

China National Accord Medicines Corporation Ltd.

Annual Report 2017

March 2018

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 charger of accounting works and Wang Ying, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2017 Annual Report is authentic, accurate and complete.

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

Name of director absent	Title for absent director	Reasons for absent	Attorney
Xiao Shengfang	Independent director	Official business	Xiong Chuxiong

Concerning the forward-looking statements with further plans and development strategy involved in the Report, they do not constitute a substantial commitment for the investors. Investors are advised to exercise caution of investment risks. The possible risks and countermeasures are well-described, majority of the investors please pay attention on review.

1.The management risk from continuous expansion of sales network of GuoDa Drugstore. In recent years, the sales network of GuoDa Drugstore has been maintaining a steady growth by means of opening new stores and inorganic growth. Expansion on sales regions and an increase in the number of retail stores have put pressure on store site selection, delivery, cash management, marketing and human resources management. The Company will strengthen the

management and construction in aspects of merchandise procurement, logistics, distribution and sales, draw up management methods for each part, ensuring unified standards and management quality for expanding retail stores. 2.The growing risk from market competition. At present, the domestic medicine retail market features relatively low concentration ratio and all the national and regional medicine retail enterprises have been fiercely competing with each other in the market. With relative policies issued by the government to encourage the integration of medicine retail industry, the major medicine retail enterprises within industry have been accelerating the paces of mergers and acquisitions, continuing to expand the sales networks, improving the construction of logistics centers, innovating the business and profit models, continuously enhancing its sales scale and comprehensive strengths. Meanwhile, with upgrading of consumption and stepwise development of the market, some strong foreign capital medicine circulation enterprises have entered into the domestic medicine circulation market by all means, which have been intensifying the industry competition. Sinopharm Accord will integrate all available resources, create a new development model driven by both wholesales and retails, exert synergistic effects, take measures in respects of category complementation, capital collaboration, supply chain synergy and international development, directly face the patients and end users, realize global branding by capital operation at the same time. 3.Risks from the changes of industry policy. The development of medicine retail industry has been regulated and influenced by relative national policies. The government has issued a series of documents such as Good Supply Practice for Pharmaceutical Products and a trial method of Classified Control System for Prescription and Non-prescription Pharmaceuticals, which have proposed specific requirements on industry operation. As medicine retail industry management standard has been enhanced year by year in China, all these rules have been continuously revised and

improved, which putting forward higher demands on enterprise operation.

In addition, with the promotion and implementation of new health-care policy since 2009, the government has carried out various works in respects of essential medicine system, public hospital reform and bidding system for medicine centralized procurement, moreover, the government has put forward several policies to lower the upper limit of medicine retail price so as to reduce the burden of people's basic drug costs. If policies that restrict the industry development of retail drugstores, limit the product prices of retail drugstore or influence the sales of retail drugstores during the implementation of new medical reform, it is possible that GuoDa Drugstore will suffer a certain challenge in operation and profitability. 4. Risks from the competition within the industry. In medicine retail field, the distribution subsidiary of Sinopharm Group has also opened up some social retail drugstores, competing with GuoDa Drugstore (subordinate enterprise of the Company) to a extend. Sinopharm Holding and SINOPHARM have been committed to take effective measures to cope with every possible competition within industry.

The profit distribution plan that deliberated and approved by the Board is: based on total stock issued 428,126,983 shares, distributed 3.00 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	Refers to	China National Pharmaceutical Group Corporation
Sinopharm Holding	Refers to	Sinopharm Group Co., Ltd.; Controlling shareholder of the Company
<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	
Two Invoices System	Refers to	The first invoice refers to the invoice from the manufacturer to the distributor, and the second invoice refers to the invoice from the distributor to the medical service provider. By this way, circulation links have been greatly reduced and the number of distributors for each medicine category shall not exceed two.
Pharmacy Trust	Refers to	It is a kind of operation activity that the medical organization has medicine enterprise with strong management ability and larger risk appetites to operate and manage their drugstores in the form of contracts with payment, which has clearly stated the relationship of right and duty between hospitals and pharmacy owners and operators, ensuring preservation and appreciation of hospital and pharmacy property and creating a kind of management activity with considerable social benefit and economic benefit, under the condition that there is no change in the ownership of drugstores
GPO	Refers to	Group purchasing organizations
Direct selling	Refers to	A sales method of selling drug to the hospital directly
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 Holding Guangzhou	Refers to	Sinopharm Holding Guangzhou Co., Ltd.
Guoda Drugstore	Refers to	Sinopharm Holding Guoda Drugstore Co., Ltd.
Sinopharm Holding Guangxi	Refers to	Sinopharm Holding Guangxi Co., Ltd.
Foshan Nanhai	Refers to	Foshan Nanhai Pharmaceutical Group Co., Ltd.
Nanfang Pharmaceutical Foreign Trade	Refers to	Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.

Main Luck Pharmaceuticals	Refers to	Shenzhen Main Luck Pharmaceuticals Inc.
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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)	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	http://www.szaccord.com.cn		
E-mail	gyyz0028@sinopharm.com		

II. Person/Way to contact

	Secretary of the Board
Name	Chen Changbing
Contact add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province
Tel.	+(86)755 25875195; +(86)755 25875222
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 ; http://www.cninfo.com.cn
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, Yan Ping

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

☒ Yes ☐ No

Retroactive adjustment or reasons of re-statement

Enterprise merger under the same control

	2017	2016		Changes over last year	2015	
		Before the adjustment	After the adjustment	After the adjustment	Before the adjustment	After the adjustment
Operating income (RMB)	41,263,629,118.85	41,248,429,322.91	41,248,341,665.46	0.04%	37,819,277,959.01	37,830,587,448.53
Net profit attributable to shareholders of the	1,057,791,930.67	1,186,601,899.27	1,186,539,201.93	-10.85%	927,610,234.41	929,120,385.13

listed company (RMB)						
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	1,035,461,581.00	834,359,349.80	834,359,349.80	24.10%	709,923,823.36	709,923,823.36
Net cash flow arising from operating activities (RMB)	1,285,291,911.82	1,472,545,587.85	1,472,342,476.16	-12.70%	1,457,416,143.80	1,628,881,174.94
Basic earnings per share (RMB/Share)	2.47	2.80	2.80	-11.79%	2.19	2.20
Diluted earnings per share (RMB/Share)	2.47	2.80	2.80	-11.79%	2.19	2.20
Return on Equity	11.91%	15.06%	15.05%	-3.14%	13.43%	13.40%
	End of 2017	End of 2016		Changes over end of last year	End of 2015	
		Before the adjustment	After the adjustment	After the adjustment	Before the adjustment	After the adjustment
Total assets (RMB)	22,343,643,527.77	21,312,754,511.97	21,316,548,247.95	4.82%	20,313,335,694.54	20,362,562,254.72
Net assets attributable to shareholder of listed company (RMB)	9,396,572,345.88	8,450,150,621.93	8,452,426,863.52	11.17%	7,352,924,544.29	7,381,133,140.87

Note: In October 2016, the Group sales the overall operational assets of Pingshan Medical R&D Based and 51% equity respectively of three subordinate medical industry subsidiaries (including Zhijun Pharmaceutical, Zhijun Medical Trading and Pingshan Pharmaceutical) by means of shares subscription, that is the 15.56% new shares issued by related party- Modern Pharmaceutical. Correspondingly, profit statement and cash flow statement under the name of the above mentioned three industrial companies recorded from January to October of 2016, are included in the comparative statement in aspect of consolidate profit statement and cash flow statement of the period.

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	10,222,459,812.55	10,302,347,857.02	10,753,911,112.98	9,984,910,336.30
Net profit attributable to shareholders of the listed company	272,564,318.71	283,560,999.48	246,977,990.75	254,688,621.73
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	271,249,398.43	275,003,991.57	244,923,007.75	244,285,183.25
Net cash flow arising from operating activities	-502,263,276.11	730,600,707.51	282,746,006.48	774,208,473.94

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

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

☒ Applicable ☐ Not applicable

In RMB

Item	2017	2016	2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-203,279.86	11,931,729.24	5,863,107.27	The gains from fixed assets disposal
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to	26,854,027.03	34,000,702.25	34,025,749.62	Mainly for receiving of all kinds of special subsidies and fiscal

national standards, which are closely relevant to enterprise's business)				interest discount in the period.
Investment costs while acquiring subsidiaries, joint ventures and associated enterprise, less than fair value of the identifiable net assets from invested enterprise which should be enjoined	58,022.12			Negative goodwill from subsidiary acquisition
Current net gain/losses of the subsidiary merger under the same control from beginning of the period to combination date	-1,096.00	260,423,077.82	250,406,618.44	The current net gains/losses (from period-beginning to combination date) of the Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd. which purchased by enterprise combined under the same control
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	1,642,360.26	5,952,565.52	7,421,904.86	
Gains and losses on foreign entrusted loans	1,907,519.89	2,880,583.33		The gains obtained from offering entrust loans to China National Zhijun (Suzhou)
Consigning fee received for consigned operation		393,081.77	750,000.00	
Other non-operating income and expenditure except for the aforementioned items	377,281.07	6,300,281.94	19,155,803.67	
Gains of the remainder re-measured by faire value after losing the right of control		35,080,116.91		
Investment income from long-term equity investment disposal		86,674,065.35		
Remeasurement of original equity under fair value method to confirm investment income after step-by-step purchase of subsidiary	134,740.70			
Less: Impact on income tax	6,690,220.38	28,392,824.03	11,848,624.93	
Impact on minority shareholders' equity (post-tax)	1,749,005.16	63,063,527.97	86,577,997.16	
Total	22,330,349.67	352,179,852.13	219,196,561.77	--

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

Reference disclosure

Retailing industry

The Company complies with the disclosure requirement of “Information Disclosure Guidelines for the Shenzhen Stock Exchange No. 8- Listing Company Engaged in Retailing Industry”

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; the Company achieved an operation all over the network in 2014 and 2015 by speeding up the integration of regional companies, moreover, the distribution network has further expansion in 2016 and 2017, 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.

(II) In the pharmaceutical retail field, Guoda Drugstore 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. The retail chain network of Guoda Drugstore spreads over 19 provinces, autonomous regions and municipalities, covers nearly 70 large and medium-sized cities,.

By the end of 2017, Guoda Drugstore has operated 3,834 stores, covering 19 provinces, autonomous regions and municipalities, entering nearly 70 large and medium sized cities, which has formed a drugstore networks covering eastern and northern China, southern coastal cities, and gradually expanded into northeast, central plains and inland cities, the sales scale of which has exceeded 10 billions, ranking the first within industry. Guoda , the business of which were mainly relying on modern retail drugstores, has been putting great attention on the development of professional service system with medical resources as core competitiveness, building a group of stores with professional commercial activities, which are able to provide retails and therapy services that integrating medical service and health-care products sales and cooperate with hospitals; at the same time, the

Company has been vigorously developing new business, exploring and expanding new sales channels, improving professional services, being dedicated to transit from a traditional medical retail into an innovative service enterprise. By means of conventional products retail management, improving major brands and exploring business cooperation with supplier, accelerating the establishment of DTP business and continuous health care service system, Guoda has built industry-leading professional service ability. Besides, the leading scale of Guoda is regarded as one of the core competitiveness, for the reason that the advantage in scale has reduced its procurement cost and enhanced its negotiation advantages.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	Increased 237.5852 million Yuan over that of period-begin with 16.65% rate of change, mainly the investment income from joint ventures..
Fixed assets	Increased 64.7008 million Yuan over that of period-begin with 13.29% rate of change, mainly because the logistic system transfer to fixed assets and purchasing office building by the subsidiary
Intangible assets	Increased 5.316 million Yuan over that of period-begin with 1.66% rate of change, mainly because purchasing system software in the period and established B2B E-commerce platform
Construction in progress	Decreased 24.1166 million Yuan over that of period-begin with -51.24% rate of change, mainly because the ERP project completed and new warehouse transfer-out for completed the acceptance check
Long-term deferred expenses	Increased 63.8693 million Yuan over that of period-begin with 33.90% rate of change, mainly because the ERP project completed and new warehouse transfer-in for completed the acceptance check
Other non current assets	Increased 47.373 million Yuan over that of period-begin with 50.05% rate of change, mainly due to the investment of China National Zhongjin Medical Industry Fund

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

Reference disclosure

Retailing industry

As an enterprise with both wholesale and retail business, Sinopharm Accord has the following competitive advantages:

1. Strong network coverage and layout

Take the lead in scale and cover the countrywide retail network: Guoda Drug Store is a pharmaceutical retail enterprise with sales volume ranking first for five consecutive years throughout the country, established 28 regional chain enterprises, with retail network spreading over 19 provinces and municipalities and autonomous regions and covering nearly 70 cities.

Leading layout and complete distribution network in Guangdong and Guangxi: the company has complete pharmaceutical distribution networks in Guangdong and Guangxi, which comprehensively cover the medical institutions above second grade and the large-scale chain drugstores in Guangdong and Guangxi, and provide drug distribution services for numerous drugstores, community health care service networks, clinics and the third terminals represented by new rural cooperative medical system. The company is a leading provider of drug distribution and supply chain services in Southern China.

2. Abundant variety resources

Guoda Drug Store operates nearly 120,000 merchandises. With its relatively comprehensive purchasing network and years of experience in commodity management, Guoda Drug Store has established a merchandise system with wide coverage, high professionalization, and rich varieties.

In the pharmaceutical distribution, the company has established extensive cooperative relations with thousands of domestic manufacturers and commercial enterprises and established stable business relationships with hundreds of import and joint venture manufacturers, and has rich variety resources.

3. Complete logistics and distribution system

Guoda Drug Store has a nationwide modern logistics and distribution system, and has established the logistics and distribution network covering all the stores throughout the country, including Shanghai National Logistics Center and 23 provincial and municipal distribution centers.

Accord distribution adopts supply chain management and warehouse management solutions system, it has built large-scale first-grade logistics centers in Guangzhou, Nanning, Shenzhen and other places and established distribution centers in Guangdong and Guangxi which has formed ladder logistics and distribution networks, it is the first enterprise in Guangdong and Guangxi that has achieved the third-party logistics qualification and has the professional pharmaceutical logistics capabilities with the largest scale, the most extensive network, and the most complete modes in southern China.

4. The advantages of medical insurance resources

Regarding medicine retails, the subsidiaries of Guoda Drugstore have featured generally higher medical insurance acquiring ability, with higher medical insurance sales ratio and steady operation.

5. The advantages of Compliance: the Company had a big lead under an increasingly stringent regulatory environment for the reason that it has kept emphasizing legalization and compliance in the process of operation and management.

6. 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.

Section IV. Discussion and Analysis of Business

1. Introduction

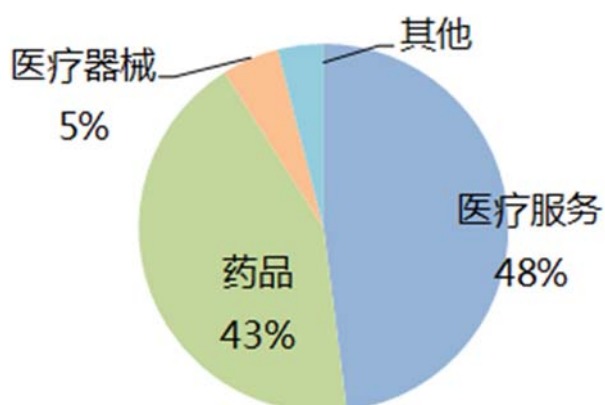
In the year of 2017, one of the most challenging years, Sinopharm Accord Corporation Ltd. was faced with a historical opportunity of strategic restructuring and great reform in medicine industry. On one hand, the Company has been based on traditional business, growing excellent and strong, seeking for breakthrough with constantly innovative models. On the other hand, the Company has taken challenges from the market in the form of organization transformation, business innovation and cultural drive. With the construction and motivation of new structure, new model and new business, the Company has realized the goal of making progress from innovation that set at the beginning of the year.

(I) The overview of the development of macro economy and medicine industry

In 2017, the total amount of GDP in China exceeded 82 trillion Yuan, with full-year growth seen at 6.9 percent (Data source: State Statistics Bureau). The economy of China held up well as a whole and the macro economy has been transit from high speed growth stage to high quality development stage. Focusing on the medicine industry where Company was located, it featured acceleration in plate split and co-existence between difficulties and opportunities:

(1)The health input from the government has been increased ever year. The fiscal budget on national medical and health-care expenditure of 2017 was seen at 1.4 trillion Yuan (Data source: ministry of finance) , which was 4.4 times as much as that before the start of medical reform in 2008, and the ratio of medical and health-care spending in total national fiscal expenditure was up to 7.2 percent;

(2)The market featured vast capacity and there were great potential in its segments. By the end of 2016, the medical and health-care industry market in China had reached approximately 5.6 trillion Yuan (Data source: big data base of CISource), and the market structure was as below:



(3)The split in regional business format of medicine industry has been accelerated. During the reporting period, the general growth of distribution has been slowing down, but it has still been maintaining corresponding growth with competitors in Guangdong and Guangxi provinces; in retail plat, the Company started a program as producted an streategy investor (“Walgreens Boots Alliance”) leading international industry, in the future, the Company will introduce mergers and acquisitions for boosting development.

(4)Constantly issued medicine policies have posed a great challenge for medicine enterprises.

The year of 2017 was one of the most important years for medicine policies. By the end of that year, national and regional authorities have successively issued over 2,000 medicine and health-care industry related policies and administrative orders, including “two invoice system”, “pharmacy trust”, implementation of “GPO”, and “bidding price reduction”. All the above policy factors combined with market factors have brought a great challenge for enterprise development.

(II)The business condition of the Company in 2017

In 2017, the Company achieved operation revenue of 41.264 billion Yuan with 0.04% growth on a y-o-y basis; the net profit attributable to shareholder of listed company has 1.058 billion Yuan, a 10.85% down from a year earlier. Decrease of net profit attributable to parent company mainly caused by the major assts reorganization occurred in October 2016, the comparative statement has the data (recorded from January to October 2016) under the name of three industrial companies which have been replace-out. Except the factor, operation revenue has 3.01% growth on a y-o-y basis and the net profit attributable to parent company has growth of 9.08%. 1. Distribution business:

During the reporting period, the distribution business of the Company has gained revenue of 31.522 billion Yuan, with year-on-year growth of 1.24 percent, among which, the net margin was seen at 640 million Yuan, rose 5.99 percent from a year earlier. Affected by the factors as two invoices system, competitive hospital trust, GPO and depreciation in medicine category, the sales growth of distribution has been slowing down, and total amount of sales affected in 2017 cumulated was 3.3 billion Yuan, growth range of the business shrink down.

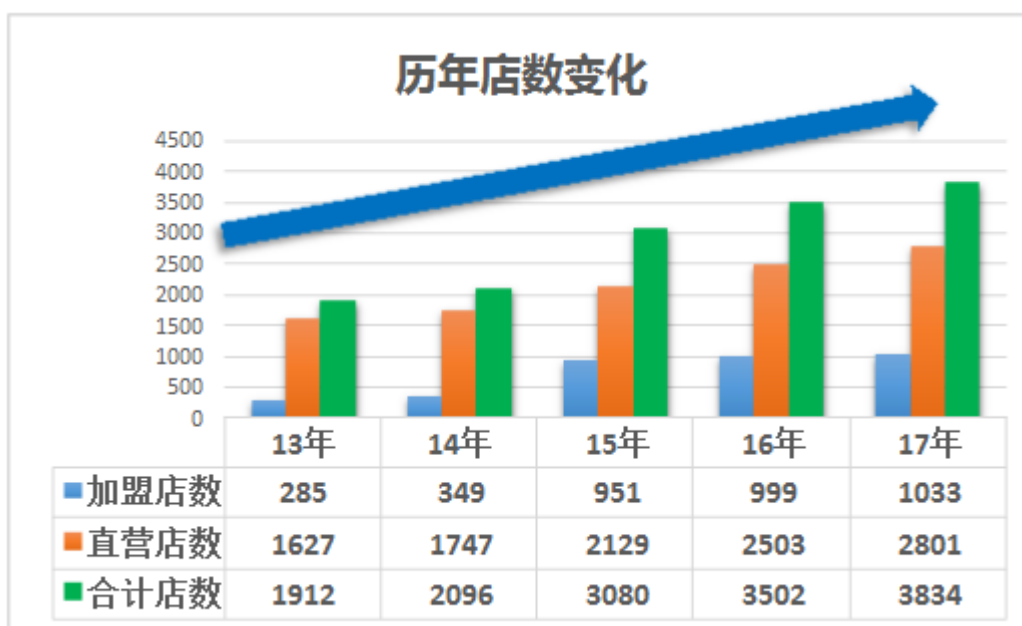
During the reporting period, the income growth of distribution innovation business has enjoyed a sound momentum, and its year-on-year growth of sales volume increased by 18.33 percent, accounting for 30.95 percent of its total income, among which, the medical cooperation, medical devices and retail business have contributed a revenue of 5.3 billion Yuan, with year-on-year growth of 21.43 percent. During the reporting period, the revenue of distributor-owned drugstores has been up to 574 million Yuan, with year-on-year growth of 34 percent, among which, there are 24 DTP drugstores, seven in-hospital cooperation drugstores and nine hospital surrounding drugstores.

2. Retail business:

During the reporting period, Guoda Drugstore have earned a revenue of 10.031 billion Yuan in its retail business, with year-on-year growth up to 10.11 percent, making a net profit of 262 million Yuan, increased 17.57 percent from a year earlier. net profit attributable to owners of parent company amounted as 192 million Yuan, a 16.10% gwoth on a y-o-y basis. Separately in commercial activity, the shares of direct selling and conventional business

as well as DTP sales have been increased, driving the rising of overall revenue. Among which, the revenue from direct selling and conventional business has reached 6.43 billion Yuan, with year-on-year growth up to 12.47 percent, with share rising by 1.38 percent; the revenue from DTP sales was seen at 1.22 billion Yuan, with year-on-year growth of 20.33 percent and share increased by 1.06 percent; the number of regions that developing OTO business has been increased to thirteen and OTO sales has gained a sales revenue of 210 million Yuan, with year-on-year growth up to 127.65 percent.

During the reporting period, the Company has made a new record on expanding new stores and the quality of the stores have been much better than that of the same period.



During the reporting period, Guoda Drugstore has taken active efforts to explore new store type and drastically improved the quality of the stores. Stores surrounding the hospitals are the bridgehead to seize prescription drain. By the end of 2017, Guoda Drugstore has opened up 253 stores surrounding hospitals. During the reporting period, it has opened up 53 new stores surrounding hospitals (28 stores among which supporting medical insurance business), and 16 stores surrounding hospitals have achieved accumulative profits.

During reporting period, Guoda Drugstore have brought new forth to its business model and strengthened refined management. E-commercial business has earned a revenue of 247 million Yuan (tax included), with year-on-year growth up to 118 percent; commercial insurance business has earned a revenue of 135 million Yuan (tax included), increased by 49 percent from a year earlier, with a gross profit of 40 million Yuan; the sales income from pre-paid cards has reached 82.98 million Yuan (tax included), with year-on-year growth up to 19 percent; the total amount of mobile payment was up to 860 million Yuan (tax included), increased by 365 percent from a year earlier.

The Company complies with the disclosure requirement of “Information Disclosure Guidelines for the Shenzhen Stock Exchange No. 8- Listing Company Engaged in Retailing Industry”

1. The business activities of entity management and business condition of stores during the reporting period

By the end of 2017, Guoda Drugstore has opened up 2801 direct-sale stores, with total revenue up to 7.83 billion Yuan, increased by 15.8 percent from a year earlier, comparable stores increased by 5.0 percent year-on-year and it also has 1033 franchised stores, which has earned 1.01 billion Yuan of distribution revenue, with year-on-year growth of 14.1 percent.

Region	Direct-sale store				Franchised outlet		
	Numbers of the store	Sales income (in 10 thousand Yuan)	y-o-y	Turnover from one square meter	Numbers of the store	Dispatching income (10 thousand Yuan)	y-o-y
North	1278	399,936	18.4%	2167	286	40,946	25.2%
East China	735	189,669	13.2%	1997	595	48,606	6.3%
South China	366	111,675	14.6%	1510	58	7,118	7.5%
Central China	230	40,277	15.5%	1283	94	4,438	23.7%
Northwest	192	41,686	7.5%	1612	-	-	-
Total	2801	783,243	15.8%	1949	1033	101,109	14.1%

Note: North: Liaoning, Shanxi, Inner Mongolia, Beijing, Tianjin, Hebei

East China: Shanghai, Jiangsu, Anhui, Shandong, Fujian, Zhejiang

South China: Guangdong, Guangxi

Central China: Henan, Hunan

Northwest: Ningxia Xinjiang

(1) Details of top ten sales stores

No	Region	Store Name	Address	Opening Year	Operating Mode	Business Activity	Actual Dimension(unit: square meters)	Property Belonging
1	Inner Mongolian	Headquarter	No. 65 Tongdao north street, Huimin District, Huhhot (1F, 2F)	2003	Direct-sale	5+X	1,689	Rental
2	YiYuan	Zhongli Branch	Opposite of outpatient department, first affiliated hospital of Shanxi Medical University, No. 88, Jiefang South Rd.	2002	Direct-sale	5+X	820	Rental
3	Hebei	Le Ren Tang Headquarter	1F, No. 57 NanYuan Street	2010	Direct-sale	Traditional Chinese Medicine outpatient	1,206	Rental

						store		
4	Jinxiang	Xidan Jinxiang	No. 114 Beidajie, Xidan, Xicheng District, Beijing	1997	Direct-sale	Modern Pharmacy	773	Rental
5	Yangzhou	Jiangsu Baiyulan	No. 511 Wenchang Middle Rd.	1991	Direct-sale	Modern Pharmacy	620	Rental
6	Shenyang	Zhongjie	No. 83 Rd, Zhongjie Rd, Shenhe district	2002	Direct-sale	Traditional Chinese Medicine outpatient store	1,300	Rental
7	Xiamen	Xiamen Xinteyao	No.14 store of Zhenhai Garden, No. 97 Zhenhai Rd.	2005	Direct-sale	Modern Pharmacy	133	Rental
8	YiYuan	E Yuan Branch	On the opposite of second affiliated hospital of Shanxi Medicine University, No.232 Wuyi Rd.	2011	Direct-sale	5+X	600	Rental
9	Shanxi	TaiYuan Jiefang	No. 255 Jiefang Rd. TaiYuan(current house number is No. 89)	2003	Direct-sale	5+X	1,560	Rental
10	Jiangmen	Donghu Center Store	No.12 First Road, Gangkou, Jiangmen	1990	Direct-sale	Traditional Chinese Medicine outpatient store	570	Rental

(2) In 2017, the Company has opened 432 new direct-sale stores and closed 135 stores, with a net increase of 297 stores, 39,989 square meters of opening areas, approximately 200 million Yuan of net sales volume.

Region	Direct-sale store			Franchised outlet	
	Number of store increased	Total area	Number of stores shut down	Number of store increased	Number of stores shut down
North	241	32,091	67	81	15
East China	77	7,815	22	11	54
South China	52	5,974	26	8	10
Central China	33	4,814	7	16	2
Northwest	29	3,453	13	-	-
Total	432	54,146	135	116	81

2. The on-line sales in 2017 has been carried out steadily. Since the Company has started to establish on-line sales platform on its own from October, two subsidiaries have been launched and there will be ten subsidiaries launching in succession in 2018; meanwhile, the third-party platforms have still taken a major share of the on-line sales, details as below:

In 10 thousand yuan

Cooperation platform	Trading Volume	Business revenue
T-Mall (Sinopharm On-line)	22,644	2,491
Yaofangwang (www.yaofangwang.com)	911	97

Yiyaowang (www.111.com.cn)	389	44
JD daojia (http://daojia.jd.com)	367	120
800FANG.CN (www.800pharm.com)	56	11
Meituan Waimai (waimai.meituan.com)	30	13
Yaopin Daojia	11	5
ele.me (www.ele.me/home)	2	1

3.The condition of procurement and inventory in headquarter and suppliers: in 2017, the total amount of procurement (tax included) in headquarter was up to 1.351 billion Yuan and the inventory costs reached 103 million Yuan. The details are as below:

In 10 thousand yuan

Category	Purchasing Amount (tax included)	Inventory Cost Amount in 2017
Health-care food	9,567	915
Convenience food	15	1
kids	3,520	336
Gynecology	1,023	113
Liver and gall	2,123	337
Cold	4,122	302
Personal care	576	92
Orthopedics	1,165	105
Respiratory	1,450	236
Household	19	3
Family health	5,431	554
Antipyretic analgesicss	1,002	71
Anti-infection	2,500	246
Antiallergic and antivertigo	482	74
Genitourinary	6,189	498
Internal secretion	2514	168
Other efficacy	58,960	2,053
Clearing heat and detoxitating	2,021	409
Neurology	1,488	174
Drugs for external use	7,648	1,028
Vitamin-mineral	1,407	236
Drugs for otolaryngology	2,937	313

Digestive system	2,891	321
cardiovascular and cerebrovascular	7,737	783
Chinese herbal pieces	3,576	483
Nourishing food	4,755	420
Total	135,118	10,270

Top 5 suppliers:

In 10 thousand yuan

Supplier	Purchase amount (tax included)	Ratio of the purchase amount
Shanghai Roche Pharmaceuticals Ltd.	39,905	30%
Shanghai Yi-An Pharmaceutical Co., Ltd.	10,445	8%
Jiangsu Xiansheng Pharmaceutical Co., Ltd.	7,127	5%
China National Medicines Corporation Ltd.	6,718	5%
BY-HEALTH Pharmaceutical Co. Ltd.	6,696	5%

4. The status of warehousing logistics:

In 2017, Guoda Drugstore has 27 large and small sized logistic warehouses in total, covering more than 110,000 square meters, spreading out across 17 provinces. The inventory management of Guoda was in the charge of commodity department, which has been monitoring the inventory status of headquarters and subsidiaries, and managing inventory by month, providing reports on inventory analysis and management and giving advice on optimizing inventory structure, while the operational department has been in charge of tracing the achievement of inventory circulating index as well as providing business inventory assess data; the procurement department has been responsible for making reasonable replenishment, ensuring smooth and steady supply channels, and making an effective control of commodity inventory turnover while ensuring the fill rate of enquiry, and it also had to handle dead stocks and valid goods every month.

Province	Reginal enterprise	Area (in square meters)	Management ownership	Load standards	Logistic charge in 2017 (in 10 thousand Yuan)	Rate
Liaoning	Shenyang	14,200	Self-directed		1,146	0.86%
Guangdong	Guangzhou	5,000	Guangzhou Hengchang Logistic entrusted		628	0.92%
	Shenzhen					
	Jiangmen	5,432	Self-directed		444	1.84%
Shanxi	Shanxi Wanmin	5,214	Self-directed	Full load	751	1.05%
	Shanxi Yiyuan	4,350	Self-directed	Full load	523	0.75%
Jiangsu	Dadesheng	4,840	Self-directed		280	1.03%

	Nanjing	3,700	Self-directed(rente by minority shareholder)		224	1.82%
	Liyang	3,840	Self-directed		185	1.08%
Fujian	Fujian	2,395	Self-directed	Full load	262	0.97%
	Quanzhou	1,100	Self-directed		50	0.88%
Hebei	Hebei	3,772	Self-directed		400	0.72%
Shandong	Shandong	5,800	Self-directed(Rent in system)		383	1.43%
Ningxia	Ningxia	3,330	Self-directed		288	1.34%
Hunan	Hunan	3,353	Self-directed		291	1.32%
Henan	Henan	3,500	Self-directed(Rent in system)		327	1.44%
Inner Mongolia	Inner Mongolia	1,870	Self-directed		324	0.90%
Guangxi	Guangxi	1,950	Self-directed	Full load	230	1.15%
Beijing	Beijing Guoda	4,943	Self-directed		776	1.29%
	Jinxiang					
Tianjin	Tianjin	1,700	Self-directed		122	1.36%
Anhui	Anhui	1,000	Self-directed		91	1.47%
Xinjiang	Xinjiang	3,842	Self-directed		243	1.20%
Shanghai	Fumei	17,067	Self-directed		2,631	1.49%
	Shanghai Guoda					
	Hangzhou					
	HQ	8,000	Sinopharm Logistic entrusted			
Total		110,198	—		10,599	1.13%

5. Most of commodity suppliers of Guoda Drugstore are from external, with some relative enterprises and private own brand of Sinopharm Group as auxiliary. At present, the sales of private owned brand of Guoda Drugstore has been remained in a stage of exploratory and beginning. The sales of 2017 were as below:

In RMB

Private brand	Property	Category	Turnover (tax included)	Ratio
a	Group-buying OEM	Pesonal care	1,297	0.00%
b	Group-buying OEM	Family health	994,044	0.26%
c	Group-buying OEM	Refined drink	273,268	0.11%
---	Total		1,268,609	0.15%

II. Main business analysis

1. Note

Found more in I. Introduction in Discussion and Analysis of Business

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2017		2016		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	41,263,629,118.85	100%	41,248,341,665.46	100%	0.04%
According to industries					
Medicine wholesale	31,022,967,423.15	75.18%	30,982,394,963.30	75.11%	0.13%
Medicine retail	9,892,835,784.75	23.97%	8,761,101,587.23	21.24%	12.92%
Pharmaceutical manufacturing	0.00	0.00%	1,174,241,370.22	2.85%	-100.00%
Logistic & storage service	29,568,712.15	0.07%	20,551,062.91	0.05%	43.88%
Lease and other	318,257,198.80	0.78%	310,052,681.80	0.75%	2.65%
According to products					
Medicine	39,683,832,010.20	96.17%	40,238,426,935.39	97.55%	-1.38%
Apparatus	1,125,368,079.05	2.73%	678,860,843.04	1.65%	65.77%
Other	454,429,029.60	1.10%	331,053,887.03	0.80%	37.27%
According to region					
Domestic revenue	41,263,629,118.85	100.00%	41,193,952,679.88	99.87%	0.17%
Foreign revenue			54,388,985.58	0.13%	-100.00%

(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

Reference disclosure

Retailing industry

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	31,022,967,423.15	29,315,028,286.33	5.51%	0.13%	-0.02%	0.14%

Medicine retail	9,892,835,784.75	7,457,091,704.13	24.62%	12.92%	12.90%	0.01%
According to products						
Medicine	39,683,832,010.20	35,629,437,791.07	10.22%	-1.38%	-0.95%	-0.38%
According to region						
Domestic revenue	41,263,629,118.85	36,819,552,915.80	10.77%	0.17%	0.58%	-0.37%

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

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

☒Applicable ☐ Not applicable

Yes

Retailing industry

(5) Constitute of operation cost

In RMB

Industries	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Medicine wholesale	Sales cost	29,315,028,286.33	79.62%	29,319,921,602.61	80.00%	-0.02%
Medicine retail	Sales cost	7,457,091,704.13	20.25%	6,605,050,729.00	18.02%	12.90%
Pharmaceutical manufacturing	Sales cost		0.00%	677,553,586.23	1.85%	-100.00%
Logistic & storage service	Transportation & storage cost	11,065,889.25	0.03%	13,271,551.53	0.04%	-16.62%
Lease and other	Service cost	36,367,036.09	0.10%	32,363,280.78	0.09%	12.37%

Sales cost of pharmaceutical manufacture has 100% declined from a year earlier, mainly because affected by reorganization last period, cost of the pharmaceutical manufacture refers to the data from January to October of 2016 in industrial plate while there was no such data in the period.

(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 Financial Report.

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

☐ Applicable ☒ Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	1,999,334,655.25
Proportion in total annual sales volume for top five clients	4.88%
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	473,455,201.11	1.16%
2	Second	425,815,771.78	1.04%
3	Third	398,127,297.49	0.97%
4	Fourth	397,764,380.29	0.97%
5	Fifth	304,172,004.58	0.74%
Total	--	1,999,334,655.25	4.88%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	4,415,379,019.02
Proportion in total annual purchase amount for top five suppliers	8.75%
Ratio of related parties in annual total sales among the top five suppliers	1.88%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchases
1	First	997,010,837.71	1.98%
2	Second	949,934,468.99	1.88%
3	Third	834,637,962.11	1.65%
4	Fourth	831,049,090.45	1.65%
5	Fifth	802,746,659.76	1.59%
Total	--	4,415,379,019.02	8.75%

Other notes of main suppliers of the Company

☐ Applicable ☒ Not applicable

3. Expenses

In RMB

	2017	2016	Increase/decrease y-o-y	Note of major changes
Sales expense	2,305,909,071.71	2,198,243,216.29	4.90%	No major change.
Management expense	735,953,967.13	859,773,090.07	-14.40%	No major change.
Financial expense	110,360,539.56	101,856,594.98	8.35%	No major change.

4. R&D expenses

☐ Applicable ☒ Not applicable

5. Cash flow

In RMB

Item	2017	2016	Y-o-y changes
Subtotal of cash in-flow from operation activity	46,751,355,521.20	45,589,048,039.64	2.55%
Subtotal of cash out-flow from operation activity	45,466,063,609.38	44,116,705,563.48	3.06%
Net cash flow from operation activity	1,285,291,911.82	1,472,342,476.16	-12.70%
Subtotal of cash in-flow from investment activity	138,275,319.85	1,670,220,737.03	-91.72%
Subtotal of cash out-flow from investment activity	424,456,513.79	1,679,286,473.62	-74.72%
Net cash flow from investment activity	-286,181,193.94	-9,065,736.59	-3,056.73%
Subtotal of cash in-flow from financing activity	514,921,208.46	1,037,266,668.95	-50.36%
Subtotal of cash out-flow from financing activity	991,944,325.18	1,513,509,387.78	-34.46%
Net cash flow from financing activity	-477,023,116.72	-476,242,718.83	-0.16%
Net increased amount of cash and cash equivalent	522,583,265.99	986,470,984.16	-47.02%

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 91.72% declined from a year earlier, mainly because the subsidiary, 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 74.72% declined from a year earlier, mainly because the subsidiary, 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 3,056.73% down from a year earlier, mainly because the subsidiary, replaced for reorganization, has a y-o-y decrease of business in cash pooling with its former parent company;

(4) Subtotal of cash in-flow from financing activity: a 50.36% declined from a year earlier, mainly because the restructured equity funds received at last period while no such amount occurred in the period;

(5) Subtotal of cash out-flow from financing activity: a 34.46% declined from a year earlier, mainly because the loans paid in the period has declined over that of last period;

(6) Net increased amount of cash and cash equivalent: a 47.02% declined from a year earlier, mainly because the subsidiary, replaced for reorganization, has a y-o-y decrease of business in cash pooling with its former parent company.

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

☐ Applicable ☒ Not applicable

III. Analysis of the non-main business

☐ Applicable ☒ Not applicable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2017		End of 2016		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	4,191,655,438.51	18.76%	3,519,961,564.93	16.51%	2.25%	No major change.
Account receivable	7,589,412,679.88	33.97%	7,654,225,510.89	35.91%	-1.94%	No major change.
Inventory	3,781,858,238.12	16.93%	4,049,482,529.71	19.00%	-2.07%	No major change.
Investment property	153,678,339.11	0.69%	166,715,848.80	0.78%	-0.09%	No major change.
Long-term equity investment	1,650,619,373.09	7.39%	1,413,034,165.56	6.63%	0.76%	No major change.
Fix assets	551,710,434.02	2.47%	487,009,600.10	2.28%	0.19%	No major change.
Construction in	22,947,258.99	0.10%	47,063,868.49	0.22%	-0.12%	Mainly because some of the ERP

process						project completed and part of the reconstruction of logistic warehouse are transfer-out
Short-term loans	1,561,354,521.64	6.99%	1,512,713,629.95	7.10%	-0.11%	No major change.
Long-term loans	31,600,000.00	0.14%		0.00%	0.14%	Mainly due to the borrowing from Group Finance Company in the period

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 has acquired Sinopharm Holding Zhuhai Co.,Ltd (90 percent), Sinopharm Holding Maoming Co.,Ltd.(100 percent) and Sinopharm Holding HeYuan Co.,Ltd (70 percent) with cash payment, and realized control merger of these three companies not under the same control. The third-level subsidiary of the Company, Sinopharm Hebei Le Ren Tang Medicine Chain Co.,Ltd. has finally acquired 100 percent of stock rights of Sinopharm Le Ren Tang Shi Jia Zhuang Medicine Co., Ltd with cash payment, which is the subsidiary under the same control party of Sinopharm Le Ren Tang Co.,Ltd, realized control merger of Sinopharm Le Ren Tang Shi Jia Zhuang Medicine Co., Ltd under the same control. The Company has set up two new third-level subsidiaries, Sinopharm Guangzhou Medicine Technology Co., Ltd (51 percent) and Sinopharm Guangzhou Medicine Supply Chain Service Co., Ltd(51 percent); the Company has also set up four forth-level subsidiaries, that are Sinopharm Guoda Drugstore Anshan Chain Co., Ltd. (51 percent), Guoda Drugstore Manzhouli Co., Ltd (51 percent), Sinopharm Guoda Drugstore Yongsheng (Shanghai) Co.,Ltd (55 percent) and Sanhe city Lixing Jinxiang Drugstore Co.,Ltd (100 percent). See the note(six) in financial report for detailed investment information.

2. The major equity investment obtained in the reporting period

☐ Applicable ☒ Not applicable

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	16,417.12	16,996.94				10,364.54	Deposit bank	0

Total	--	27,361.49	16,417.12	16,996.94	0	0	0.00%	10,364.54	--	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 2017” disclosed on 22 March 2018.										

(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
Committed investment projects										
Cash consideration of 49% equity of Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd. paid	No	267,816,689.5	267,816,689.5	164,171,247.91	164,171,247.91	61.30%		0	Not applicable	No
Payment of issuance cost	No	5,798,200	5,798,200		5,798,200	100.00%		0	Not applicable	No
Subtotal of committed investment projects	--	273,614,889.5	273,614,889.5	164,171,247.91	169,969,447.91	--	--	0	--	--
Capital invested in areas with fund raising out of the plan										
Not applicable										
Total	--	273,614,889.5	273,614,889.5	164,171,247.91	169,969,447.91	--	--	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	Not applicable									

progress of using for 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

☐ Applicable ☒ Not applicable

The Company has no sales of major assets in the Period.

2. Sales of major equity

☐ Applicable ☒ Not applicable

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 Guoda Drugstore Co., Ltd.	Subsidiary	Chinese traditional patent medicine, chemical preparations, antibiotics, bio-chemical medicine, biological medicine, diagnosis medicine, biological medicine with features of treatment and diagnosis, shaped packing food, chemical products, and various commodity and	1,010,000,000.00	5,468,132,363.83	1,953,203,127.87	10,030,768.869.22	358,338,470.17	262,174,187.16

		technique hold by self-support and agency as well as import & export of technology						
Sinopharm Holding Guangzhou 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	1,530,000,00 0.00	5,721,484,20 1.53	1,857,188,00 3.25	15,074,320,2 16.77	245,449,593. 18	182,926,405. 98
Sinopharm Holding Guangxi Co., Ltd.	Subsidiary	Retail and distribution in respect of pharmaceutical products and medical apparatus and instruments, wholesale and retails of health products	500,000,000. 00	2,255,988,55 3.24	721,146,070. 55	4,074,493,15 0.80	135,865,812. 95	116,745,842. 90

Particular about subsidiaries obtained or disposed in report period

√Applicable □ Not applicable

Company Name	The method of obtaining and handling	The influence to the whole production and
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	subsidiaries during the report period	performance
Sinopharm Holding Zhuhai Co., Ltd.	Acquisition	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
China National Lerentang Shijiazhuang Medicine Co., Ltd.	Acquisition	Expand local medicine retail business layout, and without major influence on performance of the Company
Guoda Drug Store Manchuria Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Holding Guangzhou Medicine Technology Co., Ltd.	Establishment	Providing value-added services of pharmaceutical distribution, and without major influence on performance of the Company
Maoming Yongsheng Medicines Co., Ltd.	Acquisition	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Heyuan Co., Ltd.	Acquisition	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Guangzhou Medical Supply Chain Service Co., Ltd.	Establishment	Providing value-added services of pharmaceutical distribution, and without major influence on performance of the Company
Sinopharm Guoda Yongsheng Drug Store (Shanghai) Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Guoda Drug Store Anshan Chain Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sanhe Lixin Jinxiang Drug Store Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Guoda Yianytang Drug Store Chain (Shengyang) Co., Ltd.	Absorb and merge to Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	。 Consolidating the distribution of local pharmaceutical retail business and no major impact on business performance of the Company

Notes of main holding company and stock-jointly companies

VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

IX. Future Development Prospects

(I)The analysis on industry environment

1. Medicine industry has been getting more and more complicated in terms of policy, market and technology.

(1)New policy

With the coordination of medical insurance, medical service and medicine, new medical policies have been issued in succession, including consistency evaluation on generic drugs, GPO, two invoices system, hierarchical diagnosis, remove medicine markups, cancel the proportion of drugs in hospital total income and the regulation on medical insurance expenditure. Public hospitals have been forced by medicine and medical insurance to carry out reform from the supply and demand terminals.

(2)New technology

Technology innovation has greatly influenced the whole medical industry and hospital information systems have been gradually upgraded. In addition, internet giants have been engaged in medicine and medical service fields over information, internet and the cloud, and several artificial intelligence medical products have been launched in succession.

(3)New model

New models have been emerged one after another. From pharmacy trust, supply chain extension, GPO to medical treatment combination, the innovation under policy, government and market have become more and more intensified and all the industry leaders are exploring the most practical model within innovation.

2.The overall medical market has grown steadily and industry differentiation trend has accelerated

The industry has been benefited from the growth of medical insurance coverage and average medical consumption, aging of population and technology innovation, but it also has to suffer the pressures from medical insurance expenditure regulation and downward price.

(1)With the implementation of two invoice system, the allocating market scale has been shrunk sharply. Distribution enterprises directly contact with manufacturers and the channels of all hospitals have been centralized, which was good for improving the concentration ratio of large enterprises, and forcing them to build a standard process in terms of retails, logistics and information.

(2)Under the pressures from expenditure regulation, payment by scores and zero-markups, more and more prescriptions have been drained out from hospital, so how to make an effective connection has become the focus of the competition among all the medical chain enterprises.

3.Competitors have been making innovation and layout in terms of industry merger and acquisition, industry chain integration, service and cooperation extension.

Mergers and acquisitions of medicine retails have been uprising. Comprehensively influenced by focus and concern from the capitals, promotion of policy trend and current industry structure adjustment, the momentum of

mergers and acquisition will be continuing. With the changes of industry policies, the business model will have a huge change; the Company will create a control and operation pattern integrating wholesales and retails, and build new core competitiveness by taking full advantages of integrating distribution and retail resources.

(II)Major works of the Company in 2018

1. Enhance information and technology capability, inject new technology energy

Technology innovation is the primary force guiding development. Since the technologies represented by internet, big data and artificial intelligence have been rebuilding and reconstructing all the traditional industries and traditional models, the Company will continue to build a wisdom medical technology platform with integration of wholesales and retails as the core.

(1)Increase information input

Change management mode and try to introduce mixed ownership reform mechanism; enrich and cultivate IT talent teams, inspire information values; create matched salary incentive mechanism.

(2) Build an absolute intelligent and smart platform

Upgrade and introduce IoT(Internet of Things) devices, accelerate logistics efficiency; build a cloud platform and take full advantages of big data, enhance the management and operation ability of smart supply chain.

2. Implement the strategy of integrating wholesales and retails, expand retails market

(1)Integrate wholesales and retails to exchange and share resources

Integrate market demands and resources of distribution and retails, make a plan for the target supplier and category of integrating wholesales and retails; strengthen the promotion and extension of integrating wholesales and retails, satisfy the end demands of national retails of business center and distribution-owned drugstores; realize the uniform of brand, information and standards, and make efforts to develop marketable varieties suitable for drugstores.

(2)Integrate wholesales and retails and build provincial platform

Improve the construction of provincial platform and make a good integration of provincial resources; give full play to synergy and make a good plan and coordination for resources, enhance the ability of business centralization and organization, take standard operation and well controlled risk, improve the service level and reduce management cost for end stores; build an integrating operation system so as to achieve the target of integrating management and control with flexible coordination and high-efficient operation.

3. Focus on strategic direction of the Company and drive the development with two wheels

(1)Distribution business: focus on terminals, transformation and innovation

Accelerate the second merger and acquisition, make a good arrangement on distribution points at the empty areas, create matched management and incentive mechanism; take full advantages of two invoices system and work hard to develop retails terminal business; advance distribution retails business in an all-around manner, establish a business model with core competitiveness; new business network will be completed in a fast way, speed up the development of B2B,equipment and 4D business at the same time; the procurement and supply chain department shall accelerate to build high efficient multi-warehouse operation, which will be completed in the first half year

and included in performance assessment.

Accelerate the efficiency of opening up new stores. Conform with changes of policies, seize the market opportunity of prescription drained out and integrate with hospital prescription; realize fast opening of drugstore surrounding hospital by replication to satisfy various business demands; develop drugstores cooperated with hospitals in various way and explore the diversity of approaches to cooperation;

Expand new business field of medical devices and seize the high land of SPD strategy. Keep improving internal management and take advantages of platform resources to promote the plan and development of category; strengthen the construction of SPD project operation team, take the initiative to bid and follow up; optimize system and explore new models with all manner of synergy and support.

(2)Guoda Drugstore: innovative models and development of scale

Enhance the management and efficiency of functional departments of headquarter, and make full use of resource support. Take full advantages of risk control and resources integration of operation headquarter; make the design of national unified brand and spare no efforts to build brand strengths; create a national and regional centralized procurement model, build the core competitiveness belonging to Guoda Drugstore itself; reinforce the category management and sort out all the categories, make a OEM development plan; enhance management ability to business activities; introduce AI and set up professional drugstores; establish systematic membership management mechanism.

Accelerate and improve the construction of provincial platform, integrate provincial resources; unify category and resources and introduce distribution category resources; take full advantages of synergy, make a good planning and coordination on resources, improve business concentration ability and management ability, work with standard operation and controlled risk, sink the store to terminals, reduce management cost and improve service level; by information and supply chain thinking, establish an integrating operation system and achieve the target of uniform management and control, flexible synergy and high- efficient operation; make a reasonable configuration of logistics planning and human resources.

Bring forth new ideas to business model. Guide in technology: big data, membership management, enterprise cloud, IT technical support, back-end support: be proficient in expertise, improve service and configure resources, escort for business development; build smart medical model with service oriented and form differentiated competitiveness.

Increase inventory and achieve increments by means of opening new stores and mergers and acquisition, increase expanding efficiency of the stores; the first-tier cities of Beijing, Shanghai and Guangzhou: concentrate on making breakthroughs in hospital cooperative stores and hospital surrounding stores; provide guidance in development for those with relatively weak development ability and encourage them to open stores; explore the experience of replicating stores, and form reference samples and provide experience sharing; accelerate investment as well as mergers and acquisitions, improve the efficiency of project approval and cooperation.

(III) Risk

1. The management risks in sustainable expansion of marketing network of Guoda Drug Store

The marketing network of Guoda Drug Store has maintained stable growth trend in recent years through newly opened stores and extended mergers. The expansion of sales area and increase of stores have brought pressure on the site selection, distribution, cash management, marketing and human resource management of the stores of Guoda Drug Store. The company will strengthen the management and construction in merchandise procurement, logistics and distribution, marketing and other links and establish corresponding management methods for each link so as to ensure the unified standards and management quality for store expansion.

2. Risks of intensifying market competition

At present, the market concentration ratio of domestic pharmaceutical retail market industry is relatively low, and the national and regional pharmaceutical retail enterprises have fierce market competition. As the country continues to introduce corresponding policies to encourage the integration of pharmaceutical retail industry, the major pharmaceutical retail enterprises in the industry have accelerated the pace of mergers and acquisitions, and continued to expand the marketing networks, improve the logistics center constructions, and innovate the business and profit models so that the sales scale and comprehensive strength continuously strengthen. At the same time, with the upgrading of consumption and the gradual opening of market, the foreign pharmaceutical distribution enterprises with powerful strength are entering the domestic pharmaceutical distribution markets through a variety of ways, so the industry competition is further intensifying. Sinopharm Accord will integrate the existing resources, create a two-wheel drive development model with integration of both wholesale and retail, deeply give full play to synergistic effect, directly face the end patients and consumers by varieties complementation, capital cooperation, supply chain collaboration, internationalization promotion and other measures, and achieve brand globalization through capital operation.

3. Risks of changes in industry policy

The development of pharmaceutical retail industry is regulated and influenced by the relevant national policies. The state has promulgated a series of documents such as Good Supply Practice and Control System for Prescription Drug and Over-The-Counter Drug (Pilot), which put forward specific requirements to the industry operation. Along with the gradual increase of management standards for management standard, the regulations are constantly being revised and improved and put forward higher requirements to the business operations. In addition, since the promotion and implementation of the new medical reform in 2009, the state has implemented the essential medicine system, public hospital reform, and drug centralized procurement bidding system throughout the country, and repeatedly introduced policies to reduce the drug retail price ceiling in order to reduce the burden of drug use. If the policies introduced in the process of implementing new medical reform impose restrictions on the industrial development and the product price of retail drug stores, the operation and profitability of Guoda Drug Store may have to face some challenges.

4. Risks of facing the horizontal competition

In the pharmaceutical retail field, Sinopharm Group's affiliated distribution subsidiaries have also opened some social retail pharmacies, which constitute a certain degree of horizontal competition with the subordinate Guoda

Drug Store. Sinopharm Group and Sinopharm have pledged to take effective measures to resolve the possible horizontal competition.

5. The risk of goodwill impairments

Sinopharm Accord Corporation Ltd. has conducted a major asset restructuring in 2016, and the company merged was under the same control of Sinopharm Accord, therefore this restructuring has not taken any goodwill impairments and there was no risk of the goodwill impairments caused by this restructuring.

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
2017-04-21	Field research	Institute	Found more in “record chart of investor relations activities dated 21 April 2017 ” uploaded to interactive easy of Shenzhen Stock Exchange
2017-05-10	Field research	Institute	Resolution Notice of AGM of 2016
2017-12-27	Field research	Institute	Resolution Notice of Fourth Extraordinary Shareholders General Meeting of 2017
Reception (times)			3
Number of hospitality			110
Number of individual reception			12
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 10 May 2017, the profit distribution plan for year of 2016 was deliberated and approved by annual general meeting of 2016, that is taking total 428,126,983 shares as the radix, distributed RMB 3.30 (tax included) for each 10 shares in cash. The announcement of 2016 interest distribution implementation was released on 14 June 2017 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 2016 was completed, and dividend for public shares was distributed to the account of shareholders dated 20 June 2017 (A-share) and 22 June 2017 (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 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.

(2) 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.

(3) Profit distribution plan for year of 2017

Taking the total 428,126,983 shares 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.

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
2017	128,438,094.90	1,057,791,930.67	12.14%	0.00	0.00%
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%

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)	3.00
Equity base of distribution plan (Share)	428,126,983
Total cash dividend(RMB) (Tax included)	128,438,094.90
Distributable profits (RMB)	3,326,479,555.13
Ratio of cash dividend in total profit distribution	100%
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%.	
Detail explanation on profit distribution or capitalization from capital public reserve	

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 on 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 this transaction will automatically prolong at least 6 months.	2016-05-31	36 months	Normally implementing

			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.”			
	Ping'an Assets Management Co., Ltd.	Commitment on restricted shares	"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.	2016-05-31	36 months	Normally implementing
	Sinopharm Group Co., Ltd.	Performance commitment and compensation arrangement	“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 & Special Medicines and Guoda Drugstore 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.”	2016-05-31	2018-12-31	Normally implementing
	China National Pharmaceutical Foreign Trade Corporation	Performance commitment and compensation arrangement	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	2016-05-31	2018-12-31	Normally implementing

			Trade doesn't reach the committed net profit, Sinopharm Foreign Trade will need to compensate according to the 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 Yuequn 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	2016-05-31	2018-12-31	Normally implementing

			Agreement for the Stock Issuance and Assets Purchase.”			
	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
	Sinopharm Group Co., Ltd.	Commitment on horizontal competition, relation transaction and capital	“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	2016-12-28	Long-term effective	Normally implementing

	occupa tion	<p>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 Drugstore 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 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</p>			
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			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 Drugstore 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</p>	2016-12-28	Long-term effective	Normally implementing

			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 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.”	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 Holding	Commitment of shareholders	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	2013-09-05	Long-term effective	Controlling shareholder is implement in real

		olders	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 nor 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.”			earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
	Sinopharm Group	Commitment of actual controller	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	2013-10-16	Long-term effective	Controlling shareholder is implement in real earnest, Sinopharm Accord will

			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."			actively urged the controlling shareholder and actual controller to fulfill commitments
	Sinopharm Group	Commitment of actual controller	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 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	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

			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 assts 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	4,939.45	5,010.61	nil	2016-05-31	"Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement" on Juchao website
Guangdong Uptodate & Special Medicines	2016-01-01	2018-12-31	2,020.97	2,030.62	nil	2016-05-31	"Sinopharm Accord: Acquiring Assets by

							Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Guoda Drugstore	2016-01-01	2018-12-31	11,099.89	18,299.08	nil	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	4,732.32	4,744.53	nil	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	23,256.16	20,572.91	Major changes in policy, operating environment and market.	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	2016-01-01	2018-12-31	233.51	267.04	nil	2016-05-31	”Sinopharm

Trade							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	4,303.35	4,214.76	Major changes in policy, operating environment and market.	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

On 10 May 2017, the Notice of the Ministry of Finance on Issuing and Revising the Accounting standards for Business Enterprise No.16- Government subsidy (Cai Kuai [2017] No.15) was promulgated, and come into effect since 12 June 2017. The prospective application method shall be adopted by an enterprise for treating the government subsidy on 1 January 2017, and the new government subsidy occurred during 1 January 2017 to implementation of the Notice shall be adjusted in line with the Standards. The above mentioned Standards are come into force since 12 June 2017 by the Group and relevant accounting policy are changed pursuant to the Standards. As for the government subsidy since 1 January 2017 with routine activities concerned of the enterprise, they will re-classify to “Other income” and “Financial expenses” from “Non-operation revenue”. In the reporting period, amount of “Other income” increased 7,958,493.67 Yuan, the “Financial expenses” has 179,700.00 Yuan declined and “Non-operation revenue” decreased 8,138,193.67 Yuan. Net profit of the Company and shareholder’s equity has no influence for the above mentioned adjustment, and no retroactive adjustment involved for the data in comparative period either.

On 28 April 2017, the “Notice of Print and Distribute Accounting Standards for Business Enterprise No.42- Holding of the non-current assets and disposal group ready for sale and Discontinued Operation (Cai Kuai [2017] No.13)” was issued by Ministry of Finance, which came into effect since 28 May 2017. The Group exercises the new Notice and changes the accounting policy and re-classifies relevant business. Owing to the Group has no relevant business involved in year of 2017, the changes have no significant impact on business performance of the Group.

On 25 December 2017, the Ministry of Finance revised and issued an Announcement on Revising and Printing Financial Report Format for General Enterprise, which has revised the financial report format, applying to the financial reports for the year of 2017 and later. The Group has made relative changes to its related accounting policies in conformity with the requirements stated in the above guideline, which including: increased items of “Assets holding for sale” and “Liability holding for sale” in Balance Sheet, and increased items of “Income from assets disposal”, “(i) Net profit of continuous operation” and “(ii) Net profit of discontinued operation” in Profit Statement. The gains/losses from assets disposal which have listed as “Non-operation revenue” and “Non-operation costs” in Profit Statement will re-classify to item of “Income from assets disposal”. In the reporting period, “Income from assets disposal” has 792,138.38 Yuan increased, the “Non-operation revenue” decreased

1,195,098.24 Yuan and “Non-operation costs” decreased 402,959.86 Yuan. Change of the above mentioned accounting policy adopted retrospective application, the “Income from assets disposal” for year of 2016 increased to 9,175,103.65 Yuan, the “Non-operation revenue” decreased to 10,501,930.08 Yuan and “Non-operation costs” decreased to 1,326,826.43 Yuan. This change has no material effects on the financial status, business performance and cash flow of the Group.

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 Financial 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)	307.84
Continuous life of auditing service for domestic accounting firm	2-year
Name of domestic CPA	Li Jianguang, Yan Ping
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

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 0.797 million.

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.

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

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

☒ Applicable ☐ Not applicable

- (1) Related transaction with routine operation concerned found more in the “X. Related relationship and transactions” carried in Section XI. Financial Report;
- (2) Related transactions are settled in cash and notes etc., relevant items released on 22 April 2017, found more in “Sinopharm Accord: Notice of Supplementary of Routine Related Transactions Prediction for year of 2017” (Notice No.: 2017-32)” on Juchao Website;
- (3) According to the “Proposal of Routine Related Transaction Prediction with Related Parties for year of 2017”, deliberated and approved by 22nd session of 7th BOD dated 17 April 2017, and the ”Notice of Supplementary of Routine Related Transactions Prediction for year of 2017” (Notice No.: 2017-32) released on 22 April 2017, the sales of related parties takes 73.50% in total predicted number for the year in 2017 and purchasement of related parties takes 78.32% in total predicted number for the 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

The Company had no other related transaction in the reporting period.

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

The Company had no trusteeship in the 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)								
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)
Guarantee between the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement	Guarantee limit	Actual date of happening (Date of signing	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related

	disclosure date		agreement)					party (Y/N)
China National Accord Medicines Corporation Ltd.	2017-04-19	25,000	2017-07-13	23,512.64	General assurance	2017.7.13-2018.7.13	N	N
China National Accord Medicines Corporation Ltd.	2017-04-19	20,000	2017-11-23	11,137.72	General assurance	2017.11.23-2018.5.22	N	N
Sinopharm Holding Shenzhen Medicine Co., Ltd.	2017-04-19	500	2017-10-12	104.92	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Shenzhen Jianmin Co., Ltd.	2017-04-19	500	2017-10-12	0	General assurance	2017.10.12-2018.10.11	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	2017-04-19	15,000	2017-06-14	0	General assurance	2017.6.14-2018.6.13	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	2017-04-19	2,500	2017-06-05	292.25	General assurance	2017.6.5-2017.12.31	N	N
Sinopharm Holding Jiangmen Renren Co., Ltd.	2017-04-19	1,000	2017-11-06	0	General assurance	2017.11.6-2018.10.11	N	N
Sinopharm Holding Foshan Co., Ltd.	2017-04-19	1,500	2017-10-16	755.29	General assurance	2017.10.16-2018.10.11	N	N
Sinopharm Holding Guangdong Hengxing Co., Ltd.	2017-04-19	3,000	2017-12-29	1,830.41	General assurance	2017.12.29-2018.12.29	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	2016-12-30	5,000	2017-01-19	509.12	General assurance	2017.1.19-2017.12.30	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	2017-04-19	5,000	2017-07-31	0	General assurance	2017.7.31-2018.7.31	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	2017-04-19	5,000	2017-05-15	0	General assurance	2017.5.15-2018.5.14	N	N
Foshan Nanhai	2017-04-19	6,000	2017-10-16	1,546.96	General	2017.10.16-	N	N

Uptodate & Special Medicines Co. Ltd.					assurance	2018.10.11		
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	2017-04-19	5,000	2017-12-01	699.83	General assurance	2017.12.1-2018.12.1	N	N
Sinopharm Holding Zhaoqing Co., Ltd.	2017-04-19	2,000	2017-10-26	1,600	General assurance	2017.10.26..2018.10.11	N	N
Sinopharm Holding Guangxi Co., Ltd.	2017-04-19	20,000	2017-11-15	13,203	General assurance	2017.11.15-2018.11.18	N	N
Sinopharm Holding Guangxi Co., Ltd.	2017-04-19	28,000	2017-10-13	5,994.44	General assurance	2017.10.13-2018.10.11	N	N
Sinopharm Holding Guangxi Co., Ltd.	2017-04-19	25,000	2017-11-09	9,853.59	General assurance	2017.11.9-2018.11.8	N	N
Sinopharm Holding Guangxi Co., Ltd.	2016-03-26	5,000	2016-09-14	351.36	General assurance	2016.9.14-2017.9.13	N	N
Sinopharm Holding Guangxi Co., Ltd.	2017-04-19	10,000	2017-11-23	4,996	General assurance	2017.11.23-2018.5.22	N	N
Sinopharm Holding Guangxi Co., Ltd.	2017-04-19	10,000	2017-09-04	0	General assurance	2017.9.4-2018.9.4	N	N
Sinopharm Holding Guangxi Co., Ltd.	2017-04-19	10,000	2017-08-31	0	General assurance	2017.8.31-2018.8.31	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	35,000	2017-05-20	1,481.16	General assurance	2017.5.20-2018.5.20	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	30,000	2017-11-28	5,040.94	General assurance	2017.11.28-2018.11.27	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	25,000	2017-07-24	9,437.28	General assurance	2017.7.24-2018.7.23	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	40,000	2017-10-23	27,562.16	General assurance	2017.10.23-2018.9.24	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2016-03-26	15,000	2017-03-01	0	General assurance	2017.3.3-2018.3.2	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	35,000	2017-10-11	0	General assurance	2017.10.13-2018.10.11	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	30,000	2017-08-31	26,287.09	General assurance	2017.8.31-2018.8.30	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	40,000	2017-05-15	21,878.29	General assurance	2017.5.15-2018.5.14	N	N
Sinopharm Holding	2017-04-19	10,000	2017-10-27	9,840.15	General	2017.10.27-	N	N

Guangzhou Co., Ltd.					assurance	2018.2.28		
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	60,000	2017-07-01	30,357.18	General assurance	2017.7.1- 2018.6.30	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	20,000	2017-05-10	3,695.7	General assurance	2017.5.10- 2018.5.9	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	30,000	2017-08-18	7,856.97	General assurance	2017.8.18- 2018.8.17	N	N
Sinopharm Holding Guangzhou Co., Ltd.	2017-04-19	85,000	2017-04-19	5,740.92	General assurance	2017.4.19- 2018.3.31	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2017-04-19	3,500	2017-05-20	2,348.5	General assurance	2017.5.20- 2018.5.20	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2017-04-19	5,000	2017-10-12	4,728.84	General assurance	2017.10.13- 2018.10.11	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2016-03-26	3,000	2016-09-18	249.01	General assurance	2016.9.18- 2017.9.17	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd.	2016-12-30	2,000	2017-01-18	1,856.77	General assurance	2017.1.18- 2018.1.17	N	N
Sinopharm Holding Liuzhou Co., Ltd.	2017-04-19	9,000	2017-10-13	0	General assurance	2017.10.13- 2018.10.11	N	N
Sinopharm Holding Liuzhou Co., Ltd.	2017-04-19	5,000	2017-06-21	1,592.86	General assurance	2017.6.21- 2018.6.20	N	N
Sinopharm Holding Liuzhou Co., Ltd.	2016-12-30	6,000	2017-02-15	1,594.08	General assurance	2017.2.15- 2018.1.2	N	N
Sinopharm Holding Zhanjiang Co., Ltd.	2017-04-19	1,000	2017-10-12	1,000	General assurance	2017.10.12- 2018.10.11	N	N
Foshan Nanhai Pharmaceutical Co., Ltd.	2016-12-30	5,000	2017-01-19	86	General assurance	2017.1.19- 2017.12.30	N	N
Foshan Nanhai Pharmaceutical Co., Ltd.	2017-04-19	5,000	2017-07-31	0	General assurance	2017.7.31- 2018.7.31	N	N
Foshan Nanhai Pharmaceutical Co., Ltd.	2017-04-19	5,000	2017-10-16	2,954	General assurance	2017.10.16- 2018.10.11	N	N
Foshan Nanhai	2017-04-19	5,000	2017-12-01	0	General	2017.12.1-	N	N

Pharmaceutical Co., Ltd.					assurance	2018.12.1		
Sinopharm Holding Shantou Co., Ltd.	2017-04-19	500	2017-10-12	500	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Zhongshan Co., Ltd.	2017-04-19	1,000	2017-10-12	0	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Zhuhai Co., Ltd.	2017-04-19	1,000	2017-10-12	0	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Meizhou Co., Ltd.	2017-04-19	1,000	2017-10-12	0	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Huizhou Co., Ltd.	2017-04-19	1,000	2017-10-12	0	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Dongguan Co., Ltd.	2017-4-19	2,000	2017-10-12	0	General assurance	2017.10.12-2018.10.11	N	N
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2017-04-19	9,000	2017-10-17	1,200	General assurance	2017.10.17-2018.10.11	N	N
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2017-04-19	2,000	2017-11-23	2,000	General assurance	2017.11.23-2018.05.22	N	N
Sinopharm Holding Shenzhen Yanfeng Co., Ltd.	2017-04-19	3,000	2017-08-18	3,000	General assurance	2017.08.18-2018.08.17	N	N
Total amount of approving guarantee for subsidiaries in report period (B1)		694,000		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		1,028,276.09		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		735,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		248,675.43		
Guarantee between the subsidiaries and the subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)
Sinopharm Holding Guoda Drugstore Guangdong Co.,Ltd	2017-04-19	3,000	2017-06-09	2,843	General assurance	2017.6.9-2018.6.8	N	N

Sinopharm Holding Guoda Drugstore Guangdong Co.,Ltd	2017-04-19	3,000	2017-06-01	2,397	General assurance	2017.6.1- 2018.6.1	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2016-12-30	4,500	2017-03-21	1,440	General assurance	2017.3.21- 2018.1.24	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-04-19	5,000	2017-09-01	0	General assurance	2017.9.1- 2018.9.1	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-04-19	6,000	2017-06-01	5,498	General assurance	2017.6.1- 2018.6.1	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-04-19	6,000	2017-06-29	5,921	General assurance	2017.8.23- 2018.8.23	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-04-19	3,000	2017-06-01	2,101	General assurance	2017.6.1- 2018.6.1	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-04-19	6,000	2017-06-28	5,337	General assurance	2017.6.28- 2018.6.28	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-04-19	15,000	2017-10-10	3,955	General assurance	2017.10.10- 2018.10.9	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co.,Ltd	2017-4-19	4,200	2017-7-20	0	General assurance	2017.7.20- 2018.7.19	N	N
Fujian Guoda Drugstore Chain Co.,Ltd	2016-12-30	1,950	2017-02-01	1,662	General assurance	2017.2.1- 2018.2.1	N	N
Sinopharm Holding Guoda Drugstore	2016-12-30	2,100	2017-01-29	275	General assurance	2017.1.29- 2017.12.31	N	N

Guangxi Chain Co.,Ltd								
Sinopharm Holding Guoda Drugstore Guangxi Chain Co.,Ltd	2017-04-19	2,000	2017-10-10	993	General assurance	2017.10.10.. 2018.10.9	N	N
Sinopharm Holding Guoda Drugstore Inner Mongolia Co.,Ltd	2017-04-19	3,000	2017-04-24	1,903	General assurance	2017.4.24- 2018.4.23	N	N
Sinopharm Holding Guoda Drugstore Inner Mongolia Co.,Ltd	2017-04-19	5,000	2017-04-23	1,938	General assurance	2017.4.23- 2018.4.22	N	N
Sinopharm Holding Guoda Drugstore Inner Mongolia Co.,Ltd	2017-04-19	6,000	2017-10-10	1,967	General assurance	2017.10.10- 2018.10.9	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co.,Ltd	2017-04-19	6,000	2017-05-01	5,036	General assurance	2017.5.15- 2018.4.18	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co.,Ltd	2017-04-19	4,000	2017-08-31	3,881	General assurance	2017.9.19- 2018.9.18	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co.,Ltd	2017-04-19	2,800	2017-10-01	1,704	General assurance	2017.12.25- 2018.12.24	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co.,Ltd	2017-04-19	8,000	2017-04-05	3,606	General assurance	2017.4.5- 2018.4.4	N	N
Sinopharm Holding Guoda Fumei Pharmaceutical (Shanghai) Co., Ltd.	2016-12-30	9,000	2016-12-14	3,896	General assurance	2016.12.14- 2017.12.13	N	N
Shanxi Guoda Wanmin Drugstore	2017-04-19	3,000	2017-05-01	3,000	General assurance	2017.5.1- 2018.5.1	N	N

Chain Co.,Ltd								
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	2016-12-30	5,000	2017-04-01	3,600	General assurance	2017.4.1- 2018.4.1	N	N
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	2017-04-19	3,000	2017-06-01	500	General assurance	2017.6.1- 2018.6.1	N	N
Sinopharm Holding Guoda Drugstore Yangzhou Dadesheng Chain Co.,Ltd	2017-04-19	1,000	2017-11-01	20	General assurance	2017.11.1- 2018.11.1	N	N
Sinopharm Holding Guoda Drugstore Yangzhou Dadesheng Chain Co., Ltd	2017-04-19	2,000	2017-10-10	0	General assurance	2017.10.10- 2018.10.9	N	N
Hunan Guoda Minshengtang Drugstore Chain Co., Ltd.	2017-04-19	2,400	2017-10-16	0	General assurance	2017.10.16- 2018.10.15	N	N
Hunan Guoda Minshengtang Drugstore Chain Co., Ltd.	2017-04-19	2,000	2017-10-20	0	General assurance	2017.10.20- 2018.10.9	N	N
Sinopharm Holding Guoda Drugstore Jiangmen Chain Co.,Ltd	2017-04-19	2,000	2017-10-10	1,993	General assurance	2017.10.10- 2018.10.9	N	N
Total amount of approving guarantee for subsidiaries in report period (C1)		103400		Total amount of actual occurred guarantee for subsidiaries in report period (C2)		122,247.45		
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		125950		Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)		65,466		
Total amount of guarantee of the Company (total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		797400		Total amount of actual occurred guarantee in report period (A2+B2+C2)		1,150,523.54		
Total amount of approved guarantee at the end of report		860950		Total balance of actual guarantee at the end of		314,141.43		

period (A3+B3+C3)		report period (A4+B4+C4)	
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)			33.43%
Including:			

Explanation on guarantee with composite way

(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

“Social Responsibility Report of Sinopharm Accord in 2017” can be seen in Juchao website dated 22 March 2018.

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

2. Execution of social responsibility of targeted poverty alleviation

Nil

3. Environment protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

No

Found more in the “Social Responsibility Report of Sinopharm Accord for year of 2017” on Juchao Website (<http://www.cninfo.com.cn>) dated 22 March 2018

XIX. Explanation on other significant events

√Applicable ☐ Not applicable

1. During the reporting period, the Company has successfully completed the related significant asset restructuring; The Proposal on Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction of Sinopharm Accord. was announced on Mar. 10th and Mar. 25th of 2016 respectively; Asset sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction Report (Draft Version) was released on May 31st and Jun. 14th of 2016 respectively; Announcement on the formal Reply from China Securities Regulatory Commission on Asset Sales, Issue of Shares, Cash to Buy Assets and Raise Matching Funds and Related Party Transaction of Sinopharm Accord. And Report on Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction of Sinopharm Accord. (Revised Version) were issued on Sep. 28th, 2016; Sinopharm Accord.: Announcement on the Assets transfer condition under the Objective of Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction was announced on Dec. 13th, 2016; Sinopharm Accord.: Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction Implementation Condition and New Stock Shares Listing Announcement was issued on Jan. 4th, 2017; Sinopharm Accord. : Announcement on the Implementation Status of Significant Assets Restructuring was issued on Feb. 28th, 2017. The Company has completed the registration procedures on the transfer of names of the real estate on the northern side of Lanzhou East Road, Biological Medicine Base in Kenzi Street of Pingshan New District under the item of Pingshan base, and related real estate has been registered under the name of Shanghai Modern Pharmaceutical Co., Ltd.; China National Accord Corporation Ltd.: Announcement on the Implementation Status of Significant Assets Restructuring was issued on Mar. 9th, 2017 and Shanghai Modern Pharmaceutical Co., Ltd, as the counter-party of this assets sale, has completed the registration procedures of the private share placement to the Company.

2. During the reporting period, the wholly-owned subsidiary of the Company, Sinopharm Holding Guoda Drugstore Co., Ltd., has brought in strategic investors by means of capital increase and share expansion:

The proposal on the wholly-owned subsidiary Sinopharm Group Guoda Drugstore Co.,Ltd., Bringing in Strategic Investors by Means of Capital Increase and Share Expansion was deliberated and approved on the 25th meeting of the 7th session of Board of Directors On Sep. 4th, 2017, and the wholly-owned subsidiary Sinopharm Group Guoda Drugstore Co., Ltd (hereinafter referred to as “Guoda Drugstore”) has got the approval of bringing in one strategic investor by means of capital increase and share expansion, taking assets assessment report as the reference of pricing. After the completion of capital increase, the Company has a shareholding of 60 percent and the strategic investor accounts for 40% stake. The project was approved to trade security through the listing system at the trading floor of state-owned property rights. See announcement No. 2017-45 of the Company on website: <http://www.cninfo.com.cn> on Sep. 5th, 2017 for details.

The Proposal on the Wholly-owned Subsidiary Sinopharm Group Guoda Drugstore Co., Ltd. Amassing Strategic Investors in Public and Proposal on Giving up the Right of Priority of Subscribed Capital Contribution of the Capital Increase and Share Expansion of the wholly-owned subsidiary Sinopharm Group Guoda Drugstore Co., Ltd. were deliberated and approved on Sep. 18th, 2017. See announcements No. 2017-47 and No. 2017-49 of the Company on the website: <http://www.cninfo.com.cn> on Sep. 19th, 2017 for details.

The Company has been listed on stock exchanges at Shanghai United Assets and Equity Exchange on Sep. 20th, 2017, with 40 working days of the term of announcement and the expiry date was Nov. 20th. Until the expiration of the term of announcement, Guoda Drugstore has amassed an interested investor, that is Walgreens Boots Alliance (Hong Kong) Investments Limited (hereinafter referred to as “WBAHKIL”) and its qualification of investment has been examined and approved by Shanghai United Assets and Equity Exchange and it also got the confirmation of Sinopharm Group Guoda Drugstore Co.,Ltd. In line with the rule of property transactions, this capital increase has been concluded by an agreement. As the actual controller, Walgreens Boots Alliance (NASDAQ: WBA, hereinafter referred as “Walgreens” or “WBA”) has subscribed the stock rights of Guoda Drugstore through taking its wholly-owned subsidiary Walgreens Boots Alliance (Hong Kong) Investments Limited that is based in Hong Kong as the subject of capital increase, with capital increase by 2766.70 million Yuan, it holds a 40 percent of stake of Guoda Drugstore. The Company has received the Announcement on the Result of Capital Increase from Shanghai United Assets and Equity Exchange on Nov. 29th, 2017. See the announcement No. 2017-54 of the Company on the website:<http://www.cninfo.com.cn> on Nov. 30th, 2017 for details.

At beginning of the December in 2017,the Company, Sinopharm Group Guoda Drugstore Co.,Ltd. And Walgreens Boots Alliance (Hong Kong) Investments Limited (the wholly-owned subsidiary of Walgreens in Hong Kong), had signed up the Registered Capital Increase and Subscription Agreement. See announcement No. 2017-55 of the Company on the website <http://www.cninfo.com.cn> on Dec. 7th, 2017 for details.

By the end of date of disclosure, this project has not been required to apply for investigation by antitrust bureau of

ministry of commerce. The Company will continue to fulfill the obligation of information disclosure according to the progress of this project.

XX. Significant event of subsidiary of the Company

☒Applicable ☐ Not applicable

See “XIX. Explanation on other significant events”

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%	65,495,040			-74,482,543	-8,987,503	65,497,028	15.30%
2. State-owned legal person's shares	74,482,543	20.54%	60,380,743			-74,482,543	-14,101,800	60,380,743	14.10%
3. Other domestic shareholding	1,988	0.00%	5,114,297				5,114,297	5,116,285	1.20%
Including: Domestic legal person's shares	0		5,114,297				5,114,297	5,114,297	1.19%
Domestic nature person shares	1,988	0.00%						1,988	0.00%
II. Unrestricted shares	288,147,412	79.46%				74,482,543	74,482,543	362,629,955	84.70%
1. RMB Ordinary shares	233,261,812	64.32%				74,482,543	74,482,543	307,744,355	71.88%
2. Domestically listed foreign shares	54,885,600	15.14%						54,885,600	12.82%
III. Total shares	362,631,943	100.00%	65,495,040			0	65,495,040	428,126,983	100.00%

Reasons for share changed

√Applicable □ Not applicable

The reasons for the increase of restricted stock: the total amount of non-public offering of stock issued during the significant assets restructuring of the Company was 65,495,040 shares (circulating stocks with restriction on sales), which has been listed on Jan. 5th, 2017, among which, the amount of issuing stocks to purchase assets was 60,380,743 shares, the amount of issuing stocks to raise matching fund was 5,114,297 shares. The term of restriction on sales of the above stocks was 36 months from the date of listing of the new shares. See the Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction Implementation Condition and New Stock Shares Listing Announcement disclosed on the website:

<http://www.cninfo.com.cn> on Jan. 4th, 2017 for details.

The reasons for the decline of restricted stocks: the Company has offered 74,482,543 of non-public offering of stock to Sinopharm Group Co., Ltd (hereinafter referred as Sinopharm Group). also the shareholder of the Company, in March of 2014. The new stock shares has been list in Shenzhen Stock Exchange on Mar. 21st, 2014, and the property of stock shares was circulating stocks with restriction on sales, and the term of restriction was 36 months from the date of listing of the new shares. The date of listing circulation of the restricted stock shares released restrictions was Mar. 21st, 2017. See the Suggestive Announcement on Releasing the Restriction of the Restricted Non-public Offering of Stock (No. : 2017-14) disclosed on website: <http://www.cninfo.com.cn> on Mar. 17th, 2017.

Approval of share changed

☒ Applicable ☐ Not applicable

See the Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction Implementation Condition and New Stock Shares Listing Announcement and Suggestive Announcement on Releasing the Restriction of the Restricted Non-public Offering of Stock (No. : 2017-14) respectively disclosed on the website: <http://www.cninfo.com.cn> on Jan. 4th, 2017 and Mar. 17th, 2017 for details.

Ownership transfer of share changes

☒ Applicable ☐ Not applicable

See the Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction Implementation Condition and New Stock Shares Listing Announcement and Suggestive Announcement on Releasing the Restriction of the Restricted Non-public Offering of Stock (No. : 2017-14) respectively disclosed on the website: <http://www.cninfo.com.cn> on Jan. 4th, 2017 and Mar. 17th, 2017 for details.

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

2. Changes of restricted shares

☒ Applicable ☐ Not applicable

Shareholders	Opening shares restricted	Shares released in Period	Restricted Shares Increased In the Period	Ending shares restricted	Restricted reasons	Date for released
Sinopharm Holding Co., Ltd.	74,482,543	74,482,543	0	0	Private issuing of Stock for 2013	2017-3-21
Sinopharm Holding Co., Ltd.	0	0	55,057,700	55,057,700	Purchasing the assets of private issuing stock with shares issuing for year of 2017	2020-1-6
China National Pharmaceutical Foreign Trade Corp.	0	0	5,323,043	5,323,043	Purchasing the assets of private issuing stock with shares issuing for year of 2017	2020-1-6
Ping An Assets-ICBC-Xinxiang No.3 Assets Management Products	0	0	2,557,149	2,557,149	Purchasing the assets of private issuing stock with shares issuing for year of 2017	2020-1-6
Ping An Assets-ICBC- Ping An Assets Xinxiang No.7 Insurance Assets Management Products	0	0	2,557,148	2,557,148	Purchasing the assets of private issuing stock with shares issuing for year of 2017	2020-1-6
Total	74,482,543	74,482,543	65,495,040	65,495,040	--	--

II. Securities issuance and listing

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

√Applicable □ Not applicable

Stock and	Issue date	Issue price	Circulation	Listing date	Approved	Date of termination
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derivative securities		(interest rate)	figures		trading volume	
Stock						
Purchase assets with restructure privately offering shares		53.50 Yuan/share	65,495,040	2017-01-05	60,380,743	

Explanation on security (Preferred stock excluded) offering in reporting period

The Company had completed the listing of non-public offering of stock for issuing stocks to purchase assets on Jan. 5th, 2017, and there was a mount of 65,495,040 restricted stocks increased. After the completion of this transaction, the total amount of stock shares of the Company was up to 428,126,983. See the Asset Sales, Issue of Shares and Cash to Buy Assets and Raise Matching Funds and Related Party Transaction Implementation Condition and New Stock Shares Listing Announcement disclosed on the website: <http://www.cninfo.com.cn> on Jan. 4th, 2017 for details.

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

√Applicable □ Not applicable

Explanation on total shares and shareholders structure: the Company issuing shares privately to purchased assets, 65,495,040 shares issued; and after transaction, shares of the Company comes to 428,126,983 shaers, details are:

Issuing object	Counterpart assets	Number of shares issued	Proportion of the total equity after issuance
Sinopharm Holding	100% equity of Guoda Drug Store	40,315,346	9.42%
	100% equity of Guangdong New Special Medicine	3,966,947	0.93%
	100% equity of Foshan Nanhai	10,775,407	2.52%
	Subtotal	55,057,700	12.87%
Sinopharm Foreign Trade	51% equity of South Medical Trading	5,323,043	1.24%
Subtotal of assets purchased by shares issuing		60,380,743	14.11%
Ping An Assets Management	Collecting supporting funds	5,114,297	1.19%
Total		65,495,040	15.30%

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 reporting period-end	18,357	Total common stock shareholders at end of last month before annual report disclosed	18,122	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
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	56.06%	239,999,991		55,057,700	184,942,291		
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign Corporation	2.30%	9,867,349		0	9,867,349		
China United Property Insurance Company Limited - Traditional insurance products	Domestic non state-owned Corporation	1.42%	6,092,905		0	6,092,905		
China Life Insurance Co., Ltd. – tradition –general insurance products -005L-CT001 Shen	Domestic non state-owned Corporation	1.26%	5,409,681		0	5,409,681		
China National Pharmaceutical	State-owned Corporation	1.24%	5,323,043		5,323,043	0		

Foreign Trade Corp.								
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign Corporation	1.19%	5,115,723		0	5,115,723		
TARGET VALUE FUND	Foreign Corporation	1.16%	4,957,162		0	4,957,162		
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	Domestic non state-owned Corporation	0.98%	4,199,772		0	4,199,772		
Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund	Domestic non state-owned Corporation	0.94%	4,037,516		0	4,037,516		
Central Huijin Investment Ltd.	State-owned Corporation	0.89%	3,804,400		0	3,804,400		
Explanation on associated relationship among the aforesaid shareholders		Sinopharm Group Co., Ltd. and China National Pharmaceutical Foreign Trade Corporation have the same actual controller, which is China National Pharmaceutical Group Corporation. 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.		184,942,291				RMB ordinary shares	184,942,291	
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD		9,867,349				Domestic listed foreign shares	9,867,349	
China United Property Insurance Company Limited - Traditional insurance products		6,092,905				RMB ordinary shares	6,092,905	
China Life Insurance Co., Ltd. – tradition –general insurance products - 005L-CT001 Shen		5,409,681				RMB ordinary shares	5,409,681	
GUOTAI JUNAN		5,115,723				Domestic listed	5,115,723	

SECURITIES(HONGKONG) LIMITED		foreign shares	
TARGET VALUE FUND	4,957,162	Domestic listed foreign shares	4,957,162
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	4,199,772	RMB ordinary shares	4,199,772
Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund	4,037,516	RMB ordinary shares	4,037,516
Central Huijin Investment Ltd.	3,804,400	RMB ordinary shares	3,804,400
VALUE PARTNERS CLASSIC FUND	3,038,918	Domestic listed foreign shares	3,038,918
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.		
Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held (if applicable) (see note4)	Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund holds shares of the Company through margin trading and negotiable securities account that is 4,037,516 shares in total.		

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	Li Zhiming	2003-01-08	74618434-4	Industrial investment holding; management and assets

Co., Ltd.				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
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China National Pharmaceutical Group Corporation	She Lulin	1987-03-26	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)
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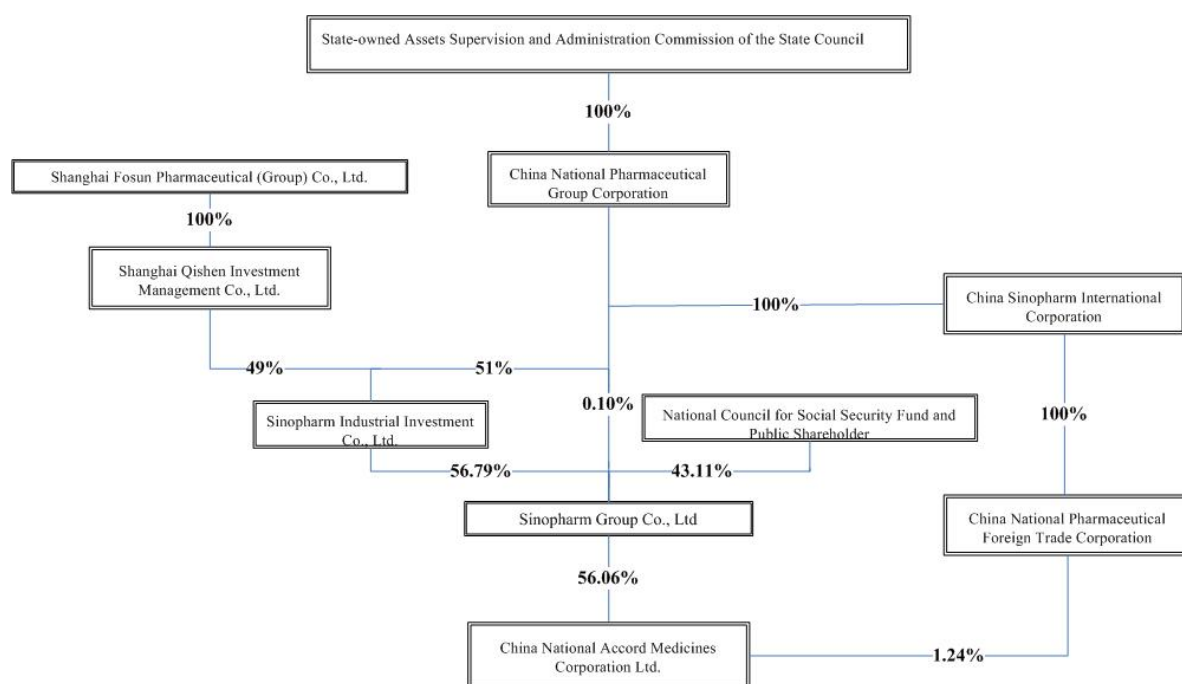
Equity of domestic/oversea listed company control by actual controller in report period	Name	Name of listed company with shares held	Total shareholders (10 thousand shares)	Proportion of shares held
	Sinopharm Group	Jianmin Group	132.35	0.86%
	Sinopharm Group	Sinopharm Holding	272.84	0.10%
	Sinopharm Holding Industrial Investment Co., Ltd.	Sinopharm Holding	157,155.60	56.79%
	Sinopharm Holding	Sinopharm	21,070.15	44.01%
	Sinopharm Holding	Sinopharm Accord	24,000.00	56.06%
	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	Deputy GM, Secretary of the Board	Currently in office	M	50	2015-01-13		2,651	0	0		2,651
Total	--	--	--	--	--	--	2,651	0	0		2,651

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Liu Yong	Director	Appointment and removal	2017-01-18	Mr. Liu Yong elected as director of the 7 th BOD of the Company in 1 st 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
Pan Rangren	N/A	Dismissal	2017-02-22	Resign from Deputy GM of the Company due to individual reasons
Chen Honghui	Independent Director	Appointment and removal	2017-03-14	Mr. Chen Honghui elected as director of the 7 th BOD of the Company in 2 nd extraordinary shareholders general meeting of 2017
Wei Yulin	Director	Office leaving	2017-03-25	Not in post of director of the Company for statutory retirement age come
Zhao Xiaochuan	Deputy GM	Appointment and removal	2017-04-17	Appointed as the deputy GM of the Company, which has deliberated and approved by 22 nd session of 7 th BOD
Chen Changbing	Deputy GM	Appointment and removal	2017-04-17	Appointed as the deputy GM of the Company, which has deliberated and approved by 22 nd session of 7 th BOD

Ma Wanjun	Director	Office leaving	2017-10-26	Resign from Director of the Company due to individual reasons
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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

Mr. Liu Yong, joined Sinopharm Group Co., Ltd. In January 2003 and acted as the general manager and Party Secretary of Sinopharm Holdings (Shenyang) Co., Ltd until November 2009. He currently serves as the president, secretary of the board and chief legal advisor of Sinopharm Group. Mr. Liu own over 24 years of industry experience, among which, over 21 years are related to management experience in medicine and health care products industry. Mr. Liu graduated from China Pharmaceutical University in July 1992, where he obtained the bachelor of science degree majoring in pharmaceutical business management, and obtained his master degree of business administration from Fudan University in January 2000. He is a pharmacist-in-charge and licensed pharmacist. During the period from July 1992 to July 1999, Mr. Liu worked in the Shanghai Pharma, and successively served as deputy general manager of the marketing department of Shanghai Branch of Sinopharm Group and Shanghai Guoda Drugstore Chain Company Limited from July 1999 to April 2003. currently, Mr. Liu holds the position of chairman of Sinopharm Holding Guizhou Co., Ltd., Sinopharm Holding Yunnan Co., Ltd., Sinopharm Health Online Company, Sinopharm Lerentang Pharmacy Company, Sinopharm Holding Shandong Co., Ltd., Sinopharm Holdings Shanghai Biological Medicine Co., Ltd. as well as Sinopharm Hainan Co., Ltd., and serves as the executive director of Sinopharm Distribution Center Co., Ltd. and Sinopharm Group Medicine Logistics Company. He has acted as the director of Sinopharm Guoda Drugstore Company Limited from October 2017, director member of the 7th session of the Board of the Company since January 2017 and chairman of the 7th session of the Board of the Company since October 2017.

Mr. Li Zhiming, chairman of the board and the Party Secretary of Sinopharm Group Co., Ltd, joined the Sinopharm Group in May 2010 as deputy president, served as executive director and president of Sinopharm Group from November 2013 to March 2017, and has served as chairman of the board and the Party Secretary of Sinopharm Group since November 2017. during the period from October 2012 to March 2017, Mr. Li held the position of chief legal advisor, secretary of the discipline committee, chairment of the labor union and deputy Party Secretary of Sinopharm Group. He owns more than 35 years of working experience, among which, 31 years are related to management experience in medicine and health care products industry. Mr. Li obtained his associate degree from Xinjiang Business College in July 1981 majoring in accounting, and the associate degree from Urumqi Branch of Xi'an Military Academy in July 1997 majoring in economic management. He is a senior economist and pharmacist-in-charge. During the period from July 1985 to July 1996, Mr. Li successively served as deputy director of the financing department of Xinjiang Xinte Nationality Pharmacy Company Limited, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trading Corporation, deputy

general manager and chief accountant of Xinjiang Xinte Nationality Pharmacy Corporation, and deputy director of the preparation office of Xinjiang Autonomous Region Medicine Administration Bureau. From July 1996 to February 2016, Mr. Li worked in Xinjiang Xinte Nationality Pharmacy Corporation as general manager, chairman of the board and party secretary, and worked in Xinjiang Pharmaceutical Group Corporation (currently known as Sinopharm Group (Xinjiang) Co., Ltd.) as its director, general manager, vice chairman of the board, chairman of the board and party secretary. Currently, he also serves as the director of China National Medicine Corporation Ltd. And Sinopharm Guoda Drugstore Co., Ltd., vice chairman of Shanghai Modern Pharmaceutical Co., Ltd. as well as chairman of Sinopharm Group (HK) Co., Ltd., Sinopharm Lingshang Hospital Management Service (Shanghai) Co., Ltd., Sinopharm Medicine Equipments Co., Ltd., Sinopharm Medical Investment Management Co., Ltd., Sinopharm (China) Financing Leasing Co., Ltd. And Sinopharm Zhongjin (Shanghai) Medical Care and Health Investment Management Co., Ltd. He served as chairman of the Company from February 2014 to August 2016, and designated as director of the Company since August 2016.

Mr. Jiang Xiuchang, entered into Sinopharm Group as the director of Sinopharm Group in May 2010, and he has also acted as vice president of Sinopharm Group since July 2013. Mr. Jiang owns over 30 years of working experiences, among which, 19 years of management experiences are related to medicine and health-care industries. Mr. Jiang obtained a bachelor degree in accounting at Zhongnan University of Economics in July 1986 and graduated from postgraduate training classes majoring in enterprise management at international institution of business administration of University of International Business and Economics. Mr. Jiang is a senior economist and senior accountant. Mr. Jiang has worked as deputy director of information department, deputy director of restructuring office, deputy director of financial department as well as deputy director of pharmaceutical department in China National Pharmaceutical Group Corporation from July 1986 to March 2002; he has also served as deputy director, director of financial department and chief financial officer of China National Medicines Corporation Ltd. in succession from March 2002 to May 2010. Mr. Jiang currently serves as the chairman of China National Medicines Corporation Ltd. Sinopharm Holding Jiangxi Co.,Ltd, Sinopharm Holding Tianjin Co.,Ltd, Sinopharm Holding Shanxi Co.,Ltd, Sinopharm Holding Inner Mongolia Co.,Ltd, China National Group Shanxi Corporation Ltd., and acted as the director of China National Medicines Corporation Ltd. And China National Finance Corporation Ltd. as well as the executive director of Beijing Sinopharm Taiyuan Property Management Co., Ltd and the director and general manger of Sinopharm Group Hong Kong Corporation Ltd; He has been designated as the director of the Company from March 2011.

Mr. Lin Zhaoxiong, has served as deputy manager and manger of pharmaceutical department, manger of Pharmaceutical corporations and director of operation and management department during his work in China Pharmaceutical (Group) Guangzhou Co.,Ltd from January 1999 to December 2003 in succession; He has acted as the deputy general manger of Sinopharm Holding Guangzhou Co.,Ltd; Mr. Lin has also worked as the general manager of Sinopharm Holding Guangzhou Co.,Ltd from December 2006 to December 2008; He has served as the deputy general manger of the Company from December 2008 to March 2016, and has served as the chairman

of the board of Sinopharm Holding Guoda Drugstore Co.,Ltd from December 2017 until now; He has acted as the general manger of the Company since 2016 and designated as the director of the 7th session of board of directors of the Company from April 2016.

Mr. Xiong Chuxiong, graduated with a doctor's degree of economies from Xiamen University, has been teaching in accounting major at Shenzhen University from 1992 and now he works as a professor of Shenzhen University. Mr. Xiong has been a visiting scholar at University of Manchester in UK. He has acted as the independent director of the 6th and 7th session of board of directors of the Company since April 2011.

Mr. Xiao Shengfang, he acts as director of Sino-Win Law Firm, whose social functions including national people's congress, 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 Jinan 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.

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 7th BOD of the Company since March 2017.

2. Members of supervisors:

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.

Ms. Liu Jingyun, postgraduate background. Currently she serves as the director of financial and asset management and director of assets and credit management dept. 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, director of the financial & assets management dept. and Director of ministry of finance and credit management. She serves as supervisor of the 7th supervisory committee of the Company since September 2016.

Mr. Wang Huaqin, 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 5th, 6th and 7th supervisory of the Company since September 2007.

3. Senior executive

Mr. Lin Zhaoxiong, found in aforesaid previous work experience

Mr. Lin Min, 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; took deputy general manager of Sinopharm Holding Guangzhou Co., Ltd from Jan. 2005 to Dec. 2008; he also acting as the GM of distribution business dept. of the Sinopharm Accord and Sinopharm Holding Guangzhou Co., Ltd. he serves as deputy GM of the Company since December 2008.

Mr. Lin Xinyang, 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.

Mr. Wei Pingxiao, 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.

Mr. Zhao Xiaochuan, has served as the general manager of Liaoning Accord Chain Co., Ltd from December 2001 to April 2008; served as the general manger of Sinopharm Holding Guoda Tian Yi Tang Drugstore Chain (Shenyang) Co., Ltd and Sinopharm Holding Guoda Shenyang Chain Co., Ltd from May 2008 to June 2015; he

has acted as general manager of Sinopharm Holding Guoda Drugstore Co., Ltd since June 2015; He has worked as the deputy general manager of the Company since July 2017.

Mr. Chen Changbin, has served as secretary of board of directors of the Company since December 2000; he has also worked as the director of planning investment management department of the Company as well as assistant general manager, in charge of strategic planning, investment and mergers and acquisitions, capital operation and affairs related to three major meetings. He has acted as the deputy general manager of the Company since April 2017.

Post-holding in shareholder's unit

√ Applicable □ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Liu Yong	Sinopharm Group Co., Ltd.	Deputy president, Secretary of the Board, General counsel	2009-01-09		Y
Li Zhiming	Sinopharm Group Co., Ltd.	Chairman, President	2013-11-08		Y
Jiang Xiuchang	Sinopharm Group Co., Ltd.	Vice President, CFO	2010-06-01		Y
Liu Jingyun	Sinopharm Group Co., Ltd.	Director of ministry of finance and credit management, director of the financial & assets management dept.	2016-07-01		Y

Post-holding in other unit

√ Applicable □ Not applicable

Name	Name of other units	Position in	Start dated of	End date of office	Received
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		other unit n	office term	term	remuneration from other unit (Y/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 2017 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)
Liu Yong	Chairman	M	48	Currently in office	0	Y

Ma Wanjun	Chairman	M	48	Office leaving	0	Y
Wei Yulin	Director	M	60	Office leaving	0	Y
Li Zhiming	Director	M	54	Currently in office	0	Y
Jiang Xiuchang	Director	M	54	Currently in office	0	Y
Cui Dieling	Vice Chairman	F	52	Office leaving	0	Y
Lin Zhaoxiong	Director, GM	M	50	Currently in office	225	N
Yan Zhigang	Director, GM	M	58	Office leaving	0	N
He Zhiyi	Independent Director	M	62	Office leaving	1.59	N
Xiong Chuxiong	Independent Director	M	62	Currently in office	10.64	N
Xiao Shengfang	Independent Director	M	48	Currently in office	10.64	N
Chen Honghui	Independent Director	M	46	Currently in office	9.08	N
Wu Yijian	Chairman of supervisory committee	M	47	Currently in office	0	Y
Liu Jingyun	Supervisor	F	41	Currently in office	0	Y
Wang Huaiqin	Supervisor	M	60	Currently in office	63.75	N
Lin Min	Deputy GM	M	53	Currently in office	202.5	N
Lin Xinyang	Deputy GM	M	53	Currently in office	157.5	N
Deng Baojun	Deputy GM	M	56	Office leaving	0	N
Pan Rangren	Deputy GM	M	53	Office leaving	22	N
Wei Pingxiao	CFO	M	54	Currently in office	157.5	N
Zhao Xiaochuan	Deputy GM	M	54	Currently in office	157.5	N
Chen Changbing	Deputy GM, Secretary of the	M	50	Currently in office	125	N

	Board					
Total	--	--	--	--	1,142.7	--

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)	107
The number of current employees of main subsidiaries (people)	22,373
Total number of current employees (people)	22,480
The total number of employees in payroll (people)	22,480
The total number of retired staff and workers that the parent company and main subsidiaries need to bear the costs (people)	1,934
Professional composition	
Category of professional composition	Number of professional composition (people)
Production staff	24
Salesman	16,272
Technical staff	128
Financial staff	544
Administrative staff	3,863
Logistics Staff	1,649
Total	22,480
Education background	
Category of education	Number (people)
Post-graduate qualification and above	144
Undergraduate	3,313
Junior college	7,933
Junior college below	11,090
Total	22,480

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

Sinopharm Accord and its subsidiaries have put great emphasis on the development and cultivation of employee's career, built and improved training management system of the Company so as to cultivate the employee in a more efficient way. The first, a training system has been built and the management system for employee training, employee continuing education, interns and intern trainers have been promoted and conducted. The second, the leadership of the Company has made a plan on the organization of training, and a specific position posted in human resources department was dedicated for assisting the management at all levels to conduct employee training. The third, regarding the category and curriculum of the training, the category included new employee training, employee on-post training and leadership development training; the curriculum consisted of management curriculum, generic competency curriculum as well as professional skills curriculum. In addition, one-to-one on-post coaching from the management to employee was also included. The forth, As to the assessment of training, assessment methods at all levels were made to ensure the effects of employee training. By the end of 2017, the input in the training for the headquarter of Sinopharm Accord Corporation, distribution operation and Guoda Drugstore was seen at 1.75 million Yuan, by conducting various training on generic competency, professional quality and management, on-post skills and continuing education of vocational qualification. A total number of 19,362 person-times of training and continuing education have been conducted, covering the middle and senior management, junior management, specialty technical staffs as well as operators, with average learning time up to more than 50 hours.

4. Labor outsourcing

√ Applicable □ Not applicable

Total number of working hours of labor outsourcing (Hour)	584,640
Total remuneration paid of labor outsourcing (RMB)	33,774,261.84

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 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	In March 2016, Sinopharm Holding issued a commitment letter of avoiding horizontal	Normally performing

			pharmacy, which might has horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	competition with Sinopharm 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	
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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 2017	Extraordinary general meeting	60.77%	2017-01-18	2017-01-19	Juchao Website—(http://www.cninfo.com.cn) “Resolution Notice of First extraordinary general meeting of 2017” No.: 2017-05
Second extraordinary general meeting of 2017	Extraordinary general meeting	61.05%	2017-03-14	2017-03-15	Juchao Website—(http://www.cninfo.com.cn) “Resolution Notice of Second extraordinary general meeting of 2017” No.: 2017-13
Annual general meeting 2016	AGM	61.37%	2017-05-10	2017-05-11	Juchao Website—(http://www.cninfo.com.cn) “Resolution Notice of AGM of 2016” No.: 2017-36
Third extraordinary general meeting of	Extraordinary general meeting	60.70%	2017-07-14	2017-07-15	Juchao Website—(http://www.cninfo.c

2017					om.cn) “Resolution Notice of Third extraordinary general meeting of 2017” No.: 2017-40
Fourth extraordinary general meeting of 2017	Extraordinary general meeting	62.97%	2017-12-27	2017-12-28	Juchao Website—(http://www.cninfo.com.cn) “Resolution Notice of Fourth extraordinary general meeting of 2017” No.: 2017-61

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)	Times attending the shareholders meeting
Xiong Chuxiong	12	1	11	0		N	1
Xiao Shengfang	12	1	11	0		N	0
Chen Honghui	10	1	9	0		N	1
He Zhiyi	2	0	2	0		N	0

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 2017, 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 Chen Honghui, 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 2017, the remuneration and appraisal committee carried out the performance evaluation of executives according to the 2016 Annual operation standard and performance.
2. It proposed the "2018 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 2017 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 2017 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	2018-03-22	
Disclosure index of full internal control evaluation report	”Self-evaluation report of internal control for 2017” 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	100.00%	
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	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	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.	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.

Quantitative standard	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.	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.
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 2017.	
Disclosure details of audit report of internal control	Disclosed

Disclosure date of audit report of internal control (full-text)	2018-03-22
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 (http://www.cninfo.com.cn)
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 (2018) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

To the shareholders of China National Accord Medicines Corporation Ltd.

(I) Opinion

We have audited the financial statements of China National Accord Medicines Corporation Ltd. (the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2017, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2017, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2018) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(III) Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of goodwill</i>	
<p>The carrying value of goodwill amounted to RMB830,729,152.75 as at 31 December 2017 and was allocated to the Company's cash-generating units ("CGUs") of pharmaceutical distribution, retail pharmacy. Under ASBEs, the Company is required to annually perform the impairment test for goodwill. The impairment test is based on the recoverable amount of the respective CGUs to which the goodwill is allocated. Management performed the impairment test using the value in use calculation based on the discounted cash flow method. Assumptions such as the discount rate and the growth rate are set up applying estimates and significant judgements by management.</p> <p>The Company's disclosures about impairment of goodwill are included in note III (20, 30) and note V (16) to the financial statements, which specifically explains the key assumptions that management used for value-in-use calculations.</p>	<p>Our audit procedures included, involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, the discount rate and the long term growth rate. We assessed the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGUs and the business development plan. We also read and assessed the Company's disclosures of goodwill.</p>

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2018) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(III) Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of trade receivables</i>	
<p>At as 31 December 2017, the Company had trade receivables of RMB7,589,412,679.88, total current assets of RMB18,320,779,382.33, total assets of RMB22,343,643,527.77, ratio of accounts receivable over current asset and total asset is 41.43% and 33.97%, respectively. The assessment of impairment involves management's judgement and estimates. Specific factors management considers include the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either individually or collectively. We focused on this area because it requires significant management's judgement and estimates.</p> <p>The Company's disclosures about impairment of trade receivables are included in note III (10) and note V (3) to the financial statements.</p>	<p>Our audit procedures included, evaluating the analysis prepared by management for the impairment assessment.</p> <p>In assessing the overall provision for impairment, we assessed management's policy for recognizing provisions.</p> <p>We selected samples of individually significant trade receivable balances where a provision for impairment of trade receivables was recognised and obtained an understanding of the rationale behind management's judgement. We reviewed the overdue analysis, the customer's historical payment patterns and subsequent payments.</p> <p>We assessed the ageing reports of trade receivables, by tracing to the invoice dates on a sample basis.</p> <p>We also read and assessed the relevant disclosures made in the financial statements, including disclosures of the basis for this estimation.</p>

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2018) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(IV) Other information

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(V) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2018) Shen Zi No. 61295118_H01

China National Accord Medicines Corporation Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2018) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Li Jian Guang
(Engagement partner)

Chinese Certified Public Accountant: Yan Ping

Beijing, the People's Republic of China

21 March 2018

Important Notice

This auditor's report is an English translation of the auditor's report for the audit engagements which adopt CSAs. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

(Expressed in Renminbi Yuan)

<u>ASSETS</u>	Note V	31 December 2017	31 December 2016
Current assets			
Cash and bank balances	1	4,191,655,438.51	3,519,961,564.93
Notes receivable	2	1,504,194,764.08	1,504,000,909.21
Accounts receivable	3	7,589,412,679.88	7,654,225,510.89
Advances to suppliers	4	516,778,117.47	424,867,581.80
Interest receivable	5	61,441.11	450,722.67
Other receivables	6	657,871,058.54	478,573,423.62
Inventories	7	3,781,858,238.12	4,049,482,529.71
Other current assets	8	78,947,644.62	57,209,263.04
Total current assets		18,320,779,382.33	17,688,771,505.87
Non-current assets			
Financial assets available-for-sale	9	13,685,760.00	13,685,760.00
Long-term equity investments	10	1,650,619,373.09	1,413,034,165.56
Investment properties	11	153,678,339.11	166,715,848.80
Fixed assets	12	551,710,434.02	487,009,600.10
Construction in progress	13	22,947,258.99	47,063,868.49
Intangible assets	14	325,751,430.88	320,435,400.89
Development costs	15	-	-
Goodwill	16	830,729,152.75	823,890,174.21
Long-term prepaid expenses	17	252,247,050.79	188,377,725.64
Deferred tax assets	18	79,472,883.06	72,914,722.30
Other non-current assets	19	142,022,462.75	94,649,476.09
Total non-current assets		4,022,864,145.44	3,627,776,742.08
Total assets		22,343,643,527.77	21,316,548,247.95

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note V	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings	21	1,561,354,521.64	1,512,713,629.95
Notes payable	22	2,732,437,828.42	2,406,642,582.86
Accounts payable	23	6,144,221,000.10	6,701,558,514.10
Advances from customers	24	216,938,239.32	163,450,365.92
Employee benefits payable	25	215,656,526.54	195,138,079.85
Tax payable	26	223,752,900.24	187,043,717.52
Interest payable	27	7,311,819.65	6,956,463.02
Dividends payable	28	11,889,443.11	8,483,370.21
Other payables	29	1,011,128,397.26	917,193,911.34
Non-current liabilities due within one year	30	5,434,770.70	36,411,339.96
Other current liabilities	31	112,817.65	123,294.77
Total current liabilities		12,130,238,264.63	12,135,715,269.50
Non-current liabilities			
Long-term borrowings	32	31,600,000.00	-
Long-term payables	33	9,332,537.14	14,616,598.34
Payable for specific projects	34	800,000.00	800,000.00
Provision	35	-	-
Deferred income	36	125,082,372.53	123,953,462.81
Long-term employee benefits payable	37	1,777,000.00	1,722,599.89
Deferred tax liabilities	18	71,883,253.02	76,535,704.01
Other non-current liabilities	38	45,427,343.31	45,427,343.31
Total non-current liabilities		285,902,506.00	263,055,708.36
Total liabilities		12,416,140,770.63	12,398,770,977.86

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note V	31 December 2017	31 December 2016
Shareholders' equity			
Share capital	39	428,126,983.00	362,631,943.00
Capital surplus	40	3,181,429,064.99	3,152,718,024.92
Other equity instruments	41	-	65,495,040.00
Surplus reserve	42	214,063,491.50	181,315,971.50
Retained earnings	43	5,572,952,806.39	4,690,265,884.10
Shareholders' equity attributable to shareholders of the parent		9,396,572,345.88	8,452,426,863.52
Non-controlling interests		530,930,411.26	465,350,406.57
Total shareholders' equity		9,927,502,757.14	8,917,777,270.09
Total liabilities and shareholders' equity		22,343,643,527.77	21,316,548,247.95

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

As at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
Operating revenue	44	41,263,629,118.85	41,248,341,665.46
Less: Operating costs	44	36,819,552,915.80	36,648,160,750.15
Tax and surcharge	45	119,920,418.18	124,271,433.05
Selling expenses	46	2,305,909,071.71	2,198,243,216.29
Administrative expenses	47	735,953,967.13	859,773,090.07
Finance costs	48	110,360,539.56	101,856,594.98
Impairment loss	49	(2,470,696.74)	(8,549,989.81)
Add: Investment income	50	264,540,020.24	223,467,928.58
Incl: Investment income from associates		263,825,834.56	97,075,494.40
Gain on disposal of assets	51	792,138.38	9,175,103.65
Other incomes	52	24,155,618.47	-
Operating profits		1,463,890,680.30	1,557,229,602.96
Add: Non-operating income	53	11,412,488.21	48,439,465.29
Less: Non-operating expenses	54	9,274,194.70	5,515,964.43
Total profit		1,466,028,973.81	1,600,153,103.82
Less: Income taxes	56	309,290,127.72	318,377,292.91
Net profit		1,156,738,846.09	1,281,775,810.91
Incl: Net profit of acquiree before business combinations involving enterprises under common control		(1,096.00)	260,423,077.82
Net profit attributable to shareholders of the parent		1,057,791,930.67	1,186,539,201.93
Profit or loss of non-controlling interests		98,946,915.42	95,236,608.98
Total comprehensive income		1,156,738,846.09	1,281,775,810.91
Incl: Total comprehensive income for the year attributable to owners of the parent		1,057,791,930.67	1,186,539,201.93
Total comprehensive income for the year attributable to non-controlling interests		98,946,915.42	95,236,608.98
Earnings per share	57		
Basic earnings per share		2.47	2.80
Diluted earnings per share		2.47	2.80

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

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

As at 31 December 2017

(Expressed in Renminbi Yuan)

2017	Shareholders' equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital surplus	Surplus reserve	Retained earnings	Subtotal		
Closing balance of the preceding 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
Business combination involving enterprises under common control	-	-	1,200,000.00	-	1,076,241.59	2,276,241.59	1,517,494.39	3,793,735.98
Opening balance of the current year	362,631,943.00	65,495,040.00	3,152,718,024.92	181,315,971.50	4,690,265,884.10	8,452,426,863.52	465,350,406.57	8,917,777,270.09
Movements in the current year	65,495,040.00	(65,495,040.00)	28,711,040.07	32,747,520.00	882,686,922.29	944,145,482.36	65,580,004.69	1,009,725,487.05
(1) Total comprehensive income	-	-	-	-	1,057,791,930.67	1,057,791,930.67	98,946,915.42	1,156,738,846.09
(2) Capital paid and reduced by owners	65,495,040.00	(65,495,040.00)	28,711,040.07	-	(1,075,583.99)	27,635,456.08	20,214,810.63	47,850,266.71
1.Capital injection by owners	5,114,297.00	(5,114,297.00)	-	-	-	-	14,873,000.00	14,873,000.00
2.Significant reorganization	60,380,743.00	(60,380,743.00)	(3,430,029.00)	-	-	(3,430,029.00)	-	(3,430,029.00)
3.Business combination involving enterprises under common control	-	-	(1,200,000.00)	-	(1,075,583.99)	(2,275,583.99)	(1,517,055.99)	(3,792,639.98)
4.Business combination not involving enterprises under common control	-	-	-	-	-	-	6,858,866.62	6,858,866.62
5.Others	-	-	33,341,069.07	-	-	33,341,069.07	-	33,341,069.07
(3) Profit distribution	-	-	-	32,747,520.00	(174,029,424.39)	(141,281,904.39)	(53,581,721.36)	(194,863,625.75)
1. Withdrawal of statutory surplus reserve	-	-	-	32,747,520.00	(32,747,520.00)	-	-	-
2.Distribution to equity owners	-	-	-	-	(141,281,904.39)	(141,281,904.39)	(53,581,721.36)	(194,863,625.75)
Closing balance of the current year	428,126,983.00	-	3,181,429,064.99	214,063,491.50	5,572,952,806.39	9,396,572,345.88	530,930,411.26	9,927,502,757.14

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

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

As at 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 instruments	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	-	-	1,334,904,770.31	-	592,834,676.01	1,927,739,446.32	424,511,166.59	2,352,250,612.91
Opening balance of the current year	362,631,943.00	-	3,198,799,303.65	181,315,971.50	3,638,385,922.72	7,381,133,140.87	537,592,429.31	7,918,725,570.18
Movements in the current year	-	65,495,040.00	(46,081,278.73)	-	1,051,879,961.38	1,071,293,722.65	(72,242,022.74)	999,051,699.91
(1) Total comprehensive income	-	-	-	-	1,186,539,201.93	1,186,539,201.93	95,236,608.98	1,281,775,810.91
(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	-	-	-	-	(134,659,240.55)	(134,659,240.55)	(49,512,809.54)	(184,172,050.09)
1.Distribution to equity owners	-	-	-	-	(108,789,582.90)	(108,789,582.90)	(32,266,371.11)	(141,055,954.01)
2. Business combination involving enterprises under common control	-	-	-	-	(25,869,657.65)	(25,869,657.65)	(17,246,438.43)	(43,116,096.08)
Closing balance of the current year	362,631,943.00	65,495,040.00	3,152,718,024.92	181,315,971.50	4,690,265,884.10	8,452,426,863.52	465,350,406.57	8,917,777,270.09

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED CASH FLOW STATEMENT

As at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	31 December 2017	31 December 2016
1.CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of good or rendering of services		46,403,001,555.00	45,257,537,860.36
Tax refunds		7,687,909.30	16,985,904.86
Cash receipts related to other operating activities	58	<u>340,666,056.90</u>	<u>314,524,274.42</u>
Sub-total of cash inflows from operating activities		<u>46,751,355,521.20</u>	<u>45,589,048,039.64</u>
Cash paid for goods and services		41,242,898,835.78	39,904,604,242.81
Cash paid to and on behalf of employees		1,684,046,853.72	1,794,695,502.08
Cash paid for all types of taxes		1,092,685,949.27	1,124,836,669.70
Cash payments related to other operating activities	58	<u>1,446,431,970.61</u>	<u>1,292,569,148.89</u>
Sub-total of cash outflows from operating activities		<u>45,466,063,609.38</u>	<u>44,116,705,563.48</u>
Net cash flows from operating activities	59	<u>1,285,291,911.82</u>	<u>1,472,342,476.16</u>
2.CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from recovery of investments		-	226,000.00
Cash received from returns on investments		61,204,993.30	41,420,278.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,811,126.55	23,568,618.35
Cash receipts related to other investing activities	58	<u>75,259,200.00</u>	<u>1,605,005,840.32</u>
Sub-total of cash inflows from investing activities		<u>138,275,319.85</u>	<u>1,670,220,737.03</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
2.CASH FLOWS FROM INVESTING ACTIVITIES (Continued)			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		204,345,540.74	265,885,799.28
Cash paid for acquisition of investments		73,950,980.00	21,860,000.00
Net cash paid for acquisition of subsidiaries and other business units	59	53,356,516.15	11,639,196.11
Net cash paid from disposal of subsidiaries and other business units	59	-	105,527,131.30
Cash payments related to other investing activities	58	92,803,476.90	1,274,374,346.93
		<u>424,456,513.79</u>	<u>1,679,286,473.62</u>
Sub-total of cash outflows from investing activities		<u>424,456,513.79</u>	<u>1,679,286,473.62</u>
Net cash flows from investing activities		<u>(286,181,193.94)</u>	<u>(9,065,736.59)</u>
3.CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		14,873,000.00	271,286,689.50
Incl: Cash received from capital contributions from non-controlling shareholders of subsidiaries		14,873,000.00	3,470,000.00
Cash received from borrowings		261,571,499.94	467,980,655.24
Cash receipts related to other financing activities	58	238,476,708.52	297,999,324.21
		<u>514,921,208.46</u>	<u>1,037,266,668.95</u>
Sub-total of cash inflows from financing activities		<u>514,921,208.46</u>	<u>1,037,266,668.95</u>
Cash repayments for debts		445,758,196.23	787,922,055.10
Cash payments for distribution of dividends or profit and interest expenses		295,787,225.16	254,987,476.35
Incl: Profit and dividends paid to non-controlling shareholders of subsidiaries		49,621,410.48	39,738,435.69
Cash payments related to other financing activities	58	250,398,903.79	470,599,856.33
		<u>991,944,325.18</u>	<u>1,513,509,387.78</u>
Sub-total of cash outflows from financing activities		<u>991,944,325.18</u>	<u>1,513,509,387.78</u>
Net cash flows from financing activities		<u>(477,023,116.72)</u>	<u>(476,242,718.83)</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
4.EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	59	<u>495,664.83</u>	<u>(563,036.58)</u>
5.NET INCREASE IN CASH AND CASH EQUIVALENTS	59	522,583,265.99	986,470,984.16
Add: Cash and cash equivalents at beginning of the year		<u>3,150,915,425.49</u>	<u>2,164,444,441.33</u>
6.CASH AND CASH EQUIVALENTS AT END OF YEAR	59	<u><u>3,673,498,691.48</u></u>	<u><u>3,150,915,425.49</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY BALANCE SHEET

As at 31 December 2017

(Expressed in Renminbi Yuan)

<u>ASSETS</u>	<u>Note XIV</u>	31 December 2017	31 December 2016
Current assets			
Cash and bank balances		1,776,696,342.87	1,342,041,409.86
Notes receivable		64,799,618.07	79,868,867.49
Accounts receivable	1	480,467,760.92	397,351,577.24
Advances to suppliers		1,138,312.26	2,135,439.82
Interest receivable		1,844,294.10	2,029,125.06
Other receivables	2	1,516,037,945.71	1,801,567,851.50
Inventories		172,022,676.96	184,708,273.76
Other current assets		<u>788,964.90</u>	<u>6,937,946.90</u>
Total current assets		<u>4,013,795,915.79</u>	<u>3,816,640,491.63</u>
Non-current assets			
Long-term equity investments	3	7,180,306,084.56	5,914,542,602.10
Investment properties		2,763,831.92	3,571,809.38
Fixed assets		13,831,103.54	16,555,996.92
Intangible assets		1,287,775.78	1,534,730.15
Long-term deferred expenses		5,543,217.86	6,645,211.13
Deferred tax assets		2,764,724.75	2,869,931.88
Other non-current assets		<u>71,808,611.00</u>	<u>9,859,840.00</u>
Total non-current assets		<u>7,278,305,349.41</u>	<u>5,955,580,121.56</u>
Total assets		<u>11,292,101,265.20</u>	<u>9,772,220,613.19</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY BALANCE SHEET (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	31 December 2017	31 December 2016
Current liabilities		
Short-term borrowings	707,000,000.00	50,000,000.00
Notes payable	239,563,961.30	334,383,191.54
Accounts payable	434,886,685.35	391,726,381.93
Advances from customers	1,912,503.90	2,997,964.16
Employee benefits payable	33,592,851.93	30,618,183.84
Tax payables	42,386,907.00	3,308,582.29
Interest payable	669,533.78	37,801.50
Other payables	1,415,053,655.18	1,100,143,593.55
Non-current liabilities due within one year	-	31,600,000.00
Other current liabilities	112,817.65	123,294.77
Total current liabilities	2,875,178,916.09	1,944,938,993.58
Non-current liabilities		
Long-term borrowings	31,600,000.00	-
Payables for specific projects	800,000.00	800,000.00
Deferred income	2,054,250.00	1,570,000.00
Long-term employee benefits payable	-	26,000.00
Deferred tax liabilities	3,773,319.00	3,773,319.00
Total non-current liabilities	38,227,569.00	6,169,319.00
Total liabilities	2,913,406,485.09	1,951,108,312.58

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY BALANCE SHEET (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	31 December 2017	31 December 2016
Shareholders' equity		
Share capital	428,126,983.00	362,631,943.00
Capital surplus	4,407,091,484.13	4,381,845,619.03
Surplus reserves	214,063,491.50	181,315,971.50
Other equity instruments	-	65,495,040.00
Retained earnings	<u>3,329,412,821.48</u>	<u>2,829,823,727.08</u>
Total shareholders' equity	<u>8,378,694,780.11</u>	<u>7,821,112,300.61</u>
Total liabilities and shareholders' equity	<u><u>11,292,101,265.20</u></u>	<u><u>9,772,220,613.19</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY INCOME STATEMENT

As at 31 December 2017

(Expressed in Renminbi Yuan)

	<u>Note XIV</u>	2017	2016
Operating revenue	4	3,346,941,845.38	3,138,854,618.97
Less: Operating costs	4	3,211,668,647.02	3,004,349,631.69
Tax and surcharge		10,375,051.96	7,524,958.43
Selling expenses		51,050,354.52	50,852,431.61
Administrative expenses		70,636,774.06	86,328,173.16
Finance costs		(54,129,294.66)	(60,205,031.57)
Impairment loss		(72,116.23)	337,659.11
Add: Investment income	5	640,957,400.23	588,945,025.76
Incl: Investment income from associates		286,535,212.21	209,757,868.18
Gain on disposal of assets		884.46	-
Other income		<u>4,069,902.74</u>	<u>-</u>
Operating profits		702,440,616.14	638,611,822.30
Add: Non-operating income		39,253.56	13,669,692.02
Less: Non-operating expenses		<u>1,861,760.18</u>	<u>698,639.61</u>
Total profit		700,618,109.52	651,582,874.71
Less: Income taxes		<u>26,999,590.73</u>	<u>12,348,207.78</u>
Net profit		<u>673,618,518.79</u>	<u>639,234,666.93</u>
Total comprehensive income		<u><u>673,618,518.79</u></u>	<u><u>639,234,666.93</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

As at 31 December 2017

(Expressed in Renminbi Yuan)

2017	Share capital	Other equity instruments	Capital surplus	Surplus reserve	Retained earnings	Total equity
Opening balance of the current year	362,631,943.00	65,495,040.00	4,381,845,619.03	181,315,971.50	2,829,823,727.08	7,821,112,300.61
Movements in the current year	65,495,040.00	(65,495,040.00)	25,245,865.10	32,747,520.00	499,589,094.40	557,582,479.50
(1) Total comprehensive income	-	-	-	-	673,618,518.79	673,618,518.79
(2) Capital paid and reduced by owners	65,495,040.00	(65,495,040.00)	25,245,865.10	-	-	25,245,865.10
1. Capital injection by owners	5,114,297.00	(5,114,297.00)	-	-	-	-
2. Significant reorganization	60,380,743.00	(60,380,743.00)	(3,430,029.00)	-	-	(3,430,029.00)
3. Others	-	-	28,675,894.10	-	-	28,675,894.10
(3) Profit distribution	-	-	-	32,747,520.00	(174,029,424.39)	(141,281,904.39)
1. Distribution to owners	-	-	-	-	(141,281,904.39)	(141,281,904.39)
2. Withdrawal surplus reserves	-	-	-	32,747,520.00	(32,747,520.00)	-
Closing balance of the current year	428,126,983.00	-	4,407,091,484.13	214,063,491.50	3,329,412,821.48	8,378,694,780.11

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)

As at 31 December 2017

(Expressed in Renminbi Yuan)

2016	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	362,631,943.00	-	1,869,692,921.70	181,315,971.50	2,299,378,643.05	4,713,019,479.25
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	362,631,943.00	65,495,040.00	4,381,845,619.03	181,315,971.50	2,829,823,727.08	7,821,112,300.61

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY CASH FLOW STATEMENT

As at 31 December 2017

(Expressed in Renminbi Yuan)

	2017	2016
1.CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of good or rendering of services	3,618,686,142.56	3,401,302,572.88
Cash receipts related to other operating activities	42,311,981.52	51,854,505.86
Sub-total of cash inflows from operating activities	3,660,998,124.08	3,453,157,078.74
Cash paid for goods and services	3,317,975,162.52	3,186,087,599.05
Cash paid to and on behalf of employees	74,008,955.58	64,460,810.25
Cash paid for all types of taxes	45,705,409.43	41,496,603.39
Cash payments related to other operating activities	45,906,623.45	24,972,169.45
Sub-total of cash outflows from operating activities	3,483,596,150.98	3,317,017,182.14
Net cash flows from operating activities	177,401,973.10	136,139,896.60
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from returns of investments	456,706,957.70	418,909,426.90
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	2,219,069,200.00	1,857,919,415.00
Sub-total of cash inflows from investing activities	2,675,776,157.70	2,432,945,421.90
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	37,669,557.28	46,855,153.72
Cash paid for investment	1,046,650,980.00	-
Net cash paid for purchasing subsidiaries and other business	17,549,020.00	-
Cash payments related to other investing activities	2,067,489,918.90	2,005,548,023.10
Sub-total of cash outflows from investing activities	3,169,359,476.18	2,052,403,176.82
Net cash flows from investing activities	(493,583,318.48)	380,542,245.08

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY CASH FLOW STATEMENT (Continued)

As at 31 December 2017

(Expressed in Renminbi Yuan)

	2017	2016
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from investments by others	-	267,816,689.50
Cash received from borrowings	41,600,000.00	80,100,000.00
Cash receipts related to other financing activities	<u>16,514,221,231.02</u>	<u>9,255,846,037.96</u>
Sub-total of cash inflows from financing activities	<u>16,555,821,231.02</u>	<u>9,603,762,727.46</u>
Cash repayments for debts	41,600,000.00	189,800,218.30
Cash payments for distribution of dividends, profit or interest expenses	150,643,594.49	116,941,247.37
Cash payments related to other financing activities	<u>15,613,029,417.64</u>	<u>8,901,099,071.96</u>
Sub-total cash outflows from financing activities	<u>15,805,273,012.13</u>	<u>9,207,840,537.63</u>
Net cash flows from financing activities	<u>750,548,218.89</u>	<u>395,922,189.83</u>
4.EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>288,059.50</u>	<u>-</u>
5. NET INCREASE IN CASH AND CASH EQUIVALENTS	434,654,933.01	912,604,331.51
Add: Cash and cash equivalents at beginning of the year	<u>1,342,041,409.86</u>	<u>429,437,078.35</u>
6. CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,776,696,342.87</u>	<u>1,342,041,409.86</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 2017

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

I Profile of the Company

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 converting capital surplus into share capital, bonus issues and issuance of shares for years, the share capital of the Company increased to 428.13 million as at 31 December 2017.

In November 2000, the Company entered into an Asset 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 asset exchange proposal was approved by shareholders in the Second Extraordinary General Meeting on 29 December 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 14 March 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 issue date. The total number of shares of the Company was 362,631,943 since the date of issue.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

I Profile of the Company (Continued)

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 the non-controlling interest of South Pharma & Trade. The relevant shares were successfully issued and listed on 5 January 2017. Afterwards, the total number of shares of the Company increased to 428,126,983.

As of 31 December 2017, the total share capital is 428,126,983.

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 RMB428.13 million. 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 Chinese herbal slice, 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; industrial investment holding; domestic trade; material supply and marketing industry (other than special licensing); sale of ambulances; trading of second-class and third- class medical equipment; project investment; property management and leasing 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 have to be approved before operating).

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

The Group’s parent and ultimate parent company is Sinopharm Group and China National Pharmaceutical Group Corporation respectively.

These financial statements were authorized for issue by the board of directors of the Company on 21 March 2018.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

II Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of 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 “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 the 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 accounts receivable (Note III (10)), inventory costing methods (Note III (11)), depreciation methods for fixed assets and amortization method for intangible assets (Note III (14) and Note III (17)), impairment of assets (Note III (20)) and revenue recognition (Note III (25)).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

III Summary of significant accounting policies and accounting estimates

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

The financial statements of the Company for the year ended 31 December 2017 are in compliance with Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2017 and the operating results, cash flows and other information of the Group and the Company for the year then ended.

(2) Accounting year

The Group's accounting year begins 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 2017

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

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 2017

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

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 and 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 asset 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 equivalents 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 transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are 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 cost are translated at the balance sheet date using the spot exchange rates at the dates 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 receivable, 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 2017

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

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 for the current period. Interest and dividends relating to an available-for-sale financial asset are recognized in profit or loss for 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 2017

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

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 judgment. In making this judgment, 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 2017

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

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 cost 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) Offsetting of financial instruments

A financial asset and a financial liability shall be offset and the net amount is 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 2017

(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 is 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 is 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 is objective evidence that the Group will not be able to collect the amount under the original terms of the receivables.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

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

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.

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.

Basis for determining the 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.

The Group adopts the perpetual inventory system.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

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

(12) Long-term equity investments

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

Long-term equity investments are accounted for using the cost method at the time it was acquired. 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.

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 2017

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

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

(12) 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 to recognize 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 the recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues to recognize 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 interests in the investees, and then based on which the investment gains or losses are recognized. For the loss on intra-group transactions 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)).

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, and buildings that are being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to investment properties are included in the cost of 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 2017

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

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

(13) 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 lives	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 property is transferred to owner-occupied property, it is reclassified as a fixed asset or intangible asset at the date of 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 transfer.

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

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

The carrying amount of investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III (20)).

(14) Fixed assets

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 revalued 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 2017

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

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

(14) Fixed assets (Continued)

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 values	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 the end of each year.

Recognition basis and measurement method for financing leased fixed assets.

Finance leases are leases with the whole risks and rewards related to the asset being substantially transferred. Fixed assets leased under finance leases are recognized at the lower 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 leases are depreciated by applying the same policy as that those fixed assets are owned by the company. For those leased assets of which the ownership 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 the estimated useful lives.

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.

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Notes to financial statements (Continued)

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

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for 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 (20)).

(16) Borrowing costs

Borrowing costs refer to the interest and other relevant cost incurred from borrowing, which include loan interest, discount or amortization of premiums, auxiliary expenses and exchange difference due to foreign currency loans, etc.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The term “assets eligible for capitalization” shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset disbursements have already incurred;
- (2) The borrowing costs have already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Borrowing costs incurred after the intended use or sale shall be recorded into the current profits and losses.

During the period of capitalization, the capitalized amount of interest in each accounting period shall be calculated and determined in the ways below:

The enterprise shall calculate and determine the interest of specific loan by deducting interest income of loan capital deposit in the bank or investment income obtained from temporary investment.

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Notes to financial statements (Continued)

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

(16) Borrowing costs (Continued)

The enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

(17) Intangible assets

Intangible assets include land use rights, computer software, technology patents, trademarks and distribution network.

Intangible assets can be recognized and initially measured by cost only when the relevant economic benefits may flow into the Group and the cost can be measured in a reliable way. Intangible assets contributed by state-owned shareholders during the Company's reorganization were recorded based on the valuation amount approved by the State-owned Assets Supervision and Management Department.

The Group shall analyze and judge if intangible assets can bring economic benefits to the Group and classify as intangible assets with limited service life and intangible assets with uncertain service life.

<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 the 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 the end of each year.

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Notes to financial statements (Continued)

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

(17) Intangible assets (Continued)

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 the 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.

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 (20)).

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be 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.

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Notes to financial statements (Continued)

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

(19) 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, 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 them as other non-current assets.

(20) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, long-term prepaid expenses and investment properties measured using the cost model and long-term equity investments in subsidiaries 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.

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.

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Notes to financial statements (Continued)

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

(21) 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.

(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 recombination involving the payment of termination benefits.

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

(21) Employee benefits (Continued)

(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 met, with regard to the period from the staff leaving 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 profit or loss.

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

(22) 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.

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Notes to financial statements (Continued)

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

(23) Dividend distribution

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

(24) Share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payment" refers to a transaction in which the group grants shares or other equity instruments as a consideration in return for services.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the group shall make the best estimate of the number of vested equity instruments based on the latest movement of granted employee, the content of prescribed performance and other condition. Based on the best estimate, the services obtained in the current period shall be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

For awards that do not ultimately vest because non-market performance and service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

(24) Share-based payments (Continued)

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by an enterprise. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the group. The group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

(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 be 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 the ownership nor effective control over the goods sold, and it is probable that the economic benefits 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.

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Notes to financial statements (Continued)

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

(26) Government grants

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.

Government grants related to assets refer to government assets which are granted to enterprises for the long-term assets formed by acquisition, construction or in other manners. Government grants related to income refer to government grants other than those related to assets.

Government grants related to income to be used as compensation for future expenses or losses shall be recognized as deferred income and shall be charged to the current profit or loss or be used to write down the relevant loss, during the recognition of the relevant cost expenses or losses; or used as compensation for relevant expenses or losses already incurred by enterprises shall be directly charged to the profit and loss account in the current period or used to write down the relevant cost.

The government grants related to assets shall be used to write down the book value of the relevant assets or be recognized as deferred income. The government grants related to assets, recognized as deferred income, shall be charged to the profit and loss reasonably and systematically in stages over the useful lives of the relevant assets. The government grants measured at nominal amount shall be directly charged to the current profit and loss.

If any related asset is sold, transferred, written off or destroyed before the end of its useful life, the balance of the undistributed deferred income shall be transferred to the current gain or loss on disposal of the asset.

(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 periods 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,

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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 2017

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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 lower of the fair value and the 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 2017

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

(29) 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.

(30) Critical accounting estimates

The Group continually evaluates the critical accounting estimates and key judgements 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 .

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.

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

(30) Critical 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, 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, the Group's management estimates the net realizable value of the inventories. 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.

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Notes to financial statements (Continued)

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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%
	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)	
Value added tax (“VAT”)		0%, 3%, 5%, 6%, 11%, 13% or 17%
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, 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%.

From May to December 2015, eight subsidiaries of the Group in Guangxi Province, 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 from 1 January 2014 to 31 December 2020, and that for the other five subsidiaries is from 1 January 2015 to 31 December 2020.

- (b) 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 2016 and 2017, the Urumqi Head Office, Changji Branch and Karamay Branch of Xinjiang New & Special Medicines were subject to CIT at a preferential rate of 15%.

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Notes to financial statements (Continued)

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IV Taxation (Continued)

2. Tax preferences (Continued)

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 2016 and 2017, the company was exempt from the local retained portion of the corporate income tax (40%), and therefore subject to CIT at a 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, which approved that the company was subject to CIT at a rate of 15% in 2016 and 2017.

- (c) 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 the following conditions: 1. for industrial enterprises, the annual taxable income do not exceed RMB300,000; the number of employees does not exceed 100 and the total assets do 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 2017, the annual taxable income tax of Shanghai ForMe Xuhui Pharmacy Co., Ltd. was less than RMB500,000 and was in compliance with the conditions of small low-profit enterprises. Therefore, the enterprise is subject to corporate income tax at a rate of 20%.

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) and *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%.

In 2017, the Group's subsidiaries Shanghai ForMe Xuhui Pharmacy Co., Ltd. (“ForMe Xuhui”), Sinopharm Guoda Drug Store Guangxi Chain 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 enterprises and the requirements under Cai shui [2014] No. 34. Therefore, these companies enjoyed a tax reduction of 50% of the income and paid income tax at a rate of 20%.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements

1. Cash and bank balances

	31 December 2017	31 December 2016
Cash on hand	6,208,674.32	6,164,382.85
Cash at banks	3,667,290,017.16	3,144,751,042.64
Other cash balances	518,156,747.03	369,046,139.44
- Deposits for letters of credit	258,800.00	58,800.00
- Deposits for bank acceptance notes	514,638,979.04	333,961,620.45
- Cash deposit for a pledged loan	-	31,255,582.91
- Term deposits longer than 3 months	3,258,967.99	3,770,136.08
	<u>4,191,655,438.51</u>	<u>3,519,961,564.93</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 2017	31 December 2016
Trade acceptance notes	919,982,854.86	594,546,810.36
Bank acceptance notes	<u>584,211,909.22</u>	<u>909,454,098.85</u>
	<u>1,504,194,764.08</u>	<u>1,504,000,909.21</u>

At 31 December 2017 and 2016, there were no notes receivable that were pledged.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Trade acceptance notes	-	147,715,527.67	-	159,504,195.71
Bank acceptance notes	1,034,911,970.56	-	844,012,721.90	-
	<u>1,034,911,970.56</u>	<u>147,715,527.67</u>	<u>844,012,721.90</u>	<u>159,504,195.71</u>

As at 31 December 2017 and 31 December 2016, notes that were converted into accounts receivable due to the drawer's inability to settle the notes on the maturity date are as follows:

	31 December 2017	31 December 2016
Trade acceptance notes	-	148,322.25
Bank acceptance notes	1,050,000.00	-
	<u>1,050,000.00</u>	<u>148,322.25</u>

3. Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	7,633,338,145.29	7,703,120,162.25
Less: provision for bad debt	(43,925,465.41)	(48,894,651.36)
	<u>7,589,412,679.88</u>	<u>7,654,225,510.89</u>

An aging analysis of accounts receivable is presented as follows:

	31 December 2017		31 December 2016	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Within 1 year	7,596,940,582.26	(24,467,494.62)	7,665,576,478.81	(26,371,938.74)
1 to 2 years	11,209,568.89	(947,671.54)	12,790,380.58	(1,297,920.86)
2 to 3 years	6,610,561.90	(1,291,671.02)	21,704,712.84	(19,101,203.39)
Over 3 years	18,577,432.24	(17,218,628.23)	3,048,590.02	(2,123,588.37)
	<u>7,633,338,145.29</u>	<u>(43,925,465.41)</u>	<u>7,703,120,162.25</u>	<u>(48,894,651.36)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 write-off in previous years	Decreases in reorganization	Increases in merger	Closing balance
2017	48,894,651.36	4,082,799.01	(7,765,994.96)	(2,279,035.42)	45,677.60	-	947,367.82	43,925,465.41
2016	73,694,193.30	1,786,013.00	(12,023,454.74)	(14,517,375.00)	23,638.80	(68,364.00)	-	48,894,651.36

The accounts receivable by category are analyzed below:

	31 December 2017				31 December 2016			
	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	497,346,019.41	6.52%	(11,968,509.21)	2.41%	445,672,816.82	5.79%	(11,559,178.29)	2.59%
Items for which provision for bad debt is recognized by group	7,106,178,799.93	93.09%	(26,069,970.29)	0.37%	7,236,776,975.66	93.95%	(27,546,435.58)	0.38%
Not individually significant items for which provision for bad debt is recognized separately	29,813,325.95	0.39%	(5,886,985.91)	19.75%	20,670,369.77	0.26%	(9,789,037.49)	47.36%
	<u>7,633,338,145.29</u>	<u>100.00%</u>	<u>(43,925,465.41)</u>	<u>0.58%</u>	<u>7,703,120,162.25</u>	<u>100.00%</u>	<u>(48,894,651.36)</u>	<u>0.63%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

At 31 December 2017, 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	376,673,766.03	(409,330.92)	Within 1 year	0.11%	Part of the medical insurance receivable takes longer to collect, and has risk of default
Receivable of franchises	40,524,166.39	-	Within 1 year	-	Receivable of franchises within 1 year with low risk of recoverability
Receivable of credit cards	22,467,724.90	-	Within 1 year	-	Receivable of credit cards with low risk of recoverability
Sinopharm Group	15,369,464.29	-	Within 1 year	-	Receivable due from a related party with low risk of recoverability
Daton Xin Jian Kang Hospital	13,958,565.55	-	Within 1 year	-	Receivable due from a fixed cooperative hospital with no risk of recoverability
Hubei Xianning Pharmaceutical Co., Ltd.	11,559,178.29	(11,559,178.29)	3 to 4 years	100.00%	Disputed receivable with higher risk of recoverability which is related to a lawsuit
Sinopharm Health Online Co., Ltd.	9,422,294.03	-	Within 1 year	-	Receivable due from a related party with low risk of recoverability
Shanghai Pudong Pharmaceutical Co., Ltd	7,370,859.93	-	Within 1 year	-	Receivable due from a related party with low risk of recoverability
	<u>497,346,019.41</u>	<u>(11,968,509.21)</u>			

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 cards	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
Total	<u>445,672,816.82</u>	<u>(11,559,178.29)</u>			

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

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

	31 December 2017			31 December 2016		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	Amount	Amount	Proportion	Amount	Amount	Proportion
Within 1 year	7,088,092,789.69	(24,063,211.70)	0.34%	7,221,261,344.66	(25,898,202.34)	0.36%
1 to 2 years	10,321,375.35	(626,604.64)	6.07%	12,391,828.46	(954,110.33)	7.70%
2 to 3 years	5,727,610.07	(649,478.42)	11.34%	2,483,834.48	(374,438.91)	15.08%
Over 3 years	2,037,024.82	(730,675.53)	35.87%	639,968.06	(319,684.00)	49.95%
	<u>7,106,178,799.93</u>	<u>(26,069,970.29)</u>	<u>0.37%</u>	<u>7,236,776,975.66</u>	<u>(27,546,435.58)</u>	<u>0.38%</u>

The provision for bad debt amounted to RMB4,082,799.01 in 2017, including RMB7,765,994.96 recovered or reversed. Important recovered or reversed bad debt items are listed below:

	Reason for recoverability or reversal	Original assessment for impairment	Recovered or reversed amount	Method of recovery
Guangdong Guanghong Pharmaceuticals Co., Ltd.	Amount received	Uncertainty in recovery	957,838.00	Amount received
Health Centre of Conghua City Chengjiao Street	Amount received	Uncertainty in recovery	159,730.03	Amount received
Health Centre of Maoming City Shuzai Town	Amount received	Uncertainty in recovery	155,544.00	Amount received
Liuzhou Wanantang Pharmacy	Amount received	Uncertainty in recovery	51,578.76	Amount received
Guangdong Tasly Yue Jian Pharmaceutical Co., Ltd.	Amount received	Uncertainty in recovery	45,662.60	Amount received
Health Centre of Zhanjiang City Huguang Town	Amount received	Uncertainty in recovery	23,626.80	Amount received
Qianshan Health Centre of Zhanjiang City Xunwen Town	Amount received	Uncertainty in recovery	20,270.88	Amount received
Health Centre of Zengcheng City Licheng Street	Amount received	Uncertainty in recovery	934.68	Amount received
			<u>1,415,185.75</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

The provision for bad debts amounted to RMB1,786,013.00 in 2016, including RMB12,023,454.74 recovered or reversed. Important recovered or reversed bad debt items are listed below:

	Reason for recoverability or reversal	Original assessment for impairment	Recovered or reversed amount	Method 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

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

Important recovered or reversed bad debt items are listed below (Continued):

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>	

Accounts receivable written off in 2017 are analysed below:

	Nature of the receivable	Amount	Reason	Related party transaction or not
Shenzhen Shanxia Hospital	Loan	842,239.94	Non-recoverable	No
Golden Elephant Pharmacy of Heping Street	Loan	527,602.17	Non-recoverable	No
Golden Elephant Pharmacy of Xizhimenwai Street	Loan	316,991.77	Non-recoverable	No
Golden Elephant Pharmacy of Yuanyang Tiandi	Loan	240,952.87	Non-recoverable	No
Golden Elephant Pharmacy of Chaoyang Commercial Building	Loan	189,718.74	Non-recoverable	No
Others	Loan	<u>161,529.93</u>	Non-recoverable	No
		<u>2,279,035.42</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

Accounts receivable written off has been approved by the board of directors.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

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

As at 31 December 2017, the top five accounts receivable by customer are summarised below:

	Amount	Bad debt provision amount	% of the total accounts receivable
Top 1 Account receivable	139,053,219.26	(174,267.65)	1.82%
Top 2 Account receivable	108,982,517.25	(807,190.06)	1.43%
Top 3 Account receivable	107,566,639.68	(285,161.26)	1.41%
Top 4 Account receivable	93,396,643.08	(61,282.92)	1.22%
Top 5 Account receivable	82,456,534.87	(149,751.54)	1.08%
	<u>531,455,554.14</u>	<u>(1,477,653.43)</u>	<u>6.96%</u>

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	85,227,222.06	(186,185.24)	1.11%
	<u>608,327,524.86</u>	<u>(2,162,211.08)</u>	<u>7.90%</u>

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

In 2017, accounts receivable of RMB2,775,254,650.30 have been factored to a financial institution (2016: RMB1,687,263,359.73).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

4. Advances to suppliers

The aging of advances to suppliers is analyzed below:

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	507,613,407.19	98.23	411,644,193.52	96.89
1 to 2 years	7,410,774.78	1.43	11,793,388.28	2.77
2 to 3 years	1,753,935.50	0.34	800,000.00	0.19
Above 3 years	-	0.00	630,000.00	0.15
	<u>516,778,117.47</u>	<u>100.00</u>	<u>424,867,581.80</u>	<u>100.00</u>

As at 31 December 2017, the top five advances to suppliers by customer are summarized below:

	Amount	Proportion of total balance
Total amount of top five advances to suppliers	<u>142,890,492.03</u>	<u>27.65%</u>

5. Interest receivable

	31 December 2017	31 December 2016
Fixed deposits	-	450,722.67
Entrusted borrowings	<u>61,441.11</u>	<u>-</u>
	<u>61,441.11</u>	<u>450,722.67</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

6. Other receivables

	31 December 2017	31 December 2016
Deposits	226,111,186.83	192,975,588.52
Receivable due from related parties	127,922,489.88	145,308,980.82
Entrusted borrowings	44,000,000.00	-
Petty cash advance to employees	13,392,873.34	14,926,087.80
Receivable of equity transactions	8,980,000.00	8,980,000.00
Others	<u>252,575,558.36</u>	<u>135,585,385.78</u>
	<u>672,982,108.41</u>	<u>497,776,042.92</u>
Less: provision for bad debts	<u>(15,111,049.87)</u>	<u>(19,202,619.30)</u>
	<u>657,871,058.54</u>	<u>478,573,423.62</u>

The ageing of other receivables is analyzed below:

	31 December 2017	31 December 2016
Within 1 year	576,668,922.77	449,973,669.71
1 to 2 years	68,108,108.36	15,346,020.98
2 to 3 years	6,007,299.87	6,037,372.86
Above 3 years	<u>22,197,777.41</u>	<u>26,418,979.37</u>
	<u>672,982,108.41</u>	<u>497,776,042.92</u>

Changes of related provision for bad debts are analyzed below:

	Balance at the beginning of the year	Increases for combination	Increases in the year	Reversal in the year	Written off in the year	Decreased due to reorganization	Balance at the end of the year
2017	<u>19,202,619.30</u>	<u>78,983.91</u>	<u>1,573,179.19</u>	<u>(961,091.24)</u>	<u>(4,782,641.29)</u>	<u>-</u>	<u>15,111,049.87</u>
2016	<u>19,117,084.21</u>	<u>-</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>

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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V Notes to the consolidated financial statements (Continued)

6. Other receivables (Continued)

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

	31 December 2017				31 December 2016			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant and subject to separate impairment assessment	355,636,071.62	52.84	(8,980,000.00)	2.53	184,418,573.80	37.05	(9,315,472.11)	5.05
Receivable accounts with similar credit risk	282,169,420.65	41.93	(2,782,712.61)	0.99	290,709,669.09	58.40	(2,655,875.78)	0.91
Individually not significant but individually evaluated for impairment	35,176,616.14	5.23	(3,348,337.26)	9.52	22,647,800.03	4.55	(7,231,271.41)	31.93
	<u>672,982,108.41</u>	<u>100.00</u>	<u>(15,111,049.87)</u>	<u>2.25</u>	<u>497,776,042.92</u>	<u>100.00</u>	<u>(19,202,619.30)</u>	<u>3.86</u>

As at 31 December 2017, impairment provision for other receivables individually significant are analyzed as follows:

	Amount	Bad debt provision	Rate	Assessment for impairment
Deposit	152,178,106.11	-	-	Cash deposit, no risk of recoverable, no provision
Shanghai Shyndec Pharmaceutical Co., Ltd. ("Morden Pharma")	125,181,658.92	-	-	Receivable due from a related party with no risk of recoverability, no provision
Receivable of price reduction compensation	61,868,684.71	-	-	Receivable due from a related party with no risk of recoverability, no provision
Shenzhen Yinghai Technology Investment Co., Ltd.	8,980,000.00	(8,980,000.00)	100.00%	Receivable due from equity transaction, uncertainty in recoverability
Receivable of purchasing rebates	<u>7,427,621.88</u>	<u>-</u>	<u>-</u>	Receivable of purchasing rebates with no risk of recoverability, no provision
	<u>355,636,071.62</u>	<u>(8,980,000.00)</u>	<u>2.53%</u>	

As at 31 December 2016, impairment provision for other receivables which were individually significant is analyzed as follows:

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

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 2017

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6. Other receivables (Continued)

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

	31 December 2017			31 December 2016		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	amount	Amount	Rate	Amount	Amount	Rate
Within 1 year	278,135,696.76	(2,337,600.82)	0.84%	287,491,393.02	(2,340,716.26)	0.81%
1 to 2 years	2,996,168.28	(283,981.67)	9.48%	1,922,485.83	(92,014.77)	4.79%
2 to 3 years	540,157.10	(65,650.42)	12.15%	367,037.96	(36,703.80)	10.00%
Above 3 years	497,398.51	(95,479.70)	19.20%	928,752.28	(186,440.95)	20.07%
	<u>282,169,420.65</u>	<u>(2,782,712.61)</u>	<u>0.99%</u>	<u>290,709,669.09</u>	<u>(2,655,875.78)</u>	<u>0.91%</u>

Bad debt provision of other receivables in 2017 was RMB1,573,179.19 (2016: RMB181,998.77), with the recovered or reversed amount of RMB961,091.24 (2015: RMB57,164.51).

Other receivables written off in the current year were RMB4,782,641.29 (2016: RMB3,692.31).

As at 31 December 2017, 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
Morden Pharma	Payment of Pinshan project	125,181,658.92	Within 2 years	18.60%	-
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform repayment not yet cleared	72,165,043.07	Within 1 year	10.72%	-
Shanghai Roche Pharmaceutical Co., Ltd.	Price reduction compensation for DTP medicine	61,253,240.02	Within 1 year	9.10%	-
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd. ("Zhijun Suzhou")	Entrusted borrowings	44,000,000.00	Within 1 year	6.54%	-
TCM-Integrated Cancer Center of Southern Medical University	Deposit of logistics extension services project	30,000,000.00	Within 1 year	4.46%	-
		<u>332,599,942.01</u>		<u>49.42%</u>	<u>-</u>

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
Morden Pharma	Cash deposit relating to significant corporate restructuring and money advanced for construction project	137,191,103.76	Within 1 year	27.56%	-
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform repayment not yet cleared	73,358,155.83	Within 1 year	14.74%	-
Shenyang Tiexi State Owned Assets Supervision and Administration Bureau	Cash deposit	15,000,000.00	Within 1 year	3.01%	-
Taiyuan Medical Insurance Management Center	Medical insurance deposit	12,776,150.89	Within 1 year	2.57%	-
Shenyang Social Security Administration	Medical insurance deposit	11,335,599.41	Within 1 year	2.28%	-
		<u>249,661,009.89</u>		<u>50.16%</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

7. Inventories

Inventories by category are analyzed below:

	31 December 2017			31 December 2016		
	Book value	Provision	Net book value	Book value	Provision	Net book value
Raw materials	1,181,095.08	-	1,181,095.08	463,493.71	-	463,493.71
Finished goods	3,785,146,957.42	(6,840,110.55)	3,778,306,846.87	4,061,265,347.64	(14,930,813.47)	4,046,334,534.17
Work in progress	129,098.02	-	129,098.02	277,528.67	-	277,528.67
Low cost consumables	2,241,198.15	-	2,241,198.15	2,406,973.16	-	2,406,973.16
	<u>3,788,698,348.67</u>	<u>(6,840,110.55)</u>	<u>3,781,858,238.12</u>	<u>4,064,413,343.18</u>	<u>(14,930,813.47)</u>	<u>4,049,482,529.71</u>

Provision for inventories is analysed below:

	1 January 2017	Increases		Decreases		31 December 2017
		Increases	Increases due to combination	Reversal	Charge-off	
Finished goods	<u>14,930,813.47</u>	<u>3,099,135.23</u>	<u>44,252.15</u>	<u>(2,498,723.97)</u>	<u>(8,735,366.33)</u>	<u>6,840,110.55</u>

	1 January 2016	Increases	Decreases			31 December 2016
			Reversal	Charge-off	Decrease due to 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>(20,074,199.16)</u>	<u>14,930,813.47</u>

Provision for inventories is determined according to the difference between the net realizable value and the inventories' book value.

8. Other current assets

	31 December 2017	31 December 2016
VAT tax credit	78,014,460.84	54,641,868.38
Corporate income tax to be deducted	933,183.78	520,764.03
Other	-	2,046,630.63
	<u>78,947,644.62</u>	<u>57,209,263.04</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

9. Available-for-sale financial assets

	31 December 2017	31 December 2016
Available-for-sale equity instruments		
- Measured at cost	13,865,760.00	13,865,760.00
Less: impairment provision	<u>(180,000.00)</u>	<u>(180,000.00)</u>
	<u>13,685,760.00</u>	<u>13,685,760.00</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%, 6.31% and 8.06%, 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 which was considered as an available-for-sale equity instrument. As at 31 December 2017 and 31 December 2016, full impairment provision for investment in Xinxiang Golden Elephant was accrued.

As at 31 December 2017, the carrying value of unlisted equity investment was RMB13,685,760.00 (31 December 2016: RMB13,685,760.00) which was 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)

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V Notes to the consolidated financial statements (Continued)

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

2017:

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	-	-	-	-	8.06	-
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-	-	-	10.00	-
Hunan Zhongbai pharmaceutical investment Co., Ltd.	315,000.00	-	-	315,000.00	-	-	-	-	6.31	-
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	529,444.97
	13,865,760.00	-	-	13,865,760.00	(180,000.00)	-	-	(180,000.00)	-	579,444.97

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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

V Notes to the consolidated financial statements (Continued)

9. 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	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	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>

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

10. Long-term equity investments

Associates in 2017

Investee	1 January 2017	Changes in the year						31 December 2017	Provision for impairment
		Additional Investment	Investments gained under other method	Profit or loss under equity method	Other changes in equity	Cash dividend declared by investee	Others		
Shenzhen Main Luck Pharmaceutical Inc. ("Main Luck Pharmaceutical"). (a)	207,259,086.90	-	-	66,977,651.24	-	(35,190,000.00)	-	239,046,738.14	-
Sinopharm Holding Zhuhai Co., Ltd ("Sinopharm Zhuhai").(b)	1,420,139.96	-	-	-	-	(406,462.68)	(1,013,677.28)	-	-
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd. (c)	8,980,086.48	-	-	1,544,808.17	-	(1,006,200.00)	-	9,518,694.65	-
Shanghai Liyi Pharmacy Co., Ltd. (d)	642,479.69	-	-	128,928.36	-	-	-	771,408.05	-
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)	9,442,741.61	-	-	(939,857.11)	-	-	-	8,502,884.50	-
Zhijun Suzhou (h)	69,642,985.98	-	-	(23,443,257.07)	-	-	-	46,199,728.91	-
Zhijun Medicine (i)	174,820,412.07	-	-	116,222,509.13	-	-	-	291,042,921.20	-
Zhijun Trade (i)	6,198,820.40	-	-	1,477,322.29	-	-	-	7,676,142.69	-
Pingshan Medicine (i)	47,087,958.31	-	-	21,598,846.02	-	-	-	68,686,804.33	-
Morden Pharma (i)	887,539,454.16	-	-	80,258,883.53	33,844,531.25	(22,468,818.32)	-	979,174,050.62	-
	<u>1,413,430,803.88</u>	<u>-</u>	<u>-</u>	<u>263,825,834.56</u>	<u>33,844,531.25</u>	<u>(59,071,481.00)</u>	<u>(1,013,677.28)</u>	<u>1,651,016,011.41</u>	<u>(396,638.32)</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

10. Long-term equity investments (Continued)

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 or loss under equity method	Other changes in equity	Cash dividend declared by investee		
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	-
Morden Pharma (i)	-	871,794,861.65	-	16,104,358.86	(359,766.35)	-	887,539,454.16	-
	190,679,267.46	881,654,861.65	498,401,542.35	97,075,494.40	(359,766.35)	(254,020,595.63)	1,413,430,803.88	(396,638.32)

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

10. 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% shareholdings, 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.

In January 2017, the Group acquired a 90% equity interest of Sinopharm Zhuhai from the original shareholder Xianjiang Li for RMB9,249,000 to constitute business combination involving enterprises not under common control. After the acquisition, Sinopharm Zhuhai became a wholly owned subsidiary of the Company. The acquisition was completed on 10 January 2017 and included in the consolidation scope of the Company (Note VI (1.1)).

- (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 percentages 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 percentages 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 2017

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

V Notes to the consolidated financial statements (Continued)

10. Long-term equity investments (Continued)

- (e) The Group entered into 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 increase 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 borne 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 (35), (Note V (50)).

- (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 percentages 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 was 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)

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

V Notes to the consolidated financial statements (Continued)

10. Long-term equity investments (Continued)

- (h) 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. 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 (Zhijun Medicines, Zhijun Pharma & Trade, Zhijun Pingshan) 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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(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

11. Investment properties

Subsequent measurement under the cost model:

2017	Buildings and constructions	Land use right	Total
Original cost			
Opening balance	245,258,727.03	23,833,990.27	269,092,717.30
Purchase	782,326.95	-	782,326.95
Transfer from fixed assets	11,558,969.36	-	11,558,969.36
Transfer from intangible assets	-	302,035.37	302,035.37
Transfer to intangible assets	-	(765,940.92)	(765,940.92)
Transfer to fixed assets	(11,633,314.20)	-	(11,633,314.20)
Disposal and retirement	(34,190.50)	-	(34,190.50)
Closing balance	<u>245,932,518.64</u>	<u>23,370,084.72</u>	<u>269,302,603.36</u>
Accumulated depreciation and amortization			
Opening balance	(93,028,655.88)	(8,048,212.62)	(101,076,868.50)
Provision	(8,483,516.94)	(249,960.17)	(8,733,477.11)
Transfer from fixed assets	(9,760,097.90)	-	(9,760,097.90)
Transfer from intangible assets	-	(50,780.51)	(50,780.51)
Transfer to intangible assets	-	164,003.30	164,003.30
Transfer to fixed assets	5,132,956.47	-	5,132,956.47
Disposal or retirement	-	-	-
Closing balance	<u>(106,139,314.25)</u>	<u>(8,184,950.00)</u>	<u>(114,324,264.25)</u>
Provision for impairment			
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>
Carrying amount			
At end of year	<u>138,493,204.39</u>	<u>15,185,134.72</u>	<u>153,678,339.11</u>
At beginning of the year	<u>150,930,071.15</u>	<u>15,785,777.65</u>	<u>166,715,848.80</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

11. Investment properties (Continued)

Subsequent measurement under the cost model (Continued):

2016	Buildings and constructions	Land use right	Total
Original cost			
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
Transfer out due to 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>
Accumulated depreciation and amortization			
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)
Transfer out due to acquisition of subsidiary	16,941,566.58	-	16,941,566.58
Transfer to intangible assets	-	387,144.02	387,144.02
Transfer to intangible assets	1,076,244.11	-	1,076,244.11
Disposal and 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>
Provision for impairment			
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>
Carrying amount			
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 2017

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

V Notes to the consolidated financial statements (Continued)

11. Investment properties (Continued)

Subsequent measurement under the cost model (Continued):

During 2017, depreciation of investment properties was RMB8,733,477.11(2016: RMB7,383,513.97).

During 2017, properties with a carrying amount of RMB1,798,871.46 (original value: RMB11,558,969.36, accumulated depreciation: RMB9,760,097.90) and land use rights with a carrying amount of RMB251,254.86(original value of land use rights:RMB302,035.37, accumulated depreciation: RMB50,780.51) were leased. From the date of transfer, the transferred properties and land use rights were reclassified as investment properties.

During 2017, a property with a carrying amount of RMB6,500,357.73(original value of a building: RMB11,633,314.20, accumulated depreciation: RMB5,132,956.47) and land use rights with a carrying amount of RMB 601,937.62(original value of exclusive distribution rights: RMB765,940.92, accumulated depreciation: RMB164,003.30) 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 2017

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

V Notes to the consolidated financial statements (Continued)

12. Fixed assets

2017

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
Original cost						
Opening balance	416,870,234.54	136,667,853.08	90,713,467.96	240,527,711.61	22,373,714.89	907,152,982.08
Purchase	30,175,171.83	38,745,865.63	6,504,401.73	28,401,598.18	16,478,943.15	120,305,980.52
Transfer from construction in progress	9,182,660.00	9,333,581.19	-	1,232,547.38	-	19,748,788.57
Transfer from Investment properties	11,633,314.20	-	-	-	-	11,633,314.20
Business combination not involving enterprises under common control	-	103,810.61	123,264.01	14,386.79	111,480.15	352,941.56
Transfer to Investment properties	(11,558,969.36)	-	-	-	-	(11,558,969.36)
Disposal or retirement	(140,800.00)	(1,098,539.37)	(9,341,343.14)	(10,894,658.55)	(8,852,939.72)	(30,328,280.78)
Closing balance	<u>456,161,611.21</u>	<u>183,752,571.14</u>	<u>87,999,790.56</u>	<u>259,281,585.41</u>	<u>30,111,198.47</u>	<u>1,017,306,756.79</u>
Accumulated depreciation						
Opening balance	(139,954,250.07)	(57,610,772.80)	(59,136,773.31)	(142,597,466.20)	(20,844,119.60)	(420,143,381.98)
Provision	(13,849,882.94)	(16,891,198.91)	(8,403,944.46)	(20,991,723.39)	(13,567,224.81)	(73,703,974.51)
Transfer from Investment properties	(5,132,956.47)	-	-	-	-	(5,132,956.47)
Transfer to Investment properties	9,760,097.90	-	-	-	-	9,760,097.90
Disposal or retirement	57,236.36	900,904.38	8,318,944.90	8,900,045.36	5,446,761.29	23,623,892.29
Closing balance	<u>(149,119,755.22)</u>	<u>(73,601,067.33)</u>	<u>(59,221,772.87)</u>	<u>(154,689,144.23)</u>	<u>(28,964,583.12)</u>	<u>(465,596,322.77)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

2017(Continued)

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
Provision for impairment						
Opening balance	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Carrying amount						
At end of year	307,041,855.99	110,151,503.81	28,778,017.69	104,592,441.18	1,146,615.35	551,710,434.02
At beginning of the 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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

2016

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
Original cost						
Opening balance	1,083,130,279.82	574,763,347.43	98,645,685.13	376,767,380.65	37,402,811.81	2,170,709,504.84
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)
Transfer out due to acquisition of a subsidiary	(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	416,870,234.54	136,667,853.08	90,713,467.96	240,527,711.61	22,373,714.89	907,152,982.08
Accumulated depreciation						
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
Transfer out due to acquisition of a subsidiary	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	(139,954,250.07)	(57,610,772.80)	(59,136,773.31)	(142,597,466.20)	(20,844,119.60)	(420,143,381.98)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

2016(Continued)

	Buildings	Machinery	Vehicles	Other equipment	Fixed asset improvements	Total
Provision for impairment						
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
Ending balance	-	-	-	-	-	-
Carrying amount						
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 2017

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

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

Fixed assets held under finance leases are presented as follows:

2017	Original cost	Accumulated depreciation	Carrying amount
Machinery	22,010,632.48	(6,114,633.93)	15,895,998.55
Other equipment	2,716,485.81	(789,096.28)	1,927,389.53
	<u>24,727,118.29</u>	<u>(6,903,730.21)</u>	<u>17,823,388.08</u>

The book value of fixed assets leased out from operation lease are presented as follows:

	2017	2016
Machinery equipment	120,700.00	-
Others	<u>197,130.80</u>	<u>-</u>
	<u>317,830.80</u>	<u>-</u>

As at 31 December 2017, the fixed asset falling to accomplish certification of title are presented as follows:

	Book value	Reason for not obtaining certification of title
Houses and buildings	28,356,440.00	As at 31 December 2017, the Company has not yet obtained the certification of title for No.13 Jingxing North Street, Tiexi District, Shenyang yet. The transferor, State-owned Assets Supervision and Administration Commission is still processing the case and already provided relevant certification.

As at 31 December 2017, 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 2017

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

V Notes to the consolidated financial statements (Continued)

13. Construction in progress

	31 December 2017		31 December 2016	
	Carrying balance	Carrying amount	Carrying balance	Carrying amount
Warehouse improvement project	1,009,314.93	1,009,314.93	14,044,783.68	14,044,783.68
New office building project	765,882.63	765,882.63	7,979,356.35	7,979,356.35
Supply chain extension project	8,193,935.70	8,193,935.70	5,209,203.43	5,209,203.43
Software project	3,926,271.33	3,926,271.33	10,889,391.67	10,889,391.67
Other projects	9,051,854.40	9,051,854.40	8,941,133.36	8,941,133.36
	<u>22,947,258.99</u>	<u>22,947,258.99</u>	<u>47,063,868.49</u>	<u>47,063,868.49</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

Changes of significant construction in progress

Changes of significant construction in progress in 2017 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	Transferred to long term prepaid expense			
Warehouse improvement project	13,664,095.84	14,044,783.68	6,637,920.87	-	-	(19,673,389.62)	1,009,314.93	Self-raised funds	76.83
New office building project	41,434,500.00	7,979,356.35	2,028,688.98	(9,182,660.00)	-	(59,502.70)	765,882.63	Working capital	29.04
Supply chain extension project	34,983,630.22	5,209,203.43	13,479,958.69	(10,156,764.88)	(338,461.54)	-	8,193,935.70	Working capital	51.77
Software project	3,926,271.33	10,889,391.67	8,629,681.55	-	(15,592,801.89)	-	3,926,271.33	Self-raised funds	30.00
Other construction projects	209,099,377.58	8,941,133.36	3,711,458.69	(409,363.69)	(244,068.38)	(2,947,305.58)	9,051,854.40	Working capital	6.20
		<u>47,063,868.49</u>	<u>34,487,708.78</u>	<u>(19,748,788.57)</u>	<u>(16,175,331.81)</u>	<u>(22,680,197.90)</u>	<u>22,947,258.99</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

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	13,664,095.84	76.83	-	-	-
New office building project	41,434,500.00	29.04	-	-	-
Supply chain extension project	34,983,630.22	51.77	-	-	-
Software project	3,926,271.33	30.00	-	-	-
Other construction projects	209,099,377.58	6.20	-	-	-
		-	-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

Changes of significant construction in progress (Continued)

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

Project name	Budget	At beginning of the year	Increase		Decrease			Disposal	At end of year	Source of funds	Proportion of investment to budget (%)
			Acquisition of subsidiaries	Transfer to fixed assets	Transfer to intangible assets	Transfer to long term prepaid expense	Decrease due to disposal of subsidiaries				
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 constructions 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
		200,568,804.08	115,044,815.69	(147,325,872.07)	(9,015,440.99)	(17,368,651.34)	(28,020,935.08)	(66,818,851.80)	47,063,868.49		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

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	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 constructions	253,713,768.90	-	10,391.66	10,391.66	0.01
			21,879,974.02	2,064,652.59	

As of 31 December 2017, construction in progress with a carrying amount of nil was leased under finance leases (31 December 2016: RMB1,924,502.57).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

14. Intangible assets

2017	Land use right	Software	Patent	Trademarks	Favorable lease	Sales network	Franchise	Total
Original cost								
Opening 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
Purchase	4,000,000.00	10,124,136.06	-	-	-	-	-	14,124,136.06
Transfer from construction in progress	-	16,175,331.81	-	-	-	-	-	16,175,331.81
Transfer from investment properties	765,940.92	-	-	-	-	-	-	765,940.92
Disposal of subsidiaries	-	(773,536.24)	-	-	-	-	-	(773,536.24)
Transfer to investment properties	(302,035.37)	-	-	-	-	-	-	(302,035.37)
Closing balance	60,481,989.28	126,128,809.36	-	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	458,657,791.50
Accumulated amortization								
Opening 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)
Provision	(3,392,800.22)	(11,389,757.40)	-	-	(4,945,705.88)	(5,605,857.14)	-	(25,334,120.64)
Transfer from investment properties	(164,003.30)	-	-	-	-	-	-	(164,003.30)
Disposal of subsidiaries	-	773,536.24	-	-	-	-	-	773,536.24
Transfer to investment properties	50,780.51	-	-	-	-	-	-	50,780.51
Closing balance	(26,667,841.47)	(55,408,075.33)	-	(196,850.16)	(14,837,117.48)	(35,086,476.18)	(710,000.00)	(132,906,360.62)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

14. Intangible assets (Continued)

2017 (Continued)	Land use right	Software	Trademarks	Favorable lease	Sales network	Franchise	Total
Provision for impairment							
Opening balance	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
Carrying amount							
At end of the year	33,814,147.81	70,720,734.03	65,780,999.84	78,404,882.52	77,030,666.68	-	325,751,430.88
At beginning 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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

14. Intangible assets (Continued)

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
Business combination not involving enterprises under common control	-	9,015,440.99	-	-	-	-	-	9,015,440.99
Transfer from construction in progress	706,386.41	-	-	-	-	-	-	706,386.41
Transfer from investment properties	(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)
Transfer out due to 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)

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

14. 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)
Transferred out due to disposal of subsidiary	-	264,952.19	3,000,000.00	-	-	-	-	3,264,952.19
Closing balance	-	-	-	-	-	-	-	-
Carrying amount								
At end of year	<u>32,856,265.27</u>	<u>55,811,023.56</u>	<u>-</u>	<u>65,780,999.84</u>	<u>83,350,588.40</u>	<u>82,636,523.82</u>	<u>-</u>	<u>320,435,400.89</u>
At beginning of the year	<u>110,799,425.38</u>	<u>55,556,400.11</u>	<u>625,168.53</u>	<u>65,781,000.00</u>	<u>88,296,294.20</u>	<u>88,242,380.96</u>	<u>5,916.83</u>	<u>409,306,586.01</u>

As at 31 December 2017, there were no intangible assets arising from internal research and development (31 December 2016: none).

As at 31 December 2017, there were no intangible assets of which the certificates of title have not been obtained (31 December 2016: none).

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Notes to financial statements (Continued)

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

V Notes to the consolidated financial statements (Continued)

15. Development costs

2016	At beginning of year	Increase Internal development	Decrease Recognized in profit or loss	Disposal of subsidiaries	At end of year
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)	-

There were no expenditures on research and development incurred in 2017 (2016: RMB43,731,710.16).

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

16. Goodwill

31 December 2017	Opening balance	Increase Business combination not involving enterprises under common control	Closing balance
Pharmaceutical distribution			
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	2,755,680.62	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	88,877,850.51
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd. ("ForMe Medicines")	3,033,547.53	-	3,033,547.53
Sinopharm Holding Zhuhai Co., Ltd. ("Sinopharm Zhuhai")	-	6,772,561.47	6,772,561.47
Sinopharm Holding Maoming Co., Ltd. ("Sinopharm Maoming")	-	66,417.07	66,417.07
Pharmaceutical retail			
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd. ("Hebei Yikang")	29,482,149.57	-	29,482,149.57
Xiaoyi Guoda Wanmin Baicatang 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	-	3,045,183.85
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	1,687,942.92	-	1,687,942.92
	11,598,341.12	-	11,598,341.12

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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

V Notes to the consolidated financial statements (Continued)

16. Goodwill (Continued)

31 December 2017 (Continued)	Opening balance	Increase Business combination not involving enterprises under common control	Closing balance
Pharmaceutical retail (Continued)			
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>848,890,174.21</u>	<u>6,838,978.54</u>	<u>855,729,152.75</u>

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

V Notes to the consolidated financial statements (Continued)

16. Goodwill (Continued)

31 December 2016	Opening balance	Increase Business combination not involving enterprises under common control	Decrease Disposal	Closing balance
Pharmaceutical distribution				
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	2,755,680.62	-	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	-	88,877,850.51
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd. ("ForMe Medicines")	3,033,547.53	-	-	3,033,547.53
Pharmaceutical manufacturing				
Zhijun Suzhou	33,869,393.32	-	(33,869,393.32)	-
Pharmaceutical retail				
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.	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

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V Notes to the consolidated financial statements (Continued)

16. Goodwill (Continued)

31 December 2016 (Continued)	Opening balance	Increase	Decrease	Closing balance
		Business combination not involving enterprises under common control	Disposal	
Pharmaceutical retail (Continued)				
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
	855,933,446.98	26,826,120.55	(33,869,393.32)	848,890,174.21

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

16. Goodwill (Continued)

Changes in provision for impairment of goodwill are presented as follows:

2017	Opening balance	Increase Provision	Decrease Disposal	Closing balance
Pharmaceutical retail				
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	25,000,000.00	-	-	25,000,000.00
2016	Opening balance	Increase Provision	Decrease Disposal	Closing balance
Pharmaceutical manufacturing				
Zhijun Suzhou	5,850,000.00	-	(5,850,000.00)	-
Pharmaceutical retail				
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	25,000,000.00	-	-	25,000,000.00
	<u>30,850,000.00</u>	<u>-</u>	<u>(5,850,000.00)</u>	<u>25,000,000.00</u>

The carrying amount of goodwill was allocated to each asset group as follows:

	31 December 2017	31 December 2016
Pharmaceutical distribution	152,865,497.03	146,026,518.49
Pharmaceutical retail	<u>677,863,655.72</u>	<u>677,863,655.72</u>
	<u>830,729,152.75</u>	<u>823,890,174.21</u>

The Group acquired Sinopharm Zhuhai in January 2017 and Sinopharm Maoming in May 2017, and goodwill of RMB6,772,561.47 and 66,417.07 thus arose. Refer to Item 1 under Note VI (1) for its calculation process.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

16. 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 2017. 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	1.00%-30.00%	2.00%-30.00%
Sustainable growth rate	3.00%	3.00%
Gross margin	4.8%-12.7%	4.00%-39.9%
Discount rate	13.00%-15.00%	13.30%-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.

17. Long-term prepaid expenses

2017	Opening balance	Additions	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	158,483,260.94	104,416,969.80	(61,265,197.82)	(2,425,195.12)	199,209,837.80
Acquisition expenditure to obtain the right to operate	28,493,593.63	29,453,467.40	(8,933,729.55)	-	49,013,331.48
Others	1,400,871.07	4,461,933.52	(1,838,923.08)	-	4,023,881.51
	<u>188,377,725.64</u>	<u>138,332,370.72</u>	<u>(72,037,850.45)</u>	<u>(2,425,195.12)</u>	<u>252,247,050.79</u>
2016	Opening balance	Increase	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>

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V Notes to the consolidated financial statements (Continued)

18. Deferred tax assets/liabilities

Deferred tax assets before offsetting

	31 December 2017		31 December 2016	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deductible tax loss	28,705,915.53	115,556,647.93	21,393,844.91	85,575,379.60
Provision for impairment of assets	16,274,860.36	66,273,264.15	19,118,314.97	83,604,722.45
Accrued payroll	14,540,506.81	60,250,524.89	14,668,802.63	60,272,948.20
Accrued expenses	11,141,862.66	47,994,796.55	11,524,213.88	48,767,983.92
Deferred revenue	7,540,824.20	30,837,426.91	6,196,507.49	25,425,419.68
Others	1,268,913.50	5,424,788.24	445,778.06	2,065,022.05
	<u>79,472,883.06</u>	<u>326,337,448.67</u>	<u>73,347,461.94</u>	<u>305,711,475.90</u>

Deferred tax liabilities before offsetting

	31 December 2017		31 December 2016	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Fair value adjustment for business combination not involving enterprises under common control	59,943,324.20	239,773,296.84	63,557,328.29	254,229,313.19
Changes in fair value	6,088,777.56	24,355,110.24	8,734,282.98	35,313,052.96
Others	5,851,151.26	28,945,491.07	4,676,832.38	18,707,329.48
	<u>71,883,253.02</u>	<u>293,073,898.15</u>	<u>76,968,443.65</u>	<u>308,249,695.63</u>

The deductible temporary differences and deductible losses that were not recognized as deferred tax assets are presented as follows:

	31 December 2017	31 December 2016
Deductible temporary differences	1,480,000.00	1,300,000.00
Deductible losses (Note)	<u>21,759,547.45</u>	<u>20,729,807.46</u>
	<u>23,239,547.45</u>	<u>22,029,807.46</u>

Note: For those loss-making subsidiaries, as it is not considered probable that taxable profits 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 RMB21,759,547.45 which are tax deductible under the tax law.

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Notes to financial statements (Continued)

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

18. Deferred tax assets/liabilities (Continued)

The aforesaid unrecognized deductible losses will be due in:

	31 December 2017	31 December 2016
2017	-	6,047,670.28
2018	2,970,715.21	5,840,282.75
2019	3,159,690.78	3,370,441.99
2020	4,835,260.23	4,835,260.23
2021	2,641,220.49	2,565,175.00
2022	8,152,660.74	-
	<u>21,759,547.45</u>	<u>22,658,830.25</u>

Deferred tax assets and liabilities offsetting amount is as follows:

	31 December 2017	31 December 2016
Deferred tax assets/liabilities	<u>-</u>	<u>432,739.64</u>

Deferred tax assets and liabilities are presented after being offset against each other:

	31 December 2017		31 December 2016	
	Deferred tax assets/liabilities - Net	Temporary differences after set-off	Deferred tax assets/liabilities - Net	Temporary differences after set-off
Deferred tax assets	<u>79,472,883.06</u>	<u>326,337,448.67</u>	<u>72,914,722.30</u>	<u>303,980,517.34</u>
Deferred tax liabilities	<u>71,883,253.02</u>	<u>293,073,898.15</u>	<u>76,535,704.01</u>	<u>306,518,737.07</u>

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

19. Other non-current assets

	31 December 2017	31 December 2016
Prepayment for investment (Note 1)	60,000,000.00	-
Physical assets reserve specifically authorized	45,074,249.27	43,605,016.10
Prepayment for project and equipment	19,441,433.20	27,155,022.78
Prepayment for a rental fee (Note 2)	17,506,780.28	17,021,937.21
Prepayment for house purchase	-	6,867,500.00
	<u>142,022,462.75</u>	<u>94,649,476.09</u>

Note 1: On March 2017, the Group subscribed to Sinopharm Zhongjin medical industry fund, as its limited partner. The total investment which amounted to RMB200 million, will be paid within 3 years. The total amount paid this year was 30% of the total investment which was RMB60 million.

Note 2: The prepayment for a rental fee which is over one year is recognized as other non-current asset of the Group.

20. Provision for impairment of assets

	1 January 2017	Reversal of write-off in previous years	Additions		Reductions		31 December 2017
				Reversal	Write-off	Decreased due to reorganization	
Provision for bad debts	68,097,270.66	45,677.60	5,655,978.20	1,026,351.73	(8,727,086.20)	(7,061,676.71)	59,036,515.28
Provision for bad debts of accounts receivable	48,894,651.36	45,677.60	4,082,799.01	947,367.82	(7,765,994.96)	(2,279,035.42)	43,925,465.41
Provision for bad debts of other receivables	19,202,619.30	-	1,573,179.19	78,983.91	(961,091.24)	(4,782,641.29)	15,111,049.87
Inventories provision	14,930,813.47	-	3,099,135.23	44,252.15	(2,498,723.97)	(8,735,366.33)	6,840,110.55
Impairment of available-for-sale financial assets	180,000.00	-	-	-	-	-	180,000.00
Impairment of investment properties	1,300,000.00	-	-	-	-	-	1,300,000.00
Impairment of goodwill	25,000,000.00	-	-	-	-	-	25,000,000.00
Impairment of long-term equity investments	396,638.32	-	-	-	-	-	396,638.32
	109,904,722.45	45,677.60	8,755,113.43	1,070,603.88	(11,225,810.17)	(15,797,043.04)	92,753,264.15

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

20. Provision for impairment of assets (Continued)

	1 January 2016	Reversal of write-off in previous years	Additions	Reductions			31 December 2016
				Reversal	Write-off	Decreased due to reorganization	
Provision for bad debts	92,811,277.51	23,638.80	1,968,011.77	(12,080,619.25)	(14,521,067.31)	(103,970.86)	68,097,270.66
Provision for bad debts of accounts receivable	73,694,193.30	23,638.80	1,786,013.00	(12,023,454.74)	(14,517,375.00)	(68,364.00)	48,894,651.36
Provision for bad debts 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>181,938,444.48</u>	<u>23,638.80</u>	<u>9,802,489.62</u>	<u>(18,352,479.43)</u>	<u>(17,298,241.86)</u>	<u>(46,209,129.16)</u>	<u>109,904,722.45</u>

21. Short-term borrowings

	31 December 2017	31 December 2016
Credit borrowings	1,413,638,993.97	1,276,073,615.32
Guaranteed borrowings	-	50,915,736.83
Discounted notes	147,715,527.67	154,468,694.89
Pledged borrowings	-	31,255,582.91
	<u>1,561,354,521.64</u>	<u>1,512,713,629.95</u>

As at 31 December 2017, the annual interest rate for the above borrowings was 4.34% (31 December 2016: 4.13%).

As at 31 December 2017 and 31 December 2016, there were no short-term borrowings of the Group that were overdue but not yet paid.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

22. Notes payable

	31 December 2017	31 December 2016
Commercial acceptance notes	60,129,565.95	117,104,256.84
Bank acceptance notes	<u>2,672,308,262.47</u>	<u>2,289,538,326.02</u>
	<u><u>2,732,437,828.42</u></u>	<u><u>2,406,642,582.86</u></u>

At 31 December 2017, the total amount of notes payable that were due but not yet paid is RMB19,900.00 (31 December 2016: RMB8,367,100.00).

23. Accounts payable

	31 December 2017	31 December 2016
Trade payables	<u>6,144,221,000.10</u>	<u>6,701,558,514.10</u>

At 31 December 2017, the total amount of accounts payable aged over one year was RMB269,295,585.18 (31 December 2016: RMB263,362,685.91), and the payment has not yet been cleared.

24. Advances from customers

	31 December 2017	31 December 2016
Advances from customers	<u>216,938,239.32</u>	<u>163,450,365.92</u>

At 31 December 2017, the total amount of accounts payable aged over one year was RMB16,618,324.72 (31 December 2016: RMB10,366,456.25).

25. Employee benefits payable

2017	At beginning of the year	Increase	Decrease	At end of the year
Short-term employee benefits	191,157,671.41	1,582,656,019.65	(1,564,493,527.36)	209,320,163.70
Post-employment benefits (defined contribution plan)	2,686,932.17	155,924,906.72	(153,015,561.77)	5,596,277.12
Termination benefits	<u>1,293,476.27</u>	<u>1,975,659.92</u>	<u>(2,529,050.47)</u>	<u>740,085.72</u>
	<u><u>195,138,079.85</u></u>	<u><u>1,740,556,586.29</u></u>	<u><u>(1,720,038,139.60)</u></u>	<u><u>215,656,526.54</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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

V Notes to the consolidated financial statements (Continued)

25. Employee benefits payable (Continued)

2016	At beginning of year	Increase	Decrease	At end of year
Short-term employee benefits	238,425,904.07	1,575,547,633.96	(1,622,815,866.62)	191,157,671.41
Post-employment benefits (defined contribution plan)	9,235,911.18	155,632,448.76	(162,181,427.77)	2,686,932.17
Termination benefits	2,099,068.75	3,489,110.36	(4,294,702.84)	1,293,476.27
	<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>

Short-term employee benefits

2017	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	175,148,646.81	1,375,631,520.92	(1,357,701,661.24)	193,078,506.49
Staff welfare	1,477,025.98	46,338,154.00	(45,212,374.06)	2,602,805.92
Social security contribution	1,570,365.14	78,785,834.04	(78,992,549.86)	1,363,649.32
Incl: Medical insurance	1,329,989.27	69,594,869.21	(69,793,874.07)	1,130,984.41
Work injury insurance	20,708.23	3,889,950.47	(3,900,117.15)	10,541.55
Maternity insurance	219,667.64	5,301,014.36	(5,298,558.64)	222,123.36
Housing funds	327,217.21	53,752,358.53	(53,150,486.41)	929,089.33
Labor union funds and employee education funds	11,765,134.16	24,282,431.63	(25,869,002.92)	10,178,562.87
Other short-term benefits	869,282.11	3,865,720.53	(3,567,452.87)	1,167,549.77
	<u>191,157,671.41</u>	<u>1,582,656,019.65</u>	<u>(1,564,493,527.36)</u>	<u>209,320,163.70</u>

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>

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Notes to financial statements (Continued)

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

V Notes to the consolidated financial statements (Continued)

25. Employee benefits payable (Continued)

Defined contribution plan

2017	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	619,514.34	146,712,694.05	(145,592,585.05)	1,739,623.34
Contribution to pension fund	1,961,232.61	4,365,911.23	(2,692,321.27)	3,634,822.57
Unemployment insurance	106,185.22	4,846,301.44	(4,730,655.45)	221,831.21
	<u>2,686,932.17</u>	<u>155,924,906.72</u>	<u>(153,015,561.77)</u>	<u>5,596,277.12</u>
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	274,439.23	6,106,546.75	(6,274,800.76)	106,185.22
	<u>9,235,911.18</u>	<u>155,632,448.76</u>	<u>(162,181,427.77)</u>	<u>2,686,932.17</u>

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V Notes to the consolidated financial statements (Continued)

25. Employee benefits payable (Continued)

Termination benefits

	At beginning of year	Increase	Decrease	At end of year
2017				
Retirement benefits payable – within 1 year (Note V(37))	1,093,992.97	1,200,357.47	(1,735,284.77)	559,065.67
Other termination benefits (Note)	<u>199,483.30</u>	<u>775,302.45</u>	<u>(793,765.70)</u>	<u>181,020.05</u>
	<u>1,293,476.27</u>	<u>1,975,659.92</u>	<u>(2,529,050.47)</u>	<u>740,085.72</u>
2016	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(37))	1,693,455.41	2,528,921.47	(3,128,383.91)	1,093,992.97
Other termination benefits (Note)	<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>

(Note) For year 2017, the Group provided other termination benefits for severing labor relations of RMB775,302.45, as at 31 December 2017, and the unpaid balance as at the year end was RMB181,020.05. (2016: Other termination benefits for severing labor relations of RMB960,188.89, the unpaid balance at the year end was RMB199,483.30).

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

V Notes to the consolidated financial statements (Continued)

26. Tax payable

	31 December 2017	31 December 2016
Corporate Income taxes	102,947,883.38	90,177,731.06
Value-added tax	85,843,903.33	61,767,738.60
City maintenance and construction surtax	6,691,713.89	4,844,305.96
Water conservancy fund	5,356,119.89	4,880,965.03
Educational surcharge	4,862,588.43	3,499,732.78
Stamp duty	4,166,596.91	5,449,224.41
Individual income tax	3,921,305.41	5,028,775.01
Property tax	971,268.99	1,102,254.64
Land use tax	513,790.48	341,494.13
Land appreciation tax	-	6,600,717.72
Others	8,477,729.53	3,350,778.18
	<u>223,752,900.24</u>	<u>187,043,717.52</u>

27. Interest payable

	31 December 2017	31 December 2016
- Interest on short-term borrowings	7,272,835.37	6,918,661.52
- Interest on long-term borrowings	38,984.28	37,801.50
	<u>7,311,819.65</u>	<u>6,956,463.02</u>

28. Dividend payable

	31 December 2017	31 December 2016
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharma”)	4,835,511.58	4,835,511.58
Zhong Luqi	4,103,188.06	-
Zhong Lunan	765,928.44	-
Zhong Xiangjun	601,800.92	-
Zhang Zhenfang	1,389,639.31	1,389,639.31
Meiluo Pharmaceutical Co., Ltd.	164,170.07	164,170.07
Bai Ganyin	29,204.73	-
Qiao Haiping	-	2,094,049.25
	<u>11,889,443.11</u>	<u>8,483,370.21</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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V Notes to the consolidated financial statements (Continued)

29. Other payables

	31 December 2017	31 December 2016
Payables for factoring programs	388,729,758.59	146,008,376.21
Deposits	129,662,851.39	56,640,346.01
Payables arising from acquisition of subsidiaries	109,445,960.00	273,914,900.00
Payables for construction in progress and equipment	98,293,860.11	99,860,228.96
Accrued selling and distribution expenses	96,065,832.84	82,576,148.19
Payables to individuals	34,316,089.64	19,297,062.31
Payables for rentals	27,766,119.66	25,866,767.64
Payables for land transfer payments	18,071,000.00	-
Payables to related parties	15,817,669.33	33,804,087.79
Temporary loans	15,800,000.00	19,230,000.00
Collection of others	8,430,347.08	16,980,734.50
Others	68,728,908.62	143,015,259.73
	<u>1,011,128,397.26</u>	<u>917,193,911.34</u>

At 31 December 2017, significant other payables over 1 year are:

	Amount payable	Reason for outstanding
Shenzhen No.1 Construction Engineering Co., Ltd.	31,190,781.16	Payment conditions not met
Taishan Qunkang Drugstore Co., Ltd.	13,860,000.00	Payment conditions not met
Shanxi Double Crane Pharmaceutical Co., Ltd.	9,800,000.00	Payment conditions not met
Shanxi Pharmaceutical Co., Ltd.	6,000,000.00	Payment conditions not met
Sales discount collected for clients from suppliers	5,267,715.54	Sales discount collected for clients from suppliers

30. Non-current liabilities due within 1 year

	31 December 2017	31 December 2016
Long-term borrowings due within 1 year	-	31,600,000.00
Finance lease payables (Note V (33))	<u>5,434,770.70</u>	<u>4,811,339.96</u>
	<u>5,434,770.70</u>	<u>36,411,339.96</u>

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V Notes to the consolidated financial statements (Continued)

31. Other current liabilities

	31 December 2017	31 December 2016
Output VAT to be recognized	<u>112,817.65</u>	<u>123,294.77</u>

32. Long-term borrowings

	31 December 2017	31 December 2016
Entrusted loans	<u>31,600,000.00</u>	<u>-</u>

At 31 December 2017, the total amount of entrusted loans remaining is RMB31,600,000.00. China National Pharmaceutical Group Corporation entrusted Group Financial Co. to provide the loan.

At 31 December 2017, the annual interest rate of the above-mentioned borrowings was 4.40% (31 December 2016: 4.82%).

33. Long-term payables

	31 December 2017	31 December 2016
Finance lease payables (Note XIII(2))	14,767,307.84	19,427,938.30
Less: due within one year (Note V (30))	<u>(5,434,770.70)</u>	<u>(4,811,339.96)</u>
	<u>9,332,537.14</u>	<u>14,616,598.34</u>

34. Payable for specific projects

2017				
	At beginning of year	Increase	Decrease	At end of year
Special funds granted by government	<u>800,000.00</u>	<u>-</u>	<u>-</u>	<u>800,000.00</u>
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	<u>435,000.00</u>	<u>-</u>	<u>(435,000.00)</u>	<u>-</u>
	<u>1,287,000.00</u>	<u>-</u>	<u>(487,000.00)</u>	<u>800,000.00</u>

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V Notes to the consolidated financial statements (Continued)

35. Provision

2017	Opening balance	Increase	Decrease	Closing balance
Provision for additional loss obligation on the investees (Note V (10), (Note V (50)))	-	-	-	-
2016	Opening balance	Increase	Decrease	Closing balance
Provision for additional loss obligation on the investees (Note V (10), (Note V (50)))	3,936,157.67	-	(3,936,157.67)	-

36. Deferred income

2017	Opening balance	Increase	Decrease	Closing balance
Government grants	101,563,380.85	500,000.00	(5,338,197.51)	96,725,183.34
Promotion Rewards Program	22,390,081.96	6,475,593.10	(508,485.87)	28,357,189.19
	<u>123,953,462.81</u>	<u>6,975,593.10</u>	<u>(5,846,683.38)</u>	<u>125,082,372.53</u>
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	43,079,101.69	3,532,678.95	(24,221,698.68)	22,390,081.96
	<u>199,015,543.33</u>	<u>8,915,878.95</u>	<u>(83,977,959.47)</u>	<u>123,953,462.81</u>
Less: Product promotion points redeemed within one year	(3,510,000.00)	-	3,510,000.00	-
	<u>195,505,543.33</u>	<u>8,915,878.95</u>	<u>(80,467,959.47)</u>	<u>123,953,462.81</u>

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V Notes to the consolidated financial statements (Continued)

36. Deferred income (Continued)

As at 31 December 2017, deferred income from government grants is as follows:

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Amount included in other incomes in the year	Closing balance	Asset related/income related
Resettlement Compensation (Note)	80,952,258.29	-	(2,698,408.56)	-	78,253,849.73	Asset related
Guangxi Logistics Project	7,446,239.38	-	-	(496,406.40)	6,949,832.98	Asset related
Logistics standardization project	3,907,506.23	-	-	(546,246.84)	3,361,259.39	Asset related
A comprehensive experimental modern service industry subsidies	2,100,000.00	-	-	(300,000.00)	1,800,000.00	Asset related
Shared Logistics Center (completed)	289,659.15	-	-	(18,800.40)	270,858.75	Asset related
Other projects	6,867,717.80	500,000.00	-	(1,278,335.31)	6,089,382.49	Asset/income related
	<u>101,563,380.85</u>	<u>500,000.00</u>	<u>(2,698,408.56)</u>	<u>(2,639,788.95)</u>	<u>96,725,183.34</u>	

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V Notes to the consolidated financial statements (Continued)

36. Deferred income (Continued)

As at 31 December 2016, deferred income from government grants is as follows.

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
	155,936,441.64	5,383,200.00	(17,069,118.17)	(42,687,142.62)	101,563,380.85	

Note: 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 a property in construction equal to a value of RMB70,250,000.00. Cash compensation of RMB50,000,000.00 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.

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, 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 2017

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

V Notes to the consolidated financial statements (Continued)

37. Long-term employee benefits payable

	31 December 2017	31 December 2016
Early retirement benefits payable	2,336,065.67	2,816,592.86
Less: Retirement benefits payable – within 1 year (Note V (25))	<u>(559,065.67)</u>	<u>(1,093,992.97)</u>
	<u>1,777,000.00</u>	<u>1,722,599.89</u>

The primary actuarial assumptions adopted at the end of the reporting period are presented as follows:

	31 December 2017	31 December 2016
Discount rate	4.00%	3.25%
Growth rate of wages	6.00%	6.00%

The total post-employment benefits recognized in profit or loss of the current year is:

	2017	2016
Included in administrative expenses	1,182,043.83	595,286.36
Included in financial expenses	<u>101,713.75</u>	<u>133,135.00</u>
	<u>1,283,757.58</u>	<u>728,421.36</u>

38. Other non-current liabilities

	31 December 2017	31 December 2016
Governmental medical reserve funds	<u>45,427,343.31</u>	<u>45,427,343.31</u>

Certain medical reserve 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.

V Notes to the consolidated financial statements (Continued)

39. Share capital

2017	At beginning of the year	Increase during the current year			At end of the year
		Issue of new share	Others	Total	
Listed shares without restriction of trading:					
-A shares, listed	233,261,812.00	-	74,482,543.00	74,482,543.00	307,744,355.00
-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	60,380,743.00	(74,482,543.00)	(14,101,800.00)	60,380,743.00
-Natural person shares	-	5,114,297.00	-	5,114,297.00	5,114,297.00
	1,988.00	-	-	-	1,988.00
	<u>362,631,943.00</u>	<u>65,495,040.00</u>	<u>-</u>	<u>65,495,040.00</u>	<u>428,126,983.00</u>
2016	At beginning of the year	Increase during the current year			At end of the year
		Issue of new share	Others	Total	
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>-</u>	<u>-</u>	<u>-</u>	<u>362,631,943.00</u>

40. Capital surplus

2017	At beginning of the year	Increase	Decrease	At end of the year
Share premium	2,118,174,787.27	-	-	2,118,174,787.27
Others -				
Significant reorganization (a)	1,177,337,792.19	-	(3,430,029.00)	1,173,907,763.19
Transition reserves from investment in associates reclassified from capital surplus to other comprehensive income	2,020,250.22	-	-	2,020,250.22
Transfer of capital surplus recognized under the previous accounting system	2,650,322.00	-	-	2,650,322.00
Business combination involving enterprises under common control(b)	1,200,000.00	-	(1,200,000.00)	-
Other changes in equity of invested units under equity method(c)	(148,665,126.76)	33,341,069.07	-	(115,324,057.69)
	<u>3,152,718,024.92</u>	<u>33,341,069.07</u>	<u>(4,630,029.00)</u>	<u>3,181,429,064.99</u>

V Notes to the consolidated financial statements (Continued)

40. Capital surplus (Continued)

2016	At beginning of the year	Increase	Decrease	At end of the year
Share premium	1,855,144,194.77	263,030,592.50	-	2,118,174,787.27

Others -				
Significant reorganization	1,333,704,770.31	-	(156,366,978.12)	1,177,337,792.19
Transition reserves from investments in associates reclassified from capital surplus to other comprehensive income	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
Business combination involving enterprises under common control(b)	1,200,000.00	-	-	1,200,000.00
Others	3,720,000.00	600,990.46	(152,986,117.22)	(148,665,126.76)
	<u>3,198,799,303.65</u>	<u>263,631,582.96</u>	<u>(309,712,861.69)</u>	<u>3,152,718,024.92</u>

- (a) Significant reorganization decreased by RMB3,430,029.00 when the Group carried out the reorganization in October 2016. The disposal of Zhijun Medicine, Zhijun Pingshan, Zhijun Trade and assets of Pingshan base was in exchange for 15.56% equity interest of Shyndec Pharmaceutical. Due to the incomplete valuation of assets on the completion date, the carrying value of the assets as of 31 October 2016 is estimated temporarily. During the year, the capital reserve of RMB8,006,772.67 was offset by the difference between the appraisal number and the carrying amount of the delivery date.
- (b) Capital reserve - Business combinations under common control resulted in a decrease of RMB1,200,000.00 due to the acquisition of Sinopharm Lerentang Shijiazhuang Pharmaceutical, under common control by the Company, on 10 March 2017 (Note VI (2)). At beginning of the year, the capital reserve of RMB1,200,000.00 was restated and the capital reserve of RMB1,200,000.00 was written off on the delivery date this year.
- (c) The reason there is an increase of RMB33,341,069.07 in current year's other capital reserves is because there is an increase of RMB33,341,069.07 in the capital reserves of Modern Pharma due to other changes in equity.

41. 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)	-	-

As at 31 December 2017, the Group issued 65,495,040 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.

V Notes to the consolidated financial statements (Continued)

42. Surplus reserve

	31 December 2017	31 December 2016
Surplus reserve	<u>214,063,491.50</u>	<u>181,315,971.50</u>

According to the provisions of the 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. After the Group withdrew surplus reserve of RMB32,747,520.00, the accumulated amount of the statutory surplus reserve of the Group has already reached 50% of registered capital. According to the Company's articles of association, the Group did not extract surplus reserve anymore.

43. Retained earnings

	31 December 2017	31 December 2016
Retained earnings at the end of the prior year	4,689,189,642.51	3,045,551,246.71
A business combination involving enterprises under common control (a)	<u>1,076,241.59</u>	<u>592,834,676.01</u>
Retained earnings at beginning of year after retrospective adjustment and restatement	4,690,265,884.10	3,638,385,922.72
Add: Net profit attributable to the parent	1,057,791,930.67	1,186,539,201.93
Deduct: Withdrew surplus reserve	(32,747,520.00)	-
Ordinary share cash dividends payable (b)	(141,281,904.39)	(134,659,240.55)
Business combination involving enterprises under common control	<u>(1,075,583.99)</u>	<u>-</u>
Retained earnings at end of year	<u>5,572,952,806.39</u>	<u>4,690,265,884.10</u>

- (a) Due to the business combination involving enterprises under common control, retained earnings at the end of the prior year increased by RMB1,076,241.59 (2016: RMB592,834,676.01).
- (b) Pursuant to the resolution of the general meeting on 17 April 2017, cash dividends of RMB3.30 per 10 shares were paid based on the issued shares of 428,126,983 after non-public offering, amounting to RMB141,281,904.39 in total.
- (c) Pursuant to the resolution of the board of directors of the Company on 21 March 2018, cash dividends of RMB128,438,094.90 (RMB3.00 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.

V Notes to the consolidated financial statements (Continued)

44. Operating revenue and cost

	2017	2016
Revenue of main operations	40,957,232,334.77	40,950,539,760.95
Other operating income	<u>306,396,784.08</u>	<u>297,801,904.51</u>
	<u>41,263,629,118.85</u>	<u>41,248,341,665.46</u>
	2017	2016
Cost of main operations	36,789,414,942.07	36,621,286,445.30
Other operating expenses	<u>30,137,973.73</u>	<u>26,874,304.85</u>
	<u>36,819,552,915.80</u>	<u>36,648,160,750.15</u>

Revenue and cost of main operations

Revenue and cost of main operations analyzed by industry are set out below:

	2017		2016	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Wholesale of pharmaceutical	31,022,967,423.15	29,315,028,286.33	30,982,394,963.30	29,319,921,602.61
Retail of pharmaceutical	9,892,835,784.75	7,457,091,704.13	8,761,101,587.23	6,605,050,729.00
Logistics and freights	29,568,712.15	11,065,889.25	20,551,062.91	13,271,551.53
Rental and other income	11,860,414.72	6,229,062.36	12,250,777.29	5,488,975.93
Pharmaceutical manufacturing	-	-	1,174,241,370.22	677,553,586.23
	<u>40,957,232,334.77</u>	<u>36,789,414,942.07</u>	<u>40,950,539,760.95</u>	<u>36,621,286,445.30</u>

Other operating income and expenses

	2017		2016	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Rendering of services	236,641,796.68	15,003,093.78	217,419,431.74	9,566,833.75
Rental income	49,295,774.44	13,027,371.57	51,510,163.93	9,526,998.12
Franchise fee income	12,181,248.58	-	12,466,449.10	69,252.02
The income of disposal the investment real estate	-	-	7,667,470.67	2,426,744.64
Sales of raw materials	-	-	1,980,407.43	691,010.60
Others	8,277,964.38	2,107,508.38	6,757,981.64	4,593,465.72
	<u>306,396,784.08</u>	<u>30,137,973.73</u>	<u>297,801,904.51</u>	<u>26,874,304.85</u>

V Notes to the consolidated financial statements (Continued)**45. Tax and surcharges**

	2017	2016
City maintenance and construction tax	47,942,856.07	47,875,547.04
Educational surcharge	34,378,808.90	34,378,369.51
Stamp duty	28,674,034.69	23,183,175.33
Property tax	6,725,155.08	6,280,014.82
Land tax	804,774.72	1,368,870.31
Vehicle and vessel use tax	524,224.57	128,932.95
Business tax	-	5,237,509.80
Others	870,564.15	5,819,013.29
	<u>119,920,418.18</u>	<u>124,271,433.05</u>

46. Selling expenses

	2017	2016
Employees payroll and welfare benefits	1,218,875,166.16	1,127,962,184.89
Rental expenses	595,655,664.30	542,204,017.06
Transportation charges	62,383,495.59	78,970,351.97
Amortization of long-term deferred expenses	61,757,421.69	43,394,735.87
Utility fees	53,104,248.07	48,407,210.56
Depreciation expenses	49,141,321.86	39,471,029.62
Promotion and marketing expenses	41,054,355.22	42,377,994.57
Storage expenses	34,503,559.49	40,718,215.96
Office allowances	34,125,183.91	36,483,538.89
Entertainment expenses	27,525,997.74	35,855,595.79
Repairing fees	10,676,340.89	11,419,421.05
Conference expenses	10,484,976.55	8,758,475.01
Travel allowances	8,680,420.02	17,548,088.82
Market development fees	1,081,752.10	3,731,023.44
Medical cooperation project fees	97,082.20	13,030,006.63
Others	96,762,085.92	107,911,326.16
	<u>2,305,909,071.71</u>	<u>2,198,243,216.29</u>

V Notes to the consolidated financial statements (Continued)**47. Administrative expenses**

	2017	2016
Employees payroll and welfare benefits	512,141,139.52	530,882,424.95
Rental expenses	33,667,526.23	30,369,873.36
Office allowances	29,796,762.42	29,046,348.45
Depreciation expenses	23,860,275.81	36,971,425.20
Amortization of intangible assets	18,027,511.52	21,705,866.13
Entertainment expenses	14,034,565.91	12,710,489.90
Agency service fees	12,473,242.98	32,970,956.21
Technical service fees	12,148,374.10	10,144,510.68
Amortization of long-term deferred expenses	9,347,654.01	9,587,280.65
Vehicle management expenses	9,162,933.83	9,208,714.11
Travel allowances	9,160,614.98	10,147,753.39
Utilities	7,206,977.34	9,907,096.21
Taxations	6,530,342.04	13,595,999.15
Repairing fees	4,596,365.92	4,993,442.67
Promotion and marketing expenses	3,284,160.48	7,579,873.98
Research and development expenses	-	43,731,710.17
Others	30,515,520.04	46,219,324.86
	<u>735,953,967.13</u>	<u>859,773,090.07</u>

48. Finance costs

	2017	2016
Interest expenses	135,832,879.33	133,781,778.31
Less: Interest income	(35,012,199.48)	(30,140,350.40)
Purchase cash discount	(28,158,611.39)	(35,617,404.69)
Exchanges (gain)/loss	(495,664.83)	469,079.01
Others	38,194,135.93	33,363,492.75
	<u>110,360,539.56</u>	<u>101,856,594.98</u>

V Notes to the consolidated financial statements (Continued)**49. Impairment loss**

	2017	2016
Inventories provision	600,411.26	1,562,617.67
Bad debt allowance	(3,071,108.00)	(10,112,607.48)
	<u>(2,470,696.74)</u>	<u>(8,549,989.81)</u>

50. Investment income

	2017	2016
Investment income from long-term equity investments under the equity method (Note V(10))	263,825,834.56	97,075,494.40
Investment income from disposal of subsidiaries	-	86,674,065.35
Investment income from disposal of long-term equity investments (Note V(10), V(35))	-	4,162,157.57
Investment income from available-for-sale financial assets	579,444.98	476,094.35
Gain from remeasurement of fair value of remaining equity interest upon loss of control	-	35,080,116.91
Remeasurement of the original ownership based on fair value during step by step acquisition to recognize investment income	<u>134,740.70</u>	<u>-</u>
	<u>264,540,020.24</u>	<u>223,467,928.58</u>

51. Gain on disposal of assets

	2017	2016
Gain on disposal of fixed assets	792,663.68	9,435,488.48
Gain on disposal of intangible assets	-	(4,117.37)
Gain on disposal of other non-current assets	<u>(525.30)</u>	<u>(256,267.46)</u>
	<u>792,138.38</u>	<u>9,175,103.65</u>

V Notes to the consolidated financial statements (Continued)

52. Other income

Government grants relevant to daily operation:

	2017	2016	Related to asset/income
Logistics standardization project	546,246.84	-	Related to asset
Guangxi Logistics Project	496,406.40	-	Related to asset
Subsidy for comprehensive experimental unit of modern service industry	300,000.00	-	Related to asset
Third party medicine modern logistics public information platform	18,800.40	-	Related to asset
Transferred in from deferred income	<u>1,278,335.31</u>	<u>-</u>	Related to asset
	<u>2,639,788.95</u>	<u>-</u>	
Government support funding	8,394,375.00	-	Income related
Government grants for medicine reserve expenses	3,210,000.00	-	Income related
Enterprise economy award	2,400,000.00	-	Income related
Tax return	1,335,908.17	-	Income related
Economic contribution award	641,300.00	-	Income related
Others	<u>5,534,246.35</u>	<u>-</u>	Income related
	<u>21,515,829.52</u>	<u>-</u>	
	<u><u>24,155,618.47</u></u>	<u><u>-</u></u>	

53. Non-operating income

	2017	2016
Gain from writing off the unnecessary payment	3,385,203.85	2,879,312.96
Government grants irrelevant to daily operation	2,698,408.56	2,698,408.56
Government grants relevant to daily operation	-	32,947,486.94
Gain from compensation for breach of contracts	-	3,370,000.00
Others	<u>5,328,875.80</u>	<u>6,544,256.83</u>
	<u><u>11,412,488.21</u></u>	<u><u>48,439,465.29</u></u>

All non-operating income was wholly classified as non-recurring profit or loss in 2017.

V Notes to the consolidated financial statements (Continued)

53. Non-operating income (Continued)

Government grants are as follow:

	2017	2016	Related to asset/income
Special funds granted for Shenzhen Biological Industries Development	-	4,874,999.99	Asset related
Resettlement Compensation of Guangxi Logistics	2,698,408.56	2,698,408.56	Asset related
Cephalosporin Solid Preparations Development Project	-	1,958,895.80	Asset related
Transferred in from other deferred amortization income	-	7,536,813.82	Asset related
	<u>2,698,408.56</u>	<u>17,069,118.17</u>	
Strategic Emerging Industries Funding of 2016	-	4,452,000.00	Income related
Government grants for medicine reserve expenses	-	3,210,285.43	Income related
Tax return	-	1,978,691.91	Income related
Economic contribution award	-	2,361,700.00	Income related
Government-funded interest discount	-	420,005.49	Income related
Others	-	6,154,094.50	Income related
	<u>-</u>	<u>18,576,777.33</u>	
	<u>2,698,408.56</u>	<u>35,645,895.50</u>	

54. Non-operating expenses

	2017	2016
Penalty expenses	4,808,339.15	2,139,975.89
Loss of disposal of non-current asset	1,184,152.43	-
Donation expenses	123,600.00	144,093.77
Lawsuit expenses	-	1,798,546.83
Expenses on compensation for breach of contracts	-	141,519.09
Others	3,158,103.12	1,291,828.85
	<u>9,274,194.70</u>	<u>5,515,964.43</u>

Non-operating cost was wholly classified as non-recurring profit or loss in 2017.

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:

	2017	2016
Inventories of finished and work in progress goods/Cost of inventories	36,740,876,853.01	35,959,030,423.27
Employees payroll and welfare benefits	1,740,090,218.21	1,732,735,557.97
Rental expenses	631,327,946.24	580,007,329.89
Depreciation and amortization	179,809,422.71	212,843,144.88
Utilities	115,159,397.61	83,232,077.64
Transportation charges	65,173,013.85	81,908,414.89
Office telecom and internet expenses	63,921,946.33	65,584,889.96
Promotion and marketing expenses	45,420,267.80	53,688,891.99
Entertainment expenses	41,560,563.65	48,566,085.69
Storage expenses	34,503,559.49	40,718,215.96
Technical service fees	28,656,815.38	10,144,510.68
Travel allowances	24,316,505.13	36,415,567.02
Repairing fees	15,542,580.93	20,573,923.14
Conference expenses	13,027,031.26	12,314,057.40
Agency service fees	12,473,242.98	32,970,956.21
Taxation	6,530,342.04	13,595,999.15
Consumption of raw materials and low value consumables	569,170.72	497,914,187.65
Medical cooperation projects fees	97,082.20	13,030,006.63
Research and development expenses	-	43,731,710.17
Others	102,359,995.10	167,171,106.32
	<u>39,861,415,954.64</u>	<u>39,706,177,056.51</u>

56. Income taxes

	2017	2016
Current income tax	320,134,496.02	309,340,914.04
Deferred income tax	<u>(10,844,368.30)</u>	<u>9,036,378.87</u>
	<u>309,290,127.72</u>	<u>318,377,292.91</u>

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 shown below:

	2017	2016
Total profit	1,466,028,973.81	1,600,153,103.82
Income taxes calculated at applicable tax rates	366,507,243.45	400,038,275.96
Lower tax rates enacted by local authorities	(23,029,239.44)	(40,990,086.30)
Income not subject to tax	(66,135,005.06)	(58,531,898.44)
Expenses not deductible for tax	16,141,202.89	19,528,705.90
Deductible loss on unconfirmed deferred tax assets at end of the year	2,038,165.18	1,650,692.62
Impact of the temporary discrepancy on unconfirmed deductible deferred tax assets at end of the year	60,680.50	-
Utilization of previously unrecognized tax losses	422,558.70	-
Additional deduction for development costs	-	(4,907,807.98)
Gain on deferred tax of beginning of the year from the changes of tax rate	-	(237,247.82)
Adjustment of income tax expense of previous years	13,284,521.50	1,826,658.97
Income tax	<u>309,290,127.72</u>	<u>318,377,292.91</u>

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 2017, the Company had no potential dilutive ordinary shares, and the diluted earnings per share was the same as the basic earnings per share.

The calculation of basic and diluted earnings per share is as follows:

	2017	2016
Earnings		
Consolidated net profit attributable to the shareholders of the parent	1,057,791,930.67	1,186,539,201.93
Net profit attributable to the calculation of EPS	<u>1,057,791,930.67</u>	<u>1,186,539,201.93</u>
Shares		
Adjusted weighted average number of ordinary shares outstanding	428,126,983.00	423,865,068.83
Basic and diluted earnings per share	<u>2.47</u>	<u>2.80</u>

V Notes to the consolidated financial statements (Continued)

58. Notes to items in the cash flow statement

Cash receipts related to other operating activities

	2017	2016
Rent income	49,295,774.44	51,510,163.93
Interest income	34,998,333.34	27,790,677.04
Government grants except tax return	20,679,921.35	26,130,389.77
Others	235,692,027.77	209,093,043.68
	<u>340,666,056.90</u>	<u>314,524,274.42</u>

Cash paid relating to other operating activities

	2017	2016
Rental expenses	631,327,946.24	580,007,329.89
Office expenses	47,689,164.33	58,136,994.12
Advertising expenses	45,420,267.80	53,688,891.99
Entertainment expenses	41,560,563.65	48,566,085.69
Bank charges	37,287,542.07	33,643,347.19
Travel expenses	24,316,505.13	36,415,567.02
Conference expenses	13,027,031.26	12,314,057.40
Research and development expenses	-	43,731,710.17
Others	605,802,950.13	426,065,165.42
	<u>1,446,431,970.61</u>	<u>1,292,569,148.89</u>

Cash received relating to other investing activities

	2017	2016
Deposit collected from Modern Pharma	75,259,200.00	-
Received funds pool money returned by Sinopharm	-	1,398,519,242.56
Received entrusted loan payments	-	177,949,000.00
Others	-	28,537,597.76
	<u>75,259,200.00</u>	<u>1,605,005,840.32</u>

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

	2017	2016
Entrusted borrowings paid to Zhijun Suzhou	44,000,000.00	-
Deposit money in funds pool of Sinopharm	-	1,134,349,654.83
Purchase of equity sincerity margin	-	95,259,200.00
Others	48,803,476.90	44,765,492.10
	<u>92,803,476.90</u>	<u>1,274,374,346.93</u>

(e) Cash received relating to other financing activities

	2017	2016
Received bank factoring money	237,539,708.52	105,886,340.26
Received security deposit of pledged borrowings	-	96,527,395.45
Received borrowings from Sinopharm Group	-	94,000,000.00
Others	937,000.00	1,585,588.50
	<u>238,476,708.52</u>	<u>297,999,324.21</u>

(f) Cash payments relating to other financing activities

	2017	2016
Purchase of equity of minority shareholders	158,996,642.00	10,859,800.00
Repayment of entrusted borrowings provided by Sinopharm Group	-	369,331,500.00
Others	91,402,261.79	90,408,556.33
	<u>250,398,903.79</u>	<u>470,599,856.33</u>

V Notes to the consolidated financial statements (Continued)**59. Supplementary information of the cash flow statement**

Reconciliation of net profit to cash flows from operating activities

	2017	2016
Net profit	1,156,738,846.09	1,281,775,810.91
Adjustments: Provision for asset impairment	(2,470,696.74)	(8,549,989.81)
Depreciation of fixed assets and investment properties	82,437,451.62	140,060,739.41
Amortization of intangible assets	25,334,120.64	25,854,177.17
Amortization of long-term prepaid expenses	72,037,850.45	53,800,810.95
Gains on disposal of fixed assets, and other non-current assets	203,279.86	(14,415,829.68)
Finance costs	70,005,833.78	59,819,773.12
Investment income	(264,540,020.24)	(223,467,928.58)
(Increase)/decrease in deferred tax assets	(6,558,160.76)	61,870,822.88
Decrease in deferred tax liabilities	(4,652,450.99)	(7,159,368.38)
Decrease in inventories	266,979,628.18	134,186,724.84
Increase in operating receivables items	(23,111,709.56)	(827,552,099.96)
(Decrease)/increase in operating payables items	(11,649,824.85)	767,299,111.27
(Increase)/decrease in restricted operating cash with restriction	(75,462,235.66)	28,819,722.02
Net cash generated from operating activities	<u>1,285,291,911.82</u>	<u>1,472,342,476.16</u>

V Notes to the consolidated financial statements (Continued)**59. Supplementary information of the cash flow statement (Continued)**

Significant non-cash investing activities

	2017	2016
Fixed assets under finance leases	-	6,018,400.00
Properties constructed with endorsed notes receivable	-	898,290.60
Purchasing non-controlling interests of subsidiaries	-	273,614,900.00
	<u>-</u>	<u>280,531,590.60</u>

Movement of cash

	2017	2016
Cash at the end of year	3,673,498,691.48	3,150,915,425.49
Less: cash at the beginning of year	<u>3,150,915,425.49</u>	<u>2,164,444,441.33</u>
Net increase in cash	<u>522,583,265.99</u>	<u>986,470,984.16</u>

V Notes to the consolidated financial statements (Continued)

59. Supplementary information of the cash flow statement (Continued)

Acquisition of subsidiaries and operating units

	2017	2016
Cash and cash equivalents paid for acquisitions of subsidiaries and other business units	33,495,020.00	12,870,000.00
Incl: Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd. ("Guoda Taishan")	-	12,870,000.00
Sinopharm Zhuhai	9,249,020.00	-
Sinopharm Maoming	8,300,000.00	-
Sinopharm Heyuan	15,946,000.00	-
Add: Consideration of previous acquisition paid in the current period	44,667,145.33	-
Incl: Guoda Taishan	6,930,000.00	-
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	13,720,000.00	-
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	24,017,145.33	-
Less: Cash held by subsidiaries at the acquisition date	24,805,649.18	1,230,803.89
Incl: Guoda Taishan	-	1,230,803.89
Sinopharm Zhuhai	8,291,340.47	-
Sinopharm Maoming	309,174.70	-
Sinopharm Heyuan	16,205,134.01	-
Net cash outflow on acquisition of the subsidiaries and business units	53,356,516.15	11,639,196.11

V Notes to the consolidated financial statements (Continued)

59. Supplementary information of the cash flow statement (Continued)

Disposal of subsidiaries and operating units

	2017	2016
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

Cash

	2017	2016
Cash on hand	6,208,674.32	6,164,382.85
Bank deposits on demand	<u>3,667,290,017.16</u>	<u>3,144,751,042.64</u>
Cash	<u><u>3,673,498,691.48</u></u>	<u><u>3,150,915,425.49</u></u>

V Notes to the consolidated financial statements (Continued)

60. Assets under restricted ownership or right to use

	2017	2016	Note
Cash and cash equivalents	518,156,747.03	369,046,139.44	Note 1
Notes receivable that were endorsed	-	5,035,500.82	Note 2
Notes receivable that were discounted	147,715,527.67	154,468,694.89	Note 3
Notes receivable that were pledged	-	-	Note 4
	<u>665,872,274.70</u>	<u>528,550,335.15</u>	

Note 1: At 31 December 2017, the Group had deposits of bank acceptance notes, deposits of pledged borrowings and time deposits with maturities over 3 months amounting to RMB518,156,747.03 (31 December 2016: RMB369,046,139.44)(Note V(1)).

Note 2: At 31 December 2017, the Group had no notes receivable endorsed but not due (31 December 2016: RMB5,035,500.82) (Note V (2)).

Note 3: At 31 December 2017, the Group had notes receivable of RMB147,715,527.67 discounted but not due (31 December 2016: RMB154,468,694.89) (Note V (2)).

Note 4: At 31 December 2017, the Group had no pledged notes receivable (31 December 2016: nil) (Note V(2)).

61. Foreign monetary items

	31 December 2017			31 December 2016		
	Original currency	Exchange rate	Equivalent to RMB	Original currency	Exchange rate	Equivalent to RMB
Short-term borrowings	-	-	-	-	-	-
United States dollar	-	-	-	2,606,374.92	6.9370	18,080,422.84
Hong Kong dollar	-	-	-	14,728,913.11	0.89451	13,175,160.07
Accounts receivable	-	-	-	-	-	-
United States dollar	-	-	-	-	-	-
Hong Kong dollar	-	-	-	-	-	-
GBP	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
United States dollar	-	-	-	-	-	-
			<u>-</u>			<u>31,255,582.91</u>

VI Changes in the scope of consolidation

1. Business combinations not involving enterprises under common control

1.1 The acquisition of Sinopharm Zhuhai

In 2017, the Company acquired a 90% equity interest of Sinopharm Zhuhai from the original shareholder Xianjiang Li for RMB9,249,020.00 to constitute a business combination involving enterprises not under

common control. After the acquisition, Sinopharm Zhuhai became a wholly-owned subsidiary of the Company.
The acquisition was completed on 10 January 2017 and included in the consolidation scope of the Company.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Sinopharm Holding on acquisition date are presented as follows:

	1 January 2017 Fair value	1 January 2017 Carrying amount
Cash and bank balances	8,291,340.47	8,291,340.47
Accounts receivable	38,352,380.34	38,352,380.34
Advances to suppliers	691,449.73	691,449.73
Other receivables	197,452.75	197,452.75
Inventories	5,631,660.80	5,631,660.80
Other current assets	70,586.25	70,586.25
Fixed assets	231,851.20	231,851.20
Deferred tax assets	18,948.83	18,948.83
Short-term borrowings	5,000,000.00	5,000,000.00
Accounts payable	27,973,921.23	27,973,921.23
Advance from customers	2,890.29	2,890.29
Employee benefits payable	448,052.95	448,052.95
Tax payables	138,132.16	138,132.16
Dividends payable	4,411,606.70	4,411,606.70
Interest payable	6,645.72	6,645.72
Other payable	11,914,242.79	11,914,242.79
Net assets	<u>3,590,178.53</u>	<u>3,590,178.53</u>
	<u>3,590,178.53</u>	<u>3,590,178.53</u>
Goodwill arising from acquisition	<u>6,772,561.47</u>	
	<u>10,362,740.00</u>	(Note)

Note: The amount includes cash of RMB9,249,020.00 paid by the Company in the business combination and the fair value of RMB1,113,720.00 of the 10% equity interests in Sinopharm Holding Zhuhai held prior to the acquisition date determined on the basis of the assessment.

Operating results and cash flows of Sinopharm Zhuhai for the period from the acquisition date to the end of the year are presented as follows:

	Period from 1 January 2017 to 31 December 2017
Operating revenue	117,365,818.79
Net profit	2,672,750.56
Net cash flows	(1,922,474.14)

VI. Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.2 The acquisition of Sinopharm Maoming

In May 2017, the Company acquired a 100% equity interest of Sinopharm Maoming from the former shareholders for RMB8,300,000 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 31 May 2017 and included in the consolidation scope of the Company.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Sinopharm Holding Maoming on the acquisition date are presented as follows:

	31 May 2017 Fair value	31 May 2017 Carrying amount
Cash and bank balances	309,174.70	309,174.70
Accounts receivable	25,291,868.60	25,291,868.60
Advances to suppliers	187,299.70	187,299.70
Other receivables	230,234.20	230,234.20
Inventories	4,591,053.97	4,591,053.97
Other current assets	245,979.65	245,979.65
Fixed assets	70,993.59	70,993.59
Deferred tax assets	94,939.00	94,939.00
Accounts payable	4,372,895.28	4,372,895.28
Tax payables	381,225.91	381,225.91
Dividends payable	18,033,839.29	18,033,839.29
Net assets	8,233,582.93	8,233,582.93
	8,233,582.93	8,233,582.93
Goodwill arising from acquisition	66,417.07	
	8,300,000.00	(Note)

Note: The amount of RMB8,300,000.00 is the cash paid by the Company in the business combination.

Operating results and cash flows of Sinopharm Maoming for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 May 2017 to 31 December 2017
Operating revenue	22,550,752.89
Net profit	53,907.26
Net cash flows	5,418,751.04

VI. Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.3 The acquisition of Sinopharm Heyuan

In October 2017, the Company increased capital of Sinopharm Heyuan to 70% for RMB15,946,000.00 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 31 October 2017 and included in the consolidation scope of the Company.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Sinopharm Holding Heyuan on the acquisition date are presented as follows:

	31 October 2017 Fair value	31 October 2017 Carrying amount
Cash and bank balances	16,205,134.01	16,205,134.01
Accounts receivable	27,197,357.55	27,197,357.55
Advances to suppliers	1,322,330.43	1,322,330.43
Other receivables	57,151.12	57,151.12
Inventories	4,577,049.22	4,577,049.22
Fixed assets	50,096.77	50,096.77
Deferred tax assets	252,355.62	252,355.62
Accounts payable	4,019,304.07	4,019,304.07
Employee benefits payable	70,384.00	70,384.00
Tax payables	1,441,668.64	1,441,668.64
Dividends payable	672,396.36	672,396.36
Other payable	15,044,832.91	15,044,832.91
Non-current liabilities due within 1 year	3,900,000.00	3,900,000.00
Long-term borrowings	1,650,000.00	1,650,000.00
Net assets	<u>22,862,888.74</u>	<u>22,862,888.74</u>
Less: Non-controlling interests	<u>(6,858,866.62)</u>	<u>(6,858,866.62)</u>
	<u>16,004,022.12</u>	<u>16,004,022.12</u>
Amount exceeding the cost of merger recognized as profit or loss of the current period	<u>(58,022.12)</u>	
	<u>15,946,000.00</u>	

Operating results and cash flows of Sinopharm Heyuan for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 October 2017 to 31 December 2017
Operating revenue	9,870,521.01
Net profit	973,031.33
Net cash flows	(8,110,018.63)

VI. Changes in scope of consolidation (Continued)**2. Business combination under common control**

In 10 March 2017, the Company signed the Sinopharm Lerentang Shijiazhuang Pharmaceutical Equity Transfer Agreement with Sinopharm Le-Ren-Tang Medicine Co., Ltd. According to the agreement, Sinopharm Hebei Lerentang Pharmacy Chain Store acquired a 100% equity interest of Sinopharm Lerentang Shijiazhuang Pharmaceutical from Sinopharm Le-Ren-Tang Medicine for RMB3,792,639.98. The investment consideration is the net asset value of Sinopharm Lerentang Shijiazhuang Pharmaceutical at the time of transfer. On 10 March 2017, both parties have completed the change of business registration.

As both entities of the business combination are controlled by Sinopharm Holding Co., Ltd. before and after the combination and the control is not temporary, this is a business combination involving enterprises under common control. The date of combination is 10 March 2017.

Operating results and cash flows of Sinopharm Lerentang Shijiazhuang Pharmaceutical for the period from the prior accounting period to the acquisition date and for the prior accounting period are presented as follows:

	Period from 1 January 2017 to 28 February 2017	2016
Operating revenue	-	(87,657.45)
Net profit	(1,096.00)	(104,495.57)
Net cash flows	(1,096.00)	(130,082.33)

The carrying amounts of assets and liabilities of Sinopharm Lerentang Shijiazhuang Pharmaceutical at the combination date and at the balance sheet date of the prior accounting period are presented as follows:

	28 February 2017	31 December 2016
Cash and bank balances	4,903.95	5,999.95
Other receivables	3,785,780.34	3,785,780.34
Other current assets	<u>1,955.69</u>	<u>1,955.69</u>
Net assets	<u>3,792,639.98</u>	<u>3,793,735.98</u>
Consolidation difference(Included in equity)	<u>-</u>	
Consolidated consideration	<u><u>3,792,639.98</u></u>	

VI. Changes in scope of consolidation (Continued)

3. Establishment of subsidiaries

	31 December 2017 Net assets	2017 Net profit
Sinopharm Holding GuoDa Pharmacy Chain Store Anshan Co., Ltd.	9,400,976.25	(365,628.99)
Sinopharm Holding Guoda Drug Store Manchuria Co., Ltd.	953,568.69	17,729.90
Sinopharm Holding Guoda Yongsheng Drug Store (Shanghai) Co., Ltd.(a)	-	-
Sanhe Lixin Golden Elephant Drugstore Co., Ltd.(b)	-	-
Sinopharm Holding GZ Medical Supply Chain Service Co., Ltd.	2,237,488.00	(674,512.00)
Sinopharm Holding GZ Medical Technology Co., Ltd.	(143,887.00)	(2,364,287.00)

- (a) On 31 August 2017, the Group and a natural person Ping Yu set up Sinopharm Holding Guoda Yongsheng Drug Store (Shanghai) Co., Ltd. Registered capital subscribed RMB 440,000.00 and RMB 360,000.00 respectively. As of 31 December 2017, funding has not yet been completed.
- (b) On 30 September 2017, the Group set up Sanhe Lixin Golden Elephant Drugstore Co., Ltd. Subscription of registered capital of RMB10,000.00. As of the end of 2017, funding has not yet been completed.

4. Cancellation of subsidiary

	Principal place of business	Place of establishment	Registered capital (RMB '0,000)	Nature of business	Shareholding (%)		Reason for no longer being a subsidiary
					Direct	Indirect	
Sinopharm Holding Guoda Shenyang Tianyitang Pharmacy Chain Store Co., Ltd. (a)	Shenyang	Shenyang	200	Wholesale and sales of medicines and health products	-	51.00%	Absorption merger

- (a) In August 2017, Sinopharm Holding Guoda Shenyang Tianyitang Pharmacy Chain Store Co., Ltd. ("Shenyang Tianyitang") increased capital in Sinopharm Holding GuoDa Shenyang Pharmacy Chain Store Co., Ltd. ("Shenyang Guoda") In the form of equity. Shenyang Tianyitang completed the procedures for the cancellation of business registration on 15 August 2017 and cancelled the legal entity. Shenyang Tianyitang continues its operation in the form of Shenyang Guoda.

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	2,000	-	100.00%	100.00%	Establishment
Sinopharm Baise	Baise	Baise	Commercial	3,500	-	100.00%	100.00%	Establishment
Sinopharm Holding Zhongshan Co., Ltd. ("Sinopharm Zhongshan")	Zhongshan	Zhongshan	Commercial	3,000	100.00%	-	100.00%	Establishment
Sinopharm Guigang	Guigang	Guigang	Commercial	2,000	-	100.00%	100.00%	Establishment
Sinopharm Beihai	Beihai	Beihai	Commercial	1,500	-	100.00%	100.00%	Establishment
Guangzhou Medical Treatment	Guangzhou	Guangzhou	Commercial	2,000	-	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	153,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Hengxing Co., Ltd. ("Sinopharm Hengxing")	Guangzhou	Guangzhou	Commercial	9,600	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Yulin	Yulin	Yulin	Commercial	1,000	-	100.00%	100.00%	Business combinations involving entities under common control

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 establishment	Nature of business	Registered capital(RMB 0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Liuzhou Guangdong Huixin Investment Co., Ltd. ("Huixin Investment")	Liuzhou	Liuzhou	Commercial	2,053.06	51.00%	-	51.00%	Business combinations involving entities under common control
Sinopharm Holding Foshan Co., Ltd. ("Sinopharm Foshan")	Guangzhou	Guangzhou	Service	500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Yuexing Co., Ltd. ("Sinopharm Yuexing")	Foshan	Foshan	Commercial	4,100	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Logistics Co., Ltd. ("Guangdong Logistic")	Guangzhou	Guangzhou	Commercial	23,000	100.00%	-	100.00%	Business combinations involving entities under common control
	Guangzhou	Guangzhou	Service	1,300	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	Wuzhou	Wuzhou	Commercial	1,000	-	99.90%	99.90%	Business combinations involving entities under common control
Sinopharm Dongguan	Dongguan	Dongguan	Commercial	7,300	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Zhanjiang	Zhanjiang	Zhanjiang	Commercial	13,100	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Yanfeng	Shenzhen	Shenzhen	Commercial	3,000	51.00%	-	51.00%	Business combinations involving entities not under common control
Sinopharm Meizhou	Meizhou	Meizhou	Commercial	4,800	100.00%	-	100.00%	Business combinations involving entities not under common control

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 establishment	Nature of business	Registered capital (RMB 0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Huizhou	Huizhou	Huizhou	Commercial	3,800	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Zhaoqing	Zhaoqing	Zhaoqing	Commercial	4,000	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Jiangmen	Jiangmen	Jiangmen	Commercial	6,000	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Shaoguan	Shaoguan	Shaoguan	Commercial	360	70.00%	-	70.00%	Business combinations involving entities not under common control
Sinopharm Holding Shantou Co., Ltd. ("Sinopharm Shantou"(a))	Shantou	Shantou	Commercial	2,100	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 Zhuhai Co., Ltd. ("Sinopharm Zhuhai") (i)	Zhuhai	Zhuhai	Commercial	3,000	100.00%	-	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Maoming Co., Ltd. ("Sinopharm Maoming") (ii)	Maoming	Maoming	Commercial	200	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Holding GZ Medical Technology Co., Ltd. (iii)	Guangzhou	Guangzhou	Commercial	588	-	51.00%	51.00%	Establishment
Sinopharm Holding GZ Medical Supply Chain Service Co., Ltd. (iv)	Guangzhou	Guangzhou	Commercial	320	-	51.00%	51.00%	Establishment
Sinopharm Holding Heyuan Co., Ltd. ("Sinopharm Heyuan") (v)	Heyuan	Heyuan	Commercial	1,340	-	70.00%	70.00%	Business combinations not 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

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 establishment	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	1,800	-	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

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 establishment	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 Inner Mengdia Pharmacy Chain Store Co., Ltd.	Hohhot	Hohhot	Commercial	5,000	-	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

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 establishment	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 Intlmecine Pharmacy	Hangzhou	Hangzhou	Commercial	50	-	51.00%	51.00%	Business combinations involving entities under common control
Dongshan Co., Ltd.	Shanghai	Shanghai	Commercial	50	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Dongsheng Pharmacy Co., Ltd.	Shenzhen	Shenzhen	Commercial	1,080	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd.	Guangzhou	Guangzhou	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangzhou Chain Co., Ltd.	Shanghai	Shanghai	Commercial	30	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Changxin Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	20	-	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

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 establishment	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	622.22	-	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
ForMe Xuhui Sinopharm Holding Ulanqab Co., Ltd.	Shanghai Ulanqab	Shanghai Ulanqab	Commercial Commercial	25 500	- -	100.00% 60.00%	100.00% 60.00%	Establishment Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Qinhuangdao Chain Co., Ltd.	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.	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
Sinopharm Lerentang Shijiazhuang Pharmaceutical Co., Ltd. (vi)	Shijiazhuang	Shijiazhuang	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control

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 establishment	Nature of business	Registered capital(RMB '0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Holding Guoda Drug Store Manchuria Co., Ltd. (vii)	Manchuria	Manchuria	Commercial	50	-	51.00%	51.00%	Establishment
Sinopharm Guoda Drug Store Anshan Chain Co., Ltd. (viii)	Anshan	Anshan	Commercial	600	-	51.00%	51.00%	Establishment
Sinopharm Holding Guoda Yongsheng Drug Store (Shanghai) Co., Ltd. (ix)	Shanghai	Shanghai	Commercial	80	-	55.00%	55.00%	Establishment
Sanhe Lixin Golden Elephant Drugstore Co., Ltd. (x)	Langfang	Langfang	Commercial	1	-	100.00%	100.00%	Establishment

- i. In 3 March 2015, the Company acquired a 10% equity interest of Sinopharm Zhuhai from a natural person Xianjiang Li at RMB 1,003,000.00.

In January 2017, the Company acquired a further 90% equity interest of Sinopharm Zhuhai from the natural person Xianjiang Li at RMB9,249,000.00. As a result, the Company wholly owned Sinopharm Zhuhai to constitute a business combination involving enterprises not under common control. The acquisition was completed on 10 January 2017 and included in the consolidation scope of the Company.

- ii. In May 2017, the Company acquired a 100% equity interest of Maoming Yongsheng Medicines Co., Ltd. from Ganyin Bai, Fuyou Bai and Hongmei Lai at RMB8.3 million to constitute a business combination involving enterprises not under common control. The acquisition was completed on 31 May 2017 and included in the consolidation scope of the Company.
- iii. In April 2017, the Company and Shanghai Ruibo Medical Technology Co., Ltd. accumulatively invested RMB2,998,800.00 and RMB2,881,200.00 respectively to set up Sinopharm Holding GZ Medical Technology Co., Ltd. After the establishment, the Company held 51% of equity interest in Sinopharm Holding GZ Medical Technology Co., Ltd.
- iv. In May 2017, the Company, Guorun Medical Supply Chain Services (Shanghai) Co., Ltd. and Shanghai Runrui Investment Partnership (limited partnership) accumulatively invested RMB1,632,000.00, RMB1,280,000.00 and RMB288,000.00 respectively to set up Sinopharm Holding GZ Medical Supply Chain Service Co., Ltd. After the establishment, the Company held 51% of equity interest in Sinopharm Holding GZ Medical Supply Chain Service Co., Ltd.
- v. In October 2017, the Company increased capital in Sinopharm Holding Heyuan to 70% for RMB15,946,000.00 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 31 October 2017 and included in the consolidation scope of the Company.

VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

- vi. On 10 March 2017, the Company signed the Sinopharm Lerentang Shijiazhuang Pharmaceutical Equity Transfer Agreement with Sinopharm Le -Ren-Tang Medicine Co., Ltd. According to the Agreement, Sinopharm Hebei Lerentang Pharmacy Chain Store acquired a 100% equity interest of Sinopharm Lerentang Shijiazhuang Pharmaceutical From Sinopharm Le -Ren-Tang Medicine at RMB3,792,639.98. The investment consideration is the net asset value of Sinopharm Lerentang Shijiazhuang Pharmaceutical at the time of transfer. On 10 March 2017, both parties have completed the change of business registration.

As both entities of the business combination are controlled by Sinopharm Holding Co., Ltd. before and after the combination and the control is not temporary, is accounted to a business combination involving enterprises under common control. The date of combination is 10 March 2017.

- vii. On 26 June 2017, the Company and Zhang Mengwei (a natural person) accumulatively invested RMB255,000.00 and RMB245,000.00 respectively to set up Sinopharm Holding Guoda Drug Store Manchuria Co., Ltd.
- viii. On 30 September 2017, the Company and Anshan Kanghua Advisory Services Co., Ltd. accumulatively invested RMB3,060,000.00 and RMB2,940,000.00 respectively to set up Sinopharm Holding GuoDa Pharmacy Chain Store Anshan Co., Ltd.
- ix. On 31 August 2017, Sinopharm Holding GuoDa Pharmacy Chain Store Shanghai Co., Ltd. and a natural person Ping Yu set up Sinopharm Holding Guoda Yongsheng Drug Store (Shanghai) Co., Ltd., respectively. By subscribing for the registered capital of RMB440,000.00 and RMB360,000.00. As of the end of 2017, funding has not yet been completed.
- x. On 30 September 2017, the Company set up Sanhe Lixin Golden Elephant Drugstore Co., Ltd. By subscribing for registered capital of RMB10,000.00. As of the end of 2017, funding has not yet been completed.

There was no subsidiary that had significant non-controlling interests in the Group.

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 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 products, and the Group adopted the equity method of accounting.

VII. Interests in other entities (Continued)**2. Interests in associates (Continued)**

The following table illustrates the summarised financial information in respect of Shyndec Pharmaceutical:

	2017	2016
Current assets	6,919,923,607.58	6,337,023,883.28
Non-current assets	<u>8,250,667,440.18</u>	<u>8,678,049,960.17</u>
Total assets	<u>15,170,591,047.76</u>	<u>15,015,073,843.45</u>
Current liabilities	5,390,426,266.96	4,711,258,061.30
Non-current liabilities	<u>2,132,391,027.26</u>	<u>3,365,333,778.30</u>
Total liabilities	<u>7,522,817,294.22</u>	<u>8,076,591,839.60</u>
Non-controlling interests	1,474,395,375.11	1,234,500,935.98
Shareholders' equity attributable to shareholders of the parent company	<u>6,173,378,378.43</u>	<u>5,703,981,067.87</u>
Group's share of net assets by proportion of ownership interests	<u>979,174,050.63</u>	<u>887,539,454.16</u>
Carrying amount of the investment	<u>979,174,050.63</u>	<u>887,539,454.16</u>
Operating revenue	8,517,753,726.31	9,125,774,773.35
Income taxes	135,212,306.15	182,481,479.60
Net profit	818,572,126.27	854,031,531.27
Other comprehensive income	-	-
Total comprehensive income	818,572,126.27	854,031,531.27
Dividend received	<u>22,468,818.31</u>	<u>-</u>

VIII Risks related to financial instruments**1. Classification of financial instruments**

The fair values of each category of financial instruments that reasonably approximate to their carrying amounts at the end of the reporting period are as follows:

31 December 2017

Financial assets	Borrowings and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	4,191,655,438.51	-	4,191,655,438.51
Notes receivable	1,504,194,764.08	-	1,504,194,764.08
Accounts receivable	7,589,412,679.88	-	7,589,412,679.88
Interest receivables	61,441.11	-	61,441.11
Other receivables	657,871,058.54	-	657,871,058.54
Available-for-sale financial assets	-	13,685,760.00	13,685,760.00
	<u>13,943,195,382.12</u>	<u>13,685,760.00</u>	<u>13,956,881,142.12</u>

31 December 2016

Other financial assets	Borrowings and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	3,519,961,564.93	-	3,519,961,564.93
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	478,573,423.62	-	478,573,423.62
Available-for-sale financial assets	-	13,685,760.00	13,685,760.00
	<u>13,157,212,131.32</u>	<u>13,685,760.00</u>	<u>13,170,897,891.32</u>

VIII Risks related to financial instruments (Continued)**1. Classification of financial instruments (Continued)**

Financial liabilities	31 December 2017	31 December 2016
Short-term borrowings	1,561,354,521.64	1,512,713,629.95
Notes payable	2,732,437,828.42	2,406,642,582.86
Accounts payable	6,144,221,000.10	6,701,558,514.10
Dividend payable	11,889,443.11	8,483,370.21
Other payables	1,011,128,397.26	917,193,911.34
Current portion of non-current liabilities	5,434,770.70	36,411,339.96
Interest payables	7,311,819.65	6,956,463.02
Long-term borrowings	31,600,000.00	-
Long-term payables	9,332,537.14	14,616,598.34
	<u>11,514,710,318.02</u>	<u>11,604,576,409.78</u>

2. Transfer of financial assetsTransferred financial assets that are not derecognized in their entirety

As at 31 December 2017, 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 nil (31 December 2016: RMB5,035,500.82). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2017, the carrying value thereof was RMB147,715,527.67 (31 December 2016: RMB154,468,694.89). 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 sales, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December, 2017, the carrying value of accounts payable settled by the Group totalled RMB147,715,527.67 (31 December 2016: RMB159,504,195.71).

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 2017, 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 RMB667,900,939.97 (31 December 2016: RMB599,814,991.55). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2017, the carrying value thereof was RMB367,011,030.59 (31 December 2016: RMB244,197,730.35). The Derecognized Bills had a maturity of 1 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 accounts payable. 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 accounts 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 2017 amounted to RMB525,614,331.67 (31 December 2016: RMB488,352,191.18).

During 2017, the Group has not recognized any gain or loss on the date of transfer. No gain or loss were recognized from derecognized financial assets in which Continuing Involvement exists, both during the year or cumulatively.

During 2017, 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.

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, foreign 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 it is deposited with state-owned banks and other medium or large sized 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 headquarter. The Group's finance department at its headquarter 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 monitors the terms of the debt covenants in the loan agreements, ensuring that sufficient unutilized commitments from major financial institutions, in order to meet the short-term and long-term liquidity requirements.

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	1,574,233,015.06	-	-	-	1,574,233,015.06
Notes payable	2,732,437,828.42	-	-	-	2,732,437,828.42
Accounts payable	6,144,221,000.10	-	-	-	6,144,221,000.10
Interest payables	7,311,819.65	-	-	-	7,311,819.65
Dividend payables	11,889,443.11	-	-	-	11,889,443.11
Other payables	1,011,128,397.26	-	-	-	1,011,128,397.26
Current portion of non-current liabilities	7,304,197.88	-	-	-	7,304,197.88
Long-term payables	-	7,304,197.88	4,987,438.87	-	12,291,636.75
Long-term borrowings	1,293,570.14	1,293,570.14	32,043,003.47	-	34,630,143.75
	<u>11,489,819,271.62</u>	<u>8,597,768.02</u>	<u>37,030,442.34</u>	<u>-</u>	<u>11,535,447,481.98</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 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 2017

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

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 2017, if the floating interest rates of the long-term interest-bearing borrowings increases or decreases by 50 base points, while other factors does not change, the Group's net income will decrease or increase by RMB118,500 (31 December 2016: Nil).

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 headquarter 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 2017 and 2016, the Group did not enter into any interest rate swap agreements.

For the year ended 31 December 2017, the Group has long-term interest-bearing borrowings with floating interest rates amounted to RMB 31,600,000.00 (31 December 2016: Nil).

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 United States dollars and Hong Kong dollars. The Group's finance department at its headquarter is responsible for monitoring the amounts 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 2017, if the currency had weakened/strengthened by 5% against the United States dollar while all other variables had been held constant, the Group's net profit for the year would increase/decrease by nil (2016: RMB678,015.86).

As at 31 December 2017, if the currency had weakened/strengthened by 5% against the Hong Kong Dollar while all other variables had been held constant, the Group's net profit for the year would increase/decrease by nil (2016: RMB494,068.50).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

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 the lowest cost of capital available to the entity.

Management adjusts 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:

	2017	2016
Gearing ratio	<u>55.57%</u>	<u>58.17%</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;

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 2017

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

X. Related party relationships and transactions

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, asset reorganization, distribution and retail of medicines and pharmaceutical products, etc.	276,709.51	56.06%	56.06%

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>
Beijing Beishengyan Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Fusheng Tiandi Property Management Ltd.	Controlled by CNPGC
Beijing Huamiao Pharmaceutical Co., Ltd.	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 (Guangzhou) Medical Equipment Co., Ltd.	Controlled by CNPGC
Sinopharm (Tianjin) Northern Medical Equipment Co., Ltd.	Controlled by CNPGC
Group Financial Co.	Controlled by CNPGC
Sinopharm Group Chengdu Xinlibang Biological Products Co., Ltd.	Controlled by CNPGC
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	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 2017

(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 Fujian Medical Examination Co., Ltd.	Controlled by CNPGC
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
Guizhou Longlife Pharmaceutical 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
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	Controlled by CNPGC
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	Controlled by CNPGC
Shantou Jinshi Powder Injection 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 Zhuhai Medical Instrument 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
Yuxi Sinopharm Medicine Co., Ltd.	Controlled by CNPGC
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	Controlled by CNPGC

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 Shyndec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
China Sinopharm International Corporation	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	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 National of Traditional&Herbal Medicine Co., Ltd.	Controlled by CNPGC
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	Associate of CNPGC
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Sinopharm Group Co., Ltd.	Majority Shareholder
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 Guorui Medicine 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 Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic 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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 Tianjin Binhai Pharmaceutical 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 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 Dalian Hecheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Deyang 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 Ordos 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
Sinopharm Holding Ganzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Shanghai Management Consulting Branch Co., Ltd.	Controlled by Sinopharm Group
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 Henan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Heilongjiang Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 Hulun Buir Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei New & Special Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited	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 Huangshi 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 Jining 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 Lu'an Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Longyan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lunan 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
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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pingdingshan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pingliang 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 Rizhao 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 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 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
Sinopharm Holding Ulanqab Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 Wuxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuhu 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 Xinjiang New & Special Gingsen Antler Medical 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 Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Yibin Pharmaceuticals 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 Yongzhou 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 Changsha Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhejiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Ruimin Pharmaceutical 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 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
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 Zhangjiakou 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
Shanxi Guoyi Pharmacy Co., Ltd.	Controlled by Sinopharm Group
Shanghai Merro Pharmaceutical 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
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
China National Pharmaceutical Group Shanghai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huangshan Health Industry Co., Ltd.	Associate of Sinopharm Group
Sinopharm Health Online Co., Ltd.	Associate of Sinopharm Group
Sinopharm Holding Financing Lease Co., Ltd.	Associate of Sinopharm Group
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Hubei Medical Group 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
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
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Fuxing Pharmaceutical Trading 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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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>
Jinzhou AoHong Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Chaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Transfusion Technology 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
Chongqing Haisiman Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shenzhen Wanwei Medicine Trading Co., Ltd.	Subsidiary of Main Luck Pharmaceutical
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 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
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Quanzhou Xintai Biotech Co., Ltd.	Non-controlling interest of a subsidiary
Shenzhen Jiufeng Investment Co., Ltd.	Non-controlling interest of a subsidiary
Shenyang Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Taishan Qunkang Pharmacy Co., Ltd.	Non-controlling interest of a subsidiary
Xiaoyi Xinran Trading Co., Ltd.	Non-controlling interest of a subsidiary
Zhang Zhenfang	Non-controlling interest of a subsidiary
Nanjing Yuanguang Trading Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Taishan Xiangranhui Trade Co., Ltd	Controlled by non-controlling interest of a subsidiary
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Wang Yang	Family member of the non-controlling shareholder of a subsidiary
Gu Jinhua	Controller of non-controlling interest of a subsidiary

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Sub Marketing Center Co., Ltd.	101,744.54	127,734.29
Sinopharm Group Co., Ltd.	47,891.45	48,852.08
China National Medicines Co., Ltd.	38,102.01	47,680.18
Sinopharm Holding Shanxi Co., Ltd.	22,720.93	10,584.81
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	21,237.87	20,614.13
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	16,178.69	9,085.16
Sinopharm Holding Shanxi Co., Ltd.	15,849.65	7,830.68
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	15,540.66	14,207.29
Sinopharm Holding Shenyang Co., Ltd.	10,902.50	10,969.67
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	7,288.02	6,335.75
Lanzhou Institute of Biological Products Co., Ltd.	6,978.00	4,203.47
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	6,890.74	7,606.26
Sinopharm Holding Lunan Co., Ltd.	5,007.91	3,309.92
Sinopharm Holding Yangzhou Co., Ltd.	4,561.71	3,999.69
Sinopharm Holding Beijing Co., Ltd.	4,502.72	3,746.40
Shenzhen Main Luck Pharmaceutical Co., Ltd.	3,815.55	4,624.10
Chongqing Yaoyou Pharmaceutical Co., Ltd.	3,529.40	3,418.41
Sinopharm Holding Pingdingshan Co., Ltd.	3,494.08	3,552.47
Sinopharm Holding Inner Mongolia Co., Ltd.	3,428.82	2,447.73
Chongqing Haisiman Pharmaceutical Co., Ltd.	3,157.33	1,855.83
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	2,865.65	3,441.44
Sinopharm Holding Jiangsu Co., Ltd.	2,774.47	2,949.60
Sinopharm Holding Fujian Co., Ltd.	2,748.83	1,417.51
Shenzhen Wanwei Medicine Trading Co., Ltd.	2,617.88	2,649.07
Sinopharm Holding Xiamen Co., Ltd.	2,566.00	3,430.20
Sinopharm Holding Hulun Buir Co., Ltd.	2,552.36	2,910.60
Chengdu Rongsheng Pharmacy Co., Ltd.	2,515.11	2,265.23
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	2,274.90	2,679.30

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

	2017	2016
	(RMB'0,000)	(RMB'0,000)
Winteam Pharmaceutical Group Ltd.	2,037.17	846.52
Sinopharm Holding Hunan Co., Ltd.	1,859.99	2,160.50
Sinopharm Group Medicine Logistic Co., Ltd.	1,511.51	1,958.77
Sinopharm Holding Ningxia Co., Ltd.	1,260.94	1,632.76
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	1,252.80	884.21
Shanghai Merro Pharmaceutical Co., Ltd.	1,098.20	2,273.27
Sinopharm Holding Suzhou Co., Ltd.	972.81	3,087.21
Sinopharm Health Online Co., Ltd.	952.00	368.28
Sinopharm Holding Fuzhou Co., Ltd.	942.42	248.46
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	906.15	667.54
Shanghai Shangsheng Biological Products Co., Ltd.	885.46	115.33
Yichang Humanwell Pharmaceutical Co., Ltd.	881.03	340.75
Sinopharm Holding Beijing Huahong Co., Ltd.	879.99	503.31
Sinopharm Holding Changzhou Co., Ltd.	877.84	871.15
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	864.11	709.79
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	809.83	199.68
Sinopharm Holding Tianjin Co., Ltd.	799.37	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	790.45	738.52
Shandong Lu Ya Pharmaceutical Co., Ltd.	741.87	-
Sinopharm Holding Henan Co., Ltd.	643.91	236.60
China National Pharmaceutical Foreign Trade Corporation	613.18	813.13
China Otsuka Pharmaceutical Co., Ltd.	571.64	247.11
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	458.11	190.01
Sinopharm Holding Jinan Co., Ltd.	404.98	76.23
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	403.31	336.85
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	372.16	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

	2017	2016
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	370.93	304.50
Sinopharm Holding Wuxi Co., Ltd.	365.10	258.17
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	360.29	411.80
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	291.59	667.51
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	273.26	234.17
Sinopharm Holding Rizhao Co., Ltd.	267.85	-
Sinopharm Holding Jinzhou Co., Ltd.	260.33	192.38
Guizhou Tongjitang Pharmaceutical Co., Ltd.	252.37	182.28
Sinopharm Holding Yancheng Co., Ltd.	248.55	359.36
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	243.68	-
Sinopharm Holding Dalian Co., Ltd.	238.38	420.93
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	227.57	347.62
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	221.06	189.51
Sinopharm Holding Putian Co., Ltd.	212.86	273.20
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	198.58	413.21
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	186.16	281.13
Shenyang Hongqi Pharmaceutical Co., Ltd.	173.38	36.89
Shanghai Tongyu Information Technology Co., Ltd.	174.25	103.03
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	170.25	114.68
Sinopharm Holding Quanzhou Co., Ltd.	152.62	267.53
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	145.06	850.50
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	136.59	121.51
Sinopharm Holding Chengdu Co., Ltd.	124.80	120.78
Sinopharm Group Shanxi Co., Ltd.	118.75	362.38
Hutchison Whamoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	104.40	74.56
Anhui Jingfang Pharmaceutical Co., Ltd.	103.19	60.13
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	94.47	25.28
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	91.65	141.52

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

	2017	2016
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Tongliao Co., Ltd.	87.00	-
Shanghai Modern Pharmaceutical Co., Ltd. (Modern Pharmaceutical)	86.51	(0.13)
Sinopharm Group Guorui Medicine Co., Ltd.	82.70	32.02
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	78.21	93.75
Sinopharm Fujian Medical Examination Co., Ltd.	68.04	-
Guizhou Longlife Pharmaceutical Co., Ltd.	64.81	-
Sinopharm Holding Anhui Co., Ltd.	59.02	25.90
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	57.42	2,688.37
Sinopharm Holding Changsha Co., Ltd.	50.72	-
Sinopharm Holding Dezhou Co., Ltd.	44.25	28.99
Hunan Dongting Pharmaceutical Co., Ltd.	41.31	63.22
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	40.04	-
Guangdong Medi-World Pharmaceutical Co., Ltd.	39.88	-
China National Pharmaceutical Industry Co., Ltd.	37.39	23.11
Sinopharm Holding Hubei New & Special Medicines Co., Ltd.	34.38	-
Sinopharm Holding Ulanqab Co., Ltd.	32.21	1.05
Sinopharm Holding Hubei Co., Ltd.	27.50	11.64
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	25.23	56.11
Shanghai Transfusion Technology Co., Ltd.	21.50	-
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	21.35	47.05
Beijing Tongyu Information Technology Co., Ltd.	17.54	-
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd.	17.76	-
Sinopharm Holding Taizhou Co., Ltd.	16.76	-
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	16.28	19.02
Sinopharm Holding Jiangxi Co., Ltd.	15.93	-
Sinopharm Group Chengdu Xinlibang Biological Products Co., Ltd.	10.56	-
Sinopharm Holding Xinjiang New & Special Gingsen Antler Medical Co., Ltd.	10.17	-
Sinopharm Group Chemical Reagent Co., Ltd.	9.23	58.65

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

	2017	2016
	(RMB'0,000)	(RMB'0,000)
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	7.38	-
China National Pharmaceutical Logistics Co., Ltd.	6.71	6.22
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	6.21	16.53
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	5.62	6.37
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	5.39	-
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	5.23	-
Sinopharm Group Southwest Medicine Co., Ltd.	5.08	0.39
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	5.04	7.43
Sinopharm Holding Ordos Co., Ltd.	4.76	-
Sinopharm Hebei Medical Instrument Co., Ltd.	4.72	7.96
Sinopharm Holding Tianjin North Medicine Co., Ltd.	4.67	-
Sinopharm Holding Yongzhou Co., Ltd.	3.84	-
Sinopharm Holding Nanping Newforce Co., Ltd.	3.61	-
Foshan Dezhong Pharmaceutical Co., Ltd.	3.46	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	3.29	-
Sinopharm Group Shanghai Medicine Device Co., Ltd.	3.14	-
Sinopharm Holding Jinhua Co., Ltd.	3.09	1.70
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	1.22	-
Sinopharm Holding Chongqing Co., Ltd.	0.92	-
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	0.56	1.53
Shantou Jinshi Powder Injection Co., Ltd.	0.25	-
Zhijun Suzhou	0.14	2,121.84
Sinopharm (Tianjin) Northern Medical Equipment Co., Ltd.	-	881.88
Wuhan Institute of Biological Products Co., Ltd.	-	118.52
Sinopharm Zhuhai	-	83.53
Sinopharm Holding Shandong Co., Ltd.	-	40.22
Sinopharm Holding Zhejiang Co., Ltd.	-	22.41
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	-	18.21

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

	2017	2016
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Guizhou Co., Ltd.	-	17.57
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	-	12.02
Sinopharm Holding (Shanghai) Imported Goods Direct Sales Center Co., Ltd.	-	11.09
Sinopharm Holding Zhangzhou Co., Ltd.	-	10.17
Sinopharm Holding Hainan Co., Ltd.	-	7.38
Wuliangye Group of Sichuan YiBin Pharmaceuticals Co., Ltd.	-	5.88
Shanghai Institute of Pharmaceutical Industry	-	5.85
Sinopharm Holding Huangshan Health Industry Co., Ltd.	-	5.77
Suzhou Erye Pharmaceutical Limited Company	-	5.08
Yangzhou Weikang Pharmaceutical Co., Ltd.	-	3.91
Guilin South pharmaceutical Co., Ltd.	-	3.05
Reed Sinopharm Exhibitions Co., Ltd.	-	2.83
Sinopharm Health Solutions (Shanghai) Co., Ltd.	-	1.43
Sinopharm Holding (Liaoning Province) Medical Instruments Co., Ltd.	-	0.35
Sinopharm Group Shanghai Management Consulting Branch Co., Ltd.	-	0.10
Sichuan Hexin Pharmaceutical Co., Ltd.	(0.03)	566.30
	<u>394,534.98</u>	<u>397,864.08</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm (Guangzhou) Medical Equipment Co., Ltd.	22,418.89	4,273.55
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	12,310.89	10,384.50
Foshan Chancheng Pharmaceutical Co., Ltd.	6,961.50	6,615.77
Sinopharm Holding Hainan Co., Ltd.	6,641.94	5,688.98
Sinopharm Holding Hubei Co., Ltd.	5,641.21	7,210.45
Sinopharm Holding Shandong Co., Ltd.	5,315.11	11,156.36
Sinopharm Holding Hainan Hongyi Co., Ltd.	5,221.78	4,270.75
Sinopharm Holding Beijing Co., Ltd.	4,672.13	7,628.40
Sinopharm Sichuan Pharmaceutical Co., Ltd.	4,466.51	10,130.06
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	4,070.87	5,354.65
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	3,978.45	6,407.35
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	2,998.11	5,720.62
Sinopharm Group Co., Ltd.	2,920.98	1,782.65
Sinopharm Holding Wenzhou Co., Ltd.	2,801.62	3,137.23
Sinopharm Holding Henan Co., Ltd.	2,707.85	2,647.79
Sinopharm Holding Beijing Huahong Co., Ltd.	2,599.43	3,195.62
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	2,441.19	92.93
Sinopharm Holding Yunnan Co., Ltd.	2,396.95	2,692.11
Sinopharm Holding Sub Marketing Center Co., Ltd.	2,311.90	4,136.11
Sinopharm Holding Nantong Co., Ltd.	2,274.99	2,795.77
Sinopharm Group Southwest Medicine Co., Ltd.	1,975.09	3,163.28
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	1,909.51	-
China National Medicines Co., Ltd.	1,269.66	1,270.90
Sinopharm Holding Tianjin Co., Ltd.	1,146.02	2,388.38
Sinopharm Holding Fuzhou Co., Ltd.	1,108.68	707.38
Sinopharm Holding Ningxia Co., Ltd.	1,031.39	1,814.42

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Yangzhou Co., Ltd.	988.43	907.76
Sinopharm Holding Zhejiang Co., Ltd.	899.68	1,032.54
Foshan Chancheng District Central Hospital	777.97	729.18
Sinopharm Holding Shanxi Co., Ltd.	774.50	1,310.69
Sinopharm Holding Hulun Buir Co., Ltd.	722.69	1,161.50
Sinopharm Holding Guizhou Co., Ltd.	708.51	1,197.96
Shanghai Merro Pharmaceutical Co., Ltd.	529.23	1,089.17
Sinopharm Holding Fujian Co., Ltd.	469.70	2,962.93
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	467.21	-
Sinopharm Holding Gansu Co., Ltd.	455.43	589.38
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	447.12	2,471.29
Sinopharm Holding Jilin Co., Ltd.	420.33	535.65
Sinopharm Holding Shenyang Co., Ltd.	415.35	1,768.44
Sinopharm Holding Hunan Co., Ltd.	391.75	11,281.79
Sinopharm Holding Shanxi Co., Ltd.	343.72	1,037.07
Sinopharm Holding Heilongjiang Co., Ltd.	341.74	2,472.64
Foshan Chanyixing Medicine Development Co Ltd.	287.00	280.69
Shanghai Liyi Drug Store Co., Ltd.	225.13	-
Sinopharm Holding Dalian Co., Ltd.	218.46	662.65
Sinopharm Holding Quanzhou Co., Ltd.	217.20	924.73
Sinopharm Holding Qinghai Co., Ltd.	194.00	309.44
Sinopharm Holding Changzhou Co., Ltd.	191.15	48.76
Sinopharm Holding Chengdu Co., Ltd.	171.42	192.03
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	163.77	368.08
Sinopharm Group Medicine Logistic Co., Ltd.	156.84	291.71
Sinopharm Holding Jiangxi Co., Ltd.	123.41	67.84

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Anhui Co., Ltd.	120.77	38.69
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	118.89	76.12
Sinopharm Holding Dalian Hecheng Co., Ltd.	106.35	48.07
Sinopharm Group Shanxi Co., Ltd.	102.04	59.86
Sinopharm Holding Lunan Co., Ltd.	95.09	370.33
Sinopharm Holding Putian Co., Ltd.	92.30	280.31
Sinopharm Group Guangdong Medicine Device Co., Ltd.	73.42	104.38
Sinopharm Holding Inner Mongolia Co., Ltd.	72.68	90.22
Sinopharm Holding Huaian Co., Ltd.	67.17	2.19
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	65.11	1.23
Hubei Medical Group Co., Ltd.	59.46	-
Sinopharm Holding Zhangzhou Co., Ltd.	57.47	342.74
Sinopharm Holding Wuxi Co., Ltd.	53.75	156.80
Sinopharm Holding Ningde Co., Ltd.	50.41	308.24
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	47.12	98.77
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	44.11	83.18
Sinopharm Holding Nanping Newforce Co., Ltd.	38.97	0.15
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	37.94	40.29
Sinopharm Holding Changsha Co., Ltd.	28.32	-
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	26.29	-
Sinopharm Holding Yongzhou Co., Ltd.	25.71	-
Yuxi Sinopharm Medicine Co., Ltd.	24.96	-
Sinopharm Holding Chongqing Co., Ltd.	23.62	117.92
Sinopharm Holding Longyan Co., Ltd.	18.30	105.08
China Otsuka Pharmaceutical Co., Ltd.	15.38	-
Sinopharm Holding Ganzhou Co., Ltd.	14.67	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Huangshi Co., Ltd.	13.51	-
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	12.45	19.77
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	12.31	-
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	12.18	28.43
Sinopharm Holding Xiangyang Co., Ltd.	11.87	16.89
Sinopharm Xinxiang Chain Store Co., Ltd.	11.72	14.14
Sinopharm Holding Wuhu Co., Ltd.	10.80	5.13
Sinopharm Holding Ulanqab Co., Ltd.	9.29	12.26
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	7.36	0.74
Sinopharm Holding Lu'an Co., Ltd.	4.87	-
Shenzhen Wanwei Medicine Trading Co., Ltd.	3.88	18.14
Sichuan Kang Daxin Pharmaceutical Co., Ltd.	3.32	6.23
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd.	3.30	-
Sinopharm Holding Suzhou Co., Ltd.	2.44	-
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	2.28	3.87
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	1.96	-
China National Pharmaceutical Group Corporation	1.90	1.52
Shenzhen Main Luck Pharmaceutical Co., Ltd.	1.83	7.07
Sinopharm Holding Chongqing Ruimin Pharmaceutical Co., Ltd.	1.69	-
Sinopharm Lerentang Zhangjiakou Medicine Co., Ltd.	1.23	-
Sinopharm Zhuhai	1.14	-
Sinopharm Health Online Co., Ltd.	1.07	0.23
Beijing Beishengyan Biological Products Co., Ltd.	0.77	-
Winteam Pharmaceutical Group Ltd.	0.71	1.01
Sinopharm Holding Pingliang Co., Ltd.	0.65	-
Sinopharm Holding Deyang Co., Ltd.	0.62	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Xiamen Co., Ltd.	0.19	-
Sinopharm Guangdong Medical Examination Co., Ltd.	0.08	17.13
Sinopharm Holding Jinzhou Co., Ltd.	-	1,469.42
Sinopharm Holding Zhuhai Co., Ltd.	-	233.79
Sinopharm Holding Yancheng Co., Ltd.	-	226.95
Sinopharm Holding Xuzhou Co., Ltd.	-	181.23
Sinopharm Holding Taizhou Co., Ltd.	-	136.33
Sinopharm Holding Suzhou Kangmin Pharmaceutical Co., Ltd.	-	102.02
Sinopharm Holding Sanming Co., Ltd.	-	53.37
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	-	49.84
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	-	46.73
Sinopharm Holding Tibet Pharmaceutical Co., Ltd.	-	36.95
Sinopharm Holding Linqi Co., Ltd.	-	30.93
Sinopharm Holding Suzhou Co., Ltd.	-	24.71
Sinopharm Holding Anqing Co., Ltd.	-	20.91
Jiang Meng Renren Medical instrument Co., Ltd.	-	16.80
Sinopharm Holding Tianjin North Medicine Co., Ltd.	-	13.03
China National Pharmaceutical Foreign Trade Corporation	-	12.60
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	-	10.71
Sinopharm Holding Yantai Co., Ltd.	-	7.18
Beijing Tiantan Biological Products Co., Ltd.	-	6.07
Sinopharm Holding Jiling Co., Ltd.	-	5.56
Beijing Fusheng Tiandi Property Management Ltd.	-	5.40
Sinopharm Holding Jiangsu Co., Ltd.	-	4.72
China Sinopharm International Corporation	-	4.49
Sinopharm Holding Puyang Co., Ltd.	-	4.45
Shanxi Guoyi Pharmacy Co., Ltd.	-	4.28

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Huzhou Co., Ltd.	-	1.43
Sinopharm Holding Qingdao Co., Ltd.	-	1.42
Sinopharm Holding Qianxinan Co., Ltd.	-	1.20
Heilongjiang Sinopharm Medical Herbs Co., Ltd.	-	1.15
Sinopharm Holding Changde Co., Ltd.	-	0.95
Sinopharm Holding Zhoukou Co., Ltd.	-	0.93
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	-	0.59
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	-	0.57
Sinopharm Holding Xiangxi Co., Ltd.	-	0.49
Sinopharm Holding Chenzhou Co., Ltd.	-	0.47
Sinopharm Holding Shangqiu Co., Ltd.	-	0.42
Sinopharm United Engineering Corporation	-	0.18
Group Financial Co.	-	0.13
Sinopharm Holding Xiangtan Co., Ltd.	-	0.05
Sinopharm Holding Zunyi Co., Ltd.	-	(0.45)
	<u>126,310.11</u>	<u>153,555.06</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

As the lessor

	Type of assets under leases	Income from leases in 2017 (RMB'0,000)	Income from leases in 2016 (RMB'0,000)
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	Building	98.86	21.24
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	Building	31.62	-
Sinopharm Group Medicine Logistic Co., Ltd.	Equipment	15.40	-
China National Medicines Co., Ltd.	Building	4.57	4.32
Sinopharm Holding Sub Marketing Center Co., Ltd.	Building	4.57	4.17
Foshan Fengliaoqing Pharmaceutical Co., Ltd.		-	6.12
		<u>155.02</u>	<u>35.85</u>

As the lessee

	Type of assets under leases	Expenses from leases in 2017 (RMB'0,000)	Expenses from leases in 2016 (RMB'0,000)
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	Building	909.64	955.00
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	Building	853.74	884.46
Sinopharm Group Medicine Logistic Co., Ltd.	Equipment	778.86	750.00
Sinopharm Group Medicine Logistic Co., Ltd.	Building	708.00	719.80
China National Pharmaceutical Group Shanghai Co., Ltd.	Building	671.06	614.10
Shenyang Pharmaceutical Co., Ltd.	Building	616.14	685.43
Lerentang Investment Group Co., Ltd.	Building	511.19	640.00
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	Building	479.75	454.87
Linyi Medical Group Co., Ltd.	Building	406.10	810.33
Sinopharm Holding Yangzhou Co., Ltd.	Building	372.57	381.89
Hunan Minshengtang Investment Co., Ltd.	Building	309.67	281.31
Nanjing Yuanguang Trading Co., Ltd.	Building	157.72	-
Guangdong Jiyuantang Pharmaceutical Co., Ltd.	Building	120.59	-
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Building	94.03	95.60
Taishan Xiangranhui Trade Co., Ltd.	Building	85.04	-
Zhang Zhenfang	Building	80.50	70.00
Sinopharm Holding Shanxi Co., Ltd.	Building	59.84	63.86
Wang Yang	Building	52.57	53.89

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

As the lessee (continued)

	Type of assets under leases	Expenses from leases in 2017 (RMB'0,000)	Expenses from leases in 2016 (RMB'0,000)
Sinopharm Group Co., Ltd.	Building	51.98	-
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Building	50.09	47.64
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	Building	46.94	44.46
Sinopharm Holding Beijing Co., Ltd.	Building	45.32	46.00
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Building	36.85	35.06
Gu Jinhua	Building	35.76	26.82
China National Medicines Co., Ltd.	Building	35.71	30.75
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Building	25.52	18.33
Hangzhou Xihu Business Group Corporation	Building	25.30	24.70
Shenzhen Jiufeng Investment Co., Ltd.	Building	21.00	3.00
Taishan Qunkang Pharmacy Co., Ltd.	Building	15.74	12.16
Xinjiang Baitong Property Service Co., Ltd.	Building	7.82	5.99
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Building	2.70	18.21
Sinopharm Holding Fujian Co., Ltd.	Building	0.48	0.41
Guangdong Jiyuantang Pharmaceutical Co., Ltd.	Building	-	132.43
Huang Lijin	Building	-	125.00
Xiaoyi Xinran Trading Co., Ltd.	Building	-	31.55
		7,668.22	8,063.05

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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.	<u>13,154.46</u>	16 February 2016 – 1 September 2016	16 February 2017 – 1 September 2017	No

(4) Related party transactions – borrowings

2017	Category	Amount (RMB'0,000)	Inception	Maturity
Group Financial Co.	Discount on commercial acceptance notes	48,244.70	19 January 2017-22 December 2017	25 March 2017-30 April 2018
Group Financial Co.	Discount on bank acceptance notes	22,580.26	22 January 2017-21 August 2017	6 March 2017-31 January 2018
China National Pharmaceutical Group Corporation	Long-term borrowings	<u>3,160.00</u>	24 May 2017	24 May 2020
		<u>73,984.96</u>		

(4) Related party transactions – borrowings (Continued)

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
Sinopharm Group Co., Ltd.	Entrusted borrowings	21,554.00	4 January 2016-14 July 2016	4 July 2016-14 January 2017
Sinopharm Group Co., Ltd.	Short-term borrowings	<u>9,000.00</u>	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 2017

(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)

Related party transactions – lendings

Fund lending 2017	Category	Amount (RMB'0,000)	Inception	Maturity
Zhijun Suzhou	Entrusted Loan	<u>44,00.00</u>	4 January 2017	4 January 2018

(5) Related party asset transfer

	Type of transaction	2017 (RMB'0,000)	2016 (RMB'0,000)
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of fixed asset	397.39	62.01
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of construction in progress	33.42	-
Shanghai Tongyu Information Technology Co., Ltd.	Purchase of intangible asset	77.13	38.49
Shanghai Shyndec Pharmaceutical Co., Ltd.	Sale of Pingshan base assets	-	52,993.14
Sinopharm Holding Financing Lease Co., Ltd.	Purchase of fixed asset	-	469.05
Sinopharm Holding Financing Lease Co., Ltd.	Purchase of construction in progress	-	70.78
Beijing Tongyu Information Technology Co., Ltd.	Purchase of fixed asset	-	56.57

During 2016, the Group had related party transactions of selling assets, issuing equity, purchasing assets with cash 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 and other 11 natural persons.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

(6) Other related party transactions

		2017 (RMB'0,000)	2016 (RMB'0,000)
Remuneration for key management personnel		1,182.00	1,056.00
Interest expense			
Related party	Category	2017 RMB'0,000	2016 RMB'0,000
Group Financial Co.	Payment of notes discount interest	722.46	231.80
Sinopharm Holding Financing Lease Co., Ltd.	Payment of financing lease interest	158.23	177.85
China National Pharmaceutical Group Corporation	Payment of loan interest	132.97	135.44
Group Financial Co.	Payment of loan interest	68.86	277.65
Sinopharm Holding Sub Marketing Center Co., Ltd.	Payment of buyer notes discount interest	-	90.05
Sinopharm Group Co., Ltd.	Payment of buyer notes discount interest	-	33.60
Sinopharm Group Co., Ltd.	Payment of interest on borrowings to related parties	-	506.78
Sinopharm Group Co., Ltd.	Payment of entrusted loan interest	-	399.29
China National Pharmaceutical Foreign Trade Corporation	Payment of interest on borrowings to related parties	-	137.05
		<u>1,082.52</u>	<u>1,989.51</u>
Interest income			
Related party	Category	2017 RMB'0,000	2016 RMB'0,000
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	Entrusted loan interest	190.75	-
Group Financial Co.	Deposit interest	49.36	35.24
Shanghai Modern Pharmaceutical Co., Ltd. (Modern Pharmaceutical)	Interest income of land deposit	<u>4.76</u>	<u>-</u>
		<u>244.87</u>	<u>35.24</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

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 RMB391,610.70 (2016: RMB395,165.19).
- (b) During the current year, the related parties rendered services to the Group at the market price amounting to RMB2,924.28 (2016: RMB2,698.89).
- (c) During the current year, the Group sold goods to related parties at the market price amounting to RMB124,942.19 (2016: RMB152,307.80).
- (d) During the current year, the Group rendered services to related parties at the market price amounting to RMB1,367.92 (2016: RMB1,247.26).

(2) Related party transactions - leases

- (a) During the current year, the Group leased buildings and equipment to related parties and recognized income of RMB155.02 (2016: RMB35.85) according to the agreements.
- (b) During the current year, the Group leased buildings and equipment from related parties and an expense of RMB7,668.22 (2016: RMB8,063.05) was incurred according to the lease.

(3) Related party transactions - guarantees

- (a) During the current year, the Group has no related party guarantees that are not yet completed (2016: RMB13,154.46).

(4) Related party transactions - borrowings

- (a) During the current year, the Group borrowed RMB73,984.96 at annual interest rates ranging from 3.90% to 5.30% from related parties (2016: RMB76,516.05 at rates ranging from 3.60% to 4.13%).
- (b) During the current year, the Group lent RMB4,400 to related parties at an annual interest rate of 4.57% (2016: none).

(5) Related party transactions - asset transfer

- (a) During the current year, the Group purchased long-term assets from related parties at a negotiated price amounting to RMB507.94 (2016: RMB696.90).
- (b) During the current year, the Group has not sold any long-term assets to related parties (2016: RMB52,993.14).

(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 RMB1,182.00 (2016: RMB1,056.00).
- (b) During the current year, the Group has paid borrowing interest, entrusted loan interest and etc. to related parties in the amount of RMB1,082.52 (2016: RMB1,989.51).
- (c) During the current year, the Group has received deposit interest from related parties in the amount of RMB244.87 (2016: RMB35.24).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties

	2017 RMB'0,000	2016 RMB'0,000
As lessee		
China National Pharmaceutical Group Shanghai Co., Ltd.	4,032.80	676.90
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	2,580.00	-
Sinopharm Holding Yangzhou Co., Ltd.	1,173.60	1,564.80
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	877.80	1,044.00
Hunan Minshengtang Investment Co., Ltd.	841.86	-
Shenyang Pharmaceutical Co., Ltd.	700.00	1,044.00
Taishan Xiangranhui Trade Co., Ltd.	527.54	-
Lerentang Investment Group Co., Ltd.	527.00	1,180.00
Nanjing Yuanguang Trading Co., Ltd.	463.09	-
Linyi Medical Group Co., Ltd.	429.97	-
Gu Jinhua	289.06	324.82
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	263.09	360.38
Sinopharm Group Co., Ltd.	173.28	-
Sinopharm Holding Beijing Co., Ltd.	166.42	-
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	162.11	2,749.92
Wang Yang	110.40	157.71
China National Medicines Co., Ltd.	94.50	-
Hangzhou Xihu Business Group Corporation	87.93	-
Zhang Zhenfang	80.50	-
Shenzhen Jiufeng Investment Co., Ltd.	78.00	91.00
Taishan Qunkang Pharmacy Co., Ltd.	53.36	77.66
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	52.89	-
Sinopharm Holding Shanxi Co., Ltd.	49.14	64.00
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	45.31	-
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	40.69	-
Sinopharm Holding Fujian Co., Ltd.	2.65	-
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	-	100.53
Guangdong Jiyuantang Pharmaceutical Co., Ltd.	-	69.58
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	-	105.74
	<u>13,902.99</u>	<u>9,611.04</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
As lessor		
Zhijun Medicine	35.14	63.71
Zhijun Trade	28.57	-
Sinopharm Group Medicine Logistic Co., Ltd.	16.94	-
	<hr/>	<hr/>
	80.65	63.71
	<hr/>	<hr/>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Accounts receivable				
Foshan Chancheng Pharmaceutical Co., Ltd.	2,193.41	17.54	2,666.51	-
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	1,789.72	-	2,715.69	-
Sinopharm Group Co., Ltd.	1,536.95	-	567.26	-
Sinopharm Holding Hainan Co., Ltd.	1,421.52	-	575.18	-
Sinopharm Health Online Co., Ltd.	942.23	-	1,553.42	-
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	880.99	-	30.86	-
Sinopharm Holding Hainan Hongyi Co., Ltd.	809.20	-	551.04	-
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	737.09	-	-	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	432.31	-	429.34	-
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	363.73	-	627.65	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	280.45	-	363.61	-
Sinopharm Holding Hubei Co., Ltd.	274.90	-	583.72	-
China National Medicines Co., Ltd.	267.63	-	301.74	-
Foshan Chancheng District Central Hospital	252.92	1.27	324.83	-
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	215.80	-	-	-
Sinopharm Holding Nantong Co., Ltd.	170.41	-	10.63	-
Sinopharm Holding Yangzhou Co., Ltd.	129.61	-	96.27	-
Sinopharm Holding Shanxi Co., Ltd.	120.09	-	190.66	-
Sinopharm Holding Wenzhou Co., Ltd.	115.83	-	213.63	-
Sinopharm Holding Henan Co., Ltd.	115.48	-	-	-
Sinopharm Holding Ningxia Co., Ltd.	110.50	-	108.67	-
Sinopharm Holding Yunnan Co., Ltd.	103.54	-	233.12	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	100.57	-	74.85	-
Sinopharm Holding Hulun Buir Co., Ltd.	98.28	-	637.39	-
Sinopharm Holding Zhejiang Co., Ltd.	71.64	-	72.64	-
Foshan Chanyixing Medicine Development Co Ltd.	67.37	0.24	80.55	-
Sinopharm Sichuan Pharmaceutical Co., Ltd.	66.30	-	1,365.97	-
Shanghai Merro Pharmaceutical Co., Ltd.	61.27	-	93.18	-
Sinopharm Holding Shandong Co., Ltd.	58.81	-	1,205.91	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Accounts receivable (continued)				
Sinopharm Holding Jilin Co., Ltd.	56.57	-	0.41	-
Sinopharm Holding Dalian Co., Ltd.	54.15	-	1.88	-
Sinopharm Holding Beijing Huahong Co., Ltd.	50.68	-	328.88	-
Sinopharm Holding Changzhou Co., Ltd.	48.33	-	-	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	38.06	-	351.97	-
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	27.02	-	46.61	-
Sinopharm Group Medicine Logistic Co., Ltd.	18.92	-	87.33	-
Sinopharm Holding Fujian Co., Ltd.	18.01	-	99.87	-
Sinopharm Holding Guizhou Co., Ltd.	17.10	-	229.65	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	16.89	-	10.35	-
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	15.55	-	18.14	-
Yuxi Sinopharm Medicine Co., Ltd.	14.60	-	-	-
Sinopharm Holding Chengdu Co., Ltd.	14.48	-	7.59	-
Sinopharm Holding Tianjin Co., Ltd.	13.56	-	226.12	-
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	13.07	-	0.50	-
Sinopharm Holding Jiangxi Co., Ltd.	12.96	-	14.60	-
Sinopharm Group Shanxi Co., Ltd.	12.75	-	16.09	-
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	12.50	-	12.25	-
Hubei Medical Group Co., Ltd.	11.37	-	-	-
Sinopharm Holding Beijing Co., Ltd.	9.00	-	345.39	-
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	7.30	-	12.49	-
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	6.77	-	14.80	-
Sinopharm Holding Wuxi Co., Ltd.	6.12	-	3.72	-
Sinopharm Holding Heilongjiang Co., Ltd.	5.00	-	2,246.68	-
Sinopharm Holding Hunan Co., Ltd.	4.40	-	1,597.64	-
Sinopharm Holding Shanxi Co., Ltd.	3.65	-	99.34	-
Shanghai Liyi Drug Store Co., Ltd.	3.56	-	-	-
Sinopharm Holding Anhui Co., Ltd.	3.36	-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Accounts receivable (continued)				
Sinopharm Holding Qinghai Co., Ltd.	2.73	-	47.18	-
Sinopharm Xinxiang Chain Store Co., Ltd.	2.01	-	4.65	-
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	2.00	-	-	-
Sinopharm Group Southwest Medicine Co., Ltd.	1.66	-	921.60	-
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	0.68	-	-	-
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	0.46	-	-	-
Linyi Medical Group Co., Ltd.	0.25	-	-	-
China National Pharmaceutical Foreign Trade Corporation	0.13	-	0.50	-
Sinopharm Holding Xiangyang Co., Ltd.	-	-	2.95	-
Sinopharm Holding Lunan Co., Ltd.	-	-	42.74	-
Sinopharm Holding Inner Mongolia Co., Ltd.	-	-	18.16	-
Sinopharm Holding Huaian Co., Ltd.	-	-	11.85	-
China National Pharmaceutical Group Corporation	-	-	1.78	-
Sinopharm Guangdong Medical Examination Co., Ltd.	-	-	3.25	-
Beijing Tiantan Biological Products Co., Ltd.	-	-	7.10	-
Shenyang Pharmaceutical Co., Ltd.	-	-	0.30	-
Sinopharm Holding Zhuhai Co., Ltd.	-	-	3.06	-
	<u>14,314.20</u>	<u>19.05</u>	<u>22,511.74</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Notes receivable				
Foshan Chancheng Pharmaceutical Co., Ltd.	814.96	-	-	-
Sinopharm Holding Hainan Co., Ltd.	365.09	-	3.47	-
Sinopharm Holding Nantong Co., Ltd.	224.00	-	416.00	-
Sinopharm Holding Henan Co., Ltd.	150.00	-	473.43	-
Sinopharm Holding Shanxi Co., Ltd.	50.00	-	225.04	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	16.16	-	413.80	-
Sinopharm Holding Inner Mongolia Co., Ltd.	13.62	-	9.00	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	11.69	-	-	-
Sinopharm Holding Shenyang Co., Ltd.	-	-	154.64	-
Sinopharm Holding Hubei Co., Ltd.	-	-	394.82	-
Sinopharm Holding Hunan Co., Ltd.	-	-	886.78	-
Sinopharm Holding Beijing Co., Ltd.	-	-	684.99	-
Sinopharm Holding Beijing Huahong Co., Ltd.	-	-	100.00	-
Sinopharm Holding Zhejiang Co., Ltd.	-	-	210.66	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	-	-	139.47	-
Sinopharm Holding Fuzhou Co., Ltd.	-	-	109.16	-
Sinopharm Holding Shandong Co., Ltd.	-	-	2,193.52	-
Sinopharm Holding Yunnan Co., Ltd.	-	-	258.53	-
Sinopharm Holding Gansu Co., Ltd.	-	-	129.48	-
Sinopharm Holding Fujian Co., Ltd.	-	-	369.33	-
Sinopharm Holding Quanzhou Co., Ltd.	-	-	121.92	-
Sinopharm Holding Ningxia Co., Ltd.	-	-	200.53	-
Sinopharm Holding Jilin Co., Ltd.	-	-	38.16	-
Sinopharm Holding Heilongjiang Co., Ltd.	-	-	89.20	-
Sinopharm Sichuan Pharmaceutical Co., Ltd.	-	-	1,688.99	-
	<u>1,645.52</u>	<u>-</u>	<u>9,310.92</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Other receivables				
Shanghai Modern Pharmaceutical Co., Ltd. (Modern Pharmaceutical)	12,518.17	-	13,719.11	-
Sinopharm Group Zhijun(Suzhou) Pharmaceutical Co., Ltd.	4,400.00	-	-	-
Sinopharm Group Medicine Logistic Co., Ltd.	139.88	-	315.87	-
Sinopharm Health Online Co., Ltd.	107.14	-	68.30	-
Sinopharm Holding Shanxi Co., Ltd.	10.00	-	10.00	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	10.00	-	10.00	-
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	4.85	-	4.85	-
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	1.71	0.03	5.64	-
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	0.50	0.05	-	-
Sinopharm Group Co., Ltd.	-	-	0.40	-
Sinopharm Holding Henan Co., Ltd.	-	-	1.01	-
Sinopharm Holding Fuzhou Co., Ltd.	-	-	7.26	-
Sinopharm Holding Huangshan Health Industry Co., Ltd.	-	-	0.94	-
Shanghai Guoren Pharmacy Co., Ltd.	-	-	3.78	-
Beijing Electromechanical Device Group Corporation	-	-	3.00	-
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	-	-	2.15	-
	<u>17,192.25</u>	<u>0.08</u>	<u>14,152.31</u>	<u>-</u>

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Advances to suppliers				
Jinzhou AoHong Pharmaceuticals Co., Ltd.	2,013.70	-	-	-
Sinopharm Holding Shanxi Co., Ltd.	550.24	-	302.78	-
Hunan Minshengtang Investment Co., Ltd.	267.04	-	1,194.11	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	202.50	-	193.46	-
Sinopharm Group Co., Ltd.	196.35	-	11.72	-
Sinopharm Holding Shenyang Co., Ltd.	133.49	-	-	-
Shanghai Shangsheng Biological Products Co., Ltd.	127.13	-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2017 RMB'0,000		2016 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Advances to suppliers (continued)				
Sinopharm Holding Shanxi Co., Ltd.	28.80	-	195.91	-
Sinopharm Group Guorui Medicine Co., Ltd.	27.91	-	-	-
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	26.44	-	-	-
China National Medicines Co., Ltd.	18.30	-	4.94	-
Nanjing Yuanguang Trading Co., Ltd.	16.82	-	-	-
Sinopharm Holding Beijing Co., Ltd.	11.75	-	9.66	-
Gu Jinhua	7.84	-	-	-
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	4.27	-	4.17	-
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	2.52	-	2.52	-
Guilin South pharmaceutical Co., Ltd.	2.00	-	-	-
Winteam Pharmaceutical Group Ltd.	1.92	-	0.46	-
Xinjiang Baitong Property Service Co., Ltd.	1.09	-	0.63	-
Sinopharm Holding Suzhou Co., Ltd.	0.77	-	0.37	-
Sinopharm Holding Fujian Co., Ltd.	0.55	-	-	-
Sinopharm Holding Yangzhou Co., Ltd.	0.41	-	-	-
Sinopharm Holding Hunan Co., Ltd.	0.31	-	-	-
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	0.17	-	-	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	0.10	-	-	-
Chengdu Rongsheng Pharmacy Co., Ltd.	0.06	-	44.83	-
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	0.02	-	0.02	-
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	-	-	0.34	-
Sichuan Hexin Pharmaceutical Co., Ltd.	-	-	0.20	-
Shenzhen Jiufeng Investment Co., Ltd.	-	-	15.00	-
Hangzhou Xihu Business Group Corporation	-	-	12.65	-
Xiaoyi Xinran Trading Co., Ltd.	-	-	3.50	-
Beijing Tongyu Information Technology Co., Ltd.	-	-	4.04	-
Shanghai Meitai Medical Instruments Co., Ltd.	-	-	28.29	-
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	-	-	265.22	-
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	-	-	0.02	-
	<u>3,642.50</u>	<u>-</u>	<u>2,294.84</u>	<u>-</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 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties

	2017 RMB'0,000	2016 RMB'0,000
Accounts payable		
Sinopharm Holding Sub Marketing Center Co., Ltd.	14,390.85	11,346.16
Sinopharm Group Co., Ltd.	4,520.40	6,936.35
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	3,750.48	1,834.62
China National Medicines Co., Ltd.	2,836.25	3,523.37
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	1,974.28	1,905.41
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	1,600.39	1,317.92
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	1,000.33	1,119.81
Sinopharm Holding Pingdingshan Co., Ltd.	817.83	732.91
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	779.69	839.01
Sinopharm Holding Jiangsu Co., Ltd.	773.08	485.92
Shenzhen Main Luck Pharmaceutical Co., Ltd.	652.05	580.79
Sinopharm Holding Yangzhou Co., Ltd.	598.71	15.36
Chongqing Yaoyou Pharmaceutical Co., Ltd.	545.00	770.08
Shenzhen Wanwei Medicine Trading Co., Ltd.	424.01	563.83
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	408.96	308.99
Sinopharm Holding Xiamen Co., Ltd.	400.65	511.63
Sinopharm Holding Fujian Co., Ltd.	371.76	326.26
Sinopharm Holding Hulun Buir Co., Ltd.	290.22	629.33
Sinopharm Holding Ningxia Co., Ltd.	280.94	357.99
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	279.27	112.02
Sinopharm Holding Inner Mongolia Co., Ltd.	266.45	80.40
Yichang Humanwell Pharmaceutical Co., Ltd.	262.01	195.74
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	210.66	4.28
China National Pharmaceutical Foreign Trade Corporation	203.51	165.12
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	170.81	-
Sinopharm Holding Henan Co., Ltd.	152.65	1.64
Shandong Lu Ya Pharmaceutical Co., Ltd.	150.75	5.28
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	138.01	35.70

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Accounts payable (Continued)		
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	135.06	35.11
Winteam Pharmaceutical Group Ltd.	129.10	208.77
Sinopharm Holding Beijing Huahong Co., Ltd.	127.75	105.54
Sinopharm Holding Beijing Co., Ltd.	114.89	279.32
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	114.17	23.76
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	109.58	113.68
China Otsuka Pharmaceutical Co., Ltd.	107.38	43.80
Sinopharm Holding Fuzhou Co., Ltd.	99.60	8.11
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	80.36	1.68
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	79.84	-
Sinopharm Holding Suzhou Co., Ltd.	65.70	419.86
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	56.64	69.67
Guizhou Tongjitang Pharmaceutical Co., Ltd.	55.75	12.54
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	52.68	45.13
Sinopharm Holding Jinzhou Co., Ltd.	52.02	23.40
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	49.50	30.14
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	48.24	40.35
Sinopharm Holding Tongliao Co., Ltd.	44.09	-
Chongqing Haisiman Pharmaceutical Co., Ltd.	43.84	530.35
Shenyang Hongqi Pharmaceutical Co., Ltd.	39.48	15.06
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	36.39	7.97
Beijing Huamiao Pharmaceutical Co., Ltd.	33.99	-
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	32.18	48.62
Shanghai Merro Pharmaceutical Co., Ltd.	31.16	489.59
Anhui Jingfang Pharmaceutical Co., Ltd.	27.53	20.11
Shanghai Transfusion Technology Co., Ltd.	25.15	-
Guangdong Medi-World Pharmaceutical Co., Ltd.	24.88	2.66
Sinopharm Holding Shanxi Co., Ltd.	24.45	423.72

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Accounts payable (Continued)		
Sinopharm Holding Dezhou Co., Ltd.	23.94	15.82
Sinopharm Holding Wuxi Co., Ltd.	23.49	9.76
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	19.73	15.39
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd.	18.38	-
Sinopharm Holding Changzhou Co., Ltd.	15.63	166.70
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	15.55	22.37
Sinopharm Holding Lunan Co., Ltd.	15.29	-
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	15.03	6.80
Sinopharm Holding Putian Co., Ltd.	14.98	6.67
Sinopharm Holding Hunan Co., Ltd.	14.86	-
Sinopharm Holding Ulanqab Co., Ltd.	13.36	0.95
Hunan Dongting Pharmaceutical Co., Ltd.	11.01	6.09
Sinopharm Holding Quanzhou Co., Ltd.	10.70	10.02
Sinopharm Holding Chengdu Co., Ltd.	10.41	-
Guizhou Longlife Pharmaceutical Co., Ltd.	10.36	-
Foshan Dezhong Pharmaceutical Co., Ltd.	9.88	5.83
Sinopharm Holding Taizhou Co., Ltd.	9.50	-
Sinopharm Holding Tianjin Co., Ltd.	8.86	0.89
Sinopharm Holding Dalian Co., Ltd.	8.02	8.36
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	7.71	0.88
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	7.44	14.99
Sinopharm Holding Jinan Co., Ltd.	7.17	19.37
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	6.31	1.59
Sinopharm Holding Ordos Co., Ltd.	5.56	-
Sinopharm Holding Zhejiang Co., Ltd.	5.55	-
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	5.53	7.84
Jiangsu Huanghe Pharmaceutical Co., Ltd.	5.33	5.47
China National Pharmaceutical Industry Co., Ltd.	5.23	2.35
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	4.61	63.23
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	4.24	-
Sinopharm Group Guorui Medicine Co., Ltd.	3.46	4.54

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Accounts payable (Continued)		
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	3.09	3.09
Sinopharm Holding Jiangxi Co., Ltd.	3.04	-
Sinopharm Holding Yongzhou Co., Ltd.	3.02	-
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	2.77	-
Yangzhou Weikang Pharmaceutical Co., Ltd.	2.49	2.33
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	2.30	-
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	2.05	2.52
Sinopharm Holding Tianjin North Medicine Co., Ltd.	1.93	-
Sinopharm Group Shanghai Medicine Device Co., Ltd.	1.66	1.66
Sinopharm Holding Liaocheng Co., Ltd.	1.62	1.62
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	1.42	1.42
Shanghai Modern Pharmaceutical Co., Ltd. (Modern Pharmaceutical)	1.28	1.42
Shanghai Chaohui Pharmaceutical Co., Ltd.	0.89	0.89
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	0.86	-
Sinopharm Hebei Medical Instrument Co., Ltd.	0.36	-
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	0.12	0.34
Guilin South pharmaceutical Co., Ltd.	0.12	1.17
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	0.11	0.11
Sinopharm Holding Yancheng Co., Ltd.	0.10	-
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	0.06	0.06
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	0.05	0.05
Sinopharm Fengliaoqing (Foshan) Medicines Co., Ltd.	0.01	0.01
Sinopharm Holding Chongqing Co., Ltd.	0.01	-
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	-	2,676.36
Lanzhou Institute of Biological Products Co., Ltd.	-	678.00
Sinopharm (Tianjin) Northern Medical Equipment Co., Ltd.	-	234.02
Sinopharm Group Shanxi Co., Ltd.	-	70.74
Sinopharm Group Medicine Logistic Co., Ltd.	-	69.48
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	-	59.93
Chengdu Rongsheng Pharmacy Co., Ltd.	-	44.88
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	-	35.27

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Accounts payable (Continued)		
Wuliangye Group of Sichuan YiBin Pharmaceuticals Co., Ltd.	-	6.49
Sinopharm Holding Huangshan Health Industry Co., Ltd.	-	6.19
Sinopharm Holding Zhuhai Co., Ltd.	-	5.02
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	-	3.94
Sinopharm Holding Hubei Co., Ltd.	-	3.02
Sinopharm Holding (Liaoning Province) Medical Instruments Co., Ltd.	-	2.49
Sinopharm Jiayuan International Trading Co., Ltd.	-	0.40
China Medical Investment Co., Ltd.	-	0.01
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	-	23.31
Sinopharm Holding Shanxi Co., Ltd.	-	1.75
Sinopharm Holding Shenyang Co., Ltd.	-	631.15
	<u>40,457.88</u>	<u>42,669.91</u>
	2017 RMB'0,000	2016 RMB'0,000
Notes payable		
Sinopharm Holding Shanxi Co., Ltd.	9,682.92	7,569.51
Sinopharm Holding Sub Marketing Center Co., Ltd.	9,132.03	26,806.54
Sinopharm Group Co., Ltd.	6,068.19	3,978.13
Sinopharm Holding Shenyang Co., Ltd.	4,021.54	-
Sinopharm Holding Shanxi Co., Ltd.	2,993.17	2,098.17
Lanzhou Institute of Biological Products Co., Ltd.	2,160.00	360.00
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	2,037.61	-
Sinopharm Holding Xiamen Co., Ltd.	857.37	994.40
China National Medicines Co., Ltd.	822.34	2,051.22
Chongqing Yaoyou Pharmaceutical Co., Ltd.	672.23	119.98
Sinopharm Holding Fujian Co., Ltd.	629.45	375.57
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	418.00	413.05
Chongqing Haisiman Pharmaceutical Co., Ltd.	355.69	551.75
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	266.94	126.88
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	220.77	-
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	205.14	102.52
Chengdu Rongsheng Pharmacy Co., Ltd.	176.00	-

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Notes payable (Continued)		
Sinopharm Holding Ningxia Co., Ltd.	170.00	150.00
Shenzhen Wanwei Medicine Trading Co., Ltd.	149.57	116.40
Guizhou Tongjitang Pharmaceutical Co., Ltd.	98.03	31.61
Shenyang Hongqi Pharmaceutical Co., Ltd.	78.00	21.71
Sinopharm Holding Jinzhou Co., Ltd.	64.74	-
Sinopharm Holding Putian Co., Ltd.	59.41	102.75
Sinopharm Holding Quanzhou Co., Ltd.	45.70	-
Anhui Jingfang Pharmaceutical Co., Ltd.	34.83	5.61
Sinopharm Holding Dalian Co., Ltd.	29.51	-
Sinopharm Holding Jinan Co., Ltd.	24.00	-
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	17.01	22.87
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	15.78	45.59
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	12.33	42.71
Winteam Pharmaceutical Group Ltd.	6.85	39.03
China National Pharmaceutical Foreign Trade Corporation	-	484.50
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	-	326.37
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	-	236.33
Sinopharm Holding Hunan Co., Ltd.	-	220.51
Shenzhen Main Luck Pharmaceutical Co., Ltd.	-	146.70
Sinopharm Holding Pingdingshan Co., Ltd.	-	129.87
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	-	46.93
	<u>41,525.15</u>	<u>47,717.21</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Other payables		
Shenyang Pharmaceutical Co., Ltd.	609.25	511.25
Sinopharm Group Medicine Logistic Co., Ltd.	412.88	271.14
Lerentang Investment Group Co., Ltd.	302.78	100.00
Zhang Zhenfang	150.50	133.97
China National of Traditional&Herbal Medicine Co., Ltd.	130.00	130.00
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	123.58	123.78
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	113.73	17.23
Linyi Medical Group Co., Ltd.	86.21	-
Sinopharm Group Co., Ltd.	58.40	262.22
Mordern Pharma	50.35	-
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	49.67	49.66
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	46.64	2.40
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	20.00	23.80
Shenzhen Jiufeng Investment Co., Ltd.	18.00	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	3.78	3.78
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	3.75	3.75
China National Pharmaceutical Logistics Co., Ltd.	0.74	0.52
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited	0.69	-
China National Pharmaceutical Foreign Trade Corporation	-	3,058.32
Sinopharm Health Online Co., Ltd.	-	514.42
Sinopharm Holding Lunan Co., Ltd.	-	500.00
Guangdong Overseas Chinese Medical Investment Co., Ltd.	-	343.00
China National Pharmaceutical Group Shanghai Co., Ltd.	-	166.04
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	-	73.99
Quanzhou Xintai Biotech Co., Ltd.	-	3.56
Xinjiang Baitong Property Service Co., Ltd.	-	1.45
Beijing Tongyu Information Technology Co., Ltd.	-	0.44
China National Medicines Co., Ltd.	-	0.04
	<u>2,180.95</u>	<u>6,294.76</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Advances from customers		
China National Pharmaceutical Foreign Trade Corporation	1,250.54	-
Sinopharm Holding Shandong Co., Ltd.	251.57	-
Sinopharm Holding Beijing Co., Ltd.	234.91	-
Sinopharm Sichuan Pharmaceutical Co., Ltd.	73.96	0.01
Sinopharm Group Southwest Medicine Co., Ltd.	67.67	-
Sinopharm Holding Nanping Newforce Co., Ltd.	29.58	-
Sinopharm Holding Hunan Co., Ltd.	7.74	-
Sinopharm Holding Lunan Co., Ltd.	6.28	-
Sinopharm Holding Gansu Co., Ltd.	2.89	15.38
Sinopharm Group Co., Ltd.	2.13	-
Sinopharm Zhuhai Medical Instrument Co., Ltd.	1.15	-
Sinopharm Holding Shenyang Co., Ltd.	1.01	5.42
Sinopharm Holding Suzhou Co., Ltd.	0.77	-
Sinopharm Holding Qinghai Co., Ltd.	0.35	-
Sinopharm Holding Chengdu Co., Ltd.	0.13	0.21
Sinopharm Holding Chongqing Co., Ltd.	0.08	0.08
Sinopharm Holding Tibet Pharmaceutical Co., Ltd.	-	15.05
Sinopharm Guangdong Medical Examination Co., Ltd.	-	3.41
Sinopharm Holding Heilongjiang Co., Ltd.	-	1.51
Shanghai Merro Pharmaceutical Co., Ltd.	-	0.83
Sinopharm Holding Zhuhai Co., Ltd.	-	0.33
	<u>1,930.76</u>	<u>42.23</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2017 RMB'0,000	2016 RMB'0,000
Interest payable		
China National Pharmaceutical Group Corporation	<u>3.90</u>	<u>3.78</u>
Entrusted borrowings		
China National Pharmaceutical Group Corporation (Note)	<u>3,160.00</u>	<u>3,160.00</u>
Note: Sinopharm Group Co. entrusted Group Financial Co. with this borrowing to the Group.		
Short-term borrowings		
Group Financial Co.	<u>14,771.55</u>	<u>10,866.35</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>543.48</u>	<u>481.13</u>
Long-term payables		
Sinopharm Holding Financing Lease Co., Ltd.	<u>933.25</u>	<u>1,461.66</u>

Amounts due to related parties were interest-free and unsecured, with no fixed terms of repayment.

9. Cash deposit with a related party

	2017 RMB'0,000	2016 RMB'0,000
Group Financial Co.	<u>15,674.09</u>	<u>3,782.94</u>

In years 2017 and 2016, the interest rates for the deposit ranged from 0.35% to 1.15% above the benchmark interest rate.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XI Commitments and contingencies

1. Commitments

(1) Capital commitments

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

	31 December 2017	31 December 2016
	RMB'0,000	RMB'0,000
Capital commitments	600.45	23.37
Investment commitments (Note)	14,000.00	-
	<u>14,600.45</u>	<u>23.37</u>

Note: The Group subscribed to Sinopharm Zhongjin medical industry fund as its limited partner, and the total investment amounted to RMB200 million. The investors contribute year by year in batch. The fund manager will send out payment notification to investors according to the actual progress of the project and the investors will commit to complete the payment in 3 year. The investors have paid 30% of the amount of contribution, namely RMB 60 million, and the rest is RMB 140 million.

(2) Operating lease commitments

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

	31 December 2017	31 December 2016
	RMB'0,000	RMB'0,000
Within one year	49,860.66	43,114.45
Between 1 and 2 years	39,575.48	32,506.44
Between 2 and 3 years	29,537.37	28,045.89
Over 3 years	51,138.78	53,853.64
	<u>170,112.29</u>	<u>157,520.42</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 2017

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

XII Events after the balance sheet date

Capital surplus – significant reorganization caused a decrease of RMB3,430,029. The Group carried out a significant reorganization on 31 October 2016. The disposal of Zhijun Medicine, Zhijun Pingshan, Zhijun Trade and assets of Pingshan base in exchange for a 15.56% equity interest of Shyndec Pharmaceutical. Regarding Pingshan base completion matters in the above transaction agreement, the Group plans to sign a supplemental agreement to modify the transaction price, which led to an increase in capital reserve of RMB4,576,743.67. Due to the incompleteness of the financial completion final accounts audit on the completion date, the carrying value of the assets is estimated temporarily. During the year, the capital reserve of RMB8,006,772.67 was offset by the difference between the number on the financial completion final accounts audit report and the carrying amount of the delivery date.

XIII Other significant events

1. Segment reporting

Operating segments

For management purposes, the Group is organized into business units based on its products and services and has four reportable operating segments as follows:

- a) The Head Office, which is mainly engaged in investment and management of businesses;
- 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 management of the operation of Guoda Pharmacy;
- d) Pharmaceutical manufacturing segment, which is mainly engaged in the manufacture 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 measurement 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 the 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 2017

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

XIII Other significant events (Continued)

1. Segment reporting (Continued)

Operating segments (Continued)

Operating segment information as at and for the year ended 31 December 2017 is as follows:

	Head Office	Pharmaceutical distribution	Retail	Elimination between segments	Total
Operating revenue	8,375,742.95	31,521,581,386.61	10,030,768,869.22	(297,096,879.93)	41,263,629,118.85
Incl: Revenue from external customers	7,021,273.74	31,225,838,975.89	10,030,768,869.22	-	41,263,629,118.85
Revenue from inter-segment transactions	1,354,469.21	295,742,410.72	-	(297,096,879.93)	-
Interest income	78,376,603.70	18,691,863.52	10,604,984.72	(72,661,252.46)	35,012,199.48
Interest expense	(11,006,890.78)	(193,254,315.97)	(4,232,925.04)	72,661,252.46	(135,832,879.33)
Share of profits of associates	263,091,955.14	(939,857.11)	1,673,736.53	-	263,825,834.56
Asset impairment	(146,475.86)	(3,552,384.94)	1,228,164.06	-	(2,470,696.74)
Depreciation and amortization	(1,147,598.64)	(64,987,392.18)	(113,674,431.89)	-	(179,809,422.71)
Gross profit	621,606,951.14	837,969,445.75	360,840,066.95	(354,387,490.03)	1,466,028,973.81
Income taxes	(12,769,846.38)	(197,854,401.55)	(98,665,879.79)	-	(309,290,127.72)
Net profit	608,837,104.76	640,115,044.20	262,174,187.16	(354,387,490.03)	1,156,738,846.09
 Total assets	 10,764,738,889.92	 15,163,227,958.07	 5,468,132,363.83	 (9,052,455,684.05)	 22,343,643,527.77
Total liabilities	(2,423,748,087.76)	(10,185,768,194.29)	(3,514,929,235.96)	3,708,304,747.38	(12,416,140,770.63)
 Long-term equity investments in associates	 1,631,826,385.89	 8,502,884.50	 10,290,102.70	 -	 1,650,619,373.09
 Capital expenditure	 1,830,129.54	 78,205,567.77	 91,688,529.57	 -	 171,724,226.88

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XIII Other significant events (Continued)

1. 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	9,109,372,242.97	1,191,942,579.54	(213,421,576.23)	41,248,341,665.46
Incl: Revenue from external customers	7,729,535.27	30,949,800,259.34	9,109,132,665.51	1,181,679,205.34	-	41,248,341,665.46
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	10,294,801.65	1,467,660.54	(73,691,276.17)	30,140,350.40
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	(417,258.39)	1,135,920.59	-	-	97,075,494.40
Asset impairment	(111,289.35)	12,236,160.49	127,965.47	(3,702,846.80)	-	8,549,989.81
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	306,323,412.96	259,359,088.18	(368,131,235.50)	1,600,153,103.82
Income taxes	(652,486.15)	(191,875,817.91)	(83,319,928.63)	(42,529,060.22)	-	(318,377,292.91)
Net profit	606,111,470.95	603,962,063.17	223,003,484.33	216,830,027.96	(368,131,235.50)	1,281,775,810.91
Total assets	9,236,694,225.39	13,826,553,868.94	4,945,374,940.34	-	(6,692,074,786.72)	21,316,548,247.95
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	9,442,741.61	9,622,566.17	-	-	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 2017

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

XIII Other significant events (Continued)

2. Leases

As the lessee

Finance leases: At 31 December 2017, the balance of the unrecognized finance charge was RMB1,981,269.40 (2016: RMB3,580,691.95), which was amortized using the effective interest rate method over each reporting 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:

	2017	2016
Less than 1 year (Including 1 year)	7,304,197.93	7,309,963.96
1 to 2 years (Including 2 years)	7,304,197.93	7,309,963.96
2 to 3 years (Including 3 years)	4,575,859.90	7,309,963.96
Over 3 years	<u>411,578.82</u>	<u>4,990,322.16</u>
	<u>19,595,834.58</u>	<u>26,920,214.04</u>

Fixed assets under finance leases, see Note V (12).

3. Comparative figures

As further explained in Note VI (2) to the financial statements, the Company obtained the 100% equity of Sinopharm Lerentang Shijiazhuang Pharmaceutical under the common control of the parent company. 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 RMB3,793,735.98, among which the shareholders' equity attributable to the parent company increased by RMB2,276,241.59, and the non-controlling interests increased by RMB1,517,494.39.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XIV Notes to key items of the company financial statements

1. Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	480,585,081.62	397,468,897.94
Less: Bad debt provision	(117,320.70)	(117,320.70)
	<u>480,467,760.92</u>	<u>397,351,577.24</u>

The aging of accounts receivable and the related provision for bad debts is analyzed below:

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	480,467,760.92	-	397,351,577.24	-
1 to 2 years	-	-	117,320.70	(117,320.70)
2 to 3 years	<u>117,320.70</u>	<u>(117,320.70)</u>	<u>-</u>	<u>-</u>
	<u>480,585,081.62</u>	<u>(117,320.70)</u>	<u>397,468,897.94</u>	<u>(117,320.70)</u>

There was no increase, reversal or write-off of provision for bad debts during the year 2017.

The accounts receivable and the related provision for bad debts by category are analyzed below:

	31 December 2017				31 December 2016			
	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	480,467,760.92	99.98%	-	-	397,351,577.24	99.97%	-	-
individually not significant but individually evaluated for impairment	<u>117,320.70</u>	<u>0.02%</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>480,585,081.62</u>	<u>100.00%</u>	<u>(117,320.70)</u>	<u>0.02%</u>	<u>397,468,897.94</u>	<u>100.00%</u>	<u>(117,320.70)</u>	<u>0.03%</u>

As at 31 December 2017, there were no accounts receivable which were individually significant and for which the provision for bad debts was separately recognized.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XIV Notes to key items of the company financial statements (Continued)

1. Accounts receivable (Continued)

Provisions for impairment of the receivables which have a similar risk level are analyzed below:

	31 December 2017				31 December 2016			
	Amount		Provision for bad debts		Amount		Provision for bad debts	
	amount	% of total balance	amount	rate	amount	% of total balance	amount	rate
Within 1 year	480,467,760.92	100.00%	-	-	397,351,577.24	100.00%	-	-

As at 31 December 2017, the top five accounts receivable by customer are as follows:

	Amount	Bad debt provision amount	% of the total accounts receivable
Shenzhen Hospital of Southern Medical University	24,643,967.32	-	5.13%
Peking University Shenzhen Hospital	21,996,337.82	-	4.58%
The Second People's Hospital of Shenzhen	19,000,801.45	-	3.95%
The Third People's Hospital of Shenzhen	16,314,089.41	-	3.40%
Shenzhen People's Hospital	14,585,666.08	-	3.03%
	96,540,862.08	-	20.09%

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%
	90,972,755.46	-	22.88%

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

In 2017, accounts receivable of RMB282,800,836.60 have been factored to financial institution (2016: RMB239,583,402.90).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables

The other receivables by category are listed below:

	31 December 2017	31 December 2016
Amounts due from subsidiaries	1,324,203,206.47	1,648,231,739.31
Receivable from equity transaction	8,980,000.00	8,980,000.00
Deposit	1,864,394.68	76,622,091.41
Others	190,984,334.86	77,865,449.94
	<u>1,526,031,936.01</u>	<u>1,811,699,280.66</u>
Less: provision for bad debts	<u>(9,993,990.30)</u>	<u>(10,131,429.16)</u>
	<u>1,516,037,945.71</u>	<u>1,801,567,851.50</u>

The ageing of other receivables and related provision for bad debts is analyzed below:

	31 December 2017	31 December 2016
Within 1 year	1,460,168,464.26	1,800,748,688.50
1 to 2 years	55,703,411.59	977,989.25
2 to 3 years	168,407.25	2,978.96
Over 3 years	9,991,652.91	9,969,623.95
	<u>1,526,031,936.01</u>	<u>1,811,699,280.66</u>

Changes in provision for bad debts are presented as follows:

	Opening balance	Increase in the year	Reversal	Closing balance
2017	<u>10,131,429.16</u>	<u>10,849.94</u>	<u>(148,288.80)</u>	<u>9,993,990.30</u>
2016	<u>10,178,577.40</u>	<u>-</u>	<u>(47,148.24)</u>	<u>10,131,429.16</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables (Continued)

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

	31 December 2017				31 December 2016			
	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	134,161,658.92	8.79%	(8,980,000.00)	6.69%	8,980,000.00	0.50%	(8,980,000.00)	100.00%
Receivable accounts with similar credit risk	1,390,860,253.14	91.14%	(20,286.35)	0.00%	1,800,978,937.71	99.40%	(11,661.41)	0.01%
Individually not significant but individually evaluated for impairment	1,010,023.95	0.07%	(993,703.95)	100.00%	1,740,342.95	0.10%	(1,139,767.75)	65.49%
	<u>1,526,031,936.01</u>	<u>100.00%</u>	<u>(9,993,990.30)</u>	<u>0.65%</u>	<u>1,811,699,280.66</u>	<u>100.00%</u>	<u>(10,131,429.16)</u>	<u>0.56%</u>

As at 31 December 2017, impairment provision for other receivables individually significant is analyzed as follows:

	Amount	Bad debt provision	Rate	Assessment for impairment
Morden Pharma	125,181,658.92	-	-	Other receivable from related party, no uncertainty in recoverability
Shenzhen Yinghai Technology Investment Co., Ltd.	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	<u>100.00%</u>	

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

Provisions for impairment of the receivables which have similar credit risk are analyzed below:

	31 December 2017			31 December 2016		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	Amount	Amount	Rate	Amount	Amount	Rate
Within 1 year	1,390,627,820.33	-	-	1,800,748,688.50	-	-
1 to 2 years	62,396.60	(3,119.83)	5.00%	227,270.25	(11,363.51)	5.00%
2 to 3 years	168,407.25	(16,840.73)	10.00%	2,978.96	(297.90)	10.00%
Over 3 years	1,628.96	(325.79)	20.00%	-	-	-
	<u>1,390,860,253.14</u>	<u>(20,286.35)</u>	<u>0.00%</u>	<u>1,800,978,937.71</u>	<u>(11,661.41)</u>	<u>0.00%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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 2017, the accumulated top five other receivables by customer are analysed below:

	Nature	Amount	Aging	% of the total other receivable	Bad debt provision
Sinopharm Yuexing	Entrusted loans	162,700,000.00	Within 1 year	10.66%	-
Sinopharm Zhanjiang	Entrusted loans	157,000,000.00	Within 1 year	10.29%	-
South Pharm & Trade	Entrusted loans	150,000,000.00	Within 1 year	9.83%	-
Modern Pharma	Pingshan base project fund	125,181,658.92	Within 2 years	8.20%	-
Sinopharm Dongguan	Entrusted loans	121,000,000.00	Within 1 year	7.93%	-
		<u>715,881,658.92</u>		<u>46.91%</u>	<u>-</u>

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	Entrusted borrowings	96,000,000.00	Within 1 year	5.30%	-
Dong Fang Uptodate & Special Medicines Co., Ltd.	Entrusted borrowings	91,400,000.00	Within 1 year	5.04%	-
		<u>1,025,100,000.00</u>		<u>56.58%</u>	<u>-</u>

3. Long-term equity investments

	31 December 2017	31 December 2016
Investments in subsidiaries (a)	5,594,679,427.58	4,590,216,730.30
Investments in associates (b)	<u>1,625,556,656.98</u>	<u>1,364,255,871.80</u>
	<u>7,220,236,084.56</u>	<u>5,954,472,602.10</u>
Less: provision for impairment of long-term equity investments	<u>(39,930,000.00)</u>	<u>(39,930,000.00)</u>
	<u>7,180,306,084.56</u>	<u>5,914,542,602.10</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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	1 January 2017	Increases in investment cost	31 December 2017	Equity interest held (%)	Voting rights held (%)
Sinopharm Jianming	45,054,911.04	60,054,911.04	-	60,054,911.04	100.00	100.00
Sinopharm Shenzhen Material	5,400,000.00	15,450,875.93	-	15,450,875.93	100.00	100.00
Shenzhen Logistics	900,000.00	5,019,062.68	-	5,019,062.68	100.00	100.00
Sinopharm Guangzhou	58,283,114.68	1,035,440,323.63	530,000,000.00	1,565,440,323.63	100.00	100.00
Sinopharm Hengxing	8,421,544.08	45,763,288.00	46,000,000.00	91,763,288.00	100.00	100.00
Sinopharm Liuzhou	21,407,965.79	21,407,965.79	-	21,407,965.79	51.00	51.00
Sinopharm Dongguan	2,742,000.00	17,942,000.00	55,000,000.00	72,942,000.00	100.00	100.00
Huixin Investment	109,416,937.72	64,416,937.72	-	64,416,937.72	100.00	100.00
Guangdong Logistics	1,269,502.30	10,596,006.21	3,000,000.00	13,596,006.21	100.00	100.00
Sinopharm Yuexing	16,459,326.27	113,459,326.27	130,000,000.00	243,459,326.27	100.00	100.00
Sinopharm Foshan	6,995,065.51	19,995,065.51	26,000,000.00	45,995,065.51	100.00	100.00
Sinopharm Guangxi	33,048,985.28	504,048,985.28	-	504,048,985.28	100.00	100.00
Sinopharm Zhanjiang	1,369,864.65	70,769,864.65	61,000,000.00	131,769,864.65	100.00	100.00
Sinopharm Yanfeng	38,207,800.00	38,207,800.00	-	38,207,800.00	51.00	51.00
Sinopharm Meizhou	4,481,900.00	21,281,900.00	30,000,000.00	51,281,900.00	100.00	100.00
Sinopharm Huizhou	20,939,177.19	16,644,200.00	20,000,000.00	36,644,200.00	100.00	100.00
Sinopharm Zhaoqing	5,060,000.00	18,060,000.00	25,000,000.00	43,060,000.00	100.00	100.00
Sinopharm Jiangmen	56,000,000.00	106,000,000.00	-	106,000,000.00	100.00	100.00
Sinopharm Zhongshan	10,000,000.00	10,000,000.00	20,000,000.00	30,000,000.00	100.00	100.00
Sinopharm Shaoguan	13,580,000.00	13,580,000.00	-	13,580,000.00	70.00	70.00

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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(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	1 January 2017	Increases in investment cost	31 December 2017	Equity interest held (%)	Voting rights held (%)
Sinopharm Shantou	7,490,000.00	10,990,000.00	13,000,000.00	23,990,000.00	100.00	100.00
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	401,922,976.68	401,922,987.18	-	401,922,987.18	100.00	100.00
Guangdong Uptodate & Special Medicines	144,682,822.34	144,682,822.34	-	144,682,822.34	100.00	100.00
Guoda Pharmacy	1,361,800,110.06	1,361,800,110.06	-	1,361,800,110.06	100.00	100.00
Foshan Nanhai Medicine Co., Ltd.	462,682,298.01	462,682,298.01	-	462,682,298.01	100.00	100.00
Sinopharm Maoming(ii)	8,300,000.00	-	8,300,000.00	8,300,000.00	100.00	100.00
Sinopharm Zhuhai(i)	10,362,740.00	-	37,162,697.28	37,162,697.28	100.00	100.00
		4,590,216,730.30	1,004,462,697.28	5,594,679,427.58		

(b) Associates

	At beginning of the year	Investment	Profit or loss under the equity method Note XVI(5)	Movement			Other	At end of the year	Provision for impairment at end of the year	Equity interest held (%)	Voting rights held (%)	Explanation for the inconsistency between equity interest held and voting rights held
				Dividend declared	Other changes in equity							
Main Luck Pharmaceutical	207,259,086.90	-	66,977,651.24	(35,190,000.00)	-	-	-	239,046,738.14	-	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)	1,420,139.96	-	-	(406,462.68)	-	(1,013,677.28)	-	-	-	-	-	N/A
Zhijun Suzhou	39,930,000.00	-	-	-	-	-	-	39,930,000.00	(39,930,000.00)	33.00	33.00	N/A
Zhijun Medicine	174,820,412.07	-	116,222,509.13	-	-	-	-	291,042,921.20	-	49.00	49.00	N/A
Zhijun Trade	6,198,820.40	-	1,477,322.29	-	-	-	-	7,676,142.69	-	49.00	49.00	N/A
Pingshan Medicine	47,087,958.31	-	21,598,846.02	-	-	-	-	68,686,804.33	-	49.00	49.00	N/A
Shanghai Shyndec Pharmaceutical Co., Ltd.	887,539,454.16	-	80,258,883.53	(22,468,818.32)	33,844,531.25	-	-	979,174,050.62	-	15.56	15.56	N/A
	1,364,255,871.80	-	286,535,212.21	(58,065,281.00)	33,844,531.25	(1,013,677.28)	-	1,625,556,656.98	(39,930,000.00)			

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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)

(i) In March 2015, the Company acquired a 10% equity interest of Sinopharm Zhuhai for RMB1 million. Sinopharm Zhuhai became the Company's associate. 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.

In January 2017, the Company acquired a 90% equity interest of Sinopharm Holding Zhuhai from a natural person Xianjiang Li for RMB9,249,000. As a result, the Company wholly owned Sinopharm Zhuhai to constitute business combination involving enterprises not under common control. The acquisition was completed on 10 January 2017 and included in the consolidation scope of the Company (Note VI (1.1)).

(ii) In May 2017, the Company acquired a 100% equity interest of Maoming Yongsheng Medicines Co., Ltd. from Ganyi Bai, Fuyou Bai and Hongmei Lai for RMB8,300,000 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 31 May 2017 and included in the consolidation scope of the Company (Note VI (1.2)).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(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

	2017	2016
Revenue from main operations	3,334,525,451.83	3,111,734,107.06
Other operating income	<u>12,416,393.55</u>	<u>27,120,511.91</u>
	<u><u>3,346,941,845.38</u></u>	<u><u>3,138,854,618.97</u></u>
	2017	2016
Cost of main operations	3,205,231,939.72	2,981,861,246.08
Other operating expenses	<u>6,436,707.30</u>	<u>22,488,385.61</u>
	<u><u>3,211,668,647.02</u></u>	<u><u>3,004,349,631.69</u></u>

Revenue from and cost of main operations

Revenue from and cost of main operations analyzed by industry are set out below:

	2017		2016	
	Revenue from main operations	Cost of main operations	Revenue from main operations	Cost of main operations
Medical wholesale and retail	<u>3,334,525,451.83</u>	<u>3,205,231,939.72</u>	<u>3,111,734,107.06</u>	<u>2,981,861,246.08</u>

Other operating income and expenses

Other operating income and expenses analyzed by industry are set out below:

	2017		2016	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Rental income	6,626,331.17	807,977.46	22,341,100.64	18,099,321.43
Rendering of services	4,616,650.60	4,529,535.37	4,779,411.27	4,389,064.18
Others	<u>1,173,411.78</u>	<u>1,099,194.47</u>	<u>-</u>	<u>-</u>
	<u><u>12,416,393.55</u></u>	<u><u>6,436,707.30</u></u>	<u><u>27,120,511.91</u></u>	<u><u>22,488,385.61</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

XIV Notes to key items of the company financial statements (Continued)

5. Investment income

	2017	2016
Gain on long-term equity investment under the cost method	354,422,188.02	315,836,157.58
Gain on long-term equity investment under the equity method (Note XIV(3)(b))	286,535,212.21	209,757,868.18
Investment income from disposal of other long-term equity investments	-	63,351,000.00
	<u>640,957,400.23</u>	<u>588,945,025.76</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

Supplementary information to financial statements

1. Schedule of non-recurring profit or loss

	Amount for 2017
Gains and losses from disposal of non-current assets, including write-off of accrued asset impairment	(203,279.86)
Government grants recognized in the 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	26,854,027.03
The investment cost of an enterprise to acquire a subsidiary, an associate and a joint venture is less than profits derived from the fair value of the identifiable net assets of the invested unit when investing	58,022.12
Net profit or 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	(1,096.00)
Reversal of bad debt provision for accounts receivable that were tested for impairment individually	1,642,360.26
Profit or loss from outward entrusted loans	1,907,519.89
Non-operating income and expenses other than the aforesaid items	377,281.07
Remeasurement of original equity under fair value method to confirm investment income after step-by-step purchase of subsidiary	134,740.70
	<u>30,769,575.21</u>
Impact on income tax	(6,690,220.38)
Impact on non-controlling interests after tax	<u>(1,749,005.16)</u>
	<u>22,330,349.67</u>

Basis for preparation of the 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, non-recurring profit or loss refers 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 judgements on the performance and profitability of an enterprise.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

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

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)
2017		
Net profit attributable to ordinary shareholders of the parent	11.91	2.47
Net profit after deducting non-recurring profit or loss attributable to the Company's ordinary shareholders of the parent	11.66	2.42
2016		
Net profit attributable to the ordinary shareholders of the parent	15.05	2.80
Net profit after deducting non-recurring profit or loss attributable to the ordinary shareholders of the parent	13.26	2.23

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 2017 (2016: Nil) and hence no presentation of diluted EPS were provided.

Section XII. Documents Available for Reference

1. Accounting Statements carried with the signature and seals of legal representative, chief financial officer and person in charge of accounting;
2. Original auditing report with seal of the CPA and signature & seal of the registration accountant;
3. Original text of all documents of the Company as well as manuscript of the announcement disclosed in reporting period on *Securities Times*, *China Securities Journal* and *Hong Kong Commercial Daily* appointed by the CSRC;
4. Original text of the annual report with signature of the Chairman;
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

China National Accord Medicines Corporation Ltd

Legal representative: Lin Zhaoxiong

22 March 2018