Law of the People's Republic of China stipulates in Article 28 that, small low-profit enterprises are subject to corporate income tax at a rate of 20%. The Implementation Rules for the Corporate Income Tax Law of the People's Republic of China stipulate in Article 92 that, small low-profit enterprises refer to enterprises operating in industries not restricted or prohibited by the State and satisfying following conditions: 1. For industrial enterprises, the annual taxable income does not exceed RMB300,000; the number of employees does not exceed 100 and the total assets does not exceed RMB30 million; 2. for other industries, the annual taxable income does not exceed RMB300,000; the number of employees does not exceed 80 and the total assets does not exceed RMB10 million.

In addition, according to the *Circular on Issues Concerning the Preferential Policies for Corporate Income Tax for Small Low-profit Enterprises* (Cai shui [2015] No. 34), *Announcement of the State Administration of Taxation on Issues concerning the Implementation of the Further Expansion of the Scope of Small Low-profit Enterprises* (Cai shui [2015] No.99), small low-profit enterprises with annual taxable income of RMB300,000 or less enjoy a tax reduction of 50% of the income and pays income tax at a rate of 20%. That is, the applicable corporate income tax rate is 10%.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**IV Taxation (Continued)**

**2. Tax preferences (Continued)**

In 2016, the Group’s subsidiary Zhejiang Intlmedicine Pharmacy Dongshan Co., Ltd., Xinjiang New & Special Medicines , Sinopharm Holding Guoda Pharmacy Hulun Buir Co., Ltd., the Shule Branch and Kashgar Branch of Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd. were qualified for the definition of small low-profit enterprise and the requirements under Cai shui [2014] No. 34. Therefore, these companies enjoyed tax reduction of 50% of the income and paid income tax at a rate of 20%. That is, the applicable corporate income tax rate was 10%. In 2015, Sinopharm Holding Guangzhou Medical Treatment Management Co., Ltd, a subsidiary of the Group, was qualified for small low-profit enterprise. Therefore, the company enjoyed tax reduction of 50% of the income and paid income tax at a rate of 20%. However, in 2016, the company was not entitled to the preferential tax rate for small small-profit enterprises.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### V Notes to the consolidated financial statements

#### 1. Cash and bank balances

	31 December 2016	31 December 2015
Cash on hand	6,164,382.85	2,846,748.55
Cash at banks	3,144,745,042.69	2,161,461,610.50
Other cash balances	369,046,139.44	490,623,120.83
- deposits for letters of credit	58,800.00	2,523,516.15
- deposits for bank acceptance notes	333,961,620.45	360,316,626.32
-Cash deposit for pledged loan	31,255,582.91	127,782,978.36
-Term deposits longer than 3 months	3,770,136.08	-
	<u>3,519,955,564.98</u>	<u>2,654,931,479.88</u>

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 1 month to 6 months depending on the fund arrangements of the Group, and earn interest at the respective deposit rates. The maturities of bank notice deposits are 7 days depending on the fund arrangement of the Group, and earn interest at respective deposit rates.

#### 2. Notes receivable

	31 December 2016	31 December 2015
Trade acceptance notes	594,546,810.36	383,605,635.52
Bank acceptance notes	<u>909,454,098.85</u>	<u>528,735,788.26</u>
	<u>1,504,000,909.21</u>	<u>912,341,423.78</u>

At 31 December 2016, there were no notes receivable that were pledged (At 31 December 2015: notes receivables that were pledged were RMB20,490,279.00). The notes receivable that were pledged were guaranteed for bank acceptance notes.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**2. Notes receivable (Continued)**

Notes receivable endorsed or discounted by the Group to other parties which were not yet due at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Trade acceptance notes	-	159,504,195.71	-	88,924,715.00
Bank acceptance notes	844,012,721.90	-	993,628,187.92	-
	<u>844,012,721.90</u>	<u>159,504,195.71</u>	<u>993,628,187.92</u>	<u>88,924,715.00</u>

As at 31 December 2016 and 31 December 2015, notes that were converted into accounts receivable due to the drawer's inability to settle the note on maturity date are as follows:

	31 December 2016	31 December 2015
Trade acceptance notes	<u>148,322.25</u>	<u>-</u>

**3. Accounts receivable**

	31 December 2016	31 December 2015
Accounts receivable	7,703,120,162.25	7,901,159,744.78
Less: provision for bad debt	<u>(48,894,651.36)</u>	<u>(73,693,029.46)</u>
	<u>7,654,225,510.89</u>	<u>7,827,466,715.32</u>

An aging analysis of accounts receivable is presented as follows:

	31 December 2016		31 December 2015	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Within 1 year	7,665,576,478.81	(26,371,938.74)	7,840,443,420.41	(33,586,945.38)
1 to 2 years	12,790,380.58	(1,297,920.86)	38,363,854.47	(20,435,791.30)
2 to 3 years	21,704,712.84	(19,101,203.39)	3,123,715.69	(2,089,361.64)
Over 3 years	3,048,590.02	(2,123,588.37)	19,228,754.21	(17,580,931.14)
	<u>7,703,120,162.25</u>	<u>(48,894,651.36)</u>	<u>7,901,159,744.78</u>	<u>(73,693,029.46)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

Changes in provision for bad debts are presented as follows:

	Opening balance	Increases in the year	Reversal in the year	Written off in the year	Reversal of written off in previous year	Decreased in reorganization	Increased in merge	Closing balance
2016	73,693,029.46	1,786,013.00	(12,022,290.90)	(14,517,375.00)	23,638.80	(68,364.00)	-	48,894,651.36
2015	57,865,871.25	22,783,276.61	(10,395,957.75)	(37,181.36)	28,377.60	-	3,448,643.11	73,693,029.46

The accounts receivable by category are analyzed below:

	31 December 2016				31 December 2015			
	Gross carrying amount		Provision for bad debt		Gross carrying amount		Provision for bad debt	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Individually significant items for which provision for bad debt is recognized separately	445,672,816.82	5.79%	(11,559,178.29)	2.59%	343,642,906.84	4.35%	(27,604,373.29)	8.03%
Items for which provision for bad debt is recognized by group	7,236,776,975.66	93.95%	(27,546,435.58)	0.38%	7,499,917,577.09	94.92%	(31,445,629.72)	0.42%
Not individually significant items for which provision for bad debt is recognized separately	20,670,369.77	0.26%	(9,789,037.49)	47.36%	57,599,260.85	0.73%	(14,643,026.45)	25.42%
	<u>7,703,120,162.25</u>	<u>100.00%</u>	<u>(48,894,651.36)</u>	<u>0.63%</u>	<u>7,901,159,744.78</u>	<u>100.00%</u>	<u>(73,693,029.46)</u>	<u>0.93%</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**3. Accounts receivable (Continued)**

At 31 December 2016, accounts receivable that are individually significant and individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Age	Rate	Assessment for impairment
Receivable of medical insurance	335,724,923.69	-	Within 1 year	-	Receivable of medical insurance with no risk of recoverability
Receivable of franchises	23,722,754.02	-	Within 1 year	-	Receivable of franchises within 1 year with no risk of recoverability
Sinopharm Holding Heilongjiang Co., Ltd.	22,466,769.60	-	Within 1 year	-	Receivable due from a related party with no risk of recoverability
Sinopharm Health Online Co., Ltd.	15,534,183.30	-	Within 1 year	-	Receivable due from a related party with no risk of recoverability
Receivable of credit card	14,046,943.02	-	Within 1 year	-	Receivable of Credit cards with no risk of recoverability
Hubei Xianning Pharmaceutical Co., Ltd.	11,559,178.29	(11,559,178.29)	2 to 3 years	100.00%	Disputed receivable with higher risk of recoverability which is related to a lawsuit
Sinopharm Holding Hulunbuir Co., Ltd.	6,373,883.21	-	Within 1 year	-	Receivable due from a related party with no risk of recoverability
Receivable of E-Business	5,624,876.37	-	Within 1 year	-	Receivable of E-Business with no risk of recoverability
Sinopharm Group Co., Ltd.	5,478,768.04	-	Within 1 year	-	Receivable due from a related party with no risk of recoverability
Receivable of shopping card	5,140,537.28	-	Within 1 year	-	Receivable of shopping cards with no risk of recoverability
<b>Total</b>	<b>445,672,816.82</b>	<b>(11,559,178.29)</b>			

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

At 31 December 2015, accounts receivable that are individually significant and individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Age	Rate	Assessment for impairment
Receivable of medical insurance Guangdong Liyuan Pharmaceutical Co., Ltd.	271,724,677.19	-	Within 1 year	-	Receivable of Medical Insurance with no risk of recoverability
Receivables of retail stores	14,517,375.00	(14,517,375.00)	Over 5 years	100%	Disputed receivable with higher risk of recoverability which has filed a lawsuit
Receivables of credit cards	12,269,113.38	-	Within 1 year	-	Receivable of retail stores with no risk of recoverability
Hubei Xianning Pharmaceutical Co., Ltd.	12,156,111.47	-	Within 1 year	-	Receivables of credit card with no risk of recoverability
The First Affiliated Hospital of Sun Yat-sen University	11,563,498.29	(11,563,498.29)	1 to 2 years	100%	Disputed receivable with higher risk of recoverability which has filed a lawsuit
Nanning Second People's Hospital	8,835,000.00	(883,500.00)	Within 1 year	10%	The probability of recovery is 90%.
Receivable of shopping card	6,400,000.00	(640,000.00)	Within 1 year	10%	The probability of recovery is 90%.
	6,177,131.51	-	Within 1 year	-	Receivable of Shopping Card with no risk of recoverability
<b>Total</b>	<b>343,642,906.84</b>	<b>(27,604,373.29)</b>			

The accounts receivable for which the Group recognized provision for bad debt using the aging analysis method are presented as follows

	31 December 2016			31 December 2015		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	Amount	Amount	Proportion	Amount	Amount	Proportion
Within 1 year	7,221,261,344.66	(25,898,202.34)	0.36%	7,479,036,688.79	(29,381,260.34)	0.39%
1 to 2 years	12,391,828.46	(954,110.33)	7.70%	18,640,056.59	(1,230,628.11)	6.60%
2 to 3 years	2,483,834.48	(374,438.91)	15.08%	1,426,049.71	(426,350.27)	29.90%
Over 3 years	639,968.06	(319,684.00)	49.95%	814,782.00	(407,391.00)	50.00%
	<u>7,236,776,975.66</u>	<u>(27,546,435.58)</u>	<u>0.38%</u>	<u>7,499,917,577.09</u>	<u>(31,445,629.72)</u>	<u>0.42%</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**3. Accounts receivable (Continued)**

The provision for bad debt was RMB1,786,013.00 in 2016, including RMB12,022,290.90 recovered or reversed. Important recovered or reversed bad debt items are listed below:

	Reason for recoverability or reversal	Original assessment for providing impairment	Recovered or reversed amount	Way of recovery
The First Affiliated Hospital of Sun Yat-sen University	Amount received	Uncertainty in recovery	883,500.00	Amount received
Hainan Xinshitong Pharmaceutical Co., Ltd.	Amount received	Uncertainty in recovery	700,440.00	Amount received
Nanning Second People's Hospital	Amount received	Uncertainty in recovery	640,000.00	Amount received
Qinzhou Secondary People's Hospital	Amount received	Uncertainty in recovery	567,015.38	Amount received
People's Hospital of Qinzhou City Qinbei District	Amount received	Uncertainty in recovery	388,203.85	Amount received
Chaozhou Central Hospital	Amount received	Uncertainty in recovery	384,690.40	Amount received
Health Centre of Zengcheng City Shitan Town	Amount received	Uncertainty in recovery	316,174.17	Amount received
Chinese Medical Hospital of Hechi City	Amount received	Uncertainty in recovery	292,582.86	Amount received
Health Centre of Conghua City Jiangpu Street	Amount received	Uncertainty in recovery	256,982.00	Amount received
Health Centre of Conghua City Aotou Town	Amount received	Uncertainty in recovery	235,875.71	Amount received
Health Centre of Guangzhou City Zengcheng District Yongning Street	Amount received	Uncertainty in recovery	178,219.92	Amount received
Health Centre of Enping City Juntang Town	Amount received	Uncertainty in recovery	159,420.07	Amount received
Chinese Medical Hospital of Lipu County	Amount received	Uncertainty in recovery	145,139.80	Amount received
Health Centre of Luoding City Jiayi Town	Amount received	Uncertainty in recovery	127,629.77	Amount received
Zhongxin Hospital of Guangzhou City Zengcheng District	Amount received	Uncertainty in recovery	126,283.08	Amount received
Center for Disease Control and Prevention of Wengyuan County	Amount received	Uncertainty in recovery	124,000.00	Amount received
Guangzhou Konzern Medicine Co., Ltd.	Amount received	Uncertainty in recovery	116,400.00	Amount received
Huarun Guokang(Guangdong) Medicine Co., Ltd.	Amount received	Uncertainty in recovery	114,994.84	Amount received
Health Centre of Conghua City Taiping Town	Amount received	Uncertainty in recovery	112,654.38	Amount received
Huizhou Forth People's Hospital	Amount received	Uncertainty in recovery	95,199.37	Amount received
People's Hospital of Zhongshan Town	Amount received	Uncertainty in recovery	84,001.24	Amount received
Maternal and Child Health Hospital of Heshan City	Amount received	Uncertainty in recovery	83,678.54	Amount received
Mental Hospital of Yuancheng District	Amount received	Uncertainty in recovery	80,000.00	Amount received
Health Centre of Dianbai County Magang Town	Amount received	Uncertainty in recovery	75,867.34	Amount received
Health Centre of Xinyi City Zhusha Town	Amount received	Uncertainty in recovery	74,981.26	Amount received
Health Centre of Conghua City Lvtian Town	Amount received	Uncertainty in recovery	68,920.55	Amount received
Health Centre of Zengcheng City Xiancun Town	Amount received	Uncertainty in recovery	64,122.66	Amount received

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

	Reason for recoverability or reversal	Original assessment for providing impairment	Recovered or reversed amount	Way of recovery Amount received
Ruikang Hospital of Guangxi University of Chinese Medicine	Amount received	Uncertainty in recovery	62,330.47	Amount received
Liuzhou Municipal Liutie Central Hospital	Amount received	Uncertainty in recovery	59,969.34	Amount received
Chinese Medical Hospital of Xuwen County	Amount received	Uncertainty in recovery	52,827.42	Amount received
Others	Amount received	Uncertainty in recovery	<u>746,796.59</u>	Amount received
			<u>7,418,901.01</u>	

The provision for bad debt was made at RMB22,783,276.61 in 2015, including RMB10,395,957.75 recovered or reversed. Important recovered or reversed bad debt items are listed below:

	Reason for recoverability or reversal	Original assessment for providing impairment	Recovered or reversed amount	Way of recovery Amount received
Tibet Naqu Kang Hui Pharmaceutical Co., Ltd.	Amount received	Uncertainty in recovery	3,197,352.50	Amount received
Beihai Hepu Psychiatric Hospital	Amount received	Uncertainty in recovery	857,874.76	Amount received
Affiliated Chencun Hospital of Foshan City Shunde District First People's Hospital	Amount received	Uncertainty in recovery	670,145.84	Amount received
Qinzhou Secondary People's Hospital	Amount received	Uncertainty in recovery	500,000.00	Amount received
Ruikang Hospital of Guangxi University of Chinese Medicine	Amount received	Uncertainty in recovery	350,000.00	Amount received
Chinese Medical Hospital of Hechi City	Amount received	Uncertainty in recovery	300,000.00	Amount received
Foshan First People's Hospital	Amount received	Uncertainty in recovery	198,188.34	Amount received
Xinhua Hospital of Guangzhou City Huadu District	Amount received	Uncertainty in recovery	191,597.75	Amount received
Health Centre of Guangzhou City Huadu District Tanbu Town	Amount received	Uncertainty in recovery	172,722.58	Amount received
Affiliated Hospital of Youjiang Medical College	Amount received	Uncertainty in recovery	160,000.00	Amount received
Health Centre of Guangzhou City Zengcheng District Yongning Street	Amount received	Uncertainty in recovery	147,088.08	Amount received
Zhongxin Hospital of Guangzhou City Zengcheng District	Amount received	Uncertainty in recovery	128,327.74	Amount received
Foshan Chancheng District Central Hospital	Amount received	Uncertainty in recovery	114,834.68	Amount received
Mental Hospital of Yuancheng District	Amount received	Uncertainty in recovery	103,938.40	Amount received
Others	Amount received	Uncertainty in recovery	<u>1,687,166.73</u>	Amount received
			<u>8,779,237.40</u>	

Accounts receivable written off in 2016 are analysed below:

	Nature of the receivable	Amount	Reason	Related party transaction or not
Guangdong Liyuan Pharmaceutical Co., Ltd.	Loan	<u>14,517,375.00</u>	Non-recoverable	No

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**3. Accounts receivable (Continued)**

Accounts receivable written off in 2015 are analysed below:

	Nature of the receivable	Amount	Reason	Related party transaction or not
Beijing Huayuan Renji Pharmaceutical Co., Ltd. (i)	Loan	31,691.36	Disputes won but client has no property to implement Recoverability in significant doubt due to long age	No
Others (i)	Loan	<u>5,490.00</u>		No
		<u>37,181.36</u>		

(i) They were written off in the current year after being approved by the board of directors.

As at 31 December 2016, the top five accounts receivable by customer are summarised below:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	152,479,008.73	(516,738.27)	1.98%
Top 2 Account receivable	136,646,805.83	(473,935.95)	1.77%
Top 3 Account receivable	130,842,086.73	(985,351.62)	1.70%
Top 4 Account receivable	103,132,401.51	-	1.34%
Top 5 Account receivable	<u>85,227,222.06</u>	<u>(186,185.24)</u>	<u>1.11%</u>
	<u>608,327,524.86</u>	<u>(2,162,211.08)</u>	<u>7.90%</u>

As at 31 December 2015, the top five accounts receivable by customer are summarised below:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	149,343,916.00	(217,538.40)	1.89%
Top 2 Account receivable	144,907,927.18	(504,492.86)	1.83%
Top 3 Account receivable	132,730,819.09	(482,430.64)	1.68%
Top 4 Account receivable	111,477,310.47	-	1.41%
Top 5 Account receivable	<u>109,919,843.73</u>	<u>(923,038.14)</u>	<u>1.39%</u>
	<u>648,379,816.47</u>	<u>(2,127,500.04)</u>	<u>8.21%</u>

Analysis of accounts receivable of which the recognition was terminated due to a financial asset transfer is as follows:

In 2016, accounts receivable of RMB1,687,263,359.73 have been factored to a financial institute (2015: RMB605,173,250.60).

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

**(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 analyzed below:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	411,644,193.52	96.89%	621,910,670.22	97.85%
1 to 2 years	11,793,388.28	2.77%	10,497,718.47	1.65%
2 to 3 years	800,000.00	0.19%	3,184,544.96	0.50%
Above 3 years	630,000.00	0.15%	9,714.52	0.00%
	424,867,581.80	100.00%	635,602,648.17	100.00%

The prepayment aged for more than a year is mainly the advance made by South Pharma & Trade to suppliers for equipment to be resold to the hospitals amounting to RMB12,927,024.58 (31 December 2015: RMB13,277,220.08) as the hospital equipment procurement is a large project and takes a long time to complete.

(b) As at 31 December 2016, the top five advances to suppliers by customer are summarized below:

	Amount	Proportion of total balance
Total amount of top five advances to suppliers	91,769,873.47	21.60%

**5. Interest receivable**

	31 December 2016	31 December 2015
Fixed deposits	450,722.67	197,875.00

**6. Dividend receivable**

	31 December 2016	31 December 2015
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	-	964,600.00

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**7. Other receivables**

	31 December 2016	31 December 2015
Deposits	192,975,588.52	149,875,716.95
Receivable of equity transactions	8,980,000.00	8,980,000.00
Petty cash advance to employees	14,926,087.80	11,952,517.51
Receivable due from related parties	141,523,200.48	270,696,858.20
Others	<u>135,585,385.78</u>	<u>76,243,603.59</u>
	493,990,262.58	517,748,696.25
Less: provision for bad debts	<u>(19,202,619.30)</u>	<u>(19,117,084.21)</u>
	<u><u>474,787,643.28</u></u>	<u><u>498,631,612.04</u></u>

(a) The ageing of other receivables is analyzed below:

	31 December 2016	31 December 2015
Within 1 year	446,187,889.37	480,857,880.71
1 to 2 years	15,346,020.98	10,089,531.80
2 to 3 years	6,037,372.86	1,934,242.47
Above 3 years	<u>26,418,979.37</u>	<u>24,867,041.27</u>
	493,990,262.58	517,748,696.25
	<u><u>493,990,262.58</u></u>	<u><u>517,748,696.25</u></u>

(b) Changes of related provision for bad debts are analyzed below:

	Balance at the beginning of the year	Increases in the year	Reversal in the year	Written off in the year	Decreased in reorganization	Balance at the end of the year
2016	<u>19,117,084.21</u>	<u>181,998.77</u>	<u>(57,164.51)</u>	<u>(3,692.31)</u>	<u>(35,606.86)</u>	<u>19,202,619.30</u>
2015	<u>19,889,436.87</u>	<u>548,703.09</u>	<u>(1,291,055.75)</u>	<u>(30,000.00)</u>	<u>-</u>	<u>19,117,084.21</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

7. Other receivables (Continued)

(c) Other receivables and related provision for bad debts by category are analyzed below:

	31 December 2016				31 December 2015			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant and subject to separate impairment assessment	184,418,573.80	37.33%	(9,315,472.11)	5.05%	390,903,981.46	75.50%	(8,980,000.00)	2.30%
Receivable accounts with similar credit risk	286,923,888.75	58.08%	(2,655,875.78)	0.93%	79,469,817.66	15.35%	(2,616,590.99)	3.29%
Individually not significant but individually evaluated for impairment	22,647,800.03	4.59%	(7,231,271.41)	31.93%	47,374,897.13	9.15%	(7,520,493.22)	15.87%
	<u>493,990,262.58</u>	<u>100.00%</u>	<u>19,202,619.30</u>	<u>3.89%</u>	<u>517,748,696.25</u>	<u>100.00%</u>	<u>(19,117,084.21)</u>	<u>3.69%</u>

(d) As at 31 December 2016, impairment provision for other receivables individually significant are analyzed as below:

	Amount	Bad debt provision	Rate	Assessment for impairment
Deposit	169,946,811.59	0.00	0.00%	Cash deposit, no risk of recoverable, no provision
Staff temporary borrowings Shenzhen Yinghai Technology Investment Co., Ltd.	5,491,762.21	(335,472.11)	6.11%	Staff temporary borrowings, partially unrecoverable
	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	<u>100.00%</u>	Uncertainty in recoverability
	<u>184,418,573.80</u>	<u>(9,315,472.11)</u>	<u>5.05%</u>	

As at 31 December 2015, impairment provision for other receivables which were individually significant is analyzed as below:

	Amount	Bad debt provision	Rate	Assessment for impairment
Sinopharm Group Co., Ltd.	264,174,065.35	-	0.00%	Cash pool receivables from a related party, no risk of recoverable, and no provision
Deposit Shenzhen Yinghai Technology Investment Co., Ltd.	117,749,916.11	-	0.00%	Health insurance and rent deposits receivable, no risk of recovering, no provision
	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	<u>100.00%</u>	Uncertainty in recoverability
	<u>390,903,981.46</u>	<u>(8,980,000.00)</u>	<u>2.30%</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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V Notes to the consolidated financial statements (Continued)

7. Other receivables (Continued)

- (e) Provisions for impairment of the receivables which are within a similar risk group are analyzed below:

	31 December 2016			31 December 2015		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	amount	Amount	Rate	Amount	Amount	Rate
Within 1 year	283,705,612.68	(2,340,716.26)	0.83%	75,773,358.42	(2,181,983.35)	2.88%
1 to 2 years	1,922,485.83	(92,014.77)	4.79%	2,467,748.49	(178,494.46)	7.23%
2 to 3 years	367,037.96	(36,703.80)	10.00%	232,359.80	(23,235.98)	10.00%
Above 3 years	928,752.28	(186,440.95)	20.07%	996,350.95	(232,877.20)	23.37%
	<u>286,923,888.75</u>	<u>(2,655,875.78)</u>	<u>0.93%</u>	<u>79,469,817.66</u>	<u>(2,616,590.99)</u>	<u>3.29%</u>

- (f) Bad debt provision of other receivables in 2016 was RMB181,998.77 (2015: RMB548,703.09), with the recovered or reversed amount of RMB57,164.51 (2015: RMB1,291,055.75).
- (g) Other receivables written off in the current year were RMB3,692.31 (2015: RMB30,000.00).
- (h) As at 31 December 2016, the top 5 parties that owed the largest amounts of other receivable balances are analyzed below:

	Nature	Amount	Age	% of total amount	Provision of bad debt
Shanghai Shyndec Pharmaceutical Co., Ltd.	Cash deposit relating to significant corporate restructuring and money advanced for construction project	137,191,103.76	Within 1 year	27.77%	-
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform payments not yet cleared	73,358,155.83	Within 1 year	14.85%	-
Shenyang Tiexi State Owned Assets Supervision and Administration Bureau	Cash deposit	15,000,000.00	Within 1 year	3.04%	-
Taiyuan Medical Insurance Management Center	Medical insurance deposit	12,776,150.89	Within 1 year	2.59%	-
Shenyang Social Security Administration	Medical insurance deposit	11,335,599.41	Within 1 year	2.29%	-
		<u>249,661,009.89</u>		<u>50.54%</u>	<u>-</u>

As at 31 December 2015, the top 5 parties that owed the largest amounts of other receivable balances are analyzed below:

	Nature	Amount	Age	% of total amount	Provision of bad debt
Shenyang Social Security Administration	Medical insurance deposit	32,291,211.79	Within 1 year	6.24%	-
Taiyuan Medical insurance management center	Medical insurance deposit	11,370,505.75	Within 1 year	2.20%	-
Shenzhen Yinghai Technology Investment Co., Ltd.	Receivable for share transfer	8,980,000.00	More than 5 years	1.73%	(8,980,000.00)
Shenzhen social insurance fund administration	Medical insurance deposit	8,459,492.39	Within 1 year	1.63%	-
Liyang medical insurance fund administration	Medical insurance deposit	8,378,677.60	Within 1 year	1.61%	-
		<u>69,479,887.53</u>		<u>13.41%</u>	<u>(8,980,000.00)</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**8. Inventories**

(a) Inventories by category are analyzed below:

	31 December 2016			31 December 2015		
	Book value	Provision	Net book value	Book value	Provision	Net book value
Raw materials	463,493.71	-	463,493.71	119,787,461.99	(2,825,858.08)	116,961,603.91
Consigned processing materials	-	-	-	1,959,239.89	-	1,959,239.89
Finished goods	4,061,265,347.64	(14,930,813.47)	4,046,334,534.17	4,047,532,872.49	(26,596,837.25)	4,020,936,035.24
Work in progress	277,528.67	-	277,528.67	23,461,516.85	(6,773,872.30)	16,687,644.55
Low cost consumables	2,406,973.16	-	2,406,973.16	8,636,151.35	(23,001.88)	8,613,149.47
	<u>4,064,413,343.18</u>	<u>(14,930,813.47)</u>	<u>4,049,482,529.71</u>	<u>4,201,377,242.57</u>	<u>(36,219,569.51)</u>	<u>4,165,157,673.06</u>

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

	1 January 2016	Increases	Decreases			31 December 2016
			Reversal	Written off	Decreased in reorganization	
Raw materials	2,825,858.08	10,933.12	-	-	(2,836,791.20)	-
Finished goods	26,596,837.25	7,736,615.11	(6,271,860.18)	(2,777,174.55)	(10,353,604.16)	14,930,813.47
Work in progress	6,773,872.30	86,929.62	-	-	(6,860,801.92)	-
Low cost consumables	23,001.88	-	-	-	(23,001.88)	-
	<u>36,219,569.51</u>	<u>7,834,477.85</u>	<u>(6,271,860.18)</u>	<u>(2,777,174.55)</u>	<u>(20,074,199.160)</u>	<u>14,930,813.47</u>

	1 January 2015	Increases in merge	Increases	Decreases		31 December 2015
				Reversal	Written off	
Raw materials	3,596,085.79	-	648,943.01	(57,403.07)	(1,361,767.65)	2,825,858.08
Finished goods	16,631,436.72	584,091.82	24,739,290.39	(4,231,699.97)	(11,126,281.71)	26,596,837.25
Work in progress	6,537,971.20	-	654,047.39	(418,146.29)	-	6,773,872.30
Low cost consumables	19,254.66	-	21,919.76	(5,770.71)	(12,401.83)	23,001.88
	<u>26,784,748.37</u>	<u>584,091.82</u>	<u>26,064,200.55</u>	<u>(4,713,020.04)</u>	<u>(12,500,451.19)</u>	<u>36,219,569.51</u>

(c) Provision of inventories is determined according to the gap between the net realizable value and the inventory book value.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### V Notes to the consolidated financial statements (Continued)

#### 9. Other current assets

	31 December 2016	31 December 2015
VAT tax credit	54,641,868.38	51,084,243.99
Corporate income tax to be deducted	520,764.03	2,577,454.90
Other	2,044,674.94	293,461.72
	<u>57,207,307.35</u>	<u>53,955,160.61</u>

#### 10. Available-for-sale financial assets

	31 December 2016	31 December 2015
Available-for-sale equity instruments		
- Measured at cost	13,865,760.00	2,855,760.00
Impairment provision	<u>180,000.00</u>	<u>180,000.00</u>
	<u>13,685,760.00</u>	<u>2,675,760.00</u>

The percentages of voting interests held by the Group in Shanghai Guoda Shuguang Pharmacy Co., Ltd, Shanghai Guoren Pharmacy Co., Ltd., Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd., Hunan Zhongbai pharmaceutical investment Co., Ltd. and Sinopharm Health Online Co., Ltd. are 25%, 10%, 10%, 7% and 10%, respectively. However, the Group neither appoint the directors and key management for those 5 companies, nor involve in or affect the financial or operating decision-making process or ordinary course of business of those companies. Therefore, the Group had no significant influence over the above companies and recognized its investments in those companies as available-for-sale equity instruments.

The group has 18% voting rights in Xinxiang Golden Elephant Technology Co., Ltd. (“Xinxiang Golden Elephant”), the amount of investment is RMB180,000. However, none of the directors or any key members of the management team were appointed by the group. The group has neither participated in nor had any impact on Xinxiang Golden Elephant’s financial affairs, operating decisions, or operating activities. Therefore, the Group had no significant impact on Xinxiang Golden Elephant and was considered as available for sale equity instruments. As at 31 December 2016 and 31 December 2015, full impairment provision for investment in Xinxiang Golden Elephant was accrued.

As at 31 December 2016, the carrying value of unlisted equity investment was RMB13,685,760.00 (31 December 2015: RMB2,675,760.00) and presented at net cost, because the reasonable fair value was unavailable and the Group considered that its fair value cannot be measured reasonably.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

10. Available-for-sale financial assets (Continued)

2016:

Investee	Carrying amount				Impairment provision				Shareholding (%)	received for the year
	Opening	Increase	Decrease	Closing	Opening	Increase	Decrease	Closing		
Sinopharm Health Online Co., Ltd.	-	12,000,000.00	-	12,000,000.00	-	-	-	-	10.00	-
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-	-	-	10.00	-
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd. (“Guoda Taishan”)	990,000.00	-	(990,000.00)	-	-	-	-	-	-	-
Hunan Zhongbai pharmaceutical investment Co., Ltd.	315,000.00	-	-	315,000.00	-	-	-	-	7.00	-
Shanghai Guoda Shuguang Pharmacy Co., Ltd.	270,760.00	-	-	270,760.00	-	-	-	-	25.00	50,000.00
Xinxiang Golden Elephant. Shanghai Guoren Pharmacy Co., Ltd.	180,000.00	-	-	180,000.00	(180,000.00)	-	-	(180,000.00)	18.00	-
	100,000.00	-	-	100,000.00	-	-	-	-	10.00	426,094.35
	<u>2,855,760.00</u>	<u>12,000,000.00</u>	<u>(990,000.00)</u>	<u>13,865,760.00</u>	<u>(180,000.00)</u>	<u>-</u>	<u>-</u>	<u>(180,000.00)</u>	<u>-</u>	<u>476,094.35</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

10. Available-for-sale financial assets (Continued)

2015:

Investee	Carrying amount				Impairment provision				Shareholding (%)	received for the year
	Opening	Increase	Decrease	Closing	Opening	Increase	Decrease	Closing		
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-	-	-	10.00	-
Guoda Taishan	-	990,000.00	-	990,000.00	-	-	-	-	10.00	-
Hunan Zhongbai pharmaceutical investment Co., Ltd.	1,050,000.00	-	(735,000.00)	315,000.00	-	-	-	-	7.00	-
Shanghai Guoda Shuguang Pharmacy Co., Ltd.	270,760.00	-	-	270,760.00	-	-	-	-	25.00	50,000.00
Xinxiang Golden Elephant.	180,000.00	-	-	180,000.00	(180,000.00)	-	-	(180,000.00)	18.00	-
Shanghai Guoren Pharmacy Co., Ltd.	100,000.00	-	-	100,000.00	-	-	-	-	10.00	393,835.19
	<u>2,600,760.00</u>	<u>990,000.00</u>	<u>(735,000.00)</u>	<u>2,855,760</u>	<u>(180,000.00)</u>	<u>-</u>	<u>-</u>	<u>(180,000.00)</u>	<u>-</u>	<u>443,835.19</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

11. Long-term equity investments

Associates in 2016

Investee	1 January 2016	Changes in the year					31 December 2016	Provision for impairment
		Additional Investment	Investments gained under other method	Profit of loss under equity method	Other changes in equity	Cash dividend declared by investee		
Associates								
Shenzhen Main Luck Pharmaceutical Inc. (“Main Luck Pharmaceutical”). (a)	179,567,519.13	-	-	62,881,567.77	-	(35,190,000.00)	207,259,086.90	-
Sinopharm Holding Zhuhai Co., Ltd (“Sinopharm Zhuhai”).(b)	1,264,195.42	-	-	155,944.54	-	-	1,420,139.96	-
Shanghai Beivi Guoda Pharmaceutical Co. Ltd. (c)	8,824,803.91	-	-	1,119,551.58	-	(964,269.01)	8,980,086.48	-
Shanghai Liyi Pharmacy Co., Ltd. (d)	626,110.68	-	-	16,369.01	-	-	642,479.69	-
Sinopharm Holding Guoda Jilin Yongxin Pharmacy Chain Co., Ltd. (Guoda Jilin Yongxin) (e)	-	-	-	-	-	-	-	-
Dongyuan Accord Pharmaceutical Chain Co., Ltd. (f)	396,638.32	-	-	-	-	-	396,638.32	396,638.32
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd. (“Guangdong Jie nuo”) (g)	-	9,860,000.00	-	(417,258.39)	-	-	9,442,741.61	-
Zhijun Suzhou (h)	-	-	77,722,387.95	(8,079,401.97)	-	-	69,642,985.98	-
Zhijun Medicine. (i)	-	-	370,773,608.48	20,707,823.70	-	(216,661,020.11)	174,820,412.07	-
Zhijun Trade. (i)	-	-	7,319,933.88	84,193.03	-	(1,205,306.51)	6,198,820.40	-
Pingshan Medicine (i)	-	-	42,585,612.04	4,502,346.27	-	-	47,087,958.31	-
Shyndec Pharmaceutical.(i)	-	871,794,861.65	-	16,104,358.86	(359,766.35)	-	887,539,454.16	-
	<u>190,679,267.46</u>	<u>881,654,861.65</u>	<u>498,401,542.35</u>	<u>97,075,494.40</u>	<u>(359,766.35)</u>	<u>(254,020,595.63)</u>	<u>1,413,430,803.88</u>	<u>396,638.32</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

11. Long-term equity investments (Continued)

Associates in 2015

Investee	1 January 2015	Changes in the year					31 December 2015	Provision for impairment
		Additional investment	Profit of loss under the equity method	Other changes in equity	Cash dividend declared by investee	Other		
Associates								
Main Luck Pharmaceutical (a)	157,604,846.85	-	57,152,672.28	-	(35,190,000.00)	-	179,567,519.13	-
Sinopharm Zhuhai (b)	-	1,002,980.00	261,215.42	-	-	-	1,264,195.42	-
Shanghai Beiyi Guoda pharmaceutical Co. Ltd. (c)	8,718,203.91	-	1,071,200.00	-	(964,600.00)	-	8,824,803.91	-
Shanghai Liyi Pharmacy Co., Ltd. (d)	-	-	59,565.48	-	-	566,545.20	626,110.68	-
Guoda Jilin Yongxin (e)	-	-	-	-	-	-	-	-
Dongyuan accord pharmaceutical chain Co., Ltd. (f)	396,638.32	-	-	-	-	-	396,638.32	396,638.32
	<u>166,719,689.08</u>	<u>1,002,980.00</u>	<u>58,544,653.18</u>	<u>-</u>	<u>(36,154,600.00)</u>	<u>566,545.20</u>	<u>190,679,267.46</u>	<u>396,638.32</u>

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### V Notes to the consolidated financial statements (Continued)

#### 11. Long-term equity investments (Continued)

- (a) On 4 July 1990, the Group jointly established Main Luck Pharmaceutical with Mercian Kabushiki Kaisha and Wanlian Co., Ltd., subscribe 35.19%, 34.15% and 30.66% shareholding, respectively. According to the Articles of Association, the board of directors of Main Luck Pharmaceutical consisted of six directors, in which two were appointed by the Group, accounting for 33.33% of voting rights. Therefore, the Group had significant influence over Main Luck Pharmaceutical, and thus it was considered as an associate of the Group.
- (b) On 3 March 2015, the Group acquired a 10% equity interest of Sinopharm Zhuhai, Sinopharm Zhuhai's highest authority was the shareholders' meeting, and the voting rights shall be exercised by the shareholders in proportion to capital contribution. Sinopharm Zhuhai has set up a board of directors that was responsible to the shareholders, with a total of three members, one of whom was appointed by the Group. Each director shall represent one vote, and all the resolutions of the board of directors shall be passed by at least half of all the directors. Therefore, the Group had significant influence over Sinopharm Zhuhai, and thus it was considered as an associate of the Group.
- (c) On 26 July 1994, the Group jointly established Shanghai Beiyi Guoda Pharmaceutical Co. Ltd with Shanghai Beiyi (Group) Co., Ltd. and eight natural persons including Fuchun Zhu, the share percentage being 26%, 26% and 48%, respectively. According to the Articles of Association, the board of directors of Shanghai Beiyi Guoda Pharmaceutical Co. Ltd. consisted of seven directors, in which two were appointed by the Group, accounting for 28.57% of voting rights. Therefore, the Group had significant influence over Shanghai Beiyi Guoda Pharmaceutical Co. Ltd., and thus it was considered as an associate of the Group.
- (d) On 25 November 2003, the Group jointly established Shanghai Liyi Pharmacy Co., Ltd. with Shanghai Pudong District Central Hospital and Shanghai Liyi Technology Co., Ltd., the share percentage being 35%, 35% and 30%, respectively. According to the Articles of Association, the board of directors of Shanghai Liyi Pharmacy Co., Ltd consisted of five directors, in which two were appointed by the Group, accounting for 40.00% of voting rights. Therefore, the Group had significant influence over Shanghai Liyi Pharmacy Co., Ltd, and thus it was considered as an associate of the Group.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### V Notes to the consolidated financial statements (Continued)

#### 11. Long-term equity investments (Continued)

- (e) The Group entered a joint venture agreement with Jilin Province Yuzhenkema Co., Ltd. in respect of funding and establishing Sinopharm Holding Guoda Jilin Yongxin Pharmacy Chain Co., Ltd. (“Jilin Yongxin”) with a registered capital of RMB6,670,000.00, the share percentage being 10% and 90%, respectively. The Group could exercise significant influence over Jilin Yongxin as it appointed one of the three directors and one of the two supervisors as well as the Financial Controller of Jilin Yongxin, even though it held less than 20% voting rights of Jilin Yongxin. Therefore, Jilin Yongxin was considered as an associate of the Group.

Pursuant to the agreement, Jilin Province Yuzhenkema Co., Ltd. was responsible for transferring all the businesses to the new entity; and when the new entity's monthly actual sales reached RMB6,500,000, the Group's statutory equity ratio would be increased from 10% to 70%, and both parties would agree to enter into the Equity Transfer Agreement. The transition period of the transaction would be the period between the establishment date of the entity and the date on which the equity transfer procedure was officially completed. The profit and loss occurred during this period would be recognized by the Group and Jilin Province Yuzhenkema Co., Ltd. in the proportion of shareholding after the equity transfer was completed. As at 31 December 2015, Jilin Yongxin incurred a net liability due to continuous loss. The carrying value of long-term equity investment was written down to zero when recognizing the shared net loss. According to the agreement, the Group also provide provisions for those additional loss required to be born by the Group according to the agreement, and recognized investment loss in year 2015. As at 31 December 2016, the Group had transferred the 10% equity interest to Jilin Province Yuzhenkema Co., Ltd. with a consideration of RMB226,000.00. The agreement also requires Jilin province Yuzhenkema Co., Ltd. to share the profit or loss occurred before the equity transfer completed in the proportion of shareholding after the equity transfer completed. Hence the Group was able to reverse the recorded provisions and recognized an investment income in 2016 based on the reversal of provision as well as the equity transfer consideration received (Note V (36), (Note V (52))).

- (f) In 2007, Dongyuan Accord Pharmaceutical Chain Co., Ltd., an associate of the Group, operated in poor conditions and its future operation would be significantly uncertain, so the Group made a full provision for impairment of the long-term equity investment on it.
- (g) On 23 February 2016, the Group jointly established Guangdong Jienuo with Sinopharm Jienuo Medical Treatment Service Co., Ltd. and Guangzhou Jinluo Investment Development Co., Ltd., the share percentage being 29%, 51% and 20%, respectively. According to the Articles of Association, the board of directors of Guangdong Jienuo was composed of five directors, one of whom were appointed by the Group, accounting for 20% of voting rights. Therefore, the Group had significant influence over Guangdong Jienuo and thus it was considered as an associate of the Group.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**V Notes to the consolidated financial statements (Continued)**

**11. Long-term equity investments (Continued)**

- (h) The Group disposed its 67% equity interest of Zhijun Suzhou on 26 April 2016. After the disposal, the Group held 33% equity interest of Zhijun Suzhou (Note VI (2)). As a result, the Group had significant influence over Zhijun Suzhou and thus it was considered as an associate of the Group.
- (i) The Group subscribed 15.56% of new issued shares of Shyndec Pharmaceutical, a related party, by the transferring of the productive assets in Pingshan base and its 51% equity interest of three pharmaceutical companies of the Group respectively in 2016. After the completion of the reorganization, Shyndec Pharmaceutical holds a 51% equity interest of each of the three pharmaceutical companies, and the Group holds a 49% equity interest of each of the three pharmaceutical companies, which has significant influence over the three pharmaceutical companies. At the same time, after the completion of the reorganization, the Group holds a 15.56% equity interest of Shyndec Pharmaceutical. Shyndec Pharmaceutical set up a board of directors that was responsible for the shareholders' meeting, with a total of nine members, in which one was appointed by the Group. Each director shall represent one vote for resolutions of the board, accounting for 11.11% of the voting rights. The Group has significant influence over Shyndec Pharmaceutical. The above three pharmaceutical companies and Shyndec Pharmaceutical are considered as associates of the Group.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

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**V Notes to the consolidated financial statements (Continued)**

**12. Investment properties**

Subsequent measurement under the cost model:

2016	Buildings and constructions	Land use right	Total
<b>Original cost</b>			
Opening balance	249,200,861.95	24,477,650.62	273,678,512.57
Transfer from fixed assets	20,378,781.43	-	20,378,781.43
Transfer from intangible assets	-	62,726.06	62,726.06
Disposal of subsidiaries	(16,981,059.62)	-	(16,981,059.62)
Transfer to intangible assets	-	(706,386.41)	(706,386.41)
Transfer to fixed assets	(7,149,582.01)	-	(7,149,582.01)
Disposal and retirement	(190,274.72)	-	(190,274.72)
Closing balance	<u>245,258,727.03</u>	<u>23,833,990.27</u>	<u>269,092,717.30</u>
<b>Accumulated depreciation and amortization</b>			
Opening balance	(102,045,177.72)	(7,680,160.11)	(109,725,337.83)
Provision	(6,630,617.36)	(752,896.61)	(7,383,513.97)
Transfer from fixed assets	(2,516,240.39)	-	(2,516,240.39)
Transfer from intangible assets	-	(2,299.92)	(2,299.92)
Disposal of subsidiaries	16,941,566.58	-	16,941,566.58
Transfer to intangible assets	-	387,144.02	387,144.02
Transfer to fixed assets	1,076,244.11	-	1,076,244.11
Disposal or retirement	145,568.90	-	145,568.90
Closing balance	<u>(93,028,655.88)</u>	<u>(8,048,212.62)</u>	<u>(101,076,868.50)</u>
<b>Provision for impairment</b>			
Opening balance	(1,300,000.00)	-	(1,300,000.00)
Closing balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
<b>Carrying amount</b>			
At end of year	<u>150,930,071.15</u>	<u>15,785,777.65</u>	<u>166,715,848.80</u>
At beginning of the year	<u>145,855,684.23</u>	<u>16,797,490.51</u>	<u>162,653,174.74</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**12. Investment properties (Continued)**

Subsequent measurement under the cost model (Continued):

2015	Buildings and constructions	Land use right	Total
<b>Original cost</b>			
Opening balance	168,479,306.84	26,189,883.39	194,669,190.23
Purchase	70,153,819.76	-	70,153,819.76
Transfer from fixed assets	18,296,353.26	-	18,296,353.26
Transfer from intangible assets	-	1,133,863.36	1,133,863.36
Transfer to intangible assets	-	(1,094,896.13)	(1,094,896.13)
Transfer to intangible assets	(3,959,294.92)	-	(3,959,294.92)
Disposal and retirement	(3,769,322.99)	(1,751,200.00)	(5,520,522.99)
Closing balance	<u>249,200,861.95</u>	<u>24,477,650.62</u>	<u>273,678,512.57</u>
<b>Accumulated depreciation and amortization</b>			
Opening balance	(99,290,478.09)	(7,405,111.62)	(106,695,589.71)
Provision	(6,019,521.15)	(295,417.22)	(6,314,938.37)
Transfer from fixed assets	(1,701,527.59)	-	(1,701,527.59)
Transfer from intangible assets	-	(128,524.56)	(128,524.56)
Transfer to intangible assets	-	148,893.29	148,893.29
Transfer to intangible assets	1,891,217.07	-	1,891,217.07
Disposal and retirement	3,075,132.04	-	3,075,132.04
Closing balance	<u>(102,045,177.72)</u>	<u>(7,680,160.11)</u>	<u>(109,725,337.83)</u>
<b>Provision for impairment</b>			
Opening balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
Closing balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
<b>Carrying amount</b>			
At end of year	<u>145,855,684.23</u>	<u>16,797,490.51</u>	<u>162,653,174.74</u>
At beginning of the year	<u>67,888,828.75</u>	<u>18,784,771.77</u>	<u>86,673,600.52</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**V Notes to the consolidated financial statements (Continued)**

**12. Investment properties (Continued)**

Subsequent measurement under the cost model (Continued):

During 2016, depreciation of investment property was RMB7,383,513.97 (2015: RMB6,314,938.37)。

During 2016, properties with a carrying amount of RMB17,862,541.04 (original value: RMB20,378,781.43, accumulated depreciation: RMB2,516,240.39) and land use rights with a carrying amount of RMB60,426.14 (original value of land use rights: RMB62,726.06, accumulated depreciation: RMB2,299.92) were leased. From the date of transfer, the transfer property and land use rights were reclassified as Investment properties.

During 2016, the disposal of subsidiaries caused a decrease in net book value of investment properties amounting to RMB39,493.04 (original value: RMB16,981,059.62, accumulated depreciation: RMB16,941,566.58).

During 2016, a property with a carrying amount of RMB6,073,337.90 (original value of a buildings: RMB7,149,582.01, accumulated depreciation: RMB1,076,244.11) and land use rights with a carrying amount of RMB319,242.39 (original value of exclusive distribution rights: RMB706,386.41, accumulated depreciation: RMB387,144.02) transferred to owner-occupied property. From the date of transfer, the property and land use rights were reclassified as fixed assets and intangible assets.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

13. Fixed assets

2016

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
<b>Original cost</b>						
Opening balance	1,083,130,279.82	574,763,347.43	98,645,685.13	376,767,380.65	37,402,811.81	2,190,642,821.84
Purchase	9,432,887.03	10,613,251.29	8,285,220.62	29,250,205.80	14,554,923.63	72,136,488.37
Transfer from construction in progress	62,850,281.34	71,727,554.65	-	1,649,017.21	11,099,018.87	147,325,872.07
Transfer from Investment properties	7,149,582.01	-	-	-	-	7,149,582.01
Business combination not involving enterprises under common control	-	-	214,439.69	838,535.63	316,712.48	1,369,687.80
Transfer to Investment properties	(20,378,781.43)	-	-	-	-	(20,378,781.43)
Disposal of subsidiaries	(354,119,994.82)	(374,915,985.66)	(6,849,716.43)	(162,503,087.71)	(35,503,049.13)	(933,891,833.75)
Disposal or retirement	(371,194,019.41)	(145,520,314.63)	(9,582,161.05)	(5,474,339.97)	(5,496,702.77)	(537,267,537.83)
Closing balance	<u>416,870,234.54</u>	<u>136,667,853.08</u>	<u>90,713,467.96</u>	<u>240,527,711.61</u>	<u>22,373,714.89</u>	<u>907,152,982.08</u>
<b>Accumulated depreciation</b>						
Opening balance	(205,438,438.54)	(260,314,953.03)	(61,342,652.40)	(234,967,814.19)	(20,580,071.74)	(782,643,929.90)
Provision	(44,567,606.50)	(36,813,001.26)	(9,801,608.84)	(25,058,794.30)	(16,396,435.53)	(132,637,446.43)
Transfer from Investment properties	(1,076,244.11)	-	-	-	-	(1,076,244.11)
Transfer to Investment properties	2,516,240.39	-	-	-	-	2,516,240.39
Disposal of subsidiaries	92,687,153.26	218,544,767.02	6,078,685.58	114,149,497.01	13,528,652.34	444,988,755.21
Disposal or retirement	15,924,645.43	20,972,414.47	5,928,802.35	3,279,645.28	2,603,735.33	48,709,242.86
Closing balance	<u>(139,954,250.07)</u>	<u>(57,610,772.80)</u>	<u>(59,136,773.31)</u>	<u>(142,597,466.20)</u>	<u>(20,844,119.60)</u>	<u>(420,143,381.98)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2016(Continued)

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
<b>Provision for impairment</b>						
Opening balance	(2,449,498.76)	(12,493,558.67)	-	(106,511.27)	(366,438.25)	(15,416,006.95)
Disposal of subsidiaries	2,449,498.76	12,493,558.67	-	106,511.27	366,438.25	15,416,006.95
Closing balance	-	-	-	-	-	-
<b>Carrying amount</b>						
At end of year	276,915,984.47	79,057,080.28	31,576,694.65	97,930,245.41	1,529,595.29	487,009,600.10
At beginning of the year	875,242,342.52	301,954,835.73	37,303,032.73	141,693,055.19	16,456,301.82	1,372,649,567.99

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2015

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
<b>Original cost</b>						
Opening balance	757,462,411.08	497,280,605.36	97,863,983.71	327,587,091.95	30,798,145.75	1,710,992,237.85
Purchase	9,263,127.45	12,422,758.41	6,885,522.87	39,318,942.20	1,019,222.79	68,909,573.72
Transfer from construction in progress	306,488,589.42	95,855,566.83	-	10,397,926.65	8,486,568.38	421,228,651.28
Transfer from Investment properties	3,959,294.92	-	-	-	-	3,959,294.92
Business combination not involving enterprises under common control	24,603,719.75	85,669.04	3,507,946.08	9,571,347.97	-	37,768,682.84
Transfer to Investment properties	(18,296,353.26)	-	-	-	-	(18,296,353.26)
Disposal or retirement	(350,509.54)	(30,881,252.21)	(9,611,767.53)	(10,107,928.12)	(2,901,125.11)	(53,852,582.51)
Closing balance	<u>1,083,130,279.82</u>	<u>574,763,347.43</u>	<u>98,645,685.13</u>	<u>376,767,380.65</u>	<u>37,402,811.81</u>	<u>2,170,709,504.84</u>
<b>Accumulated depreciation</b>						
Opening balance	(174,397,975.96)	(239,314,138.54)	(57,790,379.94)	(201,262,159.10)	(18,665,819.09)	(691,430,472.63)
Provision	(31,084,257.49)	(41,034,680.67)	(11,401,183.98)	(42,787,965.24)	(4,726,964.30)	(131,035,051.68)
Transfer from Investment properties	(1,891,217.07)	-	-	-	-	(1,891,217.07)
Transfer to Investment properties	1,701,527.59	-	-	-	-	1,701,527.59
Disposal or retirement	233,484.39	20,033,866.18	7,848,911.52	9,082,310.15	2,812,711.65	40,011,283.89
Closing balance	<u>(205,438,438.54)</u>	<u>(260,314,953.03)</u>	<u>(61,342,652.40)</u>	<u>(234,967,814.19)</u>	<u>(20,580,071.74)</u>	<u>(782,643,929.90)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

2015(Continued)

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
<b>Provision for impairment</b>						
Opening balance	(2,449,969.17)	(20,855,885.66)	-	(2,873.43)	(7,758.64)	(23,316,486.90)
Provision	(81,588.55)	(994,108.56)	-	(106,511.27)	(358,679.61)	(1,540,887.99)
Disposal of subsidiaries	82,058.96	9,356,435.55	-	2,873.43	-	9,441,367.94
Ending balance	<u>(2,449,498.76)</u>	<u>(12,493,558.67)</u>	<u>-</u>	<u>(106,511.27)</u>	<u>(366,438.25)</u>	<u>(15,416,006.95)</u>
<b>Carrying amount</b>						
At end of year	<u>875,242,342.52</u>	<u>301,954,835.73</u>	<u>37,303,032.73</u>	<u>141,693,055.19</u>	<u>16,456,301.82</u>	<u>1,372,649,567.99</u>
At beginning of the year	<u>580,614,465.95</u>	<u>237,110,581.16</u>	<u>40,073,603.77</u>	<u>126,322,059.42</u>	<u>12,124,568.02</u>	<u>996,245,278.32</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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V Notes to the consolidated financial statements (Continued)

13. Fixed assets (Continued)

(a) Fixed assets held under finance leases are presented as follows:

2016	Original cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	21,312,957.86	(2,747,553.98)	-	18,565,403.88
Other equipment	2,154,468.72	(281,867.26)	-	1,872,601.46
	<u>23,467,426.58</u>	<u>(3,029,421.24)</u>	<u>-</u>	<u>20,438,005.34</u>

(b) As at 31 December 2016 and 31 December 2015, there were no fixed assets for which certificates of title have not been obtained.

(c) As at 31 December 2016 and 31 December 2015, there were no fixed assets that were leased under operating leases.

(d) As at 31 December 2016 and 31 December 2015, there were no fixed assets that were temporarily idle.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

14. Construction in progress

	31 December 2016			31 December 2015		
	Carrying balance	Provision for impairment	Carrying amount	Carrying balance	Provision for impairment	Carrying amount
Warehouse improvement project	14,044,783.68	-	14,044,783.68	5,341,796.63	-	5,341,796.63
New office building project	7,979,356.35	-	7,979,356.35	7,682,660.00	-	7,682,660.00
Supply chain extension project	5,209,203.43	-	5,209,203.43	12,620,204.41	-	12,620,204.41
Software project	10,889,391.67	-	10,889,391.67	8,767,497.12	-	8,767,497.12
Pingshan pharmaceutical research & development manufacturing base	-	-	-	129,597,181.05	-	129,597,181.05
Zhijun production workshop technological transformation project	-	-	-	12,468,050.72	-	12,468,050.72
Zhijun(Suzhou) production workshop technological transformation project	-	-	-	5,388,239.70	-	5,388,239.70
Other projects	8,941,133.36	-	8,941,133.36	20,203,174.45	(1,500,000.00)	18,703,174.45
	<u>47,063,868.49</u>	<u>-</u>	<u>47,063,868.49</u>	<u>202,068,804.08</u>	<u>(1,500,000.00)</u>	<u>200,568,804.08</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

(a) Changes of significant construction in progress

Changes of significant construction in progress in 2016 are presented as follows:

Project name	Budget	At beginning of the year	Increase	Decrease					At end of year	Source of funds	Proportion of investment to budget (%)
				Transferred to fixed assets	Transferred to intangible assets	Transfer to long term prepaid expense	Disposal of subsidiaries	Transfer to long term prepaid expense			
Warehouse improvement project	26,179,291.74	5,341,796.63	17,520,163.36	(407,170.12)	-	(8,410,006.19)	-	-	14,044,783.68	Working capital	91.85
New office building Project	38,182,660.00	7,682,660.00	584,503.35	-	-	(287,807.00)	-	-	7,979,356.35	Working capital	70.00
Supply chain extension project	21,619,775.70	12,620,204.41	6,924,554.03	(14,061,970.11)	(273,584.90)	-	-	-	5,209,203.43	Working capital and financing lease	97.93
Software project	69,690,403.27	8,767,497.12	10,889,391.67	-	(8,741,856.09)	-	-	(25,641.03)	10,889,391.67	Working capital	80.00
Pingshan pharmaceutical research & development manufacturing Base	881,370,000.00	129,597,181.05	57,890,421.61	(120,948,278.13)	-	-	-	(66,539,324.53)	-	-	-
Zhijun production workshop technological transformation project	105,810,000.00	12,468,050.72	20,107,191.57	(10,954,642.81)	-	-	(21,620,599.48)	-	-	-	-
Zhijun(Suzhou) production workshop technological transformation project	49,938,000.00	5,388,239.70	-	(886,370.90)	-	-	(4,501,868.80)	-	-	-	-
Other construction projects	253,713,768.90	18,703,174.45	1,128,590.10	(67,440.00)	-	(8,670,838.15)	(1,898,466.80)	(253,886.24)	8,941,133.36	Working capital	5.78
		<u>200,568,804.08</u>	<u>115,044,815.69</u>	<u>(147,325,872.07)</u>	<u>(9,015,440.99)</u>	<u>(17,368,651.34)</u>	<u>(28,020,935.08)</u>	<u>(66,818,851.80)</u>	<u>47,063,868.49</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

(a) Changes of significant construction in progress (Continued)

Project name	Budget	Progress (%)	Accumulated amount of interest capitalized	Incl: interest capitalized in current year	Capitalization rate (%)
Warehouse improvement project	26,179,291.74	91.85	-	-	-
New office building project	38,182,660.00	70.00	-	-	-
Supply chain extension project	21,619,775.70	97.93	-	-	-
Software project	69,690,403.27	80.00	-	-	-
Pingshan pharmaceutical research & development Manufacturing base	881,370,000.00	-	21,839,808.16	2,054,260.93	8.40
Zhijun production workshop technological transformation project	105,810,000.00	-	-	-	-
Zhijun(Suzhou) production workshop technological transformation project	49,938,000.00	-	29,774.20	-	-
Other construction projects	253,713,768.90	-	10,391.66	10,391.66	0.01
		-	21,879,974.02	2,064,652.59	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

14. Construction in progress (Continued)

(a) Changes of significant construction in progress (Continued)

Changes of significant construction in progress in 2015 are presented as follows:

Project name	Budget	At beginning of the year	Increase		Decrease			At end of year	Source of funds	Proportion of investment to budget (%)
			Acquisition of subsidiaries	Input	Transferred to fixed assets	Transferred to intangible assets	Transfer to long term prepaid expense			
Warehouse improvement project	19,787,622.53	224,000.00	-	8,008,392.47	-	-	(2,890,595.84)	5,341,796.63	Working capital	41.6
New office building project	7,682,660.00	7,682,660.00	-	-	-	-	-	7,682,660.00	Working capital	100.00
Supply chain extension project	29,600,826.62	-	-	28,421,405.62	(15,801,201.21)	-	-	12,620,204.41	Working capital and financing Lease	94.00
Software project	52,400,464.01	10,372,001.31	-	8,879,011.65	-	(10,483,515.84)	-	8,767,497.12	Working capita	99.00
Pingshan pharmaceutical research & development manufacturing base	881,370,000.00	298,665,439.18	-	209,425,992.51	(378,494,250.64)	-	-	129,597,181.05	Working capital and borrowings	53.00
Zhijun production workshop technological transformation project	105,810,000.00	14,214,138.81	-	15,462,849.61	(17,208,937.70)	-	-	12,468,050.72	Working capita	46.66
Zhijun(Suzhou) production workshop technological transformation project	49,938,000.00	-	-	6,035,537.55	(647,297.85)	-	-	5,388,239.70	Working capital and borrowings	12.00
Other constructions projects	277,475,759.46	20,193,473.87	677,883.51	13,633,296.76	(9,076,963.88)	-	(6,724,515.81)	18,703,174.45	Working capital	12.00
		351,351,713.17	677,883.51	289,866,486.17	(421,228,651.28)	(10,483,515.84)	(9,615,111.65)	200,568,804.08		

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**14. Construction in progress (Continued)**

(a) Changes of significant construction in progress (Continued)

Project name	Budget	Progress (%)	Accumulated amount of interest capitalized	Incl: interest capitalized in the year	Capitalization rate (%)
Warehouse improvement project	19,787,622.53	41.60	-	-	-
New office building project	7,682,660.00	100.00	-	-	-
Supply chain extension project	29,600,826.62	94.00	-	-	-
Software project	52,400,464.01	99.00	-	-	-
Pingshan pharmaceutical research & development manufacturing base	881,370,000.00	85.00	19,785,547.23	11,321,691.09	5.06
Zhijun production workshop technological transformation project	105,810,000.00	59.49	-	-	-
Zhijun(Suzhou) production workshop technological transformation project	49,938,000.00	11.00	29,774.20	29,774.20	4.22
Other constructions	277,475,759.46	-	-	-	-
	1,424,065,332.62	100.00	19,815,321.43	11,351,465.29	

(b) As of 31 December 2016, construction in progress with a carrying amount of RMB1,924,502.57 was leased under finance leases (31 December 2015: RMB4,231,000.00).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

15. Intangible assets

2016	Land use right	Software	Patent	Trademarks	Favorable lease	Sales network	Franchise	Total
Original cost								
Opening balance	166,814,085.35	94,967,477.32	53,901,204.72	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	587,729,760.25
Purchase	-	5,898,548.00	-	-	-	-	-	5,898,548.00
Transfer from construction in progress	-	9,015,440.99	-	-	-	-	-	9,015,440.99
Transfer from investment properties	706,386.41	-	-	-	-	-	-	706,386.41
Disposal of subsidiaries	(69,513,050.95)	(7,395,189.01)	(53,901,204.72)	-	-	-	-	(130,809,444.68)
Transfer to investment properties	(62,726.06)	-	-	-	-	-	-	(62,726.06)
Disposal or retirement	(41,926,611.02)	(1,883,399.57)	-	-	-	-	-	(43,810,010.59)
Closing balance	56,018,083.73	100,602,877.73	-	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	428,667,954.32
Accumulated amortization								
Opening balance	(56,014,659.97)	(39,146,125.02)	(50,276,036.19)	(196,850.00)	(4,945,705.80)	(23,874,761.90)	(704,083.17)	(175,158,222.05)
Provision	(3,645,604.77)	(11,465,033.77)	(133,647.80)	(0.16)	(4,945,705.80)	(5,605,857.14)	(5,916.83)	(25,801,766.27)
Transfer from investment properties	(387,144.02)	-	-	-	-	-	-	(387,144.02)
Disposal of subsidiaries	28,466,915.70	5,285,980.03	50,409,683.99	-	-	-	-	84,162,579.72
Transfer to investment properties	2,299.92	-	-	-	-	-	-	2,299.92
Disposal or retirement	8,416,374.68	533,324.59	-	-	-	-	-	8,949,699.27
Closing balance	(23,161,818.46)	(44,791,854.17)	-	(196,850.16)	(9,891,411.60)	(29,480,619.04)	(710,000.00)	(108,232,553.43)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

15. Intangible assets (Continued)

2016 (Continued)	Land use right	Software	Patent	Trademarks	Favorable lease	Sales network	Franchise	Total
Provision for impairment								
Opening balance	-	(264,952.19)	(3,000,000.00)	-	-	-	-	(3,264,952.19)
Disposal of subsidiaries	-	264,952.19	3,000,000.00	-	-	-	-	3,264,952.19
Closing balance	-	-	-	-	-	-	-	-
Carrying amount								
At end of the year	32,856,265.27	55,811,023.56	-	65,780,999.84	83,350,588.40	82,636,523.82	-	320,435,400.89
At beginning of the year	110,799,425.38	55,556,400.11	625,168.53	65,781,000.00	88,296,294.20	88,242,380.96	5,916.83	409,306,586.01

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

15. Intangible assets (Continued)

2015	Land use right	Software	Patent	Trademarks	Favorable lease	Sales network	Franchise	Total
Original cost								
Opening balance	166,853,052.58	75,573,269.68	53,901,204.72	196,850.00	-	103,117,142.86	710,000.00	400,351,519.84
Purchase	-	9,014,997.62	-	-	-	-	-	9,014,997.62
Business combination not involving enterprises under common control	-	-	-	65,781,000.00	93,242,000.00	9,000,000.00	-	168,023,000.00
Transfer from construction in progress	-	10,483,515.84	-	-	-	-	-	10,483,515.84
Transfer from investment properties	1,094,896.13	-	-	-	-	-	-	1,094,896.13
Transfer to investment properties	(1,133,863.36)	-	-	-	-	-	-	(1,133,863.36)
Disposal or retirement	-	(104,305.82)	-	-	-	-	-	(104,305.82)
Closing balance	166,814,085.35	94,967,477.32	53,901,204.72	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	587,729,760.25
Accumulated amortization								
Opening balance	(49,863,542.73)	(25,813,481.96)	(49,952,578.71)	(196,850.00)	-	(18,268,904.76)	(633,083.17)	(144,728,441.33)
Provision	(6,130,748.51)	(13,434,225.65)	(323,457.48)	-	(4,945,705.80)	(5,605,857.14)	(71,000.00)	(30,510,994.58)
Transfer from investment properties	(148,893.29)	-	-	-	-	-	-	(148,893.29)
Transfer to investment properties	128,524.56	-	-	-	-	-	-	128,524.56
Disposal or retirement	-	101,582.59	-	-	-	-	-	101,582.59
Closing balance	(56,014,659.97)	(39,146,125.02)	(50,276,036.19)	(196,850.00)	(4,945,705.80)	(23,874,761.90)	(704,083.17)	(175,158,222.05)

V Notes to the consolidated financial statements (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

15. Intangible assets (Continued)

2015 (Continued)	Land use right	Software	Patent	Trademarks	Favorable lease	Sales network	Franchise	Total
Provision for impairment								
Opening balance	-	(264,952.19)	(3,000,000.00)	-	-	-	-	(3,264,952.19)
Closing balance	-	(264,952.19)	(3,000,000.00)	-	-	-	-	(3,264,952.19)
Carrying amount								
At end of year	110,799,425.38	55,556,400.11	625,168.53	65,781,000.00	88,296,294.20	88,242,380.96	5,916.83	409,306,586.01
At beginning of the year	116,989,509.85	49,494,835.53	948,626.01	-	-	84,848,238.10	76,916.83	252,358,126.32

As at 31 December 2016, there were no intangible assets arising from internal research and development (31 December 2015: none)

As at 31 December 2016, there were no intangible assets of which the certificates of title have not been obtained.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

16. Development costs

2016	At beginning of year	Increase		Decrease		At end of year
		Internal development	Recognized in profit or loss	Disposal of subsidiaries		
Projects of antibiotics preparation and powder injection projects	-	12,698,143.68	(12,698,143.68)	-	-	-
Projects of cardiovascular and cerebrovascular diseases treatment	-	487,956.61	(487,956.61)	-	-	-
Projects of Dajiankang related products	-	4,547,253.86	(4,547,253.86)	-	-	-
Projects of respiratory system diseases treatment	18,117.29	-	-	(18,117.29)	-	-
Projects of bulk antibiotics etc.	5,357,691.17	-	-	(5,357,691.17)	-	-
Other projects	243,507.01	25,998,356.01	(25,998,356.01)	(243,507.01)	-	-
	5,619,315.47	43,731,710.16	(43,731,710.16)	(5,619,315.47)	-	-
2015	At beginning of year	Increase		Decrease		At end of year
		Internal development	Recognized in profit or loss	Disposal of subsidiaries		
Projects of antibiotics preparation and powder injection projects subtotal	-	19,254,969.71	(19,254,969.71)	-	-	-
Projects of cardiovascular and cerebrovascular diseases treatment subtotal	-	17,994,927.58	(17,994,927.58)	-	-	-
Projects of Dajiankang related products	-	6,767,534.31	(6,767,534.31)	-	-	-
Projects of digestive system diseases treatment etc.	-	3,496,648.92	(3,496,648.92)	-	-	-
Projects of respiratory system diseases treatment subtotal	18,117.29	3,413,291.67	(3,413,291.67)	-	18,117.29	-
Projects of chinese patent medicine	-	3,182,594.31	(3,182,594.31)	-	-	-
Projects of bulk antibiotic drug	5,357,691.17	1,859,965.14	(1,859,965.14)	-	5,357,691.17	-
Other projects	243,507.01	17,180,463.62	(17,180,463.62)	-	243,507.01	-
Total	5,619,315.47	73,150,395.26	(73,150,395.26)	-	5,619,315.47	-

Expenditures on research and development incurred in 2016 amounted to RMB25,998,356.01 (2015: RMB73,150,395.26), the total amount is recognized in profit or loss for the current period. No research and development costs are capitalized as intangible assets.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**17. Goodwill**

31 December 2016	Opening balance	Increase	Decrease	Closing balance
		Business combination not involving enterprises under common control	Disposal	
<b>Pharmaceutical distribution</b>				
Jiangmen Renren Medical Co., Ltd. ("Sinopharm Jiangmen")	27,392,317.73	-	-	27,392,317.73
Sinopharm Holding Shenzhen Yanfeng Co., Ltd. ("Sinopharm Yanfeng")	16,868,644.87	-	-	16,868,644.87
Sinopharm Holding Zhaoqing Co., Ltd. ("Sinopharm Zhaoqing")	2,594,341.53	-	-	2,594,341.53
Sinopharm Holding Shaoguan Co., Ltd. ("Sinopharm Shaoguan")	1,686,496.80	-	-	1,686,496.80
Sinopharm Holding Meizhou Co., Ltd. ("Sinopharm Meizhou")	1,610,819.66	-	-	1,610,819.66
Sinopharm Holding Huizhou Co., Ltd. ("Sinopharm Huizhou")	923,184.67	-	-	923,184.67
Sinopharm Holding Zhanjiang Co., Ltd. ("Sinopharm Zhanjiang")	282,135.55	-	-	282,135.55
Sinopharm Holding Dongguan Co., Ltd. ("Sinopharm Dongguan")	1,499.02	-	-	1,499.02
South Pharma & Trade Foshan Nanhai	2,755,680.62 88,877,850.51	- -	- -	2,755,680.62 88,877,850.51
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd. ("ForMe Medicines")	3,033,547.53	-	-	3,033,547.53
<b>Pharmaceutical manufacturing</b>				
Zhijun Suzhou	33,869,393.32	-	(33,869,393.32)	-
<b>Pharmaceutical retail</b>				
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd. ("Hebei Yikang")	29,482,149.57	-	-	29,482,149.57
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd. ("Xiaoyi Wanmin")	15,866,680.00	-	-	15,866,680.00
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	65,025,000.00	-	-	65,025,000.00
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd. ("ForMe Pharmacy Chain Store")	19,405,450.23	-	-	19,405,450.23
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	5,028,638.00	-	-	5,028,638.00
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	7,979,000.00	-	-	7,979,000.00
Zhejiang Guoda Pharmacy Co., Ltd. Guoda Shenyang Tianyitang Pharmacy Chain	3,045,183.85 1,687,942.92	- -	- -	3,045,183.85 1,687,942.92
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	11,598,341.12	-	-	11,598,341.12

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

17. Goodwill (Continued)

31 December 2016 (Continued)	Opening balance	Increase	Decrease	Closing balance
		Business combination not involving enterprises under common control	Disposal	
<b>Pharmaceutical retail (Continued)</b>				
Fujian Guoda Pharmacy Chain Store Co., Ltd.	1,567,250.76	-	-	1,567,250.76
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	29,110,409.46	-	-	29,110,409.46
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	39,360,015.16	-	-	39,360,015.16
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	107,275,095.74	-	-	107,275,095.74
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	41,165,574.64	-	-	41,165,574.64
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	41,298,622.59	-	-	41,298,622.59
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	22,666,179.77	-	-	22,666,179.77
Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd.	70,485,777.00	-	-	70,485,777.00
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	77,350,000.00	-	-	77,350,000.00
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	9,080,100.00	-	-	9,080,100.00
Shenzhen Guanganli Pharmacy Chain Store Co., Ltd. store acquisition	13,420,000.00	-	-	13,420,000.00
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (“Beijing Golden Elephant”)	63,546,507.81	-	-	63,546,507.81
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	593,616.55	-	-	593,616.55
Guoda Taishan	-	26,826,120.55	-	26,826,120.55
	<u>855,933,446.98</u>	<u>26,826,120.55</u>	<u>(33,869,393.32)</u>	<u>848,890,174.21</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

17. Goodwill (Continued)

31 December 2015	Opening balance	Increase	Decrease	Closing balance
		Business combination not involving enterprises under common control	Disposal	
<b>Pharmaceutical distribution</b>				
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
South Pharma & Trade	2,755,680.62	-	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	-	88,877,850.51
ForMe Medicines	-	3,033,547.53	-	3,033,547.53
<b>Pharmaceutical manufacturing</b>				
Suzhou Zhijun	33,869,393.32	-	-	33,869,393.32
<b>Pharmaceutical retail</b>				
Hebei Yikang	-	29,482,149.57	-	29,482,149.57
Xiaoyi Wanmin	-	15,866,680.00	-	15,866,680.00
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	65,025,000.00	-	-	65,025,000.00
ForMe Pharmacy Chain Store	-	19,405,450.23	-	19,405,450.23
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	5,028,638.00	-	-	5,028,638.00
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	7,979,000.00	-	-	7,979,000.00
Zhejiang Guoda Pharmacy Co., Ltd.	3,045,183.85	-	-	3,045,183.85
Guoda Shenyang Tianyitang Pharmacy Chain	1,687,942.92	-	-	1,687,942.92
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	11,598,341.12	-	-	11,598,341.12
Fujian Guoda Pharmacy Chain Store Co., Ltd.	1,567,250.76	-	-	1,567,250.76
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	29,110,409.46	-	-	29,110,409.46

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**17. Goodwill (Continued)**

31 December 2015 (Continued)	Opening balance	Increase	Decrease	Closing balance
		Business combination not involving enterprises under common control	Disposal	
<b>Pharmaceutical retail (Continued)</b>				
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	39,360,015.16	-	-	39,360,015.16
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	107,275,095.74	-	-	107,275,095.74
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	41,165,574.64	-	-	41,165,574.64
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	41,298,622.59	-	-	41,298,622.59
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	22,666,179.77	-	-	22,666,179.77
Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd.	70,485,777.00	-	-	70,485,777.00
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	77,350,000.00	-	-	77,350,000.00
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	9,080,100.00	-	-	9,080,100.00
Shenzhen Guanganli Pharmacy Chain Store Co., Ltd. store acquisition	13,420,000.00	-	-	13,420,000.00
Beijing Golden Elephant	-	63,546,507.81	-	63,546,507.81
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	-	593,616.55	-	593,616.55
	<u>724,005,495.29</u>	<u>131,927,951.69</u>	<u>-</u>	<u>855,933,446.98</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**17. Goodwill (Continued)**

Changes in provision for impairment of goodwill are presented as follows:

2016	Opening balance	<u>Increase</u> Provision	<u>Decrease</u> Disposal	Closing balance
<b>Pharmaceutical manufacturing</b>				
Zhijun Suzhou	5,850,000.00	-	5,850,000.00	-
<b>Pharmaceutical retail</b>				
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	<u>25,000,000.00</u>	<u>-</u>	<u>-</u>	<u>25,000,000.00</u>
	<u>30,850,000.00</u>	<u>-</u>	<u>5,850,000.00</u>	<u>25,000,000.00</u>
2015	Opening balance	<u>Increase</u> Provision	<u>Decrease</u> Disposal	Closing balance
<b>Pharmaceutical manufacturing</b>				
Zhijun Suzhou	5,850,000.00	-	-	5,850,000.00
<b>Pharmaceutical retail</b>				
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	<u>-</u>	<u>25,000,000.00</u>	<u>-</u>	<u>25,000,000.00</u>
	<u>5,850,000.00</u>	<u>25,000,000.00</u>	<u>-</u>	<u>30,850,000.00</u>

Note1: The carrying amount of goodwill was allocated to each asset group as follows:

	31 December 2016	31 December 2015
Pharmaceutical distribution	146,026,518.49	146,026,518.49
Pharmaceutical manufacturing	-	28,019,393.32
Pharmaceutical retail	<u>677,863,655.72</u>	<u>651,037,535.17</u>
	<u>823,890,174.21</u>	<u>825,083,446.98</u>

The Group acquired Guoda Taishan in March 2016, and goodwill of RMB26,826,120.55 thus arose. Refer to Item 1 under Note VI for its calculation process.

The Group sold Zhijun Suzhou in April 2016, and goodwill of RMB28,019,393.32 thus decreased. Refer to Item 2 under Note VI for details.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**17. Goodwill (Continued)**

The recoverable amount of an asset group or a group of asset groups is determined based on financial budget approved by management covering a five-year period cash flow. The cash flows beyond the five-year period are extrapolated using the inflation rate.

Key assumptions were used for the calculation of the present values of future cash flow projections of the asset group consisting of pharmaceutical distribution and pharmaceutical retail as of 31 December 2016. Key assumptions made by management on projections of cash flow used in impairment testing are described as follows:

	Pharmaceutical distribution	Pharmaceutical retail
Revenue growth rate in the budget period	3.00%-23.00%	4.00%-19.20%
Sustainable growth rate	3.00%	3.00%
Gross margin	3.70%-6.90%	12.40%-34.50%
Discount rate	13.00%-15.00%	13.40%-15.00%

The budgeted gross margin and the revenue growth rate in the budget period is determined based on the past performance and expectation for market development. The discount rates used are pre-tax discount rates after reflecting specific risks of the relevant asset groups. The recoverable amount of the asset group consisting of pharmaceutical distribution and pharmaceutical retail was determined according to the key assumptions.

**18. Long-term prepaid expenses**

2016	Opening balance	Additions	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	122,552,974.97	84,325,901.30	(47,019,280.78)	(1,376,334.55)	158,483,260.94
Acquisition expenditure to obtain the right to operate	16,208,162.42	17,972,927.71	(5,687,496.50)	-	28,493,593.63
Others	2,901,382.72	143,960.28	(1,094,033.67)	(550,438.26)	1,400,871.07
	<u>141,662,520.11</u>	<u>102,442,789.29</u>	<u>(53,800,810.95)</u>	<u>(1,926,772.81)</u>	<u>188,377,725.64</u>
2015	Opening balance	Increase	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	95,332,099.14	79,718,207.43	(51,898,193.79)	(599,137.81)	122,552,974.97
Acquisition expenditure to obtain the right to operate	11,471,719.68	10,875,390.68	(3,623,554.67)	(2,515,393.27)	16,208,162.42
Others	2,063,951.88	1,997,956.00	(1,160,525.16)	-	2,901,382.72
	<u>108,867,770.70</u>	<u>92,591,554.11</u>	<u>(56,682,273.62)</u>	<u>(3,114,531.08)</u>	<u>141,662,520.11</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**19. Deferred tax assets/liabilities**

(a) Deferred tax assets before offsetting

	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets	19,118,314.97	83,604,722.45	33,648,740.15	143,253,973.95
Accrued expenses	11,524,213.88	48,767,983.92	19,195,263.09	96,941,062.64
Accrued payroll	14,668,802.63	60,272,948.20	17,515,511.33	73,914,805.70
Deferred revenue	6,196,507.49	25,425,419.68	16,869,230.40	94,122,629.19
Deductible tax loss	21,393,844.91	85,575,379.60	45,819,918.08	186,483,564.80
Others	445,778.06	2,065,022.05	2,390,776.98	10,319,078.58
	<u>73,347,461.94</u>	<u>305,711,475.90</u>	<u>135,439,440.03</u>	<u>605,035,114.86</u>

(b) Deferred tax liabilities before offsetting

	31 December 2016		31 December 2015	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Fair value adjustment for business combination not involving enterprises under common control	63,557,328.29	254,229,313.19	69,440,104.70	277,760,418.81
Changes in fair value	8,734,282.98	35,313,052.96	9,733,983.44	40,156,878.68
Others	4,676,832.38	18,707,329.48	5,175,354.23	20,701,416.91
	<u>76,968,443.65</u>	<u>308,249,695.63</u>	<u>84,349,442.37</u>	<u>338,618,714.40</u>

(c) The deductible temporary differences and deductible losses that were not recognized as deferred tax assets are presented as follows:

	31 December 2016	31 December 2015
Deductible temporary differences	1,300,000.00	7,833,306.69
Deductible loss (i)	<u>20,729,807.46</u>	<u>29,229,602.39</u>
	<u>22,029,807.46</u>	<u>37,062,909.08</u>

(i) For those loss-making subsidiaries, as it is not considered probable that taxable profit will be available against which the tax losses can be utilized, the Group has not recognized deferred tax assets arising from accumulated losses amounting to RMB20,729,807.46 which are tax deductible under the tax law.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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V Notes to the consolidated financial statements (Continued)

19. Deferred tax assets/liabilities (Continued)

The aforesaid unrecognized deductible losses will due:

	31 December 2016	31 December 2015
2016	-	6,972,796.36
2017	6,047,670.28	3,409,507.88
2018	5,630,816.89	5,630,816.89
2019	3,324,752.13	3,371,135.07
2020	4,075,875.54	9,845,346.19
2021	1,650,692.62	-
	<u>20,729,807.46</u>	<u>29,229,602.39</u>

(d) Deferred tax assets and liabilities offsetting amount is as follows:

	31 December 2016	31 December 2015
Deferred tax assets/liabilities	<u>432,739.64</u>	<u>654,369.98</u>

Deferred tax assets and liabilities are presented after being offset against each other:

	31 December 2016		31 December 2015	
	Deferred tax assets/liabilities - Net	Temporary differences after set-off	Deferred tax assets/liabilities - Net	Temporary differences after set-off
Deferred tax assets	<u>72,914,722.30</u>	<u>303,980,517.34</u>	<u>134,785,070.05</u>	<u>602,417,634.94</u>
Deferred tax liabilities	<u>76,535,704.01</u>	<u>306,518,737.07</u>	<u>83,695,072.39</u>	<u>336,001,234.48</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

20. Other non-current assets

	31 December 2016	31 December 2015
Medical reserve fund	43,605,016.10	42,855,240.33
Prepayment for project and equipment	27,155,022.78	46,742,781.48
Prepayment for a rental fee (Note)	17,021,937.21	20,864,733.47
Prepayment for apartments	6,867,500.00	-
Investment deposit	-	5,880,000.00
	<u>94,649,476.09</u>	<u>116,342,755.28</u>

Note: The prepayment for a rental fee which is over one year is recognized at other non-current assets for the Group.

21. Provision for impairment of assets

	1 January 2016	Reversal of written off in previous year	Additions	Reductions			31 December 2016
				Reversal	Write-off	Decreased in reorganization	
Provision for bad debt	92,810,113.67	23,638.80	1,968,011.77	(12,079,455.41)	(14,521,067.31)	(103,970.86)	68,097,270.66
Provision for bad debt of accounts receivable	73,693,029.46	23,638.80	1,786,013.00	(12,022,290.90)	(14,517,375.00)	(68,364.00)	48,894,651.36
Provision for bad debt of other receivables	19,117,084.21	-	181,998.77	(57,164.51)	(3,692.31)	(35,606.86)	19,202,619.30
Inventories provision	36,219,569.51	-	7,834,477.85	(6,271,860.18)	(2,777,174.55)	(20,074,199.16)	14,930,813.47
Impairment of available-for-sale financial assets	180,000.00	-	-	-	-	-	180,000.00
Impairment of fixed assets	15,416,006.95	-	-	-	-	(15,416,006.95)	-
Impairment of construction in progress	1,500,000.00	-	-	-	-	(1,500,000.00)	-
Impairment of Investment properties	1,300,000.00	-	-	-	-	-	1,300,000.00
Impairment of intangible assets	3,264,952.19	-	-	-	-	(3,264,952.19)	-
Impairment of goodwill	30,850,000.00	-	-	-	(5,850,000.00)	-	25,000,000.00
Impairment of long-term equity investments	396,638.32	-	-	-	-	-	396,638.32
	<u>81,937,280.64</u>	<u>23,638.80</u>	<u>9,802,489.62</u>	<u>(18,351,315.59)</u>	<u>(23,148,241.86)</u>	<u>(40,359,129.16)</u>	<u>109,904,722.45</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

21. Provision for impairment of assets (Continued)

	1 January 2015	Reversal of written off in previous year	Additions		Reductions			31 December 2015
			Provision	Increase due to merger	Reversal	Write-off	Decreased in reorganization	
Provision for bad debt	77,755,308.12	28,377.60	23,331,979.70	3,448,643.11	(11,687,013.50)	(67,181.36)	-	92,810,113.67
Provision for bad debt of accounts receivable	57,865,871.25	28,377.60	22,783,276.61	3,448,643.11	(10,395,957.75)	(37,181.36)	-	73,693,029.46
Provision for bad debt of other receivables	19,889,436.87	-	548,703.09	-	(1,291,055.75)	(30,000.00)	-	19,117,084.21
Inventories provision	26,784,748.37	-	26,064,200.55	584,091.82	(4,713,020.04)	(12,500,451.19)	-	36,219,569.51
Impairment of available- for-sale financial assets	180,000.00	-	-	-	-	-	-	180,000.00
Impairment of fixed assets	23,316,486.90	-	1,540,887.99	-	-	-	(9,441,367.94)	15,416,006.95
Impairment of construction in progress	1,500,000.00	-	-	-	-	-	-	1,500,000.00
Impairment of investment properties	1,300,000.00	-	-	-	-	-	-	1,300,000.00
Impairment of intangible assets	3,264,952.19	-	-	-	-	-	-	3,264,952.19
Impairment of goodwill	5,850,000.00	-	25,000,000.00	-	-	-	-	30,850,000.00
Impairment of long-term equity investments	396,638.32	-	-	-	-	-	-	396,638.32
	<u>40,348,133.90</u>	<u>28,377.60</u>	<u>75,937,068.24</u>	<u>4,032,734.93</u>	<u>(16,400,033.54)</u>	<u>(12,567,632.55)</u>	<u>(9,441,367.94)</u>	<u>181,937,280.64</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**V Notes to the consolidated financial statements (Continued)**

**22. Short-term borrowings**

	31 December 2016	31 December 2015
Credit borrowings (Note a)	1,276,073,615.32	925,215,867.79
Guaranteed borrowings (Note b)	50,915,736.83	491,348,204.16
Discounted notes (Note c)	154,468,694.89	88,924,715.00
Pledged borrowings	31,255,582.91	127,743,173.40
	<u>1,512,713,629.95</u>	<u>1,633,231,960.35</u>

- (a) As at 31 December 2016, credit borrowings of RMB832,710,742.83 were guaranteed by the Company and its subsidiaries (31 December 2015: credit borrowings of RMB767,769,852.39 were guaranteed by the Company and its subsidiaries.). Credit borrowings of RMB108,663,470.63 (31 December 2015: RMB107,026,016.66) was borrowed from Sinopharm Group Finance Co., Ltd. (“Group Financial Co.”).
- (b) As at 31 December 2016, guaranteed borrowings of RMB50,915,736.83 (31 December 2015: RMB491,348,204.16) were guaranteed by Sinopharm Group.
- (c) As at 31 December 2016, commercial acceptance bills that were discounted but not decognized amounted to RMB154,468,694.89 (2015:RMB88,924,715.00).
- (d) As at 31 December 2016, the annual interest rate for the above borrowings was 4.13% (31 December 2015: 5.10%).
- (e) As at 31 December 2016 and at 31 December 2015, there were no short-term borrowings of the group that were overdue but not yet paid.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**23. Notes payable**

	31 December 2016	31 December 2015
Commercial acceptance notes	117,104,256.84	523,550,747.26
Bank acceptance notes	<u>2,289,538,326.02</u>	<u>2,004,949,112.08</u>
	<u>2,406,642,582.86</u>	<u>2,528,499,859.34</u>

**24. Accounts payable**

	31 December 2016	31 December 2015
Trade payables	<u>6,701,558,514.10</u>	<u>6,011,673,284.50</u>

At 31 December 2016, the total amount of accounts payable aged over one year was RMB263,362,685.91 (31 December 2015: RMB292,263,370.08), and the payment has not yet been cleared.

**25. Advances from customers**

	31 December 2016	31 December 2015
Sales received in advance	<u>163,450,365.92</u>	<u>247,426,363.39</u>

At 31 December 2016, the total amount of accounts payable aged over one year was RMB10,366,456.25 (31 December 2015: RMB22,237,012.50).

**26. Employee benefits payable**

2016	At beginning of the year	Increase	Decrease	At end of the year
Short-term employee benefits (a)	238,425,904.07	1,575,547,633.96	(1,622,815,866.62)	191,157,671.41
Post-employment benefits (defined contribution plan)(b)	9,235,911.18	155,632,448.76	(162,181,427.77)	2,686,932.17
Termination benefits (c)	<u>2,099,068.75</u>	<u>3,489,110.36</u>	<u>(4,294,702.84)</u>	<u>1,293,476.27</u>
	<u>249,760,884.00</u>	<u>1,734,669,193.08</u>	<u>(1,789,291,997.23)</u>	<u>195,138,079.85</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**26. Employee benefits payable (Continued)**

2015	At beginning of year	Increase	Decrease	At end of year
Short-term employee benefits (a)	232,718,950.59	1,495,783,334.41	(1,490,076,380.93)	238,425,904.07
Post-employment benefits (defined contribution plan)(b)	7,525,688.88	151,991,203.84	(150,280,981.54)	9,235,911.18
Termination benefits (c)	2,452,339.04	3,574,055.15	(3,927,325.44)	2,099,068.75
	<u>242,696,978.51</u>	<u>1,651,348,593.40</u>	<u>(1,644,284,687.91)</u>	<u>249,760,884.00</u>

**(a) Short-term employee benefits**

2016	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	210,324,955.24	1,351,793,519.43	(1,386,969,827.86)	175,148,646.81
Staff welfare	2,753,637.03	63,103,820.05	(64,380,431.10)	1,477,025.98
Social security contribution	1,439,600.25	76,502,865.10	(76,372,100.21)	1,570,365.14
Incl: Medical insurance	1,089,455.97	67,635,376.23	(67,394,842.93)	1,329,989.27
Work injury insurance	49,078.75	3,747,018.14	(3,775,388.66)	20,708.23
Maternity insurance	301,065.53	5,120,470.73	(5,201,868.62)	219,667.64
Housing funds	636,732.75	53,588,736.16	(53,898,251.70)	327,217.21
Labor union funds and employee education funds	22,398,907.79	26,439,636.55	(37,073,410.18)	11,765,134.16
Other short-term benefits	872,071.01	4,119,056.67	(4,121,845.57)	869,282.11
	<u>238,425,904.07</u>	<u>1,575,547,633.96</u>	<u>(1,622,815,866.62)</u>	<u>191,157,671.41</u>

2015	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	209,050,007.41	1,287,263,657.16	(1,285,988,709.33)	210,324,955.24
Staff welfare	1,177,827.84	54,536,379.63	(52,960,570.44)	2,753,637.03
Social security contribution	806,705.57	72,089,926.58	(71,457,031.90)	1,439,600.25
Incl: Medical insurance	571,975.29	61,632,506.28	(61,115,025.60)	1,089,455.97
Work injury insurance	(223.90)	4,036,911.77	(3,987,609.12)	49,078.75
Maternity insurance	234,954.18	6,420,508.53	(6,354,397.18)	301,065.53
Housing funds	766,277.60	48,980,220.49	(49,109,765.34)	636,732.75
Labor union funds and employee education funds	20,048,634.59	29,562,190.91	(27,211,917.71)	22,398,907.79
Other short-term benefits	869,497.58	3,350,959.64	(3,348,386.21)	872,071.01
	<u>232,718,950.59</u>	<u>1,495,783,334.41</u>	<u>(1,490,076,380.93)</u>	<u>238,425,904.07</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**V Notes to the consolidated financial statements (Continued)**

**26. Employee benefits payable (Continued)**

(b) Defined contribution plan

2016	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	6,947,723.42	144,673,254.38	(151,001,463.46)	619,514.34
Contribution to pension fund	2,013,748.53	4,852,647.63	(4,905,163.55)	1,961,232.61
Unemployment insurance	<u>274,439.23</u>	<u>6,106,546.75</u>	<u>(6,274,800.76)</u>	<u>106,185.22</u>
	<u>9,235,911.18</u>	<u>155,632,448.76</u>	<u>(162,181,427.77)</u>	<u>2,686,932.17</u>
2015	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	5,607,696.63	138,366,876.60	(137,026,849.81)	6,947,723.42
Contribution to pension fund	1,700,871.21	4,549,936.03	(4,237,058.71)	2,013,748.53
Unemployment insurance	<u>217,121.04</u>	<u>9,074,391.21</u>	<u>(9,017,073.02)</u>	<u>274,439.23</u>
	<u>7,525,688.88</u>	<u>151,991,203.84</u>	<u>(150,280,981.54)</u>	<u>9,235,911.18</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**V Notes to the consolidated financial statements (Continued)**

**26. Employee benefits payable (Continued)**

(c) Termination benefits

2016	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(26))	1,693,455.41	2,528,921.47	(3,128,383.91)	1,093,992.97
Other termination benefits (i)	<u>405,613.34</u>	<u>960,188.89</u>	<u>(1,166,318.93)</u>	<u>199,483.30</u>
	<u>2,099,068.75</u>	<u>3,489,110.36</u>	<u>(4,294,702.84)</u>	<u>1,293,476.27</u>
2015	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(26))	1,821,000.00	2,446,924.08	(2,574,468.67)	1,693,455.41
Other termination benefits (i)	<u>631,339.04</u>	<u>1,127,131.07</u>	<u>(1,352,856.77)</u>	<u>405,613.34</u>
	<u>2,452,339.04</u>	<u>3,574,055.15</u>	<u>(3,927,325.44)</u>	<u>2,099,068.75</u>

(i) For year 2016, the Group provided other termination benefits for severing labor relations of RMB960,188.89, as at 31 December 2016, and the unpaid balance as at the year end was RMB199,483.30. (2015: Other termination benefits for severing labor relations of RMB651,382.79, unpaid balance at year end was RMB100,000.00).

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**V Notes to the consolidated financial statements (Continued)**

**27. Tax payable**

	31 December 2016	31 December 2015
Corporate Income taxes	90,177,731.06	73,458,365.97
Value-added tax	61,767,738.60	45,441,043.41
Land appreciation tax	6,600,717.72	-
Stamp duty	5,449,224.41	1,545,259.80
Individual income tax payable	5,028,775.01	5,026,681.94
Water conservancy fund payable	4,880,965.03	6,145,162.29
City maintenance and construction surtax	4,844,305.96	3,904,255.53
Educational surcharge payable	3,499,732.78	2,756,979.87
Property tax	1,102,254.64	1,181,623.99
Land use tax payable	341,494.13	208,040.56
Business tax	-	2,709,919.20
Others	3,350,778.18	2,034,546.37
	<u>187,043,717.52</u>	<u>144,411,878.93</u>

**28. Interest payable**

	31 December 2016	31 December 2015
Interest payable		
- interest on short-term borrowings	6,918,661.52	7,239,899.79
- interest on long-term borrowings	37,801.50	57,782.44
	<u>6,956,463.02</u>	<u>7,297,682.23</u>

**29. Dividend payable**

	31 December 2016	31 December 2015
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	4,835,511.58	4,835,511.58
Haiping Qiao	2,094,049.25	2,094,049.25
Zhenfang Zhang	1,389,639.31	1,389,639.31
Meiluo Pharmaceutical Co., Ltd.	164,170.07	164,170.07
Shenzhen Jiufeng Investment Co., Ltd.	-	8,033,888.99
China Pharma & Trade	-	20,000,000.00
	<u>8,483,370.21</u>	<u>36,517,259.20</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**V Notes to the consolidated financial statements (Continued)**

**30. Other payables**

	31 December 2016	31 December 2015
Payables arising from acquisition of subsidiaries(a)	273,914,900.00	-
Payables for factoring programs	146,008,376.21	40,122,035.95
Payables for construction in progress and equipment	99,860,228.96	121,887,725.36
Accrued selling and distribution expenses	82,576,148.19	236,093,000.94
Deposit	56,640,346.01	85,448,993.08
Payables to related parties	33,804,087.79	457,739,551.99
Payables for rentals	25,866,767.64	17,547,462.84
Payables to individuals	19,297,062.31	5,563,943.54
Temporary loan	19,230,000.00	17,550,000.00
Collection of others	16,980,734.50	26,705,590.59
Others	143,015,259.73	129,957,050.66
	<u>917,193,911.34</u>	<u>1,155,395,354.95</u>

At 31 December 2016, other payables due within 1 year amounted to RMB 123,866,395.59 (31 December 2015: RMB 184,863,055.03). It is mainly consisted of construction cost payable, company borrowings payable, deposits and etc.

**31. Non-current liabilities due within 1 year**

	31 December 2016	31 December 2015
Long-term borrowings due within 1 year (Note V (33))	31,600,000.00	-
Sales promotion points due within 1 year	-	3,510,000.00
Finance lease payables (Note V (34))	4,811,339.96	4,244,878.16
	<u>36,411,339.96</u>	<u>7,754,878.16</u>

**32. Other current liabilities**

	31 December 2016	31 December 2015
Output VAT to be recognized	123,294.77	-
	<u>123,294.77</u>	<u>-</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**33. Long-term borrowings**

	31 December 2016	31 December 2015
Credit borrowings	-	40,895,172.30
Entrusted borrowings (a)	-	31,600,000.00
	-	72,495,172.30

- (a) At 31 December 2015, the entrusted borrowings of RMB31,600,000.00 were provided by Sinopharm Group through Group Financial Co. The entrusted borrowings are due within 1 year.

At 31 December 2016, the annual interest rate of above-mentioned borrowings was 0.82% (31 December 2015: 4.82%).

**34. Long-term payables**

	31 December 2016	31 December 2015
Finance lease payables (Note XIII(3))	19,427,938.30	18,030,536.10
Less: due within one year (Note V (37))	(4,811,339.96)	(4,244,878.16)
	14,616,598.34	13,785,657.94

**35. Payable for specific projects**

2016	At beginning of year	Increase	Decrease	At end of year
Special funds granted by government	852,000.00	-	(52,000.00)	800,000.00
Government grants for ERP system construction	435,000.00	-	(435,000.00)	-
	1,287,000.00	-	(487,000.00)	800,000.00
2015	At beginning of year	Increase	Decrease	At end of year
Special funds granted by government	852,000.00	-	-	852,000.00
Government grants for ERP system construction	435,000.00	-	-	435,000.00
	1,287,000.00	-	-	1,287,000.00

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**36. Provision**

2016	Opening balance	Increase	Decrease	Closing balance
Provision for additional loss obligation on the investees (Note V (11), (Note V (52)))	<u>3,936,157.67</u>	<u>-</u>	<u>(3,936,157.67)</u>	<u>-</u>
2015	Opening balance	Increase	Decrease	Closing balance
Provision for additional loss obligation on the investees (Note V (11), (Note V (52)))	<u>1,160,394.23</u>	<u>2,775,763.44</u>	<u>-</u>	<u>3,936,157.67</u>

**37. Deferred income**

2016	Opening balance	Increase	Decrease	Closing balance
Government grants	155,936,441.64	5,383,200.00	(59,756,260.79)	101,563,380.85
Promotion Rewards Program	<u>43,079,101.69</u>	<u>3,532,678.95</u>	<u>(24,221,698.68)</u>	<u>22,390,081.96</u>
	<u>199,015,543.33</u>			<u>123,953,462.81</u>
Less: Product promotion points redeemed within one year (Note V(31))	<u>(3,510,000.00)</u>			<u>-</u>
	<u>195,505,543.33</u>			<u>123,953,462.81</u>
2015	Opening balance	Increase	Decrease	Closing balance
Government grants	153,119,166.83	15,566,000.00	(12,748,725.19)	155,936,441.64
Promotion Rewards Program	<u>44,143,465.53</u>	<u>20,785,004.76</u>	<u>(21,849,368.60)</u>	<u>43,079,101.69</u>
	<u>197,262,632.36</u>			<u>199,015,543.33</u>
Less: Product promotion points redeemed within one year (Note V(31))	<u>(4,000,000.00)</u>			<u>(3,510,000.00)</u>
	<u>193,262,632.36</u>			<u>195,505,543.33</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

V Notes to the consolidated financial statements (Continued)

37. Deferred income (Continued)

As at 31 December 2016, deferred income from government grants are as follow:

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Disposal of subsidiaries	Closing balance	Asset related/income related
Resettlement Compensation (i)	83,650,666.85		(2,698,408.56)	-	80,952,258.29	Asset related
Cephalosporin Solid Preparations Development Project	11,742,379.25		(1,958,895.80)	(9,783,483.45)	-	Asset related
Cardiovascular system targeted drug development programs	10,392,533.33		(611,079.08)	(9,781,454.25)	-	Asset related
Guangxi Logistics Project	7,942,645.78		(496,406.40)	-	7,446,239.38	Asset related
Stomach medicine domestic clinical research and development project	5,000,000.00		-	(5,000,000.00)	-	Asset related
Pingshan pharmaceutical R&D base engineering	4,874,999.99		(4,874,999.99)	-	-	Asset related
Logistics standardization project	4,300,000.02	500,000.00	(892,493.79)	-	3,907,506.23	Asset related
Cephalosporin Powder Injection Passing EU-GMP Authentication	3,815,792.34		(603,305.45)	(3,212,486.89)	-	Asset related
Medical R&D Center II (in progress)	3,056,300.89		(684,433.30)	(2,371,867.59)	-	Asset related
New Cephalosporin R&D Project	3,046,340.57		(763,370.50)	(2,282,970.07)	-	Asset related
Enteric coated pellets industry research and development project	2,436,037.10		(396,008.90)	(2,040,028.20)	-	Asset related
A comprehensive experimental modern service industry subsidies	2,400,000.00		(300,000.00)	-	2,100,000.00	Asset related
Cefpirome Sulfate R&D Project	1,853,960.95		(105,600.24)	(1,748,360.71)	-	Asset related
The laval shaaban raw materials and tablets project	1,500,000.00		(640,000.00)	(860,000.00)	-	Asset related
New Cephalosporin R&D Project	608,900.38		(508,744.60)	(100,155.78)	-	Asset related
Shared Logistics Center (completed)	407,433.53		(117,774.38)	-	289,659.15	Asset related
Other projects	8,908,450.66	4,883,200.00	(1,417,597.18)	(5,506,335.68)	6,867,717.80	Asset/income related
	<u>155,936,441.64</u>	<u>5,383,200.00</u>	<u>(17,069,118.17)</u>	<u>(42,687,142.62)</u>	<u>101,563,380.85</u>	

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**37. Deferred income (Continued)**

As at 31 December 2015, deferred income from government grants are as follow.

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Closing balance	Asset related/income related
Resettlement Compensation(i)	86,349,075.41	-	(2,698,408.56)	83,650,666.85	Asset related
Cephalosporin Solid Preparations Development Project	13,845,923.14	-	(2,103,543.89)	11,742,379.25	Asset related
Cardiovascular system targeted drug development programs	3,000,000.00	7,500,000.00	(107,466.67)	10,392,533.33	Asset related
Guangxi Logistics Project	8,084,052.18	300,000.00	(441,406.40)	7,942,645.78	Asset related
Stomach medicine domestic clinical research and development project	5,000,000.00	-	-	5,000,000.00	Asset related
Pingshan pharmaceutical R&D base engineering	5,000,000.00	-	(125,000.01)	4,874,999.99	Asset related
Logistics standardization project	-	4,500,000.00	(199,999.98)	4,300,000.02	Asset related
Cephalosporin Powder Injection Passing EU-GMP Authentication	4,505,783.82	-	(689,991.48)	3,815,792.34	Asset related
Medical R&D Center II (in progress)	3,877,620.85	-	(821,319.96)	3,056,300.89	Asset related
New Cephalosporin R&D Project	3,962,385.17	-	(916,044.60)	3,046,340.57	Asset related
Enteric coated pellets industry research and development project	2,508,837.40	-	(72,800.30)	2,436,037.10	Asset related
A comprehensive experimental modern service industry subsidies	2,700,000.00	-	(300,000.00)	2,400,000.00	Asset related
Cefpirome Sulfate R&D Project	2,386,456.55	-	(532,495.60)	1,853,960.95	Asset related
The laval shaaban raw materials and tablets project	-	1,500,000.00	-	1,500,000.00	Asset related
New Cephalosporin R&D Project	1,219,393.90	-	(610,493.52)	608,900.38	Asset related
Shared Logistics Center(completed)	1,225,468.70	-	(818,035.17)	407,433.53	Asset related
Other projects	9,454,169.71	1,766,000.00	(2,311,719.05)	8,908,450.66	Asset/income related
	<u>153,119,166.83</u>	<u>15,566,000.00</u>	<u>(12,748,725.19)</u>	<u>155,936,441.64</u>	

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**V Notes to the consolidated financial statements (Continued)**

**37. Deferred income (Continued)**

Due to the implementation of urban planning for old town reconstruction in Nanning, the operating center of Guangxi Logistics which was located in Longteng Road District, Nanning City, was to be reconstructed in another place. According to the agreement signed between Guangxi Logistics and the real estate developer, Guangxi Logistics would obtain a compensation of RMB120,250,000.00, including cash of RMB50,000,000.00 and property in constructing equaling a value of RMB70,250,000.00. Cash compensation of RMB 50,000,000.00 was received in May 2012. In year 2015, construction properties with a value of RMB70,250,000.00 were built and delivered, and had been recognized as investment properties (Note V (12)).

The compensation relating the capital expenditure in the reconstruction of the new logistic center in another place, amounting to RMB93.32 million was recognized as deferred revenue, and would be amortized and recognized in the income statement within the expected useful lives using the straight line method (Note V(53)), and the other cash compensation, which amount approximates to RMB26.93 million, was recognized in the income statement in 2012.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**38. Long-term employee benefits payable**

	31 December 2016	31 December 2015
Early retirement benefits payable	2,816,592.86	5,216,555.41
Less: Retirement benefits payable – within 1 year (Note V (26)(c))	(1,093,992.97)	(1,693,455.41)
	1,722,599.89	3,523,100.00

The primary actuarial assumptions adopted at the end of the reporting period are presented as follows:

	31 December 2016	31 December 2015
Discount rate	3.25%	3.00%
Growth rate of wages	6.00%	4.00%-6.00%

The total post-employment benefits recognized in profit or loss of current year is:

	2016	2015
Included in administrative expenses	595,286.36	1,509,086.58
Included in financial expenses	133,135.00	226,937.50
	728,421.36	1,736,024.08

**39. Other non-current liabilities**

	31 December 2016	31 December 2015
Governmental medical reserve funds	45,427,343.31	45,427,343.31

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**40. Share capital**

	31 December 2016	31 December 2015
Listed shares without restriction of trading:		
-A shares, listed	233,261,812.00	233,261,812.00
-B shares, listed	54,885,600.00	54,885,600.00
Listed shares with restriction of trading:		
-State owned legal person shares	74,482,543.00	74,482,543.00
-Natural person shares	1,988.00	1,988.00
	<u>362,631,943.00</u>	<u>362,631,943.00</u>

**41. Capital surplus**

	At beginning of year	Increase	Decrease	At end of year
2016				
Share premium (a)	1,855,144,194.77	263,030,592.50	-	2,118,174,787.27
Others -	-	-	-	-
Significant reorganization (b)	1,333,704,770.31	-	(156,366,978.12)	1,177,337,792.19
Transition reserves from investment in associates reclassified from capital surplus to other comprehensive income (c)	2,380,016.57	-	(359,766.35)	2,020,250.22
Transfer of capital surplus recognized under the previous accounting system	2,650,322.00	-	-	2,650,322.00
Others (d)	<u>3,720,000.00</u>	<u>600,990.46</u>	<u>(152,986,117.22)</u>	<u>(148,665,126.76)</u>
	<u>3,197,599,303.65</u>	<u>263,631,582.96</u>	<u>(309,712,861.69)</u>	<u>3,151,518,024.92</u>
2015				
Share premium	1,855,144,194.77	-	-	1,855,144,194.77
Others -				
Business combination involving enterprises under common control	923,704,770.31	410,000,000.00	-	1,333,704,770.31
Transition reserves from investments in associates reclassified from capital surplus to other comprehensive income	2,380,016.57	-	-	2,380,016.57
Transfer of capital surplus recognized under the previous accounting system	2,650,322.00	-	-	2,650,322.00
Others	<u>3,720,000.00</u>	<u>-</u>	<u>-</u>	<u>3,720,000.00</u>
	<u>2,787,599,303.65</u>	<u>410,000,000.00</u>	<u>-</u>	<u>3,197,599,303.65</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**41. Capital surplus (Continued)**

- (a) Share premium increased by RMB263,030,592.50 when raising supporting funds by issuing 5,114,297.00 shares at the par value of RMB53.5 each to Ping An Asset Management for acquiring the non-controlling interest of South Pharma & Trade. The raised funds totaled RMB273,614,889.50, after deducting the issuance cost of RMB5,470,000.00, resulting in a premium of RMB263,030,592.50.
- (b) Capital reserve-significant reorganization decreased by RMB156,366,978.12 when the Group carried out reorganization in October 2016. The Group acquired the entities under common control, including Guoda Pharmacy, Foshan Nanhai, South Pharma & Trade and Guangdong Uptodate & Special Medicines by issuing shares, resulted in a reduction of the capital reserve by RMB73,320,792.34; and the disposal of Zhijun Medicine, Zhijun Pingshan, Zhijun Trade and assets of Pingshan base in exchange for 15.56% equity interest of Shyndec Pharmaceutical resulted in a reduction of the account of capital reserve by RMB83,046,185.78.
- (c) Capital reserve - Changes in other equity interest of the investee calculated under the equity method decreased by RMB359,766.35. This was due to the changes in other capital reserve of Shyndec Pharmaceutical, which became a new associate of the Company since October 2016.
- (d) Capital reserve - Other capital reserve increased by RMB600,990.46, due to the purchase of 30% non-controlling interests of Sinopharm Shantou at a discount in November 2016; Capital reserve - Other capital reserve decreased by RMB152,986,117.22 after acquiring a 49% non-controlling interest of South Pharma & Trade at a premium in October 2016.

**42. Other equity instruments**

	At beginning of year		Increase		Decrease		At end of year	
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts
Unlisted shares	-	-	65,495,040.00	65,495,040.00	-	-	65,495,040.00	65,495,040.00

In October 2016, the Group issued 65,495,040 number of ordinary shares (A shares) to acquire entities under common control, including Guoda Pharmacy, Foshan Nanhai, South Pharma & Trade and Guangdong Uptodate & Special Medicines by issuing shares and raised supporting funds by issuing shares to Ping An Asset Management to acquire the non-controlling interest of South Pharma & Trade. The relevant shares were successfully issued and listed on 5 January 2017.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### V Notes to the consolidated financial statements (Continued)

#### 43. Surplus reserve

	31 December 2016	31 December 2015
Surplus reserve	<u>181,315,971.50</u>	<u>181,315,971.50</u>

According to the provisions of Company Law and the Company's articles of association, the Company appropriates statutory surplus reserves at 10% of the net profit. Where the accumulated amount of surplus reserves reaches 50% or more of the Company's registered capital, additional appropriation is not needed. After the appropriation of statutory surplus reserves, the Company may appropriate discretionary surplus reserves. When approved, the discretionary surplus reserves can be used to recover accumulated losses or increase the share capital. As of 31 December 2016, the accumulated amount of the statutory surplus reserve of the Group has already reached 50% of registered capital. According to Company's articles of association, the Group did not extract surplus reserve any more.

#### 44. Retained earnings

	31 December 2016	31 December 2015
Retained earnings at the end of the prior year	3,045,551,246.71	2,356,765,374.25
A business combination involving enterprises under common control (a)	565,826,079.43	440,061,136.01
Retained earnings at beginning of year after retrospective adjustment and restatement	3,611,377,326.14	2,796,826,510.26
Add: Net profit attributable to the parent	1,186,601,899.27	927,610,234.41
Deduct: Ordinary share cash dividends payable (b)	(108,789,582.90)	(72,526,388.60)
Others	-	(40,533,029.93)
Retained earnings at end of year	<u>4,689,189,642.51</u>	<u>3,611,377,326.14</u>

- (a) Due to the business combination involving enterprises under common control, retained earnings at end of the prior year increased by RMB565,826,079.43 (2015: RMB440,061,136.01).
- (b) Pursuant to the resolution of the General meeting on 22 April 2016, cash dividends of RMB108,789,582.90 (RMB3.0 per 10 shares) were paid based on the issued shares of 362,631,943.
- (c) Pursuant to the resolution of the board of directors of the Company on 17 April 2017, cash dividends of RMB141,281,904.39 (RMB3.30 per 10 shares) were proposed based on the issued shares of 428,126,983 after non-public offering. This proposed dividend is subject to the approval of the forthcoming general meeting.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**45. Non-controlling interests**

Full Name	Short Name	31 December 2016	31 December 2015
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	Sinopharm Yanfeng	32,564,575.46	31,734,359.03
Sinopharm Holding Liuzhou Co., Ltd.	Sinopharm Liuzhou	84,524,667.81	70,503,148.99
Sinopharm Holding Shaoguan Co., Ltd.	Sinopharm Shaoguan	6,054,572.50	5,872,494.43
Sinopharm Holding Shantou Co., Ltd.	Sinopharm Shantou		3,485,886.00
Sinopharm Holding Guangzhou Medical Treatment Management Co., Ltd.	Guangzhou Medical	2,025,730.34	1,475,443.73
Sinopharm Holding Wuzhou Co., Ltd.	Sinopharm Wuzhou	14,190.87	9,930.54
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	-	107,905,750.64
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	Jiangsu Dadesheng	2,911,806.60	2,719,517.13
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	Shandong Guoda	19,196,795.07	21,271,714.64
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	Quanzhou Guoda	8,840,478.97	10,242,209.02
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	Hunan Guoda	15,333,230.29	14,751,120.85
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	Liyang Guoda	9,149,939.79	8,806,666.89
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	Henan Guoda	9,343,359.62	9,691,204.65
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	Jiangmen Guoda	13,997,715.11	12,974,113.13
Tianjin Guoda Pharmacy Chain Store Co., Ltd.	Tianjin Guoda	557,493.64	(408,190.32)
Guoda Shenyang Tianyitang Pharmacy Chain	Tianyitang	26,128,579.33	15,548,070.43
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	Nanjing Guoda	6,635,776.95	5,557,259.49
Anhui Guoda Pharmacy Chain Store Co., Ltd.	Anhui Guoda	(6,254,914.31)	(5,571,840.47)
Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd.	Neimenggu Guoda	(504,677.45)	1,888,973.21
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd.	Hebei Lerentang	20,944,225.10	20,223,981.95
Ningxia Guoda Pharmacy Chain Store Co., Ltd.	Ningxia Guoda	41,791,854.71	38,420,885.83
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	Shenyang Guoda	41,218,628.06	24,545,382.41
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Shanxi Wanmin	1,834,899.73	107,794.78
Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd.	Xinjiang Guoda	8,868,434.44	8,633,911.55
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	Shanxi Yiyuan	9,468,023.84	6,441,210.69
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd.	ForMe Pharmacy Chain Store	351,768.74	342,637.49
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd.	ForMe Medicines	3,392,624.17	3,154,108.68
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	Beijing Golden Elephant	89,058,368.88	90,028,081.15

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**45. Non-controlling interests (Continued)**

Full Name	Short Name	31 December 2016	31 December 2015
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Shanxi Wanmin Changzhi	1,822,125.55	1,815,633.26
Xiaoyi Guoda Wanmin Baicao Tang Pharmacy Chain Store Co., Ltd.	Shanxi Wanmin Xiaoyi	3,631,478.93	2,465,369.82
Sinopharm Holding Guoda Pharmacy Ulanqab Co., Ltd.	Neimeng Guoda-Ulanqab	1,967,902.49	-
Sinopharm Holding Guoda Pharmacy Hulun Buir Co., Ltd.	Neimeng Guoda-Hulun Buir	1,679,199.53	1,533,581.95
Shanghai Guoda Shanghong Qibao Pharmacy Co., Ltd.	Qibao	2,579,125.70	2,378,700.05
Zhejiang Intlmedicine Pharmacy Dongshan Co., Ltd.	Zhejiang Guoda	296,939.98	293,595.25
Beijing Golden Elephant Fuxing Technology Co., Ltd.	Beijing Golden Elephant Fosun	(293,640.30)	(265,740.33)
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	Beijing Golden Elephant Rongzhi	85,987.40	209,731.72
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd.	Guoda Taishan	3,634,795.21	-
Sinopharm Guoda Pharmacy Qinhuangdao Chain Co., Ltd.	Qinhuangdao Guoda	980,849.43	-
		<u>463,832,912.18</u>	<u>518,786,698.26</u>

**46. Operating revenue and cost**

	2016	2015
Revenue of main operations	40,950,627,418.40	37,492,586,746.47
Other operating income	<u>297,801,904.51</u>	<u>326,691,212.54</u>
	<u>41,248,429,322.91</u>	<u>37,819,277,959.01</u>
	2016	2015
Cost of main operations	36,621,362,598.71	33,379,575,174.90
Other operating expenses	<u>26,874,304.85</u>	<u>53,272,669.69</u>
	<u>36,648,236,903.56</u>	<u>33,432,847,844.59</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**46. Operating revenue and cost (Continued)**

(a) Revenue and cost of main operations

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

	2016		2015	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Wholesale of pharmaceutical	30,982,482,620.75	29,319,997,756.02	28,452,153,683.28	26,901,734,940.56
Retail of pharmaceutical	8,761,101,587.23	6,605,050,729.00	7,382,199,442.63	5,509,074,867.30
Pharmaceutical manufacturing	1,174,241,370.22	677,553,586.23	1,628,474,289.30	951,255,881.90
Logistics and freights	20,551,062.91	13,271,551.53	17,678,920.37	12,984,126.10
Rental and other income	12,250,777.29	5,488,975.93	12,080,410.89	4,525,359.04
	<u>40,950,627,418.40</u>	<u>36,621,362,598.71</u>	<u>37,492,586,746.47</u>	<u>33,379,575,174.90</u>

(b) Other operating income and expenses

	2016		2015	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Rendering of services	217,419,431.74	9,566,833.75	226,816,835.86	13,630,079.68
Rental income	51,510,163.93	9,526,998.12	52,669,686.01	15,009,361.64
Franchise fee income	12,466,449.10	69,252.02	10,411,176.60	2,800.00
The income of disposal the investment real estate	7,667,470.67	2,426,744.64	4,330,048.35	-
Sales of raw materials	1,980,407.43	691,010.60	24,957,643.99	24,443,931.50
Others	6,757,981.64	4,593,465.72	7,505,821.73	186,496.87
	<u>297,801,904.51</u>	<u>26,874,304.85</u>	<u>326,691,212.54</u>	<u>53,272,669.69</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**V Notes to the consolidated financial statements (Continued)**

**47. Tax and surcharges**

	2016	2015
City maintenance and construction tax	47,875,547.04	46,747,095.39
Educational surcharge	34,378,369.51	33,458,033.68
Stamp duty	23,183,175.33	-
Property tax	6,280,014.82	2,706,056.86
Business tax	5,237,509.80	14,982,597.98
Water conservancy fund payable	4,982,862.48	-
Land tax	1,368,870.31	466,354.54
Vehicle and vessel use tax	128,932.95	-
Others	836,150.81	799,803.14
	124,271,433.05	99,159,941.59

**48. Selling expenses**

	2016	2015
Employees payroll and welfare benefits	1,127,962,184.89	1,009,609,487.89
Rental expenses	542,204,017.06	458,568,664.93
Transportation charges	78,970,351.97	103,749,345.66
Utility fees	48,407,210.56	43,713,141.83
Amortization of long-term deferred expenses	43,394,735.87	43,149,189.40
Promotion and marketing expenses	42,377,994.57	40,741,729.61
Storage expenses	40,718,215.96	37,495,458.08
Depreciation expenses	39,431,250.60	31,657,833.79
Office allowances	36,483,538.89	41,431,226.17
Entertainment expenses	35,855,595.79	33,709,926.77
Travel allowances	17,548,088.82	26,560,353.70
Medical cooperation project fees	13,030,006.63	9,239,249.51
Repairing fees	11,419,421.05	12,630,288.89
Conference expenses	8,758,475.01	13,471,053.95
Market development fees	3,731,023.44	29,245,200.53
Others	107,911,326.16	104,857,067.01
	2,198,203,437.27	2,039,829,217.72

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**49. Administrative expenses**

	2016	2015
Employees payroll and welfare benefits	530,882,424.95	495,381,856.07
Research and development expenses	43,731,710.17	73,150,395.26
Depreciation expenses	36,971,425.20	45,666,878.89
Agency service fees	32,970,956.21	11,224,520.34
Rental expenses	30,369,873.36	26,369,635.71
Office allowances	29,046,348.45	34,285,140.13
Amortization of intangible assets	21,653,455.23	23,354,745.72
Taxations	13,595,999.15	30,710,982.72
Entertainment expenses	12,710,489.90	17,409,794.99
Travel allowances	10,147,753.39	10,815,984.38
Technical service fees	10,144,510.68	9,379,852.11
Utilities	9,907,096.21	8,810,269.93
Amortization of long-term deferred expenses	9,587,280.65	12,172,402.55
Vehicle management expenses	9,208,714.11	13,002,438.56
Promotion and marketing expenses	7,579,873.98	8,909,557.32
Repairing fees	4,993,442.67	5,147,048.52
Others	46,219,324.86	54,842,853.27
	<u>859,720,679.17</u>	<u>880,634,356.47</u>

**50. Finance costs**

	2016	2015
Interest expenses	133,781,778.31	153,847,428.55
Less: Interest income	(30,140,036.85)	(18,581,615.63)
Cash discount	(35,617,404.69)	(31,865,471.49)
Exchanges loss/(gain)	469,079.01	(1,224,644.06)
Others	33,361,688.88	26,475,511.13
	<u>101,855,104.66</u>	<u>128,651,208.50</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**51. Impairment loss**

	2016	2015
Inventories provision	1,562,617.67	21,351,180.51
Bad debt allowance	(10,111,443.64)	11,644,966.20
Impairment in fixed assets	-	1,540,887.99
Impairment in goodwill	-	25,000,000.00
	<u>(8,548,825.97)</u>	<u>59,537,034.70</u>

**52. Investment income**

	2016	2015
Investment income from long-term equity investments under the equity method	97,075,494.40	58,544,653.18
Investment income from disposal of subsidiaries	86,674,065.35	-
Investment income from disposal of long-term equity investments (Note V(11), V(36))	4,162,157.57	-
Investment income from available-for-sale financial assets	476,094.35	443,835.19
Gain from remeasurement of fair value of remaining equity interest upon loss of control	35,080,116.91	-
Predicted investment loss (Note V(36))	-	(2,775,763.44)
	<u>223,467,928.58</u>	<u>56,212,724.93</u>

**53. Non-operating income**

	2016	2015
Government grants (Note a)	35,645,895.50	38,952,581.42
Gain on disposal of non-current assets	10,501,930.08	2,518,092.37
Incl: Gain on disposal of fixed assets	10,421,763.20	2,381,093.71
Gain on disposal of other non-current assets	80,166.88	136,998.66
Gain from compensation for breach of contracts	3,370,000.00	227,265.90
Gain from writing off the unnecessary payment	2,879,312.96	11,179,171.33
Gain arising from donation	-	17,306.70
Others	6,544,256.83	15,182,508.56
	<u>58,941,395.37</u>	<u>68,076,926.28</u>

All non-operating income was wholly classified as non-recurring profit or loss in 2016.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**53. Non-operating income (Continued)**

(a) Government grants

	2016	2015	Note
- <i>Government grants related to assets</i>			
Special funds granted for Shenzhen Biological Industries Development	4,874,999.99	125,000.01	Transfer from the amortization of deferred income
Resettlement Compensation of Guangxi Logistics	2,698,408.56	2,698,408.56	Transfer from the amortization of deferred income
Cephalosporin Solid Preparations Development Project	1,958,895.80	2,103,543.89	Transfer from the amortization of deferred income
Transfer from other deferred amortization income	7,536,813.82	7,821,772.73	Transfer from the amortization of deferred income
	17,069,118.17	12,748,725.19	
- <i>Government grants related to income</i>			
Strategic Emerging Industries Funding of 2016	4,452,000.00	-	Strategic Emerging Industries Funding
Government grants for medicine reserve expenses	3,210,285.43	3,347,500.00	Government grants for medicine reserve expenses
Tax return	1,978,691.91	9,117,750.98	Tax return
Economic contribution award	2,361,700.00	2,654,400.00	Economic contribution award
Government-funded interest discount	420,005.49	1,773,795.84	Government-funded interest discount
Others	6,154,094.50	9,310,409.41	Subsidy for contribution, etc.
	18,576,777.33	26,203,856.23	
	35,645,895.50	38,952,581.42	

**54. Non-operating expenses**

	2016	2015
Penalty expenses	2,139,975.89	1,494,218.87
Lawsuit expenses	1,798,546.83	572,890.38
Losses on disposal of non-current assets	1,326,826.43	1,162,517.88
Incl: Losses on disposal of fixed assets	986,274.72	1,162,517.88
Losses on disposal of intangible assets	4,117.37	-
Losses on disposal of other non-current assets	336,434.34	-
Expenses on compensation for breach of contracts	141,519.09	1,399,863.62
Donation expenses	144,093.77	300,393.62
Others	1,291,828.85	472,186.66
	6,842,790.86	5,402,071.03

Non-operating cost was wholly classified as non-recurring profit or loss in 2016.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**55. Expenses by nature**

The cost of operations, selling and distribution expenses, administrative expenses are classified by nature and listed as follows:

	2016	2015
Inventories of finished and work in progress goods	35,959,030,423.27	32,455,398,889.32
Employees payroll and welfare benefits	1,732,735,557.97	1,650,410,755.90
Rental expenses	580,007,329.89	488,433,233.29
Consumed raw materials and low value consumables, etc.	497,914,187.65	704,885,478.94
Depreciation and amortization	212,843,144.88	217,138,135.72
Utilities	83,232,077.64	86,806,547.19
Transportation charges	81,908,414.89	107,032,878.30
Telecom and internet	65,584,889.96	75,745,253.85
Promotion and marketing expenses	53,688,891.99	78,896,487.46
Entertainment expenses	48,566,085.69	51,119,721.76
Research and development expenses	43,731,710.17	73,150,395.26
Storage expenses	40,718,215.96	37,495,458.08
Travel allowances	36,415,567.02	48,396,645.08
Agency service fees	32,970,956.21	11,224,520.34
Repairing fees	20,573,923.14	20,668,769.94
Taxation	13,595,999.15	30,710,982.72
Medical cooperation projects fees	13,030,006.63	9,239,249.51
Office allowances	12,314,057.40	16,779,145.56
Technical service fees	10,144,510.68	9,379,852.11
Others	167,155,069.81	180,399,018.45
	<u>39,706,161,020.00</u>	<u>36,353,311,418.78</u>

**56. Income taxes**

	2016	2015
Current income tax	309,340,914.04	279,076,851.14
Deferred income tax	9,035,903.74	(11,519,667.13)
	<u>318,376,817.78</u>	<u>267,557,184.01</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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V Notes to the consolidated financial statements (Continued)

56. Income taxes (Continued)

The reconciliation from income tax calculated based on applicable tax rates and total profit presented in the consolidated financial statements to the income taxes is listed below:

	2016	2015
Total profit	<u>1,600,257,124.26</u>	<u>1,297,505,935.62</u>
Income taxes calculated at applicable tax rates	400,064,281.07	324,376,483.91
Lower tax rates enacted by local authorities	(40,990,086.30)	(48,472,689.60)
Income not subject to tax	(58,557,903.55)	(14,884,083.38)
Expenses not deductible for tax	19,528,230.77	17,327,347.56
Tax losses not recognized	1,650,692.62	6,020,461.22
Utilization of previously unrecognized tax losses	-	(546,763.32)
Additional deduction for development cost	(4,907,807.98)	(5,865,441.09)
Gain on deferred tax of beginning of the year from the changes of tax rate	(237,247.82)	(9,255,185.51)
Adjustment of income tax expense of previous year	<u>1,826,658.97</u>	<u>(1,142,945.78)</u>
Income tax	<u><u>318,376,817.78</u></u>	<u><u>267,557,184.01</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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V Notes to the consolidated financial statements (Continued)

57. Earnings per share

The basic earnings per share is calculated by dividing the consolidated net profit of the current year attributable to the ordinary shareholders of the Company by the adjusted weighted average number of ordinary shares outstanding.

In year 2016, the Company had no potential dilutive ordinary shares, and the diluted earnings per share equaled to the basic earnings per share.

The calculation of basic and diluted earnings per share is listed below:

	2016	2015
Earnings		
Consolidated net profit attributable to the shareholders of the parent	1,186,601,899.27	927,610,234.41
Net profit attributable to calculation of EPS	<u>1,186,601,899.27</u>	<u>927,610,234.41</u>
Shares		
Adjusted weighted average number of ordinary shares outstanding (Note)	<u>423,865,068.83</u>	<u>423,012,686.00</u>
Basic and diluted earnings per share	<u>2.80</u>	<u>2.19</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**57. Earnings per share (Continued)**

Note: Adjusted weighted average number of ordinary shares outstanding includes ordinary shares outstanding and other equity instruments. The calculation is as below:

	2016	2015	Weight	Note
Ordinary shares	362,631,943.00	362,631,943.00	1.00	At 31 December 2014, ordinary shares outstanding are 362,631,943. 1. In October 2016, the Company completed the reorganization and issued shares to Sinopharm Group and China Pharma & Trade to acquire four commercial companies under common control, which are included in other equity instruments as they have not been issued publicly.
Other equity instruments - Business combinations involving entities under common control	60,380,743.00	60,380,743.00	1.00	
Other equity instrument	<u>5,114,297.00</u>	<u>-</u>	2/12	2. The assets and liabilities related to business combination under common control have been retrospectively included since the beginning of the comparative period, so it shall be considered that the shares already existed as of 1 January 2015. 1. The Company issued shares to Ping An Asset Management to raise funds for acquiring non-controlling interest. The related transactions were completed in October 2016. Such shares are included in other equity instruments as they have not been issued publicly.
Weighted average number of ordinary shares	<u>423,865,068.83</u>	<u>423,012,686.00</u>		

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**58. Notes to items in the cash flow statement**

(a) Cash receipts related to other operating activities

	2016	2015
Government grants except tax return	26,130,389.77	22,013,057.71
Rent income	51,510,163.93	52,669,686.01
Operational restricted bank deposits received	28,819,722.02	11,869,442.55
Interest income	27,790,677.04	15,182,553.70
Others	180,273,008.11	153,760,629.96
	<u>314,523,960.87</u>	<u>255,495,369.93</u>

(b) Cash paid relating to other operating activities

	2016	2015
Rental expenses	580,007,329.89	488,433,233.29
Entertainment expenses	48,566,085.69	51,119,721.76
Research and development expenses	43,731,710.17	73,150,395.26
Travel expenses	36,415,567.02	48,396,645.08
Conference expenses	12,314,057.40	16,779,145.56
Office expenses	58,136,994.12	64,785,971.89
Advertising expenses	53,688,891.99	78,896,487.46
Bank charges	33,643,347.19	27,446,840.23
Others	426,063,361.55	374,994,391.98
	<u>1,292,567,345.02</u>	<u>1,224,002,832.51</u>

(c) Cash received relating to other investing activities

	2016	2015
Received funds pool money returned by Sinopharm	1,398,519,242.56	5,908,020,000.00
Retention	-	20,000,000.00
Received Entrusted loan payments	177,949,000.00	-
Others	28,464,568.40	184,272,889.48
	<u>1,604,932,810.96</u>	<u>6,112,292,889.48</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**58. Notes to items in cash flow statement (Continued)**

(d) Cash paid relating to other investing activities

	2016	2015
Deposit money in funds pool of Sinopharm	1,134,349,654.83	5,993,124,536.97
Purchased of equity sincerity Margin	95,259,200.00	-
Others	44,765,492.10	323,129,303.85
	1,274,374,346.93	6,316,253,840.82

(e) Cash received relating to other financing activities

	2016	2015
Received borrowings from Sinopharm Group	94,000,000.00	103,770,000.00
Received bank factoring money	105,886,340.26	-
Received security deposit of pledged borrowings	96,527,395.45	110,737,613.00
Others	1,585,588.50	76,040,000.00
	297,999,324.21	290,547,613.00

(f) Cash payments relating to other financing activities

	2016	2015
Repayment of entrusted borrowings provided by Sinopharm Group	369,331,500.00	122,581,000.00
Purchased of cash of equity purchase	10,859,800.00	37,939,200.00
Others	90,408,556.33	188,959,344.63
	470,599,856.33	349,479,544.63

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**V Notes to the consolidated financial statements (Continued)**

**59. Supplementary information of cash flow statement (Continued)**

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

	2016	2015
Net profit	1,281,880,306.48	1,029,948,751.61
Adjustments: Provision for asset impairment	(8,548,825.97)	59,537,034.70
Depreciation of fixed assets and investment properties	140,020,960.39	137,349,990.05
Amortization of intangible assets	25,801,766.27	30,510,994.58
Amortization of long-term prepaid expenses	53,800,810.95	56,682,273.62
Gains on disposal of fixed assets, and other non-current assets	(14,415,829.68)	(1,355,574.49)
Financial expenses	59,819,773.12	80,895,215.75
Investment income	(223,467,928.58)	(56,212,724.93)
Decrease/(increase) of deferred tax assets	61,870,347.75	(7,334,973.86)
Decrease of deferred tax liabilities	(7,159,368.38)	(2,421,740.55)
Decrease/(increase) of inventory	134,186,724.84	(472,855,209.01)
(Increase)/decrease in operating receivables items	(827,550,144.27)	697,126,863.05
Increase/(decrease) in operating payables items	767,487,272.91	(106,324,199.27)
Decrease in restricted operating cash with restriction	28,819,722.02	11,869,442.55
	<u>1,472,545,587.85</u>	<u>1,457,416,143.80</u>
Net cash generated from operating activities	<u>1,472,545,587.85</u>	<u>1,457,416,143.80</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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V Notes to the consolidated financial statements (Continued)

59. Supplementary information of cashflow statement (Continued)

(b) Significant non-cash investing activities

	2016	2015
Fixed assets under finance leases	6,018,400.00	19,983,504.62
Properties constructed with endorsed notes receivable	898,290.60	16,981,204.57
Purchasing non-controlling interests of subsidiaries	<u>273,614,900.00</u>	<u>-</u>
	<u>280,531,590.60</u>	<u>36,964,709.19</u>

(c) Movement of cash

	2016	2015
Cash at end of year	3,150,909,425.54	2,164,308,359.05
Less: cash at beginning of year	<u>(2,164,308,359.05)</u>	<u>(1,278,439,221.55)</u>
Net increase in cash	<u>986,601,066.49</u>	<u>885,869,137.50</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**V Notes to the consolidated financial statements (Continued)**

**59. Supplementary information of cashflow statement (Continued)**

(d) Acquisition of subsidiaries and operating units

	2016	2015
Cash and cash equivalents paid for acquisitions of subsidiaries and other business units	12,870,000.00	8,279,941.31
Incl: Sinopharm Zhuhai	-	252,000.00
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd. (“Guoda Taishan”)	12,870,000.00	-
ForMe Xuhui	-	405,721.31
Xiaoyi Wanmin	-	622,220.00
Hebei Yikang	-	7,000,000.00
Add: Consideration of previous acquisition paid in current period	-	299,246,300.00
Incl: Sinopharm Jiangmen	-	9,200,000.00
ForMe Medicines	-	69,087,100.00
ForMe Pharmacy Chain Store	-	104,459,200.00
Beijing Golden Elephant	-	116,500,000.00
Less: Cash held by subsidiaries at the acquisition date	1,230,803.89	212,001,433.83
Incl: Guoda Taishan	1,230,803.89	-
ForMe Medicines	-	21,643,632.83
ForMe Pharmacy Chain Store	-	59,169,944.04
Beijing Golden Elephant	-	128,738,616.42
ForMe Xuhui	-	44,422.76
Xiaoyi Wanmin	-	2,002,440.76
Hebei Yikang	-	402,377.02
Net cash outflow on acquisition of the subsidiaries and business units	11,639,196.11	95,524,807.48

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**V Notes to the consolidated financial statements (Continued)**

**59. Supplementary information of cash flow statement (Continued)**

(e)	Disposal of subsidiaries and operating units	2016	2015
	Cash and cash equivalents received from disposals of subsidiaries and other business units	157,800,000.00	-
	Incl: Zhijun Suzhou	157,800,000.00	-
	Cash and cash equivalents received from disposals of subsidiaries and other business units	156,111,000.00	-
	Less: Amount of cash and cash equivalents in the subsidiaries or business units disposed of	261,638,131.30	-
	Incl: Zhijun Suzhou	27,265,118.87	-
	Zhijun Medicine	160,575,763.61	-
	Zhijun Trade	22,707,838.32	-
	Zhijun Pingshan	51,089,410.50	-
	Net amount of cash received from disposals of subsidiaries and other business units	105,527,131.30	-
(f)	Cash	31 December 2016	31 December 2015
	Cash on hand	6,164,382.85	2,846,748.55
	Bank deposits on demand	3,144,745,042.69	2,161,461,610.50
	Cash	3,150,909,425.54	2,164,308,359.05

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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V Notes to the consolidated financial statements (Continued)

60. Assets under restricted ownership or right to use

	2016	2015	Note
Cash and cash equivalents	369,046,139.44	490,623,120.83	Note 1
Notes receivables that were endorsed	5,035,500.82	-	Note 2
Notes receivables that were discounted	154,468,694.89	88,924,715.00	Note 3
Notes receivables that were pledged	-	20,490,279.00	Note 4
	<u>528,550,335.15</u>	<u>600,038,114.83</u>	

Note 1: At 31 December 2016, the Group had deposits of bank acceptance notes, deposits of pledged borrowings and time deposits with maturities over 3 months amounting to RMB369,046,139.44 (31 December 2015: RMB490,623,120.83)(Note V(1)).

Note 2: At 31 December 2016, the Group had notes receivable endorsed but not due of RMB5,035,500.82 (31 December 2015: Nil) (Note V (2)).

Note 3: At 31 December 2016, the Group had notes receivable discounted but not due of RMB154,468,694.89 (31 December 2015: RMB88,924,715.00) (Note V (2)).

Note 4: At 31 December 2016, the Group had no pledged notes receivable. At 31 December 2015, the Group had pledged notes receivable of RMB20,490,279.00 (Note V(2)).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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V Notes to the consolidated financial statements (Continued)

61. Foreign monetary items

	31 December 2016			31 December 2015		
	Original currency	Exchange rate	Equivalent to RMB	Original currency	Exchange rate	Equivalent to RMB
Short-term borrowings						
US dollar	2,606,374.92	6.9370	18,080,422.84	10,135,280.39	6.4936	65,814,456.74
Hong Kong dollar	14,728,913.11	0.89451	13,175,160.07	41,988,385.33	0.83778	35,177,029.46
Accounts receivable						
US dollar	-	-	-	3,972,772.00	6.4936	25,797,592.27
Hong Kong dollar	-	-	-	139,504.55	0.83778	116,874.12
GBP	-	-	-	19,396.80	9.6159	186,517.69
Accounts payable						
US dollar	-	-	-	309,660.00	6.4936	2,010,808.18
			<u>31,255,582.91</u>			<u>129,103,278.46</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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**VI. Changes in the scope of consolidation**

**1. Business combination not involving enterprises under common control**

In 2016, the Company acquired a 70% equity interest of Guoda Taishan from Taishan Qunkang Pharmacy Co., Ltd. for RMB34,650,000 to constitute business combination involving enterprises not under common control. The acquisition was completed on 31 March 2016 and included in the consolidation scope of the Company.

The fair value and carrying amount of identifiable assets and liabilities and contingent liabilities of Guoda Taishan on acquisition date are presented as follows:

	31 March 2016 Fair value	31 March 2016 Carrying amount
Cash and bank balances	1,230,803.89	1,230,803.89
Accounts receivable	354,240.70	354,240.70
Other receivables	6,425,134.34	6,425,134.34
Inventories	12,478,339.82	12,478,339.82
Other current assets	482,224.20	482,224.20
Fixed assets	1,369,687.80	1,369,687.80
Intangible assets	57,834.76	57,834.76
Accounts payable	8,366,105.84	8,366,105.84
Advance from customers	123,920.11	123,920.11
Employee benefits payable	825,591.00	825,591.00
Tax payables	457,486.80	457,486.80
Dividends payable	837,993.67	837,993.67
Other payable	807,331.24	807,331.24
Net assets	10,979,836.85	10,979,836.85
Less: Non-controlling interests	(3,293,951.05)	
Net assets obtained	7,685,885.80	
Consideration	34,650,000.00	
Less: declared but unpaid dividend	137,993.65	
Investment cost	34,512,006.35	
Goodwill arising from acquisition	26,826,120.55	

Operating results and cash flows of Guoda Taishan from the acquisition date to the end of year are presented as follows:

	Period from 1 April 2016 to 31 December 2016
Operating revenue	47,699,779.02
Net profit	3,637,725.66
Net cash flows	2,829,366.14

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VI. Changes in scope of consolidation (Continued)**

**2. Disposal of subsidiaries**

	Place of incorporation	Nature of business	Total share proportion of the Group	Total voting right proportion of the Group	Reason for no longer being a subsidiary
Zhijun Suzhou	Suzhou	Manufacturing	100%	100%	Note 1

Note 1: The Group disposed of its 67% equity interest of Zhijun Suzhou on 26 April 2016. After the disposal, the Group held a 33% equity interest of Zhijun Suzhou, which was accounted for as an associate.

Relevant financial information of Zhijun Suzhou is presented as follows:

	30 April 2016 Fair value	31 December 2015 Carrying amount
Current assets	136,462,063.45	163,859,621.09
Non-current assets	248,468,214.40	254,812,353.18
Current liabilities	295,899,391.93	318,311,028.96
Non-current liabilities	4,971,073.39	5,131,187.25
Net assets	<u>84,059,812.53</u>	<u>95,229,758.06</u>
Goodwill	<u>28,019,393.32</u>	
	<u>112,079,205.85</u>	
Less: Fair value of remaining equity	77,722,388.00	
Less: Proceeds from disposal	<u>156,111,000.00</u>	
	<u>233,833,388.00</u>	
Gain from disposal	<u>121,754,182.15</u>	

The difference between the total amount of consideration received from transaction that resulted in the loss of control plus the fair value of 33% equity right and the total amount of the net asset of Zhijun Suzhou calculated continuously from the acquisition date and the goodwill related to this entity was recognized as the investment income for the year amounting to RMB121,754,182.15. The fair value of the remaining 33% equity interest of Zhijun Suzhou held by the Group after the disposal was RMB77,722,388.00 and a remeasurement gain of fair value of RMB35,080,116.91 was recorded.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**VI. Changes in scope of consolidation (Continued)**

**3. Significant reorganization**

In 2016, the Group carried out significant reorganization which consisted of two specific transactions. Please refer to (1) Profile of the Company, (2) Change in the consolidation scope and the completed significant reorganization for the current year.

The accounting principles for the above two transactions: (1) for the arrangement of acquiring the four subsidiaries in Transaction 1, as each party's ultimate controlling party was CNPGC before and after the reorganization and the control was not transitory, the business combination under common control should be recorded at the carrying value of the ultimate controlling party's consolidated financial statements and deemed as being consolidated at the beginning of the comparative period of the financial statement; the arrangement of acquiring the 49.00% equity interest of South Pharma & Trade with cash of RMB274,000,000 should be accounted for as acquiring a non-controlling interest; and (2) 51% equity interest of three pharmaceutical subsidiaries and the non-current assets of Pingshan base were sold for acquiring a 15.56% equity interest of Shyndec Pharmaceutical in Transaction 2 and such transaction formed part of the bundled transaction of the reorganization, so it should be recorded at the carrying value.

In the above reorganization arrangement, the parties disposing of the related equity and assets made commitments to the acquirer in regard to profitability forecast compensation. The Company believes that, as the performance stipulated in the compensation agreement is based on the reasonable forecast of underlying assets in the ordinary course of business and the actual results are expected to be consistent with the commitments, the Company concludes that the fair value of the related contingent consideration is not significant.

The consideration of the above significant reorganization and the carrying amount of the net assets obtained are as follows:

Transaction 1:

Carrying amount of the net assets obtained	
Guoda Pharmacy - 100% equity	1,361,800,110.06
Foshan Nanhai - 100% equity	462,682,298.01
Guangdong Uptodate & Special Medicines - 100% equity	144,682,822.34
South Pharma & Trade - 51% equity	<u>128,308,087.19</u>
Subtotal	<u><u>2,097,473,317.60</u></u>
Less: Par value of shares	<u>60,380,743.00</u>
Difference recognized in capital surplus	<u><u>2,037,092,574.60</u></u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VI. Changes in scope of consolidation (Continued)**

**3. Significant reorganization (Continued)**

Transaction 2:

Carrying amount of the net assets obtained	
- Shyndec Pharmaceutical 15.56% equity	871,794,861.65
Less: Carrying amount of investments in three pharmaceutical companies	
Zhijun Medicine 51% equity	104,227,135.88
Zhijun Pingshan 51% equity	19,577,462.90
Zhijun Trade 51% equity	5,669,601.87
Productive assets of Pingshan base*	<u>529,931,364.42</u>
Subtotal:	<u>659,405,565.07</u>
Difference recognized in capital surplus:	<u>212,389,296.58</u>

The significant reorganization had an impact on capital surplus of RMB2,249,481,871.18.

\* As at 31 December 2016, the related land and building were in the process of transfer.

**3.1 Business combination under common control**

Operating results and cash flows of Guoda Pharmacy from 1 January 2016 to the acquisition date and the last accounting period are presented as follows:

	Period from 1 January 2016 to 31 October	2015
Operating revenue	7,387,361,362.35	7,991,735,833.29
Net profit	177,223,174.46	138,637,534.56
Net cash flows	<u>161,021,801.86</u>	<u>173,438,825.13</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VI. Changes in scope of consolidation (Continued)**

**3.1 Business combination under common control (continued)**

The carrying amounts of assets and liabilities of Guoda Pharmacy at the combination date and at the balance sheet date of the last accounting period are presented as follows:

	31 October 2016	31 December 2015
Cash and bank balances	840,581,745.37	704,326,972.68
Notes receivable	1,200,000.00	11,696,740.00
Accounts receivable	690,135,002.05	566,923,645.52
Advances to suppliers	295,379,025.98	190,839,238.22
Interest receivable	450,660.74	197,875.00
Dividends receivable	964,600.00	964,600.00
Other receivables	254,192,370.04	385,812,558.26
Inventories	1,413,598,727.39	1,205,569,222.66
Other current assets	6,176,508.56	22,576,307.15
Available-for-sale financial assets	13,685,760.00	2,675,760.00
Long-term equity investments	10,695,981.95	9,450,914.59
Investment properties	8,976,606.99	13,182,258.66
Fixed assets	272,278,275.02	274,272,883.88
Construction in progress	26,679,572.48	24,472,017.50
Fixed assets pending for disposal	89,255.67	-
Intangible assets	205,357,905.77	214,059,373.39
Goodwill	680,897,203.25	654,071,082.70
Long-term deferred expenses	128,201,686.85	101,157,661.18
Deferred tax assets	37,647,208.66	37,404,537.76
Other non-current assets	16,816,027.95	36,089,749.59
Short-term borrowings	120,000,000.00	140,000,000.00
Notes payable	833,644,859.70	791,625,264.33
Accounts payable	1,667,850,365.79	1,193,846,938.88
Advance from customers	94,220,564.43	111,703,639.79
Employee benefits payable	88,147,352.33	77,164,412.49
Tax payables	34,110,413.22	58,994,840.42
Interest payables	765,438.42	-
Dividends payable	8,483,370.21	16,517,259.20
Other payables	298,614,164.13	465,255,542.58
Long-term employee benefits payable	649,000.00	1,024,000.00
Provision	-	3,936,157.67
Deferred income	23,226,084.84	22,406,519.35
Deferred tax liabilities	44,026,811.08	45,437,511.96
	<u>1,690,265,700.57</u>	<u>1,527,831,312.07</u>
Less: Non-controlling interests	328,465,590.51	297,799,684.90
Net assets obtained	<u>1,361,800,110.06</u>	<u>1,230,031,627.17</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VI. Changes in scope of consolidation (Continued)**

**3.1 Business combination under common control (Continued)**

Operating results and cash flows of Foshan Nanhai from 1 January 2016 to the acquisition date and the last accounting period are presented as follows:

	Period from 1 January 2016 to 31 October	2015
Operating revenue	1,533,797,118.71	1,713,182,853.23
Net profit	41,442,287.13	46,469,535.74
Net cash flows	<u>(9,833,222.44)</u>	<u>31,316,097.05</u>

The carrying amounts of assets and liabilities of Foshan Nanhai at the combination date and at the balance sheet date of the last accounting period are presented as follows:

	31 October 2016	31 December 2015
Cash and bank balances	67,901,007.30	84,760,196.37
Notes receivable	126,663.80	700,234.10
Accounts receivable	698,055,339.33	526,585,133.37
Advances to suppliers	3,289,143.82	1,082,580.96
Other receivables	6,955,646.92	50,125,437.41
Inventories	124,805,341.44	141,851,310.50
Other current assets	8,354,154.34	7,123,289.28
Investment properties	4,127,379.21	4,368,597.31
Fixed assets	12,551,060.13	14,852,735.05
Construction in progress	666,666.67	-
Intangible assets	52,258,546.88	57,527,056.07
Goodwill	88,877,850.51	88,877,850.51
Deferred tax assets	2,312,684.54	2,411,372.14
Short-term borrowings	116,568,890.11	85,083,503.81
Notes payable	40,877,634.38	43,575,784.71
Accounts payable	373,800,991.97	340,653,274.81
Advance from customers	17,336.03	16,803.53
Employee benefits payable	2,788,369.17	3,562,052.02
Tax payables	6,592,841.78	7,181,190.16
Interest payables	595,109.07	518,430.79
Other payables	45,532,730.40	50,715,755.97
Non-current liabilities due within one year	805,110.20	2,310,019.32
Long-term payables	5,878,814.67	5,391,098.89
Deferred tax liabilities	<u>14,141,359.10</u>	<u>15,610,486.37</u>
Net assets obtained	<u>462,682,298.01</u>	<u>425,647,392.69</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VI. Changes in scope of consolidation (Continued)**

**3.1 Business combination under common control (Continued)**

Operating results and cash flows of Guangdong Uptodate & Special Medicines from 1 January 2016 to the acquisition date and the last accounting period are presented as follows:

	Period from 1 January 2016 to 31 October	2015
Operating revenue	737,006,838.29	988,461,769.15
Net profit	15,896,740.08	18,290,323.84
Net cash flows	5,551,501.86	(7,169,725.29)

The carrying amounts of assets and liabilities of Guangdong Uptodate & Special Medicines at the combination date and at the balance sheet date of the last accounting period are presented as follows:

	31 October 2016	31 December 2015
Cash and bank balances	54,870,966.56	95,653,425.82
Notes receivable	40,468,264.96	38,174,638.00
Accounts receivable	230,174,057.51	231,124,489.63
Advances to suppliers	16,354,377.09	46,795,172.18
Other receivables	5,774,347.70	16,653,219.01
Inventories	74,157,910.36	79,908,147.97
Other current assets	-	2,995,119.15
Fixed assets	2,055,486.10	2,694,634.51
Deferred tax assets	654,875.42	800,981.09
Short-term borrowings	22,800,000.00	43,900,000.00
Notes payable	166,424,147.48	258,049,233.49
Accounts payable	60,203,762.07	66,985,382.71
Advance from customers	-	902,224.04
Tax payables	4,865,809.22	1,360,587.40
Other payables	25,533,744.59	14,816,317.46
Net assets obtained	144,682,822.34	128,786,082.26

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VI. Changes in scope of consolidation (Continued)**

**3.1 Business combination under common control (Continued)**

Operating results and cash flows of South Pharma & Trade from 1 January 2016 to the acquisition date and the last accounting period are presented as follows:

	Period form 1 January 2016 to 31 October	2015
Operating revenue	1,786,244,467.97	1,931,614,638.45
Net profit	25,965,371.72	44,492,306.43
Net cash flows	<u>7,190,126.19</u>	<u>(26,730,356.91)</u>

The carrying amounts of assets and liabilities of South Pharma & Trade at the combination date and at the balance sheet date of the last accounting period are presented as follows:

	31 October 2016	31 October 2015
Cash and bank balances	54,088,212.33	199,483,914.50
Notes receivable	52,534,123.14	48,670,104.01
Accounts receivable	348,249,504.55	422,544,481.30
Advances to suppliers	144,594,751.25	324,844,394.97
Other receivables	6,130,172.03	7,864,512.90
Inventories	223,245,258.60	204,668,233.65
Other current assets	-	1,803,529.45
Investment properties	843,291.96	-
Fixed assets	863,045.63	1,416,877.02
Goodwill	2,755,680.62	2,755,680.62
Long-term deferred expenses	3,940,091.98	40,295.00
Deferred tax assets	4,667,008.43	5,958,116.62
Other non-current assets	2,582,875.00	4,694,817.27
Short-term borrowings	174,500,849.21	151,289,188.80
Notes payable	37,725,000.00	140,681,260.00
Accounts payable	309,490,682.17	446,819,446.21
Advance from customers	35,317,299.26	77,860,528.63
Employee benefits payable	1,216,982.12	4,718,485.32
Tax payables	7,583,529.01	4,011,780.75
Interest payables	436,191.78	235,184.25
Dividends payable	-	20,000,000.00
Other payables	<u>29,286,612.00</u>	<u>156,157,585.10</u>
	<u>248,936,869.97</u>	<u>222,971,498.25</u>
Less: Non-controlling interests	<u>120,628,782.78</u>	<u>107,905,750.64</u>
Net assets obtained	<u>128,308,087.19</u>	<u>115,065,747.61</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

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

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**VI. Changes in scope of consolidation (Continued)**

**3.1 Business combination under common control (Continued)**

Pursuant to the Profit Forecast Compensation Agreement for the Stock Issuance and Asset Purchase signed on 30 May 2016, Sinopharm Group committed that, the net profit of Foshan Nanhai, Guangdong Uptodate & Special Medicines and Guoda Pharmacy (“target company”) would be no less than RMB47,385,600, RMB19,167,000 and RMB98,466,100, respectively in 2016; no less than RMB49,394,500, RMB20,209,700 and RMB110,998,900, respectively in 2017; and no less than RMB51,148,200, RMB21,330,100 and RMB131,275,500, respectively in 2018. China Pharma & Trade and eleven natural persons including Fu Yuequn committed that the net profit of South Pharma & Trade would be no less than RMB39,880,700 in 2016, no less than RMB47,323,200 in 2017 and no less than RMB55,364,600 in 2018. If the actual profit of the target company does not reach the committed net profit, Sinopharm Group, China Pharma & Trade and eleven natural persons including Fu Yuequn will need to compensate the Company by shares or cash according to the stipulation on calculating the number of share compensation and the amount of cash compensation. The Company concludes that the fair value of the contingent consideration is not significant.

**3.2 Disposal of subsidiaries**

Relevant financial information of Zhijun Medicine is presented as follows:

	31 October 2016 Carrying amount	31 December 2015 Carrying amount
Current assets	529,986,480.82	857,455,706.32
Non-current assets	337,450,716.91	362,103,259.33
Current liabilities	(280,789,509.35)	(584,878,125.35)
Non-current liabilities	<u>(46,627,874.85)</u>	<u>(62,954,554.78)</u>

The operating revenue, operating cost and net profit from the beginning of the year to the date of disposal of Zhijun Medicine is presented as follows:

	Period from 1 January 2016 to 31 October Carrying amount
Operating revenue	909,620,950.55
Operating cost	529,112,455.32
Net profit	<u>189,221,408.06</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**VI. Changes in scope of consolidation (Continued)**

**3.2 Disposal of subsidiaries (Continued)**

Relevant financial information of Zhijun Pingshan is presented as follows:

	31 October 2016 Carrying amount	31 December 2015 Carrying amount
Current assets	159,356,327.91	113,781,755.58
Non-current assets	9,762,415.04	10,624,259.84
Current liabilities	(81,632,440.63)	(77,633,281.45)
Non-current liabilities	<u>(577,000.00)</u>	<u>(107,000.00)</u>

The operating revenue, operating cost and net profit from the beginning of the year to the date of disposal of Zhijun Pingshan is presented as follows:

	Period from 1 January 2016 to 31 October Carrying amount
Operating revenue	206,174,817.60
Operating cost	102,432,403.39
Net profit	<u>35,976,818.41</u>

Relevant financial information of Zhijun Trade is presented as follows:

	31 October 2016 Carrying amount	31 December 2015 Carrying amount
Current assets	38,888,195.60	45,859,235.52
Non-current assets	859,135.98	1,251,932.59
Current liabilities	(26,013,997.53)	(34,974,274.57)
Non-current liabilities	<u>-</u>	<u>-</u>

The operating revenue, operating cost and net profit from the beginning of the year to the date of disposal of Zhijun Trade is presented as follows:

	Period from 1 January 2016 to 31 October Carrying amount
Operating revenue	63,813,161.13
Operating cost	48,846,655.81
Net profit	<u>2,801,747.02</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

VI. Changes in scope of consolidation (Continued)

4. Establishment of subsidiaries

	31 December 2016	2016	
	Net assets	Net loss	Remarks
Sinopharm Holding Guoda Pharmacy Ulanqab Co., Ltd.	4,919,756.23	(80,243.77)	Establishment
Sinopharm Guoda Pharmacy Qinhuangdao Chain Co., Ltd.	2,001,733.54	(998,266.46)	Establishment

5. Cancellation of subsidiaries

	Principal place of business	Place of incorporation	Registered capital (RMB '0,000)	Nature of business	Shareholding (%)		Reason for no longer being a subsidiary
					Direct	Indirect	
Sinopharm Holding Chinese Herbal Slice Co., Ltd.	Liuzhou	Liuzhou	200	Pharmaceutical manufacturing	-	51.00%	Cancellation
Ningxia Guoda Pharmacy Chain Store Co., Ltd.	Ningxia	Ningxia	100	Commercial	-	70.00%	Cancellation
Jinzhong Guoda Wanmin Pharmacy Chain Store Co., Ltd. (a)	Jinzhong	Jinzhong	170	Commercial	-	100.00%	Absorption merger
Jincheng Guoda Wanmin Pharmacy Chain Store Co., Ltd. (a)	Jincheng	Jincheng	256	Commercial	-	100.00%	Absorption merger
Beijing Golden Elephant Ailefang Trading Co., Ltd.	Beijing	Beijing	200	Commercial	-	100.00%	Cancellation

(a) In April and December 2016, Jincheng Guoda Wanmin Pharmacy Chain Store Co., Ltd. and Jinzhong Guoda Wanmin Pharmacy Chain Store Co., Ltd. transferred all their stores to their parent company, Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.'s Jincheng Branch and Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.'s Jinzhong Branch. In March and December 2016, the relevant procedures were completed and the legal entities were cancelled.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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### VII Interests in other entities

#### 1. Interests in subsidiaries

(1) The composition of the Group:

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB 0.000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Guilin	Guilin	Guilin	Commercial	1,000	-	100.00%	100.00%	Establishment
Sinopharm Baise	Baise	Baise	Commercial	1,000	-	100.00%	100.00%	Establishment
Sinopharm Holding Zhongshan Co., Ltd. (“Sinopharm Zhongshan”)	Zhongshan	Zhongshan	Commercial	1,000	100.00%	-	100.00%	Establishment
Sinopharm Guigang	Guigang	Guigang	Commercial	1,000	-	100.00%	100.00%	Establishment
Sinopharm Beihai	Beihai	Beihai	Commercial	500	-	100.00%	100.00%	Establishment
Guangzhou Medical Treatment	Guangzhou	Guangzhou	Commercial	300	-	51.00%	51.00%	Establishment
Shenzhen Jianmin Pharmaceutical Co., Ltd. (“Sinopharm Jianmin”)	Shenzhen	Shenzhen	Commercial	2,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Shenzhen Traditional & Herbal Medicine Co., Ltd. (“Sinopharm Traditional & Herbal Medicine”)	Shenzhen	Shenzhen	Commercial	1,500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Shenzhen Logistics Co., Ltd. (“Shenzhen Logistics”)	Shenzhen	Shenzhen	Services	500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangzhou Co., Ltd. (“Sinopharm Guangzhou”)	Guangzhou	Guangzhou	Commercial	100,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Hengxing Co., Ltd. (“Sinopharm Hengxing”)	Guangzhou	Guangzhou	Commercial	5,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Yulin	Yulin	Yulin	Commercial	500	-	100.00%	100.00%	Business combinations involving entities under common control

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

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

### VII Interests in other entities (Continued)

#### 1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued):

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital(RMB 0.000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Liuzhou	Liuzhou	Liuzhou	Commercial	2,053.06	51.00%	-	51.00%	Business combinations involving entities under common control
Guangdong Huixin Investment Co., Ltd. ("Huixin Investment")	Guangzhou	Guangzhou	Service	500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Foshan Co., Ltd. ("Sinopharm Foshan")	Foshan	Foshan	Commercial	1,500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Yuexing Co., Ltd. ("Sinopharm Yuexing")	Guangzhou	Guangzhou	Commercial	10,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Logistics Co., Ltd. ("Guangdong Logistic")	Guangzhou	Guangzhou	Service	1,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Guangxi	Nanning	Nanning	Commercial	50,000	100.00%	-	100.00%	Business combinations involving entities under common control
Guangxi Logistic	Nanning	Nanning	Service	710.07	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Wuzhou Sinopharm Holding Dongguan Co., Ltd. ("Sinopharm Dongguan")	Wuzhou	Wuzhou	Commercial	1,000	-	99.90%	99.90%	Business combinations involving entities under common control
Sinopharm Holding Zhanjiang Co., Ltd. ("Sinopharm Zhanjiang")	Dongguan	Dongguan	Commercial	1,800	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Zhanjiang Co., Ltd. ("Sinopharm Zhanjiang")	Zhanjiang	Zhanjiang	Commercial	7,000	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Yanfeng Co., Ltd. ("Sinopharm Yanfeng")	Shenzhen	Shenzhen	Commercial	3,000	51.00%	-	51.00%	Business combinations involving entities not under common control
Sinopharm Holding Meizhou Co., Ltd. ("Sinopharm Meizhou")	Meizhou	Meizhou	Commercial	1,800	100.00%	-	100.00%	Business combinations involving entities not under common control

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

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### VII Interests in other entities (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (1) The composition of the Group (Continued):

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB 0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Holding Huizhou Co., Ltd. ("Sinopharm Huizhou")	Huizhou	Huizhou	Commercial	1,800	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Zhaoqing Co., Ltd. ("Sinopharm Zhaoqing")	Zhaoqing	Zhaoqing	Commercial	1,500	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Jiangmen Renren Medical Co., Ltd. ("Sinopharm Jiangmen")	Jiangmen	Jiangmen	Commercial	6,000	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Shaoguan Co., Ltd. ("Sinopharm Shaoguan")	Shaoguan	Shaoguan	Commercial	360	70.00%	-	70.00%	Business combinations involving entities not under common control
Sinopharm Shantou(a)	Shantou	Shantou	Commercial	800	100.00%	-	100.00%	Business combinations involving entities not under common control
Foshan Nanhai Medicine Co., Ltd.	Foshan	Foshan	Commercial	7,000	100.00%	-	100.00%	Business combinations involving entities under common control
Foshan Nanhai Uptodate & Special Medicines Co., Ltd.	Foshan	Foshan	Commercial	4,000	-	100.00%	100.00%	Business combinations involving entities under common control
Foshan Nanhai Medicine Co., Ltd.	Foshan	Foshan	Commercial	4,000	-	100.00%	100.00%	Business combinations involving entities under common control
Guangdong Uptodate & Special Medicines	Guangzhou	Guangzhou	Commercial	5,000	100.00%	-	100.00%	Business combinations involving entities under common control
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	Guangzhou	Guangzhou	Commercial	3,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	101,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	Shanghai	Shanghai	Commercial	3,000	-	100.00%	100.00%	Business combinations involving entities under common control

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

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### VII. Interests in other entities (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB'0,000 )	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Beijing Guoda Pharmacy Chain Store Co., Ltd.	Beijing	Beijing	Commercial	1,000	-	100.00%	100.00%	Business combinations involving entities under common control
Tianjin Guoda Pharmacy Chain Store Co., Ltd.	Tianjin	Tianjin	Commercial	1,000	-	80.00%	80.00%	Business combinations involving entities under common control
Guangxi Guoda Pharmacy Consulting Chain Store Co., Ltd.	Nanning	Nanning	Commercial	300	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangdong Co., Ltd.	Shenzhen	Shenzhen	Commercial	5,000	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Guangxi Chain Co., Ltd.	Liuzhou	Liuzhou	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control
Zhejiang Guoda Pharmacy Co., Ltd.	Hangzhou	Hangzhou	Commercial	1,500	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	Yangzhou	Yangzhou	Commercial	4,400	-	93.68%	93.68%	Business combinations involving entities under common control
Guoda Shenyang Tianyitang Pharmacy Chain	Shenyang	Shenyang	Commercial	1,000	-	51.00%	51.00%	Business combinations involving entities under common control
Ningxia Guoda Pharmacy Chain Store Co., Ltd.	Yinchuan	Yinchuan	Commercial	7,000	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	Nanjing	Nanjing	Commercial	800	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	Linyi	Linyi	Commercial	2,900	-	55.00%	55.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	Shenyang	Shenyang	Commercial	800	-	51.00%	51.00%	Business combinations involving entities under common control
Fujian Guoda Pharmacy Chain Store Co., Ltd.	Shamen	Shamen	Commercial	3,750	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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

VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Anhui Guoda Pharmacy Chain Store Co., Ltd.	Hefei	Hefei	Commercial	1,000	-	60.00%	60.00%	Business combinations involving entities under common control
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	Quanzhou	Quanzhou	Commercial	2,000	-	51.00%	51.00%	Business combinations involving entities under common control
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Taiyuan	Taiyuan	Commercial	2,000	-	85.00%	85.00%	Business combinations involving entities under common control
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	Hengyang	Hengyang	Commercial	2,000	-	51.00%	51.00%	Business combinations involving entities under common control
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	Liyang	Liyang	Commercial	2,500	-	80.00%	80.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	Pingdingshan	Pingdingshan	Commercial	1,500	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd.	Hohhot	Hohhot	Commercial	2,000	-	96.70%	96.70%	Business combinations involving entities under common control
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd.	Shijiazhuang	Shijiazhuang	Commercial	3,500	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	Jiangmen	Jiangmen	Commercial	2,400	-	65.00%	65.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	Taiyuan	Taiyuan	Commercial	1,000	-	80.00%	80.00%	Business combinations involving entities under common control
Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd.	Urumqi	Urumqi	Commercial	612.24	-	51.00%	51.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd.	Shanghai	Shanghai	Commercial	6,655	-	97.00%	97.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd. (Formerly "Shanghai ForMe YiXing Pharmacy Chain Store Co., Ltd.")	Shanghai	Shanghai	Commercial	5,000	-	99.76%	99.76%	Business combinations involving entities under common control

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Notes to financial statements (Continued)

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VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	Beijing	Beijing	Commercial	4,222.22	-	53.13%	53.13%	Business combinations involving entities under common control
Shanxi Tongfeng Pharmacy Logistics Co., Ltd.	Taiyuan	Taiyuan	Commercial	500	-	100.00%	100.00%	Business combinations involving entities under common control
Datong Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Datong	Datong	Commercial	615	-	100.00%	100.00%	Business combinations involving entities under common control
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Changzhi	Changzhi	Commercial	320	-	51.00%	51.00%	Business combinations involving entities under common control
Shanxi Guoda Wanmin Clinic Management Chain Co., Ltd.	Taiyuan	Taiyuan	Medical services	120	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Shanghong Qibao Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	100	-	51.00%	51.00%	Business combinations involving entities under common control
Zhejiang Intlmedicine Pharmacy Dongshan Co., Ltd.	Hangzhou	Hangzhou	Commercial	50	-	51.00%	51.00%	Business combinations involving entities under common control
Shanghai Guoda Dongsheng Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	50	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd.	Shenzhen	Shenzhen	Commercial	1,080	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangzhou Chain Co., Ltd.	Guangzhou	Guangzhou	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Changxin Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	30	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guodong Chinese Traditional Medicine Clinic Co., Ltd.	Shanghai	Shanghai	Medical clinic	20	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Dongxin Pharmacy Chain Store Co., Ltd.	Shanghai	Shanghai	Commercial	30	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital(RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Shanghai Yutaitang Chinese Traditional Medicine Clinic Co., Ltd.	Shanghai	Shanghai	Commercial	100	-	100.00%	100.00%	Business combinations involving entities under common control
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	Beijing	Beijing	Commercial	126	-	50.79%	50.79%	Business combinations involving entities under common control
Sanhe Liyang Golden Elephant Pharmacy Co., Ltd.	Langfang	Langfang	Commercial	1	-	100.00%	100.00%	Business combinations involving entities under common control
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd.	Xiaoyi	Xiaoyi	Commercial	6,22.22	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Hulun Buir Co., Ltd.	Hulun Buir	Hulun Buir	Commercial	300	-	51.00%	51.00%	Business combinations involving entities under common control
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	Shijiazhuang	Shijiazhuang	Commercial	500	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Tangshan Lerentang Pharmacy Chain Store Co., Ltd.	Tangshan	Tangshan	Commercial	300	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai ForMe Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	25	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Ulanqab Co., Ltd.(ii)	Ulanqab	Ulanqab	Commercial	500	-	60.00%	60.00%	Establishment
Sinopharm Guoda Pharmacy Qinhuangdao Chain Co., Ltd. (iii)	Qinhuangdao	Qinhuangdao	Commercial	300	-	51.00%	51.00%	Business combinations involving entities under common control
Taishan Sinopharm Holding Guoda Qunkang Pharmacy Chain Store Co., Ltd. (iv)	Taishan	Taishan	Commercial	990	-	70.00%	70.00%	Business combinations involving entities under common control
Beijing Golden Elephant Fuxing Technology Co., Ltd.	Beijing	Beijing	Commercial	100	-	80.00%	80.00%	Business combinations involving entities under common control

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

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**VII. Interests in other entities (Continued)**

**1. Interests in subsidiaries (Continued)**

(1) The composition of the Group (Continued)

- i. In December 2016, China National Accord Medicines Corporation Ltd. completed the acquisition of 30% non-controlling interest of Sinopharm Holding Shantou Co., Ltd. As of the end of 2016, Sinopharm Holding Shantou Co., Ltd. has already been wholly owned by China National Accord Medicines Corporation Ltd.
- ii. On 29 November 2016, Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd. and Shen Yanhong (a natural person) accumulatively invested RMB3,000,000.00 and RMB2,000,000.00 respectively to set up Sinopharm Holding Guoda Ulanchap Pharmacy Chain Store Co., Ltd.
- iii. On 21 March 2016, Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd. and He Wengong (natural person) accumulatively invested RMB1,530,000.00 and RMB1,470,000.00 respectively to set up Sinopharm Guoda Pharmacy Qinhuangdao Chain Co., Ltd.
- iv. On 9 February 2015, Sinopharm Holding Guoda Pharmacy Guangdong Co., Ltd. signed an equity transfer agreement with Taishan Qunkang Pharmacy Co., Ltd., acquiring 70% equity of Taishan Sinopharm Holding Guoda Qunkang Pharmacy Chain Store Co., Ltd. at the consideration of RMB34,650,000.00. which was completed on 31 March 2016.

There was no subsidiary that had significant non-controlling interests in the Group.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

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**VII. Interests in other entities (Continued)**

**2. Interests in associates**

	Principal place of business	Place of incorporation	Nature of business	Shareholding(%)		Accounting
				Direct	Indirect	
Associates						
Shenzhen Main Luck Pharmaceutical Co., Ltd. ("Main Luck Pharmaceutical ")	Shenzhen	Shenzhen	Manufacturing	35.19	-	Equity
Sinopharm Holding Zhuhai Co., Ltd. ("Sinopharm Zhuhai")	Zhuhai	Zhuhai	Commercial	10.00	-	Equity
Sinopharm Group Zhijun(Suzhou) Pharmaceutical Co., Ltd.	Suzhou	Suzhou	Manufacturing	33.00	-	Equity
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	49.00	-	Equity
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	Shenzhen	Shenzhen	Commercial	49.00	-	Equity
Sinopharm Group Zhijun(Shenzhen) Pingshan Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	49.00	-	Equity
Shanghai Shyndec Pharmaceutical Co., Ltd. ("Shyndec Pharmaceutical")	Shanghai	Shanghai	Manufacturing	15.56	-	Equity
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	Shanghai	Shanghai	Commercial	-	26.00	Equity
Shanghai Liyi Pharmacy Co., Ltd	Shanghai	Shanghai	Commercial	-	35.00	Equity
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd. (g)	Guangzhou	Guangzhou	Commercial	-	29.00	Equity
Dongyuan accord pharmaceutical chain Co., Ltd. (f)	Heyuan	Heyuan	Commercial	-	45.00	Equity

Shyndec Pharmaceutical is an important associate as it is a strategic partner of the Group and is engaged in the production and sale of pharmaceutical product, and the Group adopted equity method of accounting.

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**Notes to financial statements (Continued)**

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**VII. Interests in other entities (Continued)**

**2. Interests in associates (Continued)**

The following table illustrated the summarized financial information in respect of Shyndec Pharmaceutical:

	2016	2015
Current assets	6,337,023,883.28	5,538,850,630.20
Incl: Cash and bank balances	1,483,591,810.82	967,719,000.15
Non-current assets	<u>8,678,049,960.17</u>	<u>8,412,988,922.76</u>
Total assets	<u>15,015,073,843.45</u>	<u>13,951,839,552.96</u>
Current liabilities	4,711,258,061.30	4,679,997,617.18
Non-current liabilities	<u>3,365,333,778.30</u>	<u>3,485,332,149.46</u>
Total liabilities	<u>8,076,591,839.60</u>	<u>8,165,329,766.64</u>
Non-controlling interests	1,234,500,935.98	1,907,534,653.63
Shareholders' equity attributable to shareholders of the parent company	<u>5,703,981,067.87</u>	<u>3,878,975,132.69</u>
Group's share of net assets by proportion of ownership interests	<u>887,539,454.16</u>	-
Carrying amount of the investment	<u>887,539,454.16</u>	-
Operating revenue	9,125,774,773.35	8,987,612,304.14
Financial expenses – interest income	17,229,742.84	20,655,734.73
Financial expenses – interest expenses	291,452,802.70	329,963,003.01
Income taxes	182,481,479.60	166,909,922.78
Net profit	854,031,531.27	890,257,551.32
Other comprehensive income	-	-
Total comprehensive income	854,031,531.27	890,257,551.32
Dividend received	<u>-</u>	<u>-</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

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**VIII Risks related to financial instruments**

**1. Classification of financial instruments**

The fair values of each category of financial instruments reasonably approximate to their carrying amounts at the end of the reporting period as follows:

31 December 2016

Financial assets	Borrowings and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	3,519,955,564.98	-	3,519,955,564.98
Notes receivable	1,504,000,909.21	-	1,504,000,909.21
Accounts receivable	7,654,225,510.89	-	7,654,225,510.89
Interest receivables	450,722.67	-	450,722.67
Other receivables	474,787,643.28	-	474,787,643.28
Available-for-sale financial assets	-	<u>13,685,760.00</u>	<u>13,685,760.00</u>
	<u>13,153,420,351.03</u>	<u>13,685,760.00</u>	<u>13,167,106,111.03</u>

31 December 2015

Other financial assets	Borrowings and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	2,654,931,479.88	-	2,654,931,479.88
Notes receivable	912,341,423.78	-	912,341,423.78
Accounts receivable	7,827,466,715.32	-	7,827,466,715.32
Interest receivables	197,875.00	-	197,875.00
Dividend receivables	964,600.00	-	964,600.00
Other receivables	498,631,612.04	-	498,631,612.04
Available-for-sale financial assets	-	<u>2,675,760.00</u>	<u>2,675,760.00</u>
	<u>11,894,533,706.02</u>	<u>2,675,760.00</u>	<u>11,897,209,466.02</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2016

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VIII Risks related to financial instruments (Continued)

1. Classification of financial instruments (Continued)

Financial liabilities	31 December 2016	31 December 2015
Short-term borrowings	1,512,713,629.95	1,633,231,960.35
Notes payable	2,406,642,582.86	2,528,499,859.34
Accounts payable	6,701,558,514.10	6,011,673,284.50
Dividend payable	8,483,370.21	36,517,259.20
Other payables	917,193,911.34	1,155,395,354.95
Current portion of non-current liabilities	36,411,339.96	4,244,878.16
Interest payables	6,956,463.02	7,297,682.23
Long-term borrowings	-	72,495,172.30
Long-term payables	14,616,598.34	13,785,657.94
	<u>11,604,576,409.78</u>	<u>11,463,141,108.97</u>

2. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety

As at 31 December 2016, the Group had endorsed commercial bills receivable (the "Endorsed Bills") to certain of its suppliers in order to settle accounts payable due to such suppliers of RMB5,035,500.82 (31 December 2015: Nil). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2016, the carrying value thereof was RMB154,468,694.89 (31 December 2015: RMB88,924,715.00). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December, 2016, the carrying value of accounts payable settled by the Group totaled RMB159,504,195.71 (31 December 2015: RMB88,924,715.00).

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**VIII Risks related to financial instruments (Continued)**

**2. Transfer of financial assets (Continued)**

Transferred financial assets that are derecognized in their entirety in which continuing involvement exists

As at 31 December 2016, the Group had endorsed commercial bills receivable (the "Endorsed Bills") to certain of its suppliers in order to settle accounts payable due to such suppliers of RMB599,814,991.55 (31 December 2015: RMB635,470,258.14). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2016, the carrying value thereof is RMB244,197,730.35 (31 December 2015: RMB358,157,929.78). The Derecognized Bills had a maturity of one to 12 months at the end of the reporting period. In accordance with the Law of Negotiable Instruments, the holders of the Derecognized Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated account payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

As part of its normal business, the Group entered into an account receivable factoring arrangement (the "Arrangement") without recourse and transferred certain accounts receivable to a bank. In the opinion of the directors, the Group has transferred substantially all risks and rewards under the arrangement. Accordingly, it has derecognized the full carrying amounts of the associated accounts receivable. The original carrying value of the derecognized accounts receivable transferred under the Arrangement that have not been settled as at 31 December, 2016 amounted to RMB488,352,191.18 (31 December, 2015: RMB476,358,644.24).

During 2016, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

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### VIII Risks related to financial instruments (Continued)

#### 3. Risks of financial instruments

##### The main purpose and policies of financial risk management

The Group's principal financial instruments comprise bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, currency risk and credit risk.

##### Credit risk

Credit risk is managed on the basis of the Group. Credit risk mainly arises from cash at banks and on hand, accounts receivable, other receivables and notes receivable, etc.

The Group expects that there is no significant credit risk associated with cash at banks since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions. The Group will confirm the balances with its clients regarding the accounts receivable semi-annually, and assess the recoverability of each account receivable, by using individual evaluation and similar credit risk group methods. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

##### Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs. In the meanwhile, the Group continually monitor the terms of the debt covenants in the loan agreements, ensuring that the sufficient unutilized commitment from the major financial institution, in order to meet the short-term and long-term and long-term liquidity requirements.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VIII Risks related to financial instruments (Continued)**

**3. Risks of financial instruments (Continued)**

**Liquidity risk (Continued)**

The maturity analysis of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows, is as follows:

	31 December 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	1,528,507,827.41	-	-	-	1,528,507,827.41
Notes payable	2,406,642,582.86	-	-	-	2,406,642,582.86
Accounts payable	6,701,558,514.10	-	-	-	6,701,558,514.10
Interest payables	6,956,463.02	-	-	-	6,956,463.02
Dividend payables	8,483,370.21	-	-	-	8,483,370.21
Other payables	917,193,911.34	-	-	-	917,193,911.34
Current portion of non-current liabilities	39,425,596.96	-	-	-	39,425,596.96
Long-term payables	-	7,309,963.96	12,300,286.12	-	19,610,250.08
	<u>11,608,768,265.90</u>	<u>7,309,963.96</u>	<u>12,300,286.12</u>	<u>-</u>	<u>11,628,378,515.98</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**VIII Risks related to financial instruments (Continued)**

**3. Risks of financial instruments (Continued)**

**Liquidity risk (Continued)**

The maturity analysis of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows, is as follows (Continued):

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	1,651,128,181.63	-	-	-	1,651,128,181.63
Notes payable	2,528,499,859.34	-	-	-	2,528,499,859.34
Accounts payable	6,011,673,284.50	-	-	-	6,011,673,284.50
Interest payables	7,297,682.23	-	-	-	7,297,682.23
Dividend payables	36,517,259.20	-	-	-	36,517,259.20
Other payables	1,155,395,354.95	-	-	-	1,155,395,354.95
Current portion of non-current liabilities	5,787,868.00	-	-	-	5,787,868.00
Long-term payables	-	5,787,868.00	14,470,270.00	-	20,258,138.00
Long-term borrowings	<u>3,490,767.13</u>	<u>34,084,860.13</u>	<u>5,907,681.40</u>	<u>43,345,766.07</u>	<u>86,829,074.73</u>
	<u>11,399,790,256.98</u>	<u>39,872,728.13</u>	<u>20,377,951.40</u>	<u>43,345,766.07</u>	<u>11,503,386,702.58</u>

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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### VIII Risks related to financial instruments (Continued)

#### 4. Market risk

##### Interest rate risk

The Group's interest rate risk arises from long-term borrowings from banks. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2016, the Group had no long-term interest bearing borrowings with floating interest rates (31 December 2015: RMB72,495,172.30).

Increases in interest rates will increase the cost of new borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2016 and 2015, the Group did not enter into any interest rate swap agreements.

For the Year ended 31 December 2016, the Group had no material long-term interest bearing borrowings with floating interest rates. Therefore, the Group believes that interest rate risk is not material.

##### Currency risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and HK dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

As at 31 December 2016, if the currency had weakened/strengthened by 5% against the USD while all other variables had been held constant, the Group's net profit for the year would increase/decrease of approximate RMB678,015.86 (2015: RMB1,576,037.72).

As at 31 December 2016, if the currency had weakened/strengthened by 5% against the HKD while all other variables had been held constant, the Group's net profit for the year would increase/decrease of approximate RMB494,068.50 (2015: RMB1,314,755.83).

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**VIII Risks related to financial instruments (Continued)**

**5. Capital management**

The Company's primary objective for managing capital is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business, maximize shareholders' value and benefit related parties. Management also aims to maintain a capital structure that ensures lowest cost of capital available to the entity.

Management is adjusting the capital structure through adjusting dividend payments to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debts.

The Group's total capital is the total shareholders' equity in the balance sheet. The Group does not adopt an asset ratio as a compulsory factor to govern capital investment.

The gearing ratios of the Group as at the end of the reporting periods were as follows:

	2016	2015
Gearing ratio	<u>58.18%</u>	<u>61.25%</u>

**IX Disclosure of fair value**

The results of fair value measurement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(1) Assets that are measured at fair value on a recurring basis

The Group has no assets that are measured at fair value on a recurring basis.

(2) Assets that are measured at fair value on a non-recurring basis

The Group has no assets that are measured at fair value on a non-recurring basis.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 1. Parent

	Registered address	Nature of business	Share capital (RMB'0,000)	Proportion of ownership interest in the Company	Proportion of voting power in the Company
Sinopharm Group	Shanghai	Industrial investment holding, trustee of a pharmaceutical enterprise, assets reorganization, distribution and retail of medicines and pharmaceutical products, etc.	276,709.51	51.00%	51.00%

The ultimate controlling party of the Company is CNPGC.

#### 2. Subsidiaries

Refer to Note VII (1) for details of subsidiaries.

#### 3. Associates

Refer to Note VII (2) for details of associates.

#### 4. Other related parties

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm (Shanghai) E-Health Co., Ltd.	Associate of CNPGC
Sinopharm Holding Huangshan Health Industry Co., Ltd.	Associate of CNPGC
Sino-Swed Pharmaceutical Corporation Ltd.	Associate of CNPGC
Qinghai Pharmaceutical Factory Co., Ltd.	Associate of CNPGC
Shanghai Huayu Pharmaceutical Co., Ltd.	Associate of CNPGC
Shanghai Sailun Biological Technology Co., Ltd.	Associate of CNPGC
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Shenzhen Wanwei Medicine Trading Co., Ltd.	Subsidiary of Main Luck Pharmaceutical
Shanghai Nutraceuticals (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Sinopharm Health Online Co., Ltd.	Associate of Sinopharm Group
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	Associate of Sinopharm Group
Shanghai Guoren Pharmacy Co., Ltd.	Associate of Sinopharm Group
Sichuan Kang Daxin Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharm")	Shareholder who has significant influence over Sinopharm Group

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Beijing Jianyu Golden Elephant Pharmacy Co., Ltd.	Subsidiary of Fosun Pharm
Foshan Chancheng Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Foshan Chancheng District Central Hospital	Subsidiary of Fosun Pharm
Foshan Chanyixing Medicine Development 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
Jiangsu Huanghe Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Chaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Suzhou Erye Pharmaceutical Limited Company	Subsidiary of Fosun Pharm
Tianjin Qidong Elephant Pharmacy Medicine Chain Company Limited	Subsidiary of Fosun Pharm
Chongqing Haisiman Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Beijing Fusheng Tiandi Property Management Ltd.	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	Controlled by CNPGC
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	Controlled by CNPGC
Beijing Tiantan Biological Products Co., Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmacy Co., Ltd.	Controlled by CNPGC
Winteam Pharmaceutical Group Ltd.	Controlled by CNPGC
Sinopharm (Tianjin) Northern Medical Equipment Co., Ltd.	Controlled by CNPGC
Sinopharm Anhui Medical Instrument Co., Ltd.	Controlled by CNPGC
Group Financial Co.	Controlled by CNPGC
Foshan Dezhong Pharmaceutical Co., Ltd.	Controlled by CNPGC
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoqing (Foshan) Medicines Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	Controlled by CNPGC

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
Guangdong Medi-World Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Guangdong Medicine Device Co., Ltd.	Controlled by CNPGC
Sinopharm Guangdong Medical Examination Co., Ltd.	Controlled by CNPGC
Sinopharm Hebei Medical Instrument Co., Ltd.	Controlled by CNPGC
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm United Medical Device Co., Ltd.	Controlled by CNPGC
Sinopharm Holding (Liaoning Province) Medical Instruments Co., Ltd.	Controlled by CNPGC
Shandong Lu Ya Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	Controlled by CNPGC
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Shanghai Medicine Device Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Weiqida Medicine Co., Ltd.	Controlled by CNPGC
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	Controlled by CNPGC
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Changsha Medical Instrument Co., Ltd.	Controlled by CNPGC
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	Controlled by CNPGC
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
Sinopharm Jiayuan International Trading Co., Ltd.	Controlled by CNPGC
Sinopharm Jiayun International Trading Co., Ltd.	Controlled by CNPGC
Reed Sinopharm Exhibitions Co., Ltd.	Controlled by CNPGC
Heilongjiang Sinopharm Medical Herbs Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Qinghai Medical Pharmaceutical Material Co., Ltd.	Controlled by CNPGC
Qinghai Pharmaceutical (Group) Co., Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Shanghai Xinshengyuan Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	Controlled by CNPGC
Wuliangye Group of Sichuan YiBin Pharmaceuticals Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
China Sinopharm International Corporation	Controlled by CNPGC
Chinese Science Equipment Co., Ltd.	Controlled by CNPGC
China Medical Instrument Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
China State Institute of Pharmaceutical Industry	Controlled by CNPGC
Sinopharm United Engineering Corporation	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
China Medical Investment Co., Ltd.	Controlled by CNPGC
China Traditional Chinese Medicine Co.	Controlled by CNPGC
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Controlled by Sinopharm Group
Beijing Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Shanghai Management Consulting Branch Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guorui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Southwest Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
China National Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Pharmaceutical Logistics Guangzhou Branch Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding (Shanghai) Imported Goods Direct Sales Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Financing Lease Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Huahong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changde Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chenzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chengdu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding ChiFeng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Hecheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dezhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Sub Marketing Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fujian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Gansu Co., Ltd.	Controlled by Sinopharm Group

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Guizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Hongyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hebei Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Henan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Heilongjiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hulun Buir Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huaian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jilin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiling Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Health Solutions (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinhua Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Liaocheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Linqu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Longyan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Luoyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Macheng Co., Ltd.	Controlled by Sinopharm Group
Shanghai Meitai Medical Instruments Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanping Newforce Co., Ltd.	Controlled by Sinopharm Group

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Nantong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Inner Mongolia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningde Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pingdingshan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Putian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Puyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qianxinan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qingdao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qinghai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Quanzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Sanming Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiamen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shandong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Linfen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shangqiu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Sichuan Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Taizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin North Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tongliao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wenzhou Co., Ltd.	Controlled by Sinopharm Group

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Ulanqab Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuhu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tibet Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hong Kong International Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangtan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinxiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinyu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yantai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yancheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yunnan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhejiang Biological Product Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhejiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhoukou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhumadian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zunyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	Controlled by Sinopharm Group

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 4. Other related parties (Continued)

<u>Company Name</u>	<u>Related party relationships</u>
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	Controlled by Sinopharm Group
China National Pharmaceutical Logistics Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Xinxiang Chain Store Co., Ltd.	Controlled by Sinopharm Group
Hetian Region Ankang Chain	Controlled by Sinopharm Group
Huzhou Muhanzhuai Pharmacy Chain Store Co., Ltd.	Controlled by Sinopharm Group
Shanxi Guoyi Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Shanghai Merro Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Shanghai Yunnuo Marketing Consulting Co., Ltd.	Controlled by Sinopharm Group
Shanghai Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Xinjiang Baitong Property Service Co., Ltd.	Controlled by Sinopharm Group
Yangzhou Weikang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
China National Pharmaceutical Group Shanghai Co., Ltd.	Controlled by Sinopharm Group
Anhui Tianjian Medical Investment Co., Ltd.	Non-controlling interest of a subsidiary
Beijing Huafang Investment Co., Ltd.	Non-controlling interest of a subsidiary
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Beijing Electromechanical Device Group Corporation	Non-controlling interest of a subsidiary
Guangdong Jiyuantang Development Co., Ltd.	Non-controlling interest of a subsidiary
Guangdong Jiyuantang Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Guangdong Overseas Chinese Medical Investment Co., Ltd.	Non-controlling interest of a subsidiary
Hangzhou Xihu Business Group Corporation	Non-controlling interest of a subsidiary
Hunan Minshengtang Investment Co., Ltd.	Non-controlling interest of a subsidiary
Huang Lijin	Non-controlling interest of a subsidiary
Lerentang Investment Group Co., Ltd.	Non-controlling interest of a subsidiary
Linyi Medical Group Co., Ltd.	Non-controlling interest of a subsidiary
Nanjing Guoheng Trade Co., Ltd.	Non-controlling interest of a subsidiary
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Qiao Haiping	Non-controlling interest of a subsidiary
Quanzhou Xintai Biotech Co., Ltd.	Non-controlling interest of a subsidiary
Shenyang Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Shi Peijun	Non-controlling interest of a subsidiary
Taishan Qunkang Pharmacy Co., Ltd.	Non-controlling interest of a subsidiary
Wei Ningjuan	Non-controlling interest of a subsidiary
Xiaoyi Baicaotang Pharmacy Chain Store Co., Ltd.	Non-controlling interest of a subsidiary
Zhang Zhenfang	Non-controlling interest of a subsidiary
Wang Yang	Family member of the non-controlling shareholder of a subsidiary
Gu Jinfang	Controller of non-controlling interest of a subsidiary
Jiang Meng Renren Medical instrument Co., Ltd.	Controlled by subsidiary's key management
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Shenzhen Jiufeng Investment Co., Ltd.	Controlled by non-controlling interest of a subsidiary

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties

(1) Related party transactions –goods and services

Purchase of goods and receiving of services from related parties

	2016 (RMB'0,000)	2015 (RMB'0,000)
Sinopharm Holding Sub Marketing Center Co., Ltd.	127,734.29	119,249.23
Sinopharm Group Co., Ltd.	48,852.08	63,614.04
China National Medicines Co., Ltd.	47,680.18	49,999.78
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	20,614.13	13,851.42
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	14,207.29	11,678.71
Sinopharm Holding Shenyang Co., Ltd.	10,969.67	7,436.59
Sinopharm Holding Shanxi Co., Ltd.	10,584.81	10,149.46
Sino-Swed Pharmaceutical Co., Ltd.	9,085.16	8,779.94
Sinopharm Holding Shanxi Co., Ltd.	7,830.68	6,077.48
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	7,606.26	6,551.21
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	6,335.75	4,843.41
Main Luck Pharmaceutical	4,624.10	1,752.22
Lanzhou Institute of Biological Products Co., Ltd.	4,203.47	2,476.90
Sinopharm Holding Yangzhou Co., Ltd.	3,999.69	3,128.72
Sinopharm Holding Beijing Co., Ltd.	3,746.40	4,391.67
Sinopharm Holding Pingdingshan Co., Ltd.	3,552.47	3,269.12
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	3,441.44	1,694.09
Sinopharm Holding Xiamen Co., Ltd.	3,430.20	3,840.81
Chongqing Yaoyou Pharmaceutical Co., Ltd.	3,418.41	2,790.61
Sinopharm Holding Lunan Co., Ltd.	3,309.92	2,826.75
Sinopharm Holding Suzhou Co., Ltd.	3,087.21	1,514.27
Sinopharm Holding Jiangsu Co., Ltd.	2,949.60	2,224.42
Sinopharm Holding Hulun Buir Co., Ltd.	2,910.60	1,861.29
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	2,688.37	4,421.84
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	2,679.30	2,486.45

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

##### (1) Related party transactions –goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2016	2015
	(RMB'0,000)	(RMB'0,000)
Shenzhen Wanwei Medicine Trading Co., Ltd.	2,649.07	5,687.86
Sinopharm Holding Inner Mongolia Co., Ltd.	2,447.73	2,425.96
Shanghai Merro Pharmaceutical Co., Ltd.	2,273.27	3,327.44
Chengdu Rongsheng Pharmacy Co., Ltd.	2,265.23	1,495.16
Sinopharm Holding Hunan Co., Ltd.	2,160.50	2,261.61
Suzhou Zhijun	2,121.84	-
Sinopharm Group Medicine Logistic Co., Ltd.	1,958.77	1,909.99
Chongqing Haisiman Pharmaceutical Co., Ltd.	1,855.83	357.29
Sinopharm Holding Ningxia Co., Ltd.	1,632.76	1,541.63
Sinopharm Holding Fujian Co., Ltd.	1,417.51	1,590.38
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	884.21	1,196.22
Sinopharm (Tianjin) Northern Medical Equipment Co., Ltd.	881.88	-
Sinopharm Holding Changzhou Co., Ltd.	871.15	393.93
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	850.50	848.40
Winteam Pharmaceutical Group Ltd.	846.52	2,689.60
China National Pharmaceutical Foreign Trade Co., Ltd.	813.13	201.41
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	738.52	623.81
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	709.79	425.82
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	667.54	491.64
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	667.51	282.51
Sichuan Hexin Pharmaceutical Co., Ltd.	566.30	247.82
Sinopharm Holding Beijing Huahong Co., Ltd.	503.31	401.53
Sinopharm Holding Dalian Co., Ltd.	420.93	540.37
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	413.21	710.24
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	411.80	212.99

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions –goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2016	2015
	(RMB'0,000)	(RMB'0,000)
Sinopharm Health Online Co., Ltd.	368.28	-
Sinopharm Group Shanxi Co., Ltd.	362.38	249.54
Sinopharm Holding Yancheng Co., Ltd.	359.36	292.52
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	347.62	85.01
Yichang Humanwell Pharmaceutical Co., Ltd.	340.75	53.11
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	336.85	559.20
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	304.50	275.47
Sinopharm Xingsha Pharmaceutical (Xiamen) Co., Ltd.	281.13	92.76
Sinopharm Holding Putian Co., Ltd.	273.20	167.79
Sinopharm Holding Quanzhou Co., Ltd.	267.53	56.01
Sinopharm Holding Wuxi Co., Ltd.	258.17	269.01
Sinopharm Holding Fuzhou Co., Ltd.	248.46	35.55
China Otsuka Pharmaceutical Co., Ltd.	247.11	126.48
Sinopharm Holding Henan Co., Ltd.	236.60	198.72
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd.	234.17	-
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	199.68	-
Sinopharm Holding Jinzhou Co., Ltd.	192.38	222.02
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	190.01	-
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	189.51	269.94
Guizhou Tongjitang Pharmaceutical Co., Ltd.	182.28	309.96
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	141.52	201.63
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	121.51	108.21
Sinopharm Holding Chengdu Co., Ltd.	120.78	88.82
Wuhan Institute of Biological Products Co., Ltd.	118.52	964.42
Shanghai Shangsheng Biological Products Co., Ltd.	115.33	427.52

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions –goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2016	2015
	(RMB'0,000)	(RMB'0,000)
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	114.68	82.70
Shanghai Tongyu Information Technology Co., Ltd.	103.03	150.89
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	93.75	131.08
Sinopharm Holding Zhuhai Co., Ltd.	83.53	60.57
Sinopharm Holding Jinan Co., Ltd.	76.23	-
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	74.56	72.10
Hunan Dongting Pharmaceutical Co., Ltd.	63.22	104.70
Anhui Jingfang Pharmaceutical Co., Ltd.	60.13	104.67
Sinopharm Group Chemical Reagent Co., Ltd.	58.65	79.32
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	56.11	68.70
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	47.05	27.58
Sinopharm Holding Shandong Co., Ltd.	40.22	3.03
Shenyang Hongqi Pharmaceutical Co., Ltd.	36.89	31.13
Sinopharm Group Guorui Medicine Co., Ltd.	32.02	34.59
Sinopharm Holding Dezhou Co., Ltd.	28.99	27.26
Sinopharm Holding Anhui Co., Ltd.	25.90	240.55
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	25.28	-
China National Pharmaceutical Industry Co., Ltd.	23.11	18.40
Sinopharm Holding Zhejiang Co., Ltd.	22.41	8.47
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	19.02	358.29
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	18.21	-
Sinopharm Holding Guizhou Co., Ltd.	17.57	1,791.32
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	16.53	-
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	12.02	33.35
Sinopharm Holding Hubei Co., Ltd.	11.64	252.29
Sinopharm Holding (Shanghai) Imported Goods Direct Sales Center Co., Ltd.	11.09	7.80

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions –goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2016	2015
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Zhangzhou Co., Ltd.	10.17	3.39
Sinopharm Hebei Medical Instrument Co., Ltd.	7.96	8.15
Sinopharm Holding Biopharmaceutical(Tianjin)Co., Ltd.	7.43	1.10
Sinopharm Holding Hainan Co., Ltd.	7.38	4.44
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	6.37	12.74
China National Pharmaceutical Logistics Co., Ltd.	6.22	3.32
Wuliangye Group of Sichuan YiBin Pharmaceuticals Co., Ltd.	5.88	-
Shanghai Institute of Pharmaceutical Industry	5.85	34.06
Sinopharm Holding Huangshan Health Industry Co., Ltd.	5.77	2.69
Suzhou Erye Pharmaceutical Limited Company	5.08	9.54
Yangzhou Weikang Pharmaceutical Co., Ltd.	3.91	5.32
Guilin South Pharmaceutical Co., Ltd.	3.05	46.55
Reed Sinopharm Exhibitions Co., Ltd.	2.83	8.15
Sinopharm Holding Jinhua Co., Ltd.	1.70	3.90
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	1.53	2.72
Sinopharm Health Solutions (Shanghai) Co., Ltd.	1.43	-
Sinopharm Holding Ulanqab Co., Ltd.	1.05	-
Sinopharm Group Southwest Medicine Co., Ltd.	0.39	30.51
Sinopharm Holding (Liaoning Province) Medical Instruments Co., Ltd.	0.35	-
Sinopharm Group Shanghai Management Consulting Branch Co., Ltd.	0.10	-
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	-	8,235.60
Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch Co., Ltd.	-	3,699.32
Sinopharm Group Weiqida Medicine Co., Ltd.	-	1,589.74
Qinghai Pharmaceutical Factory Co., Ltd.	-	451.44
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	-	116.59

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(1) Related party transactions –goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2016	2015
	(RMB'0,000)	(RMB'0,000)
Shanghai Sailun Biological Technology Co., Ltd.	-	77.00
China Sinopharm International Corporation	-	68.44
Handan Pharmaceutical Co., Ltd.	-	21.03
Chinese Science Equipment Co., Ltd.	-	19.25
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	-	18.03
Sinopharm Group Shanghai Medicine Device Co., Ltd.	-	14.10
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	-	10.87
Sinopharm Holding Luoyang Co., Ltd.	-	9.71
Shanghai Nutraceuticals (Shanghai) Co., Ltd.	-	8.59
Sinopharm Jiayuan International Trading Co., Ltd.	-	6.13
Sinopharm Anhui Medical Instrument Co., Ltd.	-	1.61
Sinopharm Pharmaceutical Logistics Guangzhou Branch Co., Ltd.	-	0.70
Sinopharm Holding Hainan Hongyi Co., Ltd.	-	0.59
Beijing Tongyu Information Technology Co., Ltd.	-	0.50
Sinopharm Holding Hebei Pharmaceutical Co., Ltd.	-	0.48
Sinopharm Guangdong Medical Examination Co., Ltd.	-	0.06
Sinopharm Holding Macheng Co., Ltd.	-	(0.02)
Guangdong Medi-World Pharmaceutical Co., Ltd.	-	(0.04)
Shandong Lu Ya Pharmaceutical Co., Ltd.	-	(0.06)
Shanghai Shyndec Pharmaceutical Co., Ltd.	(0.13)	133.55
	<u>397,864.08</u>	<u>394,176.31</u>

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions –goods and services (Continued)

Sale of goods and rendering of services

	2016 (RMB'0,000)	2015 (RMB'0,000)
Sinopharm Holding Hunan Co., Ltd.	11,281.79	13,394.25
Sinopharm Holding Shandong Co., Ltd.	11,156.36	9,288.90
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd.	10,384.50	8,185.24
Sinopharm Sichuan Pharmaceutical Co., Ltd.	10,130.06	9,165.03
Sinopharm Holding Beijing Co., Ltd.	7,628.40	8,418.03
Sinopharm Holding Hubei Co., Ltd.	7,210.45	5,846.21
Foshan Chancheng Pharmaceutical Co., Ltd.	6,615.77	5,305.08
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	6,407.35	7,839.12
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	5,720.62	6,222.85
Sinopharm Holding Hainan Co., Ltd.	5,688.98	7,264.88
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	5,354.65	6,009.13
Sinopharm Holding Hainan Hongyi Co., Ltd.	4,270.75	2,900.46
Sinopharm Holding Sub Marketing Center Co., Ltd.	4,136.11	3,034.21
Sinopharm Holding Beijing Huahong Co., Ltd.	3,195.62	4,848.83
Sinopharm Group Southwest Medicine Co., Ltd.	3,163.28	2,894.13
Sinopharm Holding Wenzhou Co., Ltd.	3,137.23	2,902.64
Sinopharm Holding Fujian Co., Ltd.	2,962.93	605.36
Sinopharm Holding Nantong Co., Ltd.	2,795.77	2,517.77
Sinopharm Holding Yunnan Co., Ltd.	2,692.11	2,353.35
Sinopharm Holding Henan Co., Ltd.	2,647.79	1,629.17
Sinopharm Holding Heilongjiang Co., Ltd.	2,472.64	646.18
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	2,471.29	2,288.36
Sinopharm Holding Tianjin Co., Ltd.	2,388.38	2,662.59
Sinopharm Holding Ningxia Co., Ltd.	1,814.42	4,409.05
Sinopharm Group Co., Ltd.	1,782.65	2,477.89
Sinopharm Holding Shenyang Co., Ltd.	1,768.44	1,324.94

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

##### (1) Related party transactions –goods and services (Continued)

Sale of goods and rendering of services

	2016 (RMB'0,000)	2015 (RMB'0,000)
Sinopharm Holding Jinzhou Co., Ltd.	1,469.42	1,766.68
Sinopharm Holding Shanxi Co., Ltd.	1,310.69	1,003.59
China National Medicines Co., Ltd.	1,270.90	1,281.86
Sinopharm Holding Guizhou Co., Ltd.	1,197.96	947.88
Sinopharm Holding Hulun Buir Co., Ltd.	1,161.50	271.16
Shanghai Merro Pharmaceutical Co., Ltd.	1,089.17	589.05
Sinopharm Holding Shanxi Co., Ltd.	1,037.07	1,212.58
Sinopharm Holding Zhejiang Co., Ltd.	1,032.54	1,188.61
Sinopharm Holding Quanzhou Co., Ltd.	924.73	160.75
Sinopharm Holding Yangzhou Co., Ltd.	907.76	761.82
Foshan Chancheng District Central Hospital	729.18	1,473.96
Sinopharm Holding Fuzhou Co., Ltd.	707.38	1,565.59
Sinopharm Holding Dalian Co., Ltd.	662.65	175.86
Sinopharm Holding Gansu Co., Ltd.	589.38	495.90
Sinopharm Holding Jilin Co., Ltd.	535.65	359.22
Sinopharm Holding Lunan Co., Ltd.	370.33	308.64
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	368.08	982.48
Sinopharm Holding Zhangzhou Co., Ltd.	342.74	3.85
Sinopharm Holding Qinghai Co., Ltd.	309.44	380.15
Sinopharm Holding Ningde Co., Ltd.	308.24	79.35
Sinopharm Group Medicine Logistic Co., Ltd.	291.71	371.32
Foshan Chanyixing Medicine Development Co., Ltd.	280.69	100.56
Sinopharm Holding Putian Co., Ltd.	280.31	76.29
Sinopharm Holding Zhuhai Co., Ltd.	233.79	143.93
Sinopharm Holding Yancheng Co., Ltd.	226.95	383.77
Sinopharm Holding Chengdu Co., Ltd.	192.03	749.80

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

##### (1) Related party transactions –goods and services (Continued)

###### Sale of goods and rendering of services

	2016 (RMB'0,000)	2015 (RMB'0,000)
Sinopharm Holding Xuzhou Co., Ltd.	181.23	261.08
Sinopharm Holding Wuxi Co., Ltd.	156.80	294.55
Sinopharm Holding Taizhou Co., Ltd.	136.33	224.62
Sinopharm Holding Chongqing Co., Ltd.	117.92	145.16
Sinopharm Holding Longyan Co., Ltd.	105.08	126.10
Sinopharm Group Guangdong Medicine Device Co., Ltd.	104.38	100.94
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	102.02	221.66
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	98.77	35.57
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	92.93	-
Sinopharm Holding Inner Mongolia Co., Ltd.	90.22	171.94
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	83.18	195.94
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	76.12	(880.07)
Sinopharm Holding Jiangxi Co., Ltd.	67.84	30.87
Sinopharm Group Shanxi Co., Ltd.	59.86	89.71
Sinopharm Holding Sanming Co., Ltd.	53.37	56.73
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	49.84	133.20
Sinopharm Holding Changzhou Co., Ltd.	48.76	1.11
Sinopharm Holding Dalian Hecheng Co., Ltd.	48.07	-
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	46.73	-
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	40.29	57.94
Sinopharm Holding Anhui Co., Ltd.	38.69	35.16
Sinopharm Holding Tibet Pharmaceutical Co., Ltd.	36.95	6.13
Sinopharm Holding Linqu Co., Ltd.	30.93	-
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	28.43	24.37
Sinopharm Holding Suzhou Co., Ltd.	24.71	11.40
Sinopharm Holding Anqing Co., Ltd.	20.91	46.58

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 5. Major transactions between the Group and its related parties (Continued)

##### (1) Related party transactions –goods and services (Continued)

###### Sale of goods and rendering of services

	2016 (RMB'0,000)	2015 (RMB'0,000)
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	19.77	7.81
Shenzhen Wanwei Medicine Trading Co., Ltd.	18.14	18.37
Sinopharm Guangdong Medical Examination Co., Ltd.	17.13	-
Sinopharm Holding Xiangyang Co., Ltd.	16.89	30.73
Jiang Meng Renren Medical Instrument Co., Ltd.	16.80	34.95
Sinopharm Xinxiang Chain Store Co., Ltd.	14.14	14.69
Sinopharm Holding Tianjin North Medicine Co., Ltd.	13.03	78.43
China National Pharmaceutical Foreign Trade Co., Ltd.	12.60	31.48
Sinopharm Holding Ulanqab Co., Ltd.	12.26	1.77
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	10.71	0.01
Sinopharm Holding Yantai Co., Ltd.	7.18	28.14
Main Luck Pharmaceutical	7.07	5.13
Sichuan Kang Daxin Pharmaceutical Co., Ltd.	6.23	4.15
Beijing Tiantan Biological Products Co., Ltd.	6.07	1.02
Sinopharm Holding Jiling Co., Ltd.	5.56	1.74
Beijing Fusheng Tiandi Property Management Ltd.	5.40	6.44
Sinopharm Holding Wuhu Co., Ltd.	5.13	5.13
Sinopharm Holding Jiangsu Co., Ltd.	4.72	49.78
China Sinopharm International Corporation	4.49	140.75
Sinopharm Holding Puyang Co., Ltd.	4.45	0.03
Shanxi Guoyi Pharmacy Co., Ltd.	4.28	5.42
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	3.87	-
Sinopharm Holding Huaian Co., Ltd.	2.19	41.85
China National Pharmaceutical Group Corporation	1.52	5.31
Sinopharm Holding Huzhou Co., Ltd.	1.43	5.65
Sinopharm Holding Qingdao Co., Ltd.	1.42	195.87

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(1) Related party transactions –goods and services (Continued)

Sale of goods and rendering of services

	2016 (RMB'0,000)	2015 (RMB'0,000)
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	1.23	-
Sinopharm Holding Qianxinan Co., Ltd.	1.20	1.44
Heilongjiang Sinopharm Medical Herbs Co., Ltd.	1.15	1.36
Winteam Pharmaceutical Group Ltd.	1.01	-
Sinopharm Holding Changde Co., Ltd.	0.95	33.61
Sinopharm Holding Zhoukou Co., Ltd.	0.93	2.01
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	0.74	-
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	0.59	34.51
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	0.57	1.06
Sinopharm Holding Xiangxi Co., Ltd.	0.49	-
Sinopharm Holding Chenzhou Co., Ltd.	0.47	0.37
Sinopharm Holding Shangqiu Co., Ltd.	0.42	0.65
Sinopharm Health Online Co., Ltd.	0.23	176.54
Sinopharm United Engineering Corporation	0.18	-
Sinopharm Holding Nanping Newforce Co., Ltd.	0.15	0.37
Group Financial Co.	0.13	-
Sinopharm Holding Xiangtan Co., Ltd.	0.05	-
Beijing Jianyu Golden Elephant Pharmacy Co., Ltd.	-	4,243.38
Tianjin Qidong Elephant Pharmacy Medicine Chain Company Limited	-	380.46
Suzhou Erye Pharmaceutical Limited Company	-	117.39
Chongqing Yaoyou Pharmaceutical Co., Ltd.	-	79.49
Sinopharm Holding ChiFeng Co., Ltd.	-	36.61
Qinghai Medical Pharmaceutical Material Co., Ltd.	-	14.33
Sinopharm Group Guorui Medicine Co., Ltd.	-	13.46
Sinopharm Holding Hongkong International Co., Ltd.	-	11.94
Hetian Region Ankang Chain	-	9.22
Guizhou Tongjitang Pharmaceutical Co., Ltd.	-	4.99

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(1) Related party transactions –goods and services (Continued)

Sale of goods and rendering of services

	2016 (RMB'0,000)	2015 (RMB'0,000)
Huzhou Muhanzhuai Pharmacy Chain Store Co., Ltd.	-	3.73
Sinopharm Health Solutions (Shanghai) Co., Ltd.	-	3.63
Sinopharm Holding Anyang Co., Ltd.	-	2.98
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	-	2.79
Sinopharm Holding Zhumadian Co., Ltd.	-	1.47
Sinopharm Holding Dezhou Co., Ltd.	-	1.29
Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch Co., Ltd.	-	1.07
Anhui Jingfang Pharmaceutical Co., Ltd.	-	1.05
Sinopharm Holding Xinyu Co., Ltd.	-	0.65
Sinopharm Fortuneway Company	-	0.32
Sinopharm Holding Shanxi Linfen Co., Ltd.	-	0.19
Sinopharm (Shanghai) E-Health Co., Ltd.	-	0.18
Sinopharm Holding Xinxiang Co., Ltd.	-	0.09
Sinopharm Changsha Medical Instrument Co., Ltd.	-	0.01
Sinopharm Holding Tongliao Co., Ltd.	-	(0.08)
Shanghai Yunnuo Marketing Consulting Co., Ltd.	-	(15.60)
Sinopharm Holding Zunyi Co., Ltd.	(0.45)	1.58
	<u>149,281.51</u>	<u>148,542.18</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(2) Related party transactions - leases

(a) As the lessor

	Type of assets under leases	Income from leases in 2016 (RMB'0,000)	Income from leases in 2015 (RMB'0,000)
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	Building	21.24	-
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	Building	6.12	73.44
China National Medicines Co., Ltd.	Building	4.32	4.32
Sinopharm Holding Sub Marketing Center Co., Ltd.	Building	4.17	3.24
Sinopharm Group Guangdong Medicine Device Co., Ltd.	Building	-	26.02
		35.85	107.02

(b) As the lessee

	Type of assets under leases	Expenses from leases in 2016 (RMB'0,000)	Expenses from leases in 2015 (RMB'0,000)
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	Building	955.00	940.00
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	Building	884.46	744.79
Linyi Medical Group Co., Ltd.	Building	810.33	302.31
Sinopharm Group Medicine Logistic Co., Ltd.	Equipment	750.00	750.00
Sinopharm Group Medicine Logistic Co., Ltd.	Building	719.80	708.00
Shenyang Pharmaceutical Co., Ltd.	Building	685.43	668.00
Lerentang Investment Group Co., Ltd.	Building	640.00	270.00
China National Pharmaceutical Group Shanghai Co., Ltd.	Building	614.10	637.79
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	Building	454.87	418.45
Sinopharm Holding Yangzhou Co., Ltd.	Building	381.89	294.83
Hunan Minshengtang Investment Co., Ltd.	Building	281.31	113.29
Guangdong Jiyuantang Pharmaceutical Co., Ltd.	Building	132.43	122.54

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(2) Related party transactions - leases

(b) As the lessee (continued)

	Type of assets under leases	Expenses from leases in 2016 (RMB'0,000)	Expenses from leases in 2015 (RMB'0,000)
Huang Lijin	Building	125.00	115.00
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Building	95.60	97.71
Zhang Zhenfang	Building	70.00	70.00
Sinopharm Holding Shanxi Co., Ltd.	Building	63.86	61.53
Wang Yang	Building	53.89	55.20
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Building	47.64	46.04
Sinopharm Holding Beijing Co., Ltd.	Building	46.00	42.75
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	Building	44.46	44.87
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Building	35.06	32.88
Xiaoyi Baicaotang Pharmacy Chain Store Co., Ltd.	Building	31.55	109.85
China National Medicines Co., Ltd.	Building	30.75	25.00
Gu Jinfang	Building	26.82	-
Hangzhou Xihu Business Group Corporation	Building	24.70	14.39
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Building	18.33	15.00
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Building	18.21	25.22
Taishan Qunkang Pharmacy Co., Ltd.	Building	12.16	-
Xinjiang Baitong Property Service Co., Ltd.	Building	5.99	-
Shenzhen Jiufeng Investment Co., Ltd.	Building	3.00	-
Sinopharm Holding Fujian Co., Ltd.	Building	0.41	0.42
		<u>8,063.05</u>	<u>6,725.86</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(3) Related party transactions - guarantees

Guarantees received from related parties

2016	Amount of guarantee (RMB'0,000)	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
Sinopharm Group Co., Ltd.	13,154.46	16 February 2016 – 1 September 2016	16 February 2017 – 1 September 2017	No

2015	Amount of guarantee (RMB'0,000)	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
Sinopharm Group Co., Ltd.	58,943.40	15 January 2015 – 1 September 2015	15 January 2016 – 1 September 2016	No

(4) Related party transactions – borrowings

2016	Category	Amount (RMB'0,000)	Inception	Maturity
Group Financial Co.	Discount on commercial acceptance notes	30,774.27	27 May 2016 – 29 November 2016	30 June 2016 – 5 March 2017
Group Financial Co.	Short-term borrowings	14,000.00	3 March 2016 – 8 November 2016	28 October 2016 – 8 November 2017
Group Financial Co.	Discount on bank acceptance notes	1,187.78	27 December 2016	28 February 2017 – 15 June 2017
Group Financial Co.	Entrusted borrowings	21,554.00	4 January 2016 – 14 July 2016	4 July 2016 – 14 January 2017
Group Financial Co.	Short-term borrowings	9,000.00	28 January 2016 – 1 October 2016	28 July 2016 – 29 December 2016
		<u>76,516.05</u>		

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

**(4) Related party transactions – borrowings (Continued)**

2015	Category	Amount (RMB'0,000)	Inception	Maturity
Group Financial Co.	Short-term borrowings	8,500.00	28 February 2015 – 14 October 2015	28 February 2016 – 14 October 2016
Group Financial Co.	Discount on commercial acceptance notes	2,202.60	30 October 2015	9 January 2016 – 9 February 2016
Group Financial Co.	Discount on bank acceptance notes	3,990.36	15 December 2015 – 17 December 2015	22 January 2016 – 2 June 2016
Group Financial Co.	Short-term borrowings	7,600.00	28 April 2015	27 April 2016
Group Financial Co.	Entrusted borrowings	4,777.00	12 January 2015 – 20 May 2015	12 January 2016 – 20 May 2016
		<u>27,069.96</u>		

**(5) Related party asset transfer**

	Type of transaction	2016 (RMB'0,000)	2015 (RMB'0,000)
Shanghai Shyndec Pharmaceutical Co., Ltd.	Sale of Pingshan base assets	52,993.14	-
Shanghai Tongyu Information Technology Co., Ltd.	Purchase of intangible asset	38.49	-
Sinopharm Holding Financing Lease Co., Ltd.	Purchase of fixed asset	469.05	1,575.25
Sinopharm Holding Financing Lease Co., Ltd.	Purchase of construction in progress	70.78	423.10
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of fixed asset	62.01	-
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of construction in progress	-	206.63
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	Purchase of fixed asset	-	98.06
Beijing Tongyu Information Technology Co., Ltd.	Purchase of fixed asset	56.57	-
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Purchase of fixed asset	-	24.98

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

(5) Related party asset transfer (Continued)

During the current year, the Group had related party transactions of selling assets, issuing equity, cash purchase of assets as well as raising funds; the disposal of Zhijun Medicines, Zhijun Pingshan, Zhijun Trade and Pingshan base assets in exchange for 15.56% equity in Shanghai Shyndec Pharmaceutical Co., Ltd; issuing shares in order to purchase Guoda Pharmacy, Foshan Nanhai, Guangdong Uptodate & Special Medicines, which are enterprises under common control, from Sinopharm Group; issuing shares to China Pharma & Trade in order to purchase 51% equity in South Pharma & Trade; issuing shares to Ping An Asset Management in order to raise funds for the purchase of non-controlling interests in South Pharma & Trade, of Fu Yuequn Fu and other 11 natural person. Refer to Item 3 under Note VI for details.

(6) Other related party transactions

		2016 (RMB'0,000)	2015 (RMB'0,000)
(a) Remuneration for key management personnel		1,056.00	1,106.00
(b) Interest expense			
Related party	Category	2016 RMB'0,000	2015 RMB'0,000
Sinopharm Group	Payment of interest on borrowings to related parties	506.78	352.27
Sinopharm Group	Payment of loan interest	399.29	522.67
Sinopharm Group	Payment of buyer notes discount interest	33.60	61.08
Group Financial Co.	Payment of loan interest	277.65	227.75
Group Financial Co.	Payment of notes discount interest	231.80	65.79
Sinopharm Holding Financing Lease Co., Ltd.	Payment of financing lease interest	177.85	52.05
China National Pharmaceutical Foreign Trade Co., Ltd.	Payment of interest on borrowings to related parties	137.05	4.83
China National Pharmaceutical Group Corporation	Payment of loan interest	135.44	161.10
Sinopharm Holding Sub Marketing Center Co., Ltd.	Payment of buyer notes discount interest	90.05	44.11
		<u>1,989.51</u>	<u>1,491.65</u>
(c) Interest income			
Related party	Category	2016 RMB'0,000	2015 RMB'0,000
Group Financial Co.	Deposit interest	<u>35.24</u>	<u>3.98</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**X. Related party relationships and transactions (Continued)**

**5. Major transactions between the Group and its related parties (Continued)**

Notes (RMB'0,000):

- (1) Related party transactions - sale of goods and rendering of services
  - (a) During the current year, the Group purchased goods from related parties at the market price amounting to RMB395,165.19 (2015: RMB383,337.84).
  - (b) During the current year, the related parties rendered services to the Group at the market price amounting to RMB2,698.89 (2015: RMB10,838.47).
  - (c) During the current year, the Group sold goods to related parties at the market price amounting to RMB148,034.25 (2015: RMB147,095.60).
  - (d) During the current year, the Group rendered services to related parties at the market price amounting to RMB1,247.26 (2015: RMB1,446.58).
- (2) Related party transactions - leases
  - (a) During the current year, the Group leased buildings to related parties and recognized income of RMB35.85 (2015: RMB107.02) according to the agreements.
  - (b) During the current year, the Group leased buildings and equipment from related parties and an expense of RMB8,063.05 (2015: RMB6,725.86) was incurred according to the lease.
- (3) Related party transactions - guarantees
  - (a) During the current year, Sinopharm Group Co., Ltd. provided guarantee for borrowings of the Group with an amount of RMB13,154.46 (2015: RMB58,943.40).
- (4) Related party transactions - borrowings
  - (a) During the current year, the Group borrowed RMB76,516.05 at an annual interest rate of 3.16% to 4.13% from related parties (2015: RMB27,069.96 at 3.1% to 5.4%).
- (5) Related party transactions - asset transfer
  - (a) During the current year, the Group purchased long-term assets from related parties at the negotiated price amounted to RMB696.90 (2015: RMB2,328.02).
  - (b) During the current year, the Group sold long-term assets to related parties at the negotiated price amounted to RMB52,993.14 (2015: none).
- (6) Other major related party transactions
  - (a) During the current year, the Group incurred emoluments (Including those paid in cash, in kind and in other forms) for key management personnel with an amount of RMB1,056.00 (2015: RMB1,106.00).
  - (b) During the current year, the Group has paid borrowing interests, entrusted loan interests etc. to related parties in the amount of RMB1,989.51 (2015 RMB1,491.65)
  - (c) During the current year, the Group has received deposit interest from related parties in the amount of RMB35.24 (2015 RMB3.98).

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**6. Commitments between the Group and related parties**

	2016 RMB'0,000	2015 RMB'0,000
Leases		
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	2,749.92	-
Sinopharm Holding Yangzhou Co., Ltd.	1,564.80	-
Lerentang Investment Group Co., Ltd.	1,180.00	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	1,044.00	2,306.01
Shenyang Pharmaceutical Co., Ltd.	1,044.00	-
China National Pharmaceutical Group Shanghai Co., Ltd.	676.90	-
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	360.38	457.01
Gu Jinfang	324.82	-
Wang Yang	157.71	220.80
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	105.74	158.62
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	100.53	100.53
Shenzhen Jiufeng Investment Co., Ltd.	91.00	-
Taishan Qunkang Pharmacy Co., Ltd.	77.66	-
Guangdong Jiyuantang Pharmaceutical Co., Ltd.	69.58	-
Sinopharm Holding Shanxi Co., Ltd.	64.00	64.00
Guangdong Jiyuantang Development Co., Ltd.	-	3,127.26
Beijing Huafang Investment Co., Ltd.	-	1,855.00
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	-	1,062.01
Wei Ningjuan	-	997.88
Qiao Haiping	-	811.33
Sinopharm Holding Jiangsu Co., Ltd.	-	294.00
Anhui Tianjian Medical Investment Co., Ltd.	-	141.00
Linyi Medical Group Co., Ltd.	-	91.00
Beijing Electromechanical Device Group Corporation	-	33.89
China National Medicines Co., Ltd.	-	30.75
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	-	29.04
Shi Peijun	-	26.82

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

X. Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Lease (continued)		
Huang Lijin	-	25.30
Nanjing Guoheng Trade Co., Ltd.	-	12.16
Sinopharm Holding Beijing Co., Ltd.	-	10.75
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	-	2.40
	<u>9,611.04</u>	<u>11,857.56</u>
Lease out		
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	<u>63.71</u>	<u>-</u>

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 7. Amounts due from related parties

	2016 RMB'0,000	2015 RMB'0,000
Accounts receivable		
Shanghai Beiyi Guoda Pharmaceutical Co., Ltd.	2,715.69	2,289.83
Foshan Chancheng Pharmaceutical Co., Ltd.	2,666.51	2,566.61
Sinopharm Holding Heilongjiang Co., Ltd.	2,246.68	63.52
Sinopharm Holding Hunan Co., Ltd.	1,597.64	1,180.08
Sinopharm Health Online Co., Ltd.	1,553.42	94.54
Sinopharm Sichuan Pharmaceutical Co., Ltd.	1,365.97	1,305.21
Sinopharm Holding Shandong Co., Ltd.	1,205.91	280.62
Sinopharm Group Southwest Medicine Co., Ltd.	921.60	589.91
Sinopharm Holding Hulun Buir Co., Ltd.	637.39	191.40
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	627.65	727.64
Sinopharm Holding Hubei Co., Ltd.	583.72	163.72
Sinopharm Holding Hainan Co., Ltd.	575.18	867.51
Sinopharm Group Co., Ltd.	567.26	122.62
Sinopharm Holding Hainan Hongyi Co., Ltd.	551.04	512.07
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	429.34	490.38
Sinopharm Holding Sub Marketing Center Co., Ltd.	363.61	72.44
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	351.97	208.73
Sinopharm Holding Beijing Co., Ltd.	345.39	488.91
Sinopharm Holding Beijing Huahong Co., Ltd.	328.88	429.43
Foshan Chancheng District Central Hospital	324.83	267.08
China National Medicines Co., Ltd.	301.74	223.87
Sinopharm Holding Yunnan Co., Ltd.	233.12	46.97
Sinopharm Holding Guizhou Co., Ltd.	229.65	157.89
Sinopharm Holding Tianjin Co., Ltd.	226.12	418.24
Sinopharm Holding Wenzhou Co., Ltd.	213.63	449.70
Sinopharm Holding Shanxi Co., Ltd.	190.66	182.30
Sinopharm Holding Ningxia Co., Ltd.	108.67	762.35
Sinopharm Holding Fujian Co., Ltd.	99.87	89.57
Sinopharm Holding Shanxi Co., Ltd.	99.34	223.20

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 7. Amounts due from related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Accounts receivable (continued)		
Sinopharm Holding Yangzhou Co., Ltd.	96.27	66.19
Shanghai Merro Pharmaceutical Co., Ltd.	93.18	56.99
Sinopharm Group Medicine Logistic Co., Ltd.	87.33	47.22
Foshan Chanyixing Medicine Development Co., Ltd.	80.55	69.07
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	74.85	1.01
Sinopharm Holding Zhejiang Co., Ltd.	72.64	18.23
Sinopharm Holding Qinghai Co., Ltd.	47.18	32.41
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	46.61	277.71
Sinopharm Holding Lunan Co., Ltd.	42.74	85.84
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	30.86	-
Sinopharm Holding Inner Mongolia Co., Ltd.	18.16	-
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	18.14	-
Sinopharm Group Shanxi Co., Ltd.	16.09	5.91
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	14.80	32.53
Sinopharm Holding Jiangxi Co., Ltd.	14.60	4.61
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	12.49	12.80
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	12.25	8.85
Sinopharm Holding Huaian Co., Ltd.	11.85	4.41
Sinopharm Holding Nantong Co., Ltd.	10.63	22.28
Sinopharm Holding Dalian Hecheng Co., Ltd.	10.35	-
Sinopharm Holding Chengdu Co., Ltd.	7.59	23.97
Beijing Tiantan Biological Products Co., Ltd.	7.10	-
Sinopharm Xinxiang Chain Store Co., Ltd.	4.65	0.04
Sinopharm Holding Wuxi Co., Ltd.	3.72	63.74
Sinopharm Guangdong Medical Examination Co., Ltd.	3.25	-
Sinopharm Holding Zhuhai Co., Ltd.	3.06	1.31
Sinopharm Holding Xiangyang Co., Ltd.	2.95	1.32
Sinopharm Holding Dalian Co., Ltd.	1.88	22.01
China National Pharmaceutical Group Corporation	1.78	-

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 7. Amounts due from related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Accounts receivable (continued)		
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	0.50	5.06
China National Pharmaceutical Foreign Trade Co., Ltd.	0.50	0.29
Sinopharm Holding Jilin Co., Ltd.	0.41	67.36
Shenyang Pharmaceutical Co., Ltd.	0.30	-
Beijing Jianyu Golden Elephant Pharmacy Co., Ltd.	-	393.36
Sinopharm Holding Henan Co., Ltd.	-	262.25
Sinopharm Holding Shenyang Co., Ltd.	-	207.86
Sinopharm Holding Yancheng Co., Ltd.	-	156.06
Sinopharm Holding Jinzhou Co., Ltd.	-	152.10
Suzhou Erye Pharmaceutical Limited Company	-	137.35
Sinopharm Holding Xuzhou Co., Ltd.	-	116.76
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	-	99.26
Sinopharm Holding Taizhou Co., Ltd.	-	91.59
Sinopharm Holding Fuzhou Co., Ltd.	-	41.11
China Sinopharm International Corporation	-	37.78
Sinopharm Holding Chongqing Co., Ltd.	-	28.54
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	-	25.39
Sinopharm Holding Putian Co., Ltd.	-	23.80
Sinopharm Holding Longyan Co., Ltd.	-	20.50
Sinopharm Holding Quanzhou Co., Ltd.	-	13.94
Sinopharm Holding Gansu Co., Ltd.	-	11.20
Sinopharm Holding Ningde Co., Ltd.	-	10.24
Tianjin Qidong Elephant Pharmacy Medicine Chain Company Limited	-	9.11
Sinopharm Holding Qingdao Co., Ltd.	-	9.07
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	-	8.74
Sinopharm Holding Jiangsu Co., Ltd.	-	6.06
Sinopharm Holding Yantai Co., Ltd.	-	5.59
Jiang Meng Renren Medical Instrument Co., Ltd.	-	4.92
Sinopharm Holding Anhui Co., Ltd.	-	3.13

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**7. Amounts due from related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Accounts receivable (continued)		
Sinopharm Holding Changde Co., Ltd.	-	1.88
Sinopharm Holding Ulanqab Co., Ltd.	-	1.86
Sinopharm Holding Huzhou Co., Ltd.	-	1.61
Sinopharm Holding Zunyi Co., Ltd.	-	1.55
Sinopharm Holding Suzhou Co., Ltd.	-	1.35
Sinopharm Holding Anqing Co., Ltd.	-	1.05
Huzhou Muhanzhuai Pharmacy Chain Store Co., Ltd.	-	0.87
Sinopharm Holding Tianjin North Medicine Co., Ltd.	-	0.81
Sinopharm Health Solutions (Shanghai) Co., Ltd.	-	0.76
Sinopharm Holding Sanming Co., Ltd.	-	0.63
China Medical Instrument Co., Ltd.	-	0.60
Sinopharm Holding Puyang Co., Ltd.	-	0.04
	22,511.74	18,286.22

	2016 RMB'0,000	2015 RMB'0,000
Notes receivable		
Sinopharm Holding Shandong Co., Ltd.	2,193.52	675.01
Sinopharm Sichuan Pharmaceutical Co., Ltd.	1,688.99	450.68
Sinopharm Holding Hunan Co., Ltd.	886.78	323.57
Sinopharm Holding Beijing Co., Ltd.	684.99	544.57
Sinopharm Holding Henan Co., Ltd.	473.43	-
Sinopharm Holding Nantong Co., Ltd.	416.00	283.00
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	413.80	1,856.71
Sinopharm Holding Hubei Co., Ltd.	394.82	794.13
Sinopharm Holding Fujian Co., Ltd.	369.33	-
Sinopharm Holding Yunnan Co., Ltd.	258.53	-
Sinopharm Holding Shanxi Co., Ltd.	225.04	-

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**7. Amounts due from related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Notes receivable (Continued)		
Sinopharm Holding Zhejiang Co., Ltd.	210.66	8.23
Sinopharm Holding Ningxia Co., Ltd.	200.53	-
Sinopharm Holding Shenyang Co., Ltd.	154.64	131.72
Sinopharm Holding Sub Marketing Center Co., Ltd.	139.47	458.90
Sinopharm Holding Gansu Co., Ltd.	129.48	58.14
Sinopharm Holding Quanzhou Co., Ltd.	121.92	-
Sinopharm Holding Fuzhou Co., Ltd.	109.16	88.31
Sinopharm Holding Beijing Huahong Co., Ltd.	100.00	16.89
Sinopharm Holding Heilongjiang Co., Ltd.	89.20	10.33
Sinopharm Holding Jilin Co., Ltd.	38.16	-
Sinopharm Holding Inner Mongolia Co., Ltd.	9.00	-
Sinopharm Holding Hainan Co., Ltd.	3.47	481.37
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	-	523.37
Sinopharm Holding Tianjin Co., Ltd.	-	375.89
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	-	240.00
Sinopharm Holding Jinzhou Co., Ltd.	-	140.88
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	-	100.00
China National Medicines Co., Ltd.	-	47.78
Sinopharm Holding Chongqing Co., Ltd.	-	37.36
Sinopharm Holding Yancheng Co., Ltd.	-	34.20
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	-	20.00
Sinopharm Holding Wuxi Co., Ltd.	-	15.00
Sinopharm Holding Chengdu Co., Ltd.	-	13.27
Sinopharm Holding Qingdao Co., Ltd.	-	10.00
Sinopharm Holding Changde Co., Ltd.	-	6.00
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	-	3.00
	<u>9,310.92</u>	<u>7,748.31</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**7. Amounts due from related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Other receivables		
Shanghai Shyndec Pharmaceutical Co., Ltd.	13,719.11	-
Sinopharm Group Medicine Logistic Co., Ltd.	315.87	254.88
Sinopharm Health Online Co., Ltd.	68.3	176.54
Sinopharm Holding Shanxi Co., Ltd.	10.00	10.00
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	10.00	10.00
Sinopharm Holding Fuzhou Co., Ltd.	7.26	-
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	5.64	-
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	4.85	4.85
Shanghai Guoren Pharmacy Co., Ltd.	3.78	5.37
Beijing Electromechanical Device Group Corporation	3.00	-
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	2.15	-
Sinopharm Holding Henan Co., Ltd.	1.01	-
Sinopharm Holding Huangshan Health Industry Co., Ltd.	0.94	11.40
Sinopharm Group Co., Ltd.	0.40	21,442.41
China National Pharmaceutical Foreign Trade Co., Ltd.	-	25.00
Guizhou Tongjitang Pharmaceutical Co., Ltd.	-	1.47
China National Medicines Co., Ltd.	-	0.05
	<u>14,152.31</u>	<u>21,941.97</u>

	2016 RMB'0,000	2015 RMB'0,000
Advances to suppliers		
Hunan Minshengtang Investment Co., Ltd.	1,194.11	-
Sinopharm Holding Shanxi Co., Ltd.	302.78	343.14
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	265.22	265.22
Sinopharm Holding Shanxi Co., Ltd.	195.91	90.77
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	193.46	96.64
Chengdu Rongsheng Pharmacy Co., Ltd.	44.83	42.43

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**7. Amounts due from related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Advances to suppliers (continued)		
Shanghai Meitai Medical Instruments Co., Ltd.	28.29	58.41
Shenzhen Jiufeng Investment Co., Ltd.	15.00	-
Hangzhou Xihu Business Group Corporation	12.65	-
Sinopharm Group Co., Ltd.	11.72	-
Sinopharm Holding Beijing Co., Ltd.	9.66	0.16
China National Medicines Co., Ltd.	4.94	9.97
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	4.17	10.00
Beijing Tongyu Information Technology Co., Ltd.	4.04	-
Xiaoyi Baicaotang Pharmacy Chain Store Co., Ltd.	3.50	-
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	2.52	-
Xinjiang Baitong Property Service Co., Ltd.	0.63	0.76
Winteam Pharmaceutical Group Ltd.	0.46	0.47
Sinopharm Holding Suzhou Co., Ltd.	0.37	-
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	0.34	11.80
Sichuan Hexin Pharmaceutical Co., Ltd.	0.20	346.59
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	0.02	-
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	0.02	-
Wuhan Institute of Biological Products Co., Ltd.	-	49.32
Sinopharm Holding Guizhou Co., Ltd.	-	17.71
Sinopharm Group Guorui Medicine Co., Ltd.	-	14.00
Sinopharm Holding Sub Marketing Center Co., Ltd.	-	7.28
Sinopharm Group Chemical Reagent Co., Ltd.	-	1.58
Sinopharm Holding Jinhua Co., Ltd.	-	0.66
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	-	0.01
	<u>2,294.84</u>	<u>1,366.92</u>

Amounts due from related parties were interest-free and unsecured, with no fixed terms of repayment.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 8. Amounts due to related parties

	2016 RMB'0,000	2015 RMB'0,000
Accounts payable		
Sinopharm Holding Sub Marketing Center Co., Ltd.	11,346.16	25,501.82
Sinopharm Group Co., Ltd.	6,936.35	9,100.78
China National Medicines Co., Ltd.	3,523.37	4,811.90
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	2,676.36	2,390.38
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	1,905.41	1,322.02
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	1,834.62	2,087.75
Sino-Swed Pharmaceutical Co., Ltd.	1,317.92	779.51
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	1,119.81	881.63
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	839.01	431.72
Chongqing Yaoyou Pharmaceutical Co., Ltd.	770.08	712.89
Sinopharm Holding Pingdingshan Co., Ltd.	732.91	822.40
Lanzhou Institute of Biological Products Co., Ltd.	678.00	558.00
Sinopharm Holding Shenyang Co., Ltd.	631.15	136.76
Sinopharm Holding Hulun Buir Co., Ltd.	629.33	383.62
Main Luck Pharmaceutical	580.79	708.56
Shenzhen Wanwei Medicine Trading Co., Ltd.	563.83	438.65
Chongqing Haisiman Pharmaceutical Co., Ltd.	530.35	25.24
Sinopharm Holding Xiamen Co., Ltd.	511.63	321.86
Shanghai Merro Pharmaceutical Co., Ltd.	489.59	579.98
Sinopharm Holding Jiangsu Co., Ltd.	485.92	323.29
Sinopharm Holding Shanxi Co., Ltd.	423.72	441.04
Sinopharm Holding Suzhou Co., Ltd.	419.86	90.30
Sinopharm Holding Ningxia Co., Ltd.	357.99	300.49
Sinopharm Holding Fujian Co., Ltd.	326.26	147.79
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	308.99	228.58
Sinopharm Holding Beijing Co., Ltd.	279.32	353.48
Sinopharm (Tianjin) Northern Medical Equipment Co., Ltd.	234.02	-
Winteam Pharmaceutical Group Ltd.	208.77	123.18

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 8. Amounts due to related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Accounts payable (Continued)		
Yichang Humanwell Pharmaceutical Co., Ltd.	195.74	18.40
Sinopharm Holding Changzhou Co., Ltd.	166.70	61.33
China National Pharmaceutical Foreign Trade Co., Ltd.	165.12	18.32
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	113.68	30.72
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	112.02	381.71
Sinopharm Holding Beijing Huahong Co., Ltd.	105.54	39.39
Sinopharm Holding Inner Mongolia Co., Ltd.	80.40	58.88
Sinopharm Group Shanxi Co., Ltd.	70.74	6.48
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	69.67	40.74
Sinopharm Group Medicine Logistic Co., Ltd.	69.48	102.09
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	63.23	70.77
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	59.93	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	48.62	53.66
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	45.13	49.46
Chengdu Rongsheng Pharmacy Co., Ltd.	44.88	0.08
China Otsuka Pharmaceutical Co., Ltd.	43.80	21.45
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	40.35	12.14
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	35.70	72.00
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	35.27	20.41
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	35.11	13.20
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	30.14	36.32
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	23.76	19.75
Sinopharm Holding Jinzhou Co., Ltd.	23.40	-
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	23.31	2.39
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	22.37	22.10
Anhui Jingfang Pharmaceutical Co., Ltd.	20.11	4.54
Sinopharm Holding Jinan Co., Ltd.	19.37	-
Sinopharm Holding Dezhou Co., Ltd.	15.82	25.26

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 8. Amounts due to related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Accounts payable (Continued)		
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	15.39	22.96
Sinopharm Holding Yangzhou Co., Ltd.	15.36	297.55
Shenyang Hongqi Pharmaceutical Co., Ltd.	15.06	0.21
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	14.99	0.26
Guizhou Tongjitang Pharmaceutical Co., Ltd.	12.54	19.16
Sinopharm Holding Quanzhou Co., Ltd.	10.02	14.05
Sinopharm Holding Wuxi Co., Ltd.	9.76	23.01
Sinopharm Holding Dalian Co., Ltd.	8.36	58.33
Sinopharm Holding Fuzhou Co., Ltd.	8.11	3.95
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	7.97	7.76
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	7.84	1.86
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	6.80	-
Sinopharm Holding Putian Co., Ltd.	6.67	12.32
Wuliangye Group of Sichuan YiBin Pharmaceuticals Co., Ltd.	6.49	-
Sinopharm Holding Huangshan Health Industry Co., Ltd.	6.19	-
Hunan Dongting Pharmaceutical Co., Ltd.	6.09	3.41
Foshan Dezhong Pharmaceutical Co., Ltd.	5.83	768.81
Jiangsu Huanghe Pharmaceutical Co., Ltd.	5.47	3.61
Shandong Lu Ya Pharmaceutical Co., Ltd.	5.28	5.28
Sinopharm Holding Zhuhai Co., Ltd.	5.02	9.33
Sinopharm Group Guorui Medicine Co., Ltd.	4.54	0.54
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	4.28	225.55
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	3.94	-
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	3.09	3.07
Sinopharm Holding Hubei Co., Ltd.	3.02	-
Guangdong Medi-World Pharmaceutical Co., Ltd.	2.66	2.99
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	2.52	2.52
Sinopharm Holding (Liaoning Province) Medical Instruments Co., Ltd.	2.49	2.14

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 8. Amounts due to related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Accounts payable (Continued)		
China National Pharmaceutical Industry Co., Ltd.	2.35	4.95
Yangzhou Weikang Pharmaceutical Co., Ltd.	2.33	2.92
Sinopharm Holding Shanxi Co., Ltd.	1.75	19.81
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	1.68	26.83
Sinopharm Group Shanghai Medicine Device Co., Ltd.	1.66	1.66
Sinopharm Holding Henan Co., Ltd.	1.64	15.27
Sinopharm Holding Liaocheng Co., Ltd.	1.62	1.62
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	1.59	1.59
Shanghai Shyndec Pharmaceutical Co., Ltd.	1.42	40.00
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	1.42	1.42
Guilin South Pharmaceutical Co., Ltd.	1.17	3.64
Sinopharm Holding Ulanqab Co., Ltd.	0.95	-
Sinopharm Holding Tianjin Co., Ltd.	0.89	0.89
Shanghai Chaohui Pharmaceutical Co., Ltd.	0.89	0.89
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	0.88	12.80
Sinopharm Jiayuan International Trading Co., Ltd.	0.40	3.61
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	0.34	0.46
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	0.11	0.57
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	0.06	0.06
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	0.05	2.00
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	0.01	0.39
China Medical Investment Co., Ltd.	0.01	0.01
Sichuan Hexin Pharmaceutical Co., Ltd.	-	203.68
Shanghai Huayu Pharmaceutical Co., Ltd.	-	37.21
Handan Pharmaceutical Co., Ltd.	-	27.40
Sinopharm Holding Hunan Co., Ltd.	-	22.45
Qinghai Pharmaceutical (Group) Co., Ltd.	-	13.85
Shanghai Nutraceuticals (Shanghai) Co., Ltd.	-	8.09

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**8. Amounts due to related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Accounts payable (Continued)		
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	-	5.14
Sinopharm Holding Hainan Co., Ltd.	-	4.44
Sinopharm United Medical Device Co., Ltd.	-	3.47
Suzhou Erye Pharmaceutical Limited Company	-	2.72
Sinopharm Holding Guizhou Co., Ltd.	-	1.79
Sinopharm Group Chemical Reagent Co., Ltd.	-	1.66
Sinopharm Holding Yancheng Co., Ltd.	-	0.76
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	-	0.53
Sinopharm Holding Xinyu Co., Ltd.	-	0.38
Shanghai Xinshengyuan Pharmaceutical Co., Ltd.	-	0.30
Shanghai Sailun Biological Technology Co., Ltd.	-	0.29
Sinopharm Anhui Medical Instrument Co., Ltd.	-	0.18
Sinopharm Holding Lunan Co., Ltd.	-	0.11
Sinopharm Holding Huaian Co., Ltd.	-	0.01
	<u>42,669.91</u>	<u>57,149.73</u>
	2016 RMB'0,000	2015 RMB'0,000
Notes payable		
Sinopharm Holding Sub Marketing Center Co., Ltd.	26,806.54	2,062.97
Sinopharm Holding Shanxi Co., Ltd.	7,569.51	4,861.99
Sinopharm Group Co., Ltd.	3,978.13	8,662.47
Sinopharm Holding Shanxi Co., Ltd.	2,098.17	2,918.07
China National Medicines Co., Ltd.	2,051.22	830.86
Sinopharm Holding Xiamen Co., Ltd.	994.40	947.12
Chongqing Haisiman Pharmaceutical Co., Ltd.	551.75	44.20
China National Pharmaceutical Foreign Trade Co., Ltd.	484.50	-
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	413.05	200.00

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 8. Amounts due to related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Notes payable (Continued)		
Sinopharm Holding Fujian Co., Ltd.	375.57	232.36
Lanzhou Institute of Biological Products Co., Ltd.	360.00	180.00
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	326.37	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	236.33	86.75
Sinopharm Holding Hunan Co., Ltd.	220.51	1,005.78
Sinopharm Holding Ningxia Co., Ltd.	150.00	150.00
Main Luck Pharmaceutical	146.70	112.79
Sinopharm Holding Pingdingshan Co., Ltd.	129.87	-
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd	126.88	240.61
Chongqing Yaoyou Pharmaceutical Co., Ltd.	119.98	289.95
Shenzhen Wanwei Medicine trading Co., Ltd.	116.40	76.13
Sinopharm Holding Putian Co., Ltd.	102.75	73.59
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	102.52	102.44
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd	46.93	26.98
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	45.59	-
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	42.71	-
Winteam Pharmaceutical Group Ltd.	39.03	618.02
Guizhou Tongjitang Pharmaceutical Co., Ltd.	31.61	36.35
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	22.87	10.20
Shenyang Hongqi Pharmaceutical Co., Ltd.	21.71	9.57
Anhui Jingfang Pharmaceutical Co., Ltd.	5.61	66.02
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	-	214.32
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	-	77.90
Guilin South pharmaceutical Co., Ltd.	-	9.63
Hunan Dongting Pharmaceutical Co., Ltd.	-	2.40
	<u>47,717.21</u>	<u>24,149.47</u>

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### X. Related party relationships and transactions (Continued)

#### 8. Amounts due to related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Other payables		
China National Pharmaceutical Foreign Trade Co., Ltd.	3,058.32	12,860.00
Sinopharm Health Online Co., Ltd.	514.42	-
Shenyang Pharmaceutical Co., Ltd.	511.25	408.25
Sinopharm Holding Lunan Co., Ltd.	500.00	-
Guangdong Overseas Chinese Medical Investment Co., Ltd.	343.00	-
Sinopharm Group Medicine Logistic Co., Ltd.	271.14	490.34
Sinopharm Group Co., Ltd.	262.22	25,805.84
China National Pharmaceutical Group Shanghai Co., Ltd.	166.04	470.62
Zhang Zhenfang	133.97	254.17
China Traditional Chinese Medicine Co.	130.00	130.00
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	123.78	47.92
Lerentang Investment Group Co., Ltd.	100.00	-
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	73.99	39.42
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd.	49.66	18.38
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	23.80	20.00
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	17.23	2.49
Sinopharm Holding Sub Marketing Center Co., Ltd.	3.78	4.28
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	3.75	-
Quanzhou Xintai Biotech Co., Ltd.	3.56	3.56
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	2.40	-
Xinjiang Baitong Property Service Co., Ltd.	1.45	-
China National Pharmaceutical Logistics Co., Ltd.	0.52	0.28
Beijing Tongyu Information Technology Co., Ltd.	0.44	-
China National Medicines Co., Ltd.	0.04	0.04
China State Institute of Pharmaceutical Industry	-	1,369.00
Main Luck Pharmaceutical	-	50.00
Sinopharm Group Chemical Reagent Suzhou Co., Ltd.	-	30.00
Sinopharm Group Chemical Reagent Co., Ltd.	-	22.00

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**8. Amounts due to related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Other payables		
Sinopharm Holding Hainan Hongyi Co., Ltd.	-	2.00
Sinopharm Holding Shanxi Co., Ltd.	-	1.00
Sinopharm Holding Tianjin Co., Ltd.	-	1.00
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	-	1.00
Sinopharm Holding Fujian Co., Ltd.	-	0.54
Sinopharm Group Southwest Medicine Co., Ltd.	-	0.50
Sinopharm Holding Hubei Co., Ltd.	-	0.50
Sinopharm Holding Wuxi Co., Ltd.	-	0.50
Sinopharm Holding (Yangzhou) Chinese Western Medicine Branch Co., Ltd.	-	0.50
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	-	0.50
Sinopharm Zhuhai	-	0.30
Sinopharm Health Solutions (Shanghai) Co., Ltd.	-	0.12
	<u>6,294.76</u>	<u>42,035.05</u>

	2016 RMB'0,000	2015 RMB'0,000
Advances from customers		
Sinopharm Holding Gansu Co., Ltd.	15.38	0.20
Sinopharm Holding Tibet Pharmaceutical Co., Ltd.	15.05	-
Sinopharm Holding Shenyang Co., Ltd.	5.42	-
Sinopharm Guangdong Medical Examination Co., Ltd.	3.41	-
Sinopharm Holding Heilongjiang Co., Ltd.	1.51	-
Shanghai Merro Pharmaceutical Co., Ltd.	0.83	-
Sinopharm Zhuhai	0.33	1.68
Sinopharm Holding Chengdu Co., Ltd.	0.21	0.15
Sinopharm Holding Chongqing Co., Ltd.	0.08	0.08
Sinopharm Sichuan Pharmaceutical Co., Ltd.	0.01	0.01
Sinopharm Holding Yunnan Co., Ltd.	-	14.44

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**X. Related party relationships and transactions (Continued)**

**8. Amounts due to related parties (Continued)**

	2016 RMB'0,000	2015 RMB'0,000
Advances from customers (Continued)		
Sinopharm Holding Jiangsu Co., Ltd.	-	0.80
Sinopharm Holding Xuzhou Co., Ltd.	-	0.57
Sichuan Kang Daxin Pharmaceutical Co., Ltd.	-	0.49
Sinopharm Holding Dezhou Co., Ltd.	-	0.47
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	-	0.32
Sinopharm Group Southwest Medicine Co., Ltd.	-	0.28
Sinopharm Holding Wenzhou Co., Ltd.	-	0.13
Winteam Pharmaceutical Group Ltd.	-	0.12
Sinopharm Holding Zhejiang Biological Product Co., Ltd.	-	0.05
Sinopharm Holding Hongkong International Co., Ltd.	-	0.01
	<u>42.23</u>	<u>19.80</u>
	2016 RMB'0,000	2015 RMB'0,000
Interest payable		
China National Pharmaceutical Group Corporation	3.78	5.02
Group Financial Co.	-	10.15
Sinopharm Group	-	9.63
China National Pharmaceutical Foreign Trade Co., Ltd.	-	4.83
	<u>3.78</u>	<u>29.63</u>
Entrusted borrowings		
China National Pharmaceutical Group Corporation	3,160.00	3,160.00
Sinopharm Group	-	1,477.00
	<u>3,160.00</u>	<u>4,637.00</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2016 RMB'0,000	2015 RMB'0,000
Short-term borrowings		
Group Financial Co.	<u>10,866.35</u>	<u>10,702.60</u>
Other non-current liabilities		
Sinopharm Group	<u>3,506.17</u>	<u>3,506.17</u>
Current portion of long-term borrowings		
Sinopharm Holding Financing Lease Co., Ltd.	<u>481.13</u>	<u>424.49</u>
Long-term payables		
Sinopharm Holding Financing Lease Co., Ltd.	<u>1,461.66</u>	<u>1,378.57</u>

Amounts due to related parties were interest-free and unsecured, with no fixed terms of repayment.

9. Cash deposit at related parties

	2016 RMB'0,000	2015 RMB'0,000
Group Financial Co.	<u>3,782.94</u>	<u>1,557.27</u>

In years 2016 and 2015, the interest rate for the deposit was 30% above the benchmark interest rate.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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**XI Commitments and contingencies**

**1. Commitments**

**(1) Capital commitments**

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

	31 December 2016	31 December 2015
	RMB'0,000	RMB'0,000
Buildings, machinery and equipment	<u>23.37</u>	<u>4,346.58</u>

**(2) Operating lease commitments**

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

	31 December 2016	31 December 2015
	RMB'0,000	RMB'0,000
Within one year	43,114.45	36,480.57
Between 1 and 2 years	32,506.44	26,315.44
Between 2 and 3 years	28,045.89	19,781.49
Over 3 years	<u>53,853.64</u>	<u>44,402.97</u>
	<u>157,520.42</u>	<u>126,980.47</u>

**2. Contingencies**

As of the balance sheet date, there were no contingencies that the Group was required to disclose.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### XII Events after the balance sheet date

On 5 January 2017, the Group issued 5,323,043, 55,057,700 and 5,114,297 shares to China Pharma & Trade, Sinopharm Holding and Ping An Asset Management, respectively. After the issuance of shares, the Group's total number of shares became 428,126,983, and the shareholding held by Sinopharm Holding, China Pharma & Trade and Ping An Asset Management were 56.06%, 1.24% and 1.19%, respectively. In February 2017, the Group has completed the transfer procedures of Pingshan base's land and property, which were disposed by the end of October 2016.

### XIII Other significant events

#### 1. Discontinued operations

The Group disposed Zhijun Suzhou in April 2016, and disposed its three pharmaceutical companies (Zhijun Medicine, Zhijun Trade and Zhijun Pingshan) in October 2016. Eventually, the Group discontinued the operation of pharmaceutical manufacturing segment.

Operating results in the whole reporting period and comparative period of the discontinued operations are as follows:

	2016	2015
Operating revenue	1,191,942,579.54	1,677,317,417.22
Operating cost	(688,856,485.91)	(990,189,133.99)
Operating expense	(253,005,011.65)	(402,871,798.68)
Impairment loss	(3,702,846.80)	(7,291,966.85)
Non-operating income and expense	12,980,853.00	15,841,874.39
<b>Total profit</b>	<b>259,359,088.18</b>	<b>292,806,392.09</b>
Income taxes	(42,529,060.22)	(38,469,970.10)
Net profit	216,830,027.96	254,336,421.99
Incl: Net profit attributable to shareholders of the parent	216,830,027.96	254,336,421.99

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

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**XIII Other significant events (Continued)**

**2. Segment reporting**

**Operating segments**

For management purpose, the Group is organized into business units based on its product and service and has four reportable operating segments as follows:

- a) The Head Office, which is mainly engaged in investing and managing business;
- b) Pharmaceutical distribution segment, which is mainly engaged in the distribution of medicine and pharmaceutical products to customers;
- c) Retail pharmacy segment, which is the managing the operation of Guoda Pharmacy;
- d) Pharmaceutical manufacturing segment, which is mainly engaged in the manufacturing of medicines.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that finance costs, dividend income, non-operating income, non-operating expense, investment income, as well as head office and corporate expenses are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used in the transactions carried out with third parties at the then prevailing market prices.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**XIII Other significant events (Continued)**

**2. Segment reporting (Continued)**

**Operating segments (Continued)**

Operating segment information as at and for the year ended 31 December 2016 is as follows:

	Head Office	Pharmaceutical distribution	Retail	Pharmaceutical manufacturing	Elimination between segments	Total
Operating revenue	24,211,225.24	31,136,237,193.94	9,109,459,900.42	1,191,942,579.54	(213,421,576.23)	41,248,429,322.91
Incl: Revenue from external customers	7,729,535.27	30,949,800,259.34	9,109,220,322.96	1,181,679,205.34	-	41,248,429,322.91
Revenue from inter-segment transactions	16,481,689.97	186,436,934.60	239,577.46	10,263,374.20	(213,421,576.23)	-
Interest income	82,204,766.73	9,864,397.65	10,294,488.10	1,467,660.54	(73,691,276.17)	30,140,036.85
Interest expense	(5,449,844.00)	(189,754,274.32)	(9,181,977.41)	(3,086,958.75)	73,691,276.17	(133,781,778.31)
Share of profits of associates	96,356,832.20	-	718,662.20	-	-	97,075,494.40
Asset impairment	(111,289.35)	12,236,160.49	126,801.63	(3,702,846.80)	-	8,548,825.97
Depreciation and amortization	(6,438,712.76)	(50,810,725.44)	(95,747,764.24)	(66,626,335.18)	-	(219,623,537.62)
Gross profit	606,763,957.10	795,837,881.08	306,427,433.40	259,359,088.18	(368,131,235.50)	1,600,257,124.26
Income taxes	(652,486.15)	(191,875,817.91)	(83,319,453.50)	(42,529,060.22)	-	(318,376,817.78)
Net profit	606,111,470.95	603,962,063.17	223,107,979.90	216,830,027.96	(368,131,235.50)	1,281,880,306.48
					-	-
Total assets	9,236,694,225.39	13,826,553,868.94	4,941,581,204.36	-	(6,692,074,786.72)	21,312,754,511.97
Total liabilities	(1,559,296,939.55)	(9,733,475,750.45)	(3,207,856,354.78)	-	2,101,858,066.92	(12,398,770,977.86)
Long-term equity investments in associates	1,393,968,857.78	-	19,065,307.78	-	-	1,413,034,165.56
Capital expenditure	1,352,998.47	232,119,650.42	153,297,144.17	72,028,283.04	-	458,798,076.10

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

XIII Other significant events (Continued)

2. Segment reporting (Continued)

Operating segments (Continued)

Operating segment information as at and for the year ended 31 December 2015 is as follows:

	Head Office	Pharmaceutical distribution	Retail	Pharmaceutical manufacturing	Elimination between segments	Total
Operating revenue	12,316,571.20	28,331,471,498.73	7,991,735,833.29	1,677,317,417.22	(193,563,361.43)	37,819,277,959.01
Incl: Revenue from external customers	7,138,037.42	28,162,583,308.20	7,991,735,833.29	1,657,820,780.10	-	37,819,277,959.01
Revenue from inter-segment transactions	5,178,533.78	168,888,190.53	-	19,496,637.12	(193,563,361.43)	-
Interest income	80,709,236.38	7,180,784.57	10,121,998.18	1,866,561.42	(81,296,964.92)	18,581,615.63
Interest expense	(7,814,558.58)	(203,036,565.76)	(11,976,142.09)	(12,317,127.04)	81,296,964.92	(153,847,428.55)
Share of profits of associates	57,413,887.70	-	1,130,765.48	-	-	58,544,653.18
Asset impairment	(743.90)	(27,797,606.15)	(24,446,717.80)	(7,291,966.85)	-	(59,537,034.70)
Depreciation and amortization	(3,340,915.24)	(53,611,776.49)	(96,445,867.87)	(71,144,698.65)	-	(224,543,258.25)
Gross profit	621,786,776.69	705,778,320.16	196,936,874.39	292,806,392.09	(519,802,427.71)	1,297,505,935.62
Income taxes	(13,299,365.55)	(157,488,508.53)	(58,299,339.83)	(38,469,970.10)	-	(267,557,184.01)
Net profit	608,487,411.14	548,289,811.63	138,637,534.56	254,336,421.99	(519,802,427.71)	1,029,948,751.61
Total assets	4,946,455,986.64	10,813,096,646.08	4,455,743,398.74	2,329,671,348.37	(2,231,631,685.29)	20,313,335,694.54
Total liabilities	(829,482,043.08)	(9,546,613,927.07)	(2,927,912,086.67)	(1,188,416,365.91)	2,050,799,970.74	(12,441,624,451.99)
Long-term equity investments in associates	180,831,714.55	-	9,450,914.59	-	-	190,282,629.14
Capital expenditure	923,459.43	64,143,632.45	105,441,062.82	247,773,272.61	-	418,281,427.31

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

### XIII Other significant events (Continued)

#### 3. Leases

##### As the lessee

Finance Leases: At 31 December 2016, the balance of the unrecognized finance charge was RMB3,580,691.95 (2015: RMB4,231,008.72), which was amortized using the effective interest rate method over each period within the lease term. According to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are presented as follows:

	2016	2015
Less than 1 year (Including 1 year)	7,309,963.96	5,787,868.00
1 to 2 years (Including 2 years)	7,309,963.96	5,787,868.00
2 to 3 years (Including 3 years)	7,309,963.96	5,787,868.00
Over 3 years	<u>4,990,322.16</u>	<u>8,682,402.00</u>
	<u>26,920,214.04</u>	<u>26,046,006.00</u>

#### 4. Comparative figures

As further explained in Note VI (3) to the financial statements, in current year, the Company obtained 100% equity of Guoda Pharmacy, Foshan Nanhai, Guangdong Uptodate & Special Medicines entities under the common control of the parent company and 51% equity of South Pharma & Trade, entity controlled by China Pharma & Trade (controlled by the same ultimate controlling party) from, Sinopharm Holding and China Pharma and Trade. Meanwhile, the Company purchases 49% equity of South Pharma & Trade from eleven natural persons, its non-controlling shareholders with cash.

The comparative consolidated financial statements were prepared as if the combining entities which underwent the reorganization had been combined from the date when the combining entities first came under the control of the ultimate controlling party, and the comparative amounts of the consolidated financial statements of the Group shall be restated accordingly. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated. Because of the above business combination under the common control, the shareholders' equity at the beginning of the year increased by RMB2,305,236,285.28, among which the shareholders' equity attributable to the parent increased by RMB1,899,530,849.74, and the non-controlling interests increased by RMB405,705,435.54.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

XIV Notes to key items of the company financial statements

1. Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	397,468,897.94	381,211,129.23
Less: Bad debt provision	<u>(117,320.70)</u>	<u>(117,320.70)</u>
	<u>397,351,577.24</u>	<u>381,093,808.53</u>

(a) The aging of accounts receivable and the related provision for bad debts is analyzed below:

	31 December 2016		31 December 2015	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	397,351,577.24	-	381,211,129.23	(117,320.70)
1 to 2 years	<u>117,320.70</u>	<u>(117,320.70)</u>	-	-
	<u>397,468,897.94</u>	<u>(117,320.70)</u>	<u>381,211,129.23</u>	<u>(117,320.70)</u>

(b) There were no increase, no reversal and no write-off of provision for bad debt during the year 2016.

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

	31 December 2016				31 December 2015			
	Amount		Provision for bad debts		Amount		Provision for bad debts	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Accounts receivable with similar credit risk	397,351,577.24	99.97%	-	-	381,093,808.53	99.97%	-	-
individually not significant but individually evaluated for impairment	<u>117,320.70</u>	<u>0.03%</u>	<u>(117,320.70)</u>	<u>100.00%</u>	<u>117,320.70</u>	<u>0.03%</u>	<u>(117,320.70)</u>	<u>100.00%</u>
	<u>397,468,897.94</u>	<u>100.00%</u>	<u>(117,320.70)</u>	<u>0.03%</u>	<u>381,211,129.23</u>	<u>100.00%</u>	<u>(117,320.70)</u>	<u>0.03%</u>

As at 31 December 2016, there were no accounts receivable which were individually significant and for which the provision for bad debt was separately recognized.

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**XIV Notes to key items of the company financial statements (Continued)**

**1. Accounts receivable (Continued)**

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

	31 December 2016				31 December 2015			
	Amount amount	% of total balance	Provision for bad debts amount	rate	Amount amount	% of total balance	Provision for bad debts amount	rate
Within 1 year	397,351,577.24	100.00%	-	-	381,093,808.53	100.00%	-	-
	<u>397,351,577.24</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>381,093,808.53</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

(e) As at 31 December 2016, the top five accounts receivable by customer are as follows:

	Amount	Bad debt provision amount	% of the total accounts receivable
The Second People's Hospital of Shenzhen	28,801,293.24	-	7.25%
Shenzhen Nanshan District People's Hospital	19,606,334.99	-	4.93%
The University of Hong Kong -Shenzhen Hospital	15,471,758.73	-	3.89%
Shenzhen People's Hospital of Shenzhen (Inpatient Department)	15,358,985.01	-	3.86%
Peking University Shenzhen Hospital	11,734,383.49	-	2.95%
	<u>90,972,755.46</u>	<u>-</u>	<u>22.89%</u>

As at 31 December 2015, the top five accounts receivable by customer are as follows:

	Amount	Bad debt provision amount	% of the total accounts receivable
Shenzhen Baoan District People's Hospital	25,114,345.88	-	6.59%
Shenzhen Longgang District Central Hospital	18,877,632.52	-	4.95%
Shenzhen People's Hospital of Shenzhen (Inpatient Department)	15,109,152.28	-	3.96%
The University of Hong Kong -Shenzhen Hospital	13,600,725.92	-	3.57%
The Second People's Hospital of Shenzhen	12,488,965.99	-	3.28%
	<u>85,190,822.59</u>	<u>-</u>	<u>22.35%</u>

(f) Analysis of accounts receivable of which the recognition was terminated due to financial asset transfer is as follows:  
In 2016, accounts receivable of RMB239,583,402.90 have been factored to financial institutes (2015: RMB80,000,587.29).

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**XIV Notes to key items of the company financial statements (Continued)**

**2. Other receivables**

(a) The other receivables by category are listed below:

	31 December 2016	31 December 2015
Amounts due from subsidiaries	1,648,231,739.31	1,609,726,719.07
Receivable from equity transaction	8,980,000.00	8,980,000.00
Deposit	76,622,091.41	2,024,119.45
Others	77,865,449.94	3,310,395.05
	1,811,699,280.66	1,624,041,233.57
Less: provision for bad debts	<u>(10,131,429.16)</u>	<u>(10,178,577.40)</u>
	<u>1,801,567,851.50</u>	<u>1,613,862,656.17</u>

(b) The ageing of other receivables and related provision for bad debts is analyzed below:

	31 December 2016	31 December 2015
Within 1 year	1,800,748,688.50	1,613,089,025.61
1 to 2 years	977,989.25	814,347.96
2 to 3 years	2,978.96	-
Over 3 years	<u>9,969,623.95</u>	<u>10,137,860.00</u>
	<u>1,811,699,280.66</u>	<u>1,624,041,233.57</u>

(c) Changes in provision for bad debts are presented as follows:

	Opening balance	Reversal	Closing balance
2016	<u>10,178,577.40</u>	<u>(47,148.24)</u>	<u>10,131,429.16</u>
2015	<u>10,179,321.30</u>	<u>(743.90)</u>	<u>10,178,577.40</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables (Continued)

(d) Other receivables and related provision for bad debts by category are analyzed below:

	31 December 2016				31 December 2015			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	amount	% of total amount	amount	rate	amount	% of total amount	amount	rate
Individually significant and subject to separate impairment assessment	8,980,000.00	0.50%	(8,980,000.00)	100.00%	8,980,000.00	0.55%	(8,980,000.00)	100.00%
Receivable accounts with similar credit risk	1,800,978,937.71	99.40%	(11,661.41)	0.01%	1,613,903,373.57	99.38%	(40,717.40)	0.00%
Individually not significant but individually evaluated for impairment	1,740,342.95	0.10%	(1,139,767.75)	65.49%	1,157,860.00	0.07%	(1,157,860.00)	100.00%
	<u>1,811,699,280.66</u>	<u>100.00%</u>	<u>(10,131,429.16)</u>	<u>0.56%</u>	<u>1,624,041,233.57</u>	<u>100.00%</u>	<u>(10,178,577.40)</u>	<u>0.63%</u>

(e) As at 31 December 2016, impairment provision for other receivables individually significant is analyzed as follows:

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

As at 31 December 2015, impairment provision for other receivables individually significant is analyzed as follows:

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

(f) Provisions for impairment of the receivables which has similar credit risk are analyzed below:

	31 December 2016			31 December 2015		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	Amount	Amount	Rate	Amount	Amount	Rate
Within 1 year	1,800,748,688.50	-	-	1,613,089,025.61	-	-
1 to 2 years	227,270.25	(11,363.51)	5.00%	814,347.96	(40,717.40)	5.00%
2 to 3 years	2,978.96	(297.90)	10.00%	-	-	-
	<u>1,800,978,937.71</u>	<u>(11,661.41)</u>	<u>0.00%</u>	<u>1,613,903,373.57</u>	<u>(40,717.40)</u>	<u>0.00%</u>

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**XIV Notes to key items of the company financial statements (Continued)**

**2. Other receivables (Continued)**

(g) As at 31 December 2016, the accumulated top five other receivables by customer are analysed below:

	Nature	Amount	Aging	% of the total other receivable	Bad debt provision
Sinopharm Guangzhou	Entrusted borrowings	447,000,000.00	Within 1 year	24.67%	-
Sinopharm Yuexing	Entrusted borrowings	252,700,000.00	Within 1 year	13.95%	-
Sinopharm Zhanjiang	Entrusted borrowings	138,000,000.00	Within 1 year	7.62%	-
Sinopharm Dongguan Dong Fang Uptodate & Special Medicines Co., Ltd.	Entrusted borrowings	96,000,000.00	Within 1 year	5.30%	-
		<u>91,400,000.00</u>		<u>5.04%</u>	
		<u>1,025,100,000.00</u>		<u>56.58%</u>	-

As at 31 December 2015, the accumulated top five other receivables by customer are analysed below:

	Nature	Amount	Aging	% of the total other receivable	Bad debt provision
Sinopharm Guangzhou	Entrusted borrowings	340,010,536.19	Within 1 year	20.94%	-
Sinopharm Yuexing	Entrusted borrowings	209,700,000.00	Within 1 year	12.91%	-
Suzhou Zhijun	Entrusted borrowings	177,949,000.00	Within 1 year	10.96%	-
Sinopharm Zhanjiang	Entrusted borrowings	138,000,000.00	Within 1 year	8.50%	-
Sinopharm Dongguan	Entrusted borrowings	86,000,000.00	Within 1 year	5.30%	-
		<u>951,659,536.19</u>		<u>58.61%</u>	-

**3. Long-term equity investments**

	31 December 2016	31 December 2015
Investments in subsidiaries (a)	4,590,216,730.30	2,735,399,494.38
Investments in associates (b)	<u>1,364,255,871.80</u>	<u>180,831,714.55</u>
	5,954,472,602.10	2,916,231,208.93
Less: provision for impairment of long-term equity investments	<u>(39,930,000.00)</u>	<u>(121,000,000.00)</u>
	<u>5,914,542,602.10</u>	<u>2,795,231,208.93</u>

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

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**XIV Notes to key items of the company financial statements (Continued)**

**3. Long-term equity investments (Continued)**

**(a) Subsidiaries**

	Original investment cost	31 December 2015	Increases in investment cost	31 December 2016	Equity interest held (%)	Voting rights held (%)
Zhijun Medicine	73,903,284.87	204,366,933.09	(204,366,933.09)	-	0	0
Sinopharm Jianming	45,054,911.04	60,054,911.04	-	60,054,911.04	100	100
Sinopharm Shenzhen Material	5,400,000.00	15,450,875.93	-	15,450,875.93	100	100
Shenzhen Logistics	900,000.00	5,019,062.68	-	5,019,062.68	100	100
Sinopharm Guangzhou	58,283,114.68	1,035,440,323.63	-	1,035,440,323.63	100	100
Zhijun Trade	3,006,866.42	11,116,866.42	(11,116,866.42)	-	0	0
Sinopharm Hengxing	8,421,544.08	45,763,288.00	-	45,763,288.00	100	100
Sinopharm Liuzhou	21,407,965.79	21,407,965.79	-	21,407,965.79	51	51
Sinopharm Dongguan	2,742,000.00	17,942,000.00	-	17,942,000.00	100	100
Huixin Investment	109,416,937.72	64,416,937.72	-	64,416,937.72	100	100
Guangdong Logistics	1,269,502.30	10,596,006.21	-	10,596,006.21	100	100
Sinopharm Yuxing	16,459,326.27	113,459,326.27	-	113,459,326.27	100	100
Sinopharm Foshan	6,995,065.51	19,995,065.51	-	19,995,065.51	100	100
Zhijun Suzhou	134,250,000.00	265,900,000.00	(265,900,000.00)	-	0	0
Sinopharm Guangxi	33,048,985.28	504,048,985.28	-	504,048,985.28	100	100
Sinopharm Zhanjiang	1,369,864.65	70,769,864.65	-	70,769,864.65	100	100
Sinopharm Yanfeng	38,207,800.00	38,207,800.00	-	38,207,800.00	51	51
Sinopharm Meizhou	4,481,900.00	21,281,900.00	-	21,281,900.00	100	100
Pingshan Medicine	37,850,830.38	38,387,182.16	(38,387,182.16)	-	0	0
Sinopharm Huizhou	20,939,177.19	16,644,200.00	-	16,644,200.00	100	100
Sinopharm Zhaoqing	5,060,000.00	18,060,000.00	-	18,060,000.00	100	100
Sinopharm Jiangmen	56,000,000.00	106,000,000.00	-	106,000,000.00	100	100
Sinopharm Zhongshan	10,000,000.00	10,000,000.00	-	10,000,000.00	100	100
Sinopharm Shaoguan	13,580,000.00	13,580,000.00	-	13,580,000.00	70	70

**CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**

**Notes to financial statements (Continued)**

**For the Year ended 31 December 2016**

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

**XIV Notes to key items of the company financial statements (Continued)**

**3. Long-term equity investments (Continued)**

**(a) Subsidiaries (Continued)**

	Original investment cost	31 December 2015	Increases in investment cost	31 December 2016	Equity interest held (%)	Voting rights held (%)
Sinopharm Shantou Guangdong South Pharmaceutical Foreign Trade Co., Ltd.(i)	7,490,000.00	7,490,000.00	3,500,000.00	10,990,000.00	100	100
Guangdong Uptodate & Special Medicines(i)	401,922,976.68	-	401,922,987.18	401,922,987.18	100	100
Guoda Pharmacy(i)	144,682,822.34	-	144,682,822.34	144,682,822.34	100	100
Foshan Nanhai Medicine Co., Ltd.(i)	1,361,800,110.06	-	1,361,800,110.06	1,361,800,110.06	100	100
	462,682,298.01	-	462,682,298.01	462,682,298.01	100	100
		<u>2,735,399,494.38</u>	<u>1,854,817,235.92</u>	<u>4,590,216,730.30</u>	<u>100</u>	<u>100</u>

(i) The Company purchased 100% of the equity of Guoda Pharmacy, Foshan Nanhai, Guangdong Uptodate & Special Medicines and 51% of the equity of South Pharm & Trade from the parent company, Sinopharm Holding, and the related party, Sinopharm Trade respectively, with consideration of non-public issuance of 55,060,000 common shares (A shares). Meanwhile, the Company purchased 49% of the equity South Pharm & Trade from 11 natural person minority shareholders with cash. After the significant reorganization, the Company holds 100% equity interests of these four companies (note VI (3.1)).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

XIV Notes to key items of the company financial statements (Continued)

3. Long-term equity investments (Continued)

(c) Associates

	31 December 2015	Movement				31 December 2016	Provision of impairment	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held
		Investment	Profit or loss under the equity method Note V(52)	Dividend declared	Other					
Main Luck Pharmaceutical	179,567,519.13		62,881,567.77	(35,190,000.00)		207,259,086.90	-	35.19	33.33	Board of the directors is the highest decision making organization, which is formed by 2 shareholders of Main Luck Pharmaceutical evenly
Sinopharm Zhuhai (i)	1,264,195.42		155,944.54	-		1,420,139.96	-	10.00	10.00	N/A
Zhijun Suzhou (ii)	-		(6,398,353.00)	-	46,328,353.00	39,930,000.00	39,930,000.00	33.00	33.00	N/A
Zhijun Medicine(iii)	-		113,426,313.65	(216,661,020.11)	278,055,118.53	174,820,412.07	-	49.00	49.00	N/A
Zhijun Trade (iii)	-		1,457,049.07	(1,205,306.51)	5,947,077.84	6,198,820.40	-	49.00	49.00	N/A
Pingshan Medicine	-		22,130,987.29	-	24,956,971.02	47,087,958.31	-	49.00	49.00	N/A
Shanghai Shyndec Pharmaceutical Co., Ltd.	-	871,794,861.65	16,104,358.86	-	(359,766.35)	887,539,454.16	-	15.56	15.56	N/A
	<u>180,831,714.55</u>	<u>871,794,861.65</u>	<u>209,757,868.18</u>	<u>(253,056,326.62)</u>	<u>354,927,754.04</u>	<u>1,364,255,871.80</u>	<u>39,930,000.00</u>			

(i) The highest authority of Sinopharm Zhuhai is the shareholders' committee, and the shareholders exercise their voting rights according to their investment proportion. Meanwhile, Sinopharm Zhuhai has set up the board of directors which is responsible to the shareholders, with three members in total, and the Company delegates one member. Each member has one voting right, and all of the resolutions of the board of directors should be passed by at least half of the directors.

(ii) The Group disposed its 67% equity interest of Zhijun Suzhou on 26 April 2016. After the disposal, the Group held 33% equity interest of Zhijun Medicine (Note VI (2)). Pursuant to the Articles of Association, the Board of Directors of Zhijun Suzhou consisted of five directors, in which one was appointed by the Group, accounting for 33.33% of the voting rights. As a result, the Group had significant influence over Zhijun Suzhou and thus it was considered as an associate of the Group.

(iii) The Group subscribed 15.56% of new issued shares of Shyndec Pharmaceutical, a related party, by the transferring of the productive assets in Pingshan base and its 51% equity interest of three pharmaceutical companies of the Group respectively in 2016. After the completion of the reorganization, Shyndec Pharmaceutical holds a 51% equity interest of each of the three pharmaceutical companies, and the Group holds a 49% equity interest of each of the three pharmaceutical companies, which has significant influence over the three pharmaceutical companies.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

XIV Notes to key items of the company financial statements (Continued)

4. Sales and cost of sales

	2016	2015
Revenue of main operations	3,111,734,107.06	2,848,396,914.05
Other operating income	<u>27,120,511.91</u>	<u>15,263,487.42</u>
	<u><u>3,138,854,618.97</u></u>	<u><u>2,863,660,401.47</u></u>
	2016	2015
Cost of main operations	2,981,861,246.08	2,728,942,557.82
Other operating expenses	<u>22,488,385.61</u>	<u>8,967,540.02</u>
	<u><u>3,004,349,631.69</u></u>	<u><u>2,737,910,097.84</u></u>

Revenue and cost of main operation

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

	2016		2015	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Medical wholesale and retail	<u>3,111,734,107.06</u>	<u>2,981,861,246.08</u>	<u>2,848,396,914.05</u>	<u>2,728,942,557.82</u>

Other operating income and expenses

Other operating income and expenses analyzed by industries are set out below:

	2016		2015	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Rental income	22,341,100.64	18,099,321.43	9,790,090.30	4,398,831.68
Rendering of services	<u>4,779,411.27</u>	<u>4,389,064.18</u>	<u>5,473,397.12</u>	<u>4,568,708.34</u>
	<u><u>27,120,511.91</u></u>	<u><u>22,488,385.61</u></u>	<u><u>15,263,487.42</u></u>	<u><u>8,967,540.02</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2016

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

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XIV Notes to key items of the company financial statements (Continued)

5. Investment income

	2016	2015
Gain on long-term equity investment under cost method	315,836,157.58	514,513,119.53
Gain on long-term equity investment under equity method (Note XIV(3)(b))	209,757,868.18	57,413,887.70
Investment income from disposal of other long-term equity investments	<u>63,351,000.00</u>	<u>-</u>
	<u>588,945,025.76</u>	<u>571,927,007.23</u>

There is no major restriction on the collection of the gains on investments.

# CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

## Supplementary information to financial statements

For the Year ended 31 December 2016

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

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### Supplementary information to financial statements

#### 1. Schedule of non-recurring profit or loss

	Amount for 2016
Gains and losses from disposal of non-current assets, including write off of accrued asset impairment	11,931,729.24
Government grants recognized in income statement for the current year, except for those closely related to the ordinary operation of the Company which the Group enjoyed constantly according to the allotment standards or quantitative criteria of the country	34,000,702.25
Net profit and loss arising from the subsidiaries acquired in the business combinations involving enterprises under common control for the period from the beginning of the reporting period to the combination date	260,527,573.39
Reversal of bad debt provision for accounts receivable that were tested for impairment individually	5,952,565.52
Profit or loss from outward entrusted borrowings	2,880,583.33
Income from entrusted management services	393,081.77
Non-operating income and expenses other than afore said items	6,300,281.94
Investment income from disposal of other long-term equity investments	86,674,065.35
Gain on revaluation of remaining equity at fair value after losing control	35,080,116.91
	<hr/>
	443,740,699.70
Impact on income tax	(28,392,824.03)
Impact on non-controlling interests after tax	(63,247,899.78)
	<hr/>
	352,242,549.47
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Basis for preparation of detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss (2008) (“Explanatory announcement No.1”) from CSRC, nonrecurring profit or loss refer to those arising from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgments on the performance and profitability of an enterprise.

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**Supplementary information to financial statements (Continued)****2. Return on equity (“ROE”) and earnings per share (“EPS”)**

	Weighted average ROE (%)	Basic EPS (RMB)  Basic (Note 1)
2016		
Net profit attributable to ordinary shareholders of the parent	<u>15.06</u>	<u>2.80</u>
Net profit after deducting non-recurring profit or loss attributable to the Company’s ordinary shareholders of the parent	<u>13.26</u>	<u>2.23</u>
2015		
Net profit attributable to the ordinary shareholders of the parent	<u>13.43</u>	<u>2.19</u>
Net profit after deducting non-recurring profit or loss attributable to the ordinary shareholders of the parent	<u>13.70</u>	<u>1.96</u>

The above-mentioned return on net assets and earnings per share were calculated according to the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (revision 2010) issued by the CSRC.

Note 1: There were no potential dilutive ordinary shares for the year ended 31 December 2016 (2015: Nil) hence no presentation of diluted EPS were provided.

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## **Section XII. Documents available for Reference**

1. Accounting Statement carrying the signatures and seals of the legal representative, financial chief and person in charge of accounting;
2. Original of Auditors' Report carrying the seals of Certified Public Accountants, and signatures and seals of the CPAs;
3. Originals of all the documents and notifications of the Company ever disclosed in the report period in *Securities Times*, *China Securities Journal* and *Hong Kong Commercial Daily* designated by CSRC;
4. Original of the Annual Report carrying the signature of the Chairman of the Board.
5. The Place Where the document placed: Office of Secretariat of the Board of Directors, Accord Pharm Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen.