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HISTORY, RESTRUCTURING AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

We were established as a limited liability company under PRC law on 8 January 2003, with CNPGC, our largest shareholder, holding a 51% equity interest and Fosun Investment holding a 49% equity interest. We had a registered capital of RMB1,028.0 million at the time of our establishment, of which CNPGC contributed net assets amounting to RMB524.3 million and Fosun Investment contributed RMB503.7 million in cash. As approved in a general meeting of shareholders in February 2004, Fosun Investment then transferred 40% and 9% equity interests in the Company to Fosun Grand Medicine, a then subsidiary of Fosun Pharma, and Fosun Pharma, respectively. After the transfers, CNPGC, Fosun Grand Medicine and Fosun Pharma held equity interests in the Company of 51%, 40% and 9%, respectively.

The ultimate holding company of Fosun Investment, Fosun Grand Medicine and Fosun Pharma is Fosun International Holdings, which is incorporated in the British Virgin Islands.

In April 2006, the shareholders of the Company approved to increase the registered capital by RMB609.1 million, from RMB1,028.0 million to RMB1,637.0 million with each equity holder making a prorated contribution based on its respective equity interest. Pursuant to this arrangement, CNPGC contributed 78,036,600 shares of National Medicines (a listed company on the Shanghai Stock Exchange, stock code: 600511) based on the appraised value of RMB310.6 million, Fosun Pharma contributed RMB56.9 million in cash to subscribe for the newly increased registered capital of the Company in the sum of RMB54.8 million and Fosun Grand Medicine contributed RMB252.7 million in cash to subscribe for the newly increased registered capital of the Company in the sum of RMB243.6 million to maintain their respective share of equity interest in the Company.

From May 2008 to October 2008, shareholders of the Company and the Company itself underwent a number of restructuring steps set out in “Restructuring” below and the section headed “Statutory and General Information — The Restructuring” in this document.

CNPGC and Sinopharm Investment owned 100% of the issued share capital of the Company after the Restructuring.

Business Development

The key milestones in our business development are as follows:

- 2003
- Our Company was established by CNPGC and Fosun Investment in January. Our principal businesses included the distribution of pharmaceutical and healthcare products, operation of retail pharmacies and chemical reagents manufacturing. After our establishment, we commenced integration of administration, logistic arrangements, information system and financial resources for our pharmaceutical distribution operations conducted through our 11 distribution centers in six provinces to enhance our operating efficiency.
 - We established our subsidiary, Sinopharm Holding Beijing Huahong Co., Ltd., to expand our distribution operations in Beijing.

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- 2004
- We expanded the geographic coverage of our distribution operations to Shanxi and Guangxi provinces by establishing Sinopharm Medicine Holding Shanxi Co., Ltd. in January and Sinopharm Holding Nanning Co., Ltd. in March.
 - We established Sinopharm Holding GuoDa Drug Store Co., Ltd. in March to enhance our retail pharmacy operations.
 - We acquired a 38.9% equity interest in Sinopharm Holding Jiangsu Co., Ltd. from independent third parties in August to expand our distribution operations as well as to commence our retail pharmacy operations in Jiangsu Province. The purchase price was approximately RMB16.2 million which was reached after negotiations made on arm-length basis.
 - We acquired Sinopharm Holding Hunan Co., Ltd. from independent third parties in October to expand our distribution operations in Hunan Province. The purchase price was approximately RMB7.2 million which was based on the audited asset value of the target.
 - We acquired approximately 43.33% of the outstanding shares of Shenzhen Accord Pharmaceutical Co., Ltd. (a listed company on the Shenzhen Stock Exchange, stock code: 000028/200028) in December to expand our distribution operations in Shenzhen, to commence our operations in manufacturing and establish our research and development center.
 - In December, we completed the expansion of our Beijing logistics hub and fully commenced operations to support and further expand our pharmaceutical distribution operations in Beijing.
- 2005
- We established Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. to increase our product variety.
 - We acquired additional equity interests in Sinopharm Holding Zhejiang Co., Ltd. from China National Pharmaceutical Group Shanghai Corporation and other independent third parties and increased our equity interest to 86.1% in the company to expand our distribution operations in Zhejiang Province. The purchase price was approximately RMB6.2 million which was reached after negotiations made on arm-length basis.
 - We established a new research and development center, under Shenzhen Zhijun Pharmaceutical Co., Ltd., to continue the development of our manufacturing operations.
- 2006
- We expanded our pharmaceutical distribution operations by acquiring approximately 58.67% of the outstanding shares of China National Medicines Co., Ltd.
 - In February, we completed the expansion of our Shanghai logistics hub and fully commenced operations to support our pharmaceutical distribution operations.
- 2007
- In October, our Tianjin logistics hub commenced operations to support our pharmaceutical distribution operations.

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- 2008
- In December, we acquired an additional 25.9% equity interest in Sinopharm Holding Jiangsu Co., Ltd. from individual shareholders.
 - To expand our operations in Henan, Liaoning and Zhejiang provinces, we acquired Sinopharm Holding Henan Co., Ltd. (formerly known as Zhengzhou Jiurui Medicine Co., Ltd.), a regional pharmaceutical distributor, as well as Shenyang Guoda Tianyitang Pharmacy Chain Store Co., Ltd. (formerly known as Shenyang Tianyitang Pharmacy Chain Store Co., Ltd.), an operator of retail pharmacies in Liaoning Province, and Zhejiang Intmedic Drug Store Co., Ltd., an operator of retail pharmacies in Zhejiang Province.
 - We converted into a joint stock limited company in October.
 - In December, we centralized the management of the distribution and agency agreement for our products.
- 2009
- In January, we completed the expansion of our Guangzhou logistics hub and fully commenced operations to support our pharmaceutical distributions.
 - In March, we acquired Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd., a pharmaceutical manufacturer in Jiangsu Province.
 - In April, we acquired Sinopharm Holding Anhui Co., Ltd. to expand our pharmaceutical distribution operations in Anhui Province.

Share Reforms of Accord Pharma and National Medicines

In December 2004, we acquired 124,864,740 non-tradable shares, representing approximately 43.33% of the outstanding shares of Accord Pharma from Shenzhen Municipal Investment Management Co., Ltd for a purchase price paid in cash of approximately RMB187.9 million, which was determined based on its audited net asset value. In June 2006, we acquired 78,036,600 non-tradable shares, representing approximately 58.67% of the outstanding shares of National Medicines from CNPGC as the consideration that CNPGC paid to subscribe for 310,632,700 new shares of the Company. When we acquired our interests in Accord Pharma and National Medicines, they had tradable shares issued in the PRC, including A shares or B shares, as well as non-tradable shares held by us. At that time, under PRC Government policies, the A shares and the non-tradable shares issued in the PRC were a separate class of shares and were not freely convertible into each other. The A shares and B shares of Accord Pharma are listed on the Shenzhen Stock Exchange in the PRC, and the A shares of National Medicines are listed on the Shanghai Stock Exchange in the PRC.

In order to increase the number of tradable shares in the market, the PRC Government in 2004 implemented a share reform scheme and regulations, pursuant to which non-tradable shares of listed companies in the PRC may be converted to tradable A shares. Under the PRC share reform regulations and PRC securities laws and regulations, the share reform plan of a listed company must be approved by the shareholders of the company at a shareholders' meeting. Typically, as consideration for the shareholders to approve the share reform plan, the holders of the non-tradable shares offer to pay to the holders of the tradable A shares of a listed company bonus shares and/or cash.

Under the share reform plan for Accord Pharma, we paid, as consideration for the shareholders to approve the share reform plan, bonus shares of three non-tradable shares for every 10 A shares held by any holder of Accord Pharma's A shares. Under the share reform plan for National Medicines, we

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paid, as consideration for the shareholders to approve the share reform plan, bonus shares of three non-tradable shares for every 10 A shares held by any holder of National Medicines' A shares. The share reform plans were implemented on 28 April 2006 for Accord Pharma and 23 August 2006 for National Medicines, after approvals from the relevant shareholders at the shareholders' meetings and PRC Government authorities were obtained. Following the implementation of the share reform plans, we held approximately 39.14% and 47.60% of the equity interests in Accord Pharma and National Medicines, respectively. Because they are A share listed companies and significant business platforms for us in the Bohai Bay and Pearl River Delta areas, National Medicines and Accord Pharma are among our most important subsidiaries. They also serve as our financing platform in the PRC capital markets. We intend to maintain National Medicines and Accord Pharma as our subsidiaries. However, we may from time to time, after considering capital market conditions and our funding requirements for business development, sell a portion of the shares of National Medicines and Accord Pharma in the stock market as part of our financing activities.

Acquisitions and Divestitures

Acquisitions

During the Track Record Period, excluding the acquisition of National Medicines, we completed nine acquisitions, that individually were not significant. The aggregate purchase price of the nine acquisitions, which was paid in cash, was approximately RMB237.4 million. These acquisitions include the following: In January 2006, we acquired 80.11% equity interest in Jiangsu Dadesheng Pharmacy Chainstore Co., Ltd., an operator of 98 retail pharmacies in Jiangsu Province, from independent third parties for a purchase price of RMB22.9 million. In January 2007, individual shareholders that are independent third parties conferred 25.9% voting rights in Sinopharm Holding Jiangsu Co., Ltd, a regional pharmaceutical distributor, to us without consideration pursuant to a written agreement, through which the shareholders benefited from the management support and resources provided by us. After such transfer, we obtained a controlling right in Sinopharm Holding Jiangsu Co., Ltd. In December 2008, we completed the acquisition of a 25.9% equity interest in Sinopharm Holding Jiangsu Co., Ltd. for a purchase price of RMB10.7 million from the same individual shareholders who previously conferred their voting rights to us in 2007. In May 2008, we acquired a 20% equity interest in Sinopharm Holding Henan Co., Ltd. from individual shareholders that are independent third parties and subsequently injected additional capital into Sinopharm Holding Henan Co., Ltd. The purchase price was approximately RMB42.6 million. After completion of such acquisition and capital injection, we own, in aggregate, a 51% equity interest in Sinopharm Henan. In addition, we acquired a 51% equity interest in Shenyang Tianyitang Pharmacy Chain Store Co., Ltd., an operator of 19 retail pharmacies in Liaoning Province, from independent third parties in May 2008, and a 51% equity interest in Zhejiang Intmedic Drug Store Co., Ltd., an operator of 27 retail pharmacies in Zhejiang Province in June 2008 from independent third parties. The purchase price paid for the Shenyang Tianyitang Pharmacy China Store Co., Ltd. acquisition was approximately RMB6.4 million, and the purchase price paid for the Zhejiang Intmedic Drug Store Co., Ltd. acquisition was approximately RMB7.0 million.

In January 2009, we acquired a 100% equity interest in Dongguan Accord Pharmaceutical Co., Ltd, a local pharmaceutical distributor in Dongguan, Guangdong Province for a purchase price of approximately RMB2.7 million. In February 2009, we acquired a 80% equity interest in Hebei Aijia Pharmaceutical Co., Ltd., a regional pharmaceutical distributor in Hebei Province. The purchase price paid for such acquisition was approximately RMB5.0 million. In March 2009, we acquired a 75% equity interest in Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd., a pharmaceutical manufacturer with national operations and the purchase price for such acquisition was approximately RMB103.5 million. In April 2009, we acquired a 67% equity interest in Sinopharm Holding Anhui Co., Ltd., a

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regional pharmaceutical distributor in Anhui Province for a purchase price of approximately RMB36.6 million. Each of these acquisitions was also made from an independent third party.

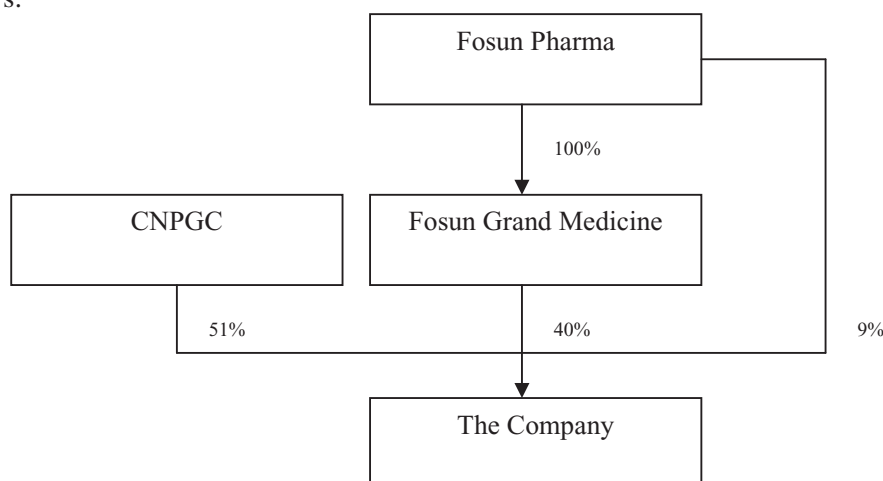
The purchase price of the acquisitions from these independent third parties was reached after negotiations made on an arm's length basis, and reflects fair market valuations conducted by a third-party valuer or the audited asset value of the target. For further information on our acquisitions made during the Track Record Period, see Note 38 to the Accountant's Report of our Company in Appendix I to this document.

Divestitures

During the Track Record Period, we sold equity interests in six of our subsidiaries to independent third parties as well as to related parties, consisting of the entire amount of our interest in Shanxi Guoda Pharmacy Chainstore Co., Ltd., Yangzhou Pharmaceutical Group Guangning Co., Ltd. and Tianjin Sinopharm Bohai Pharmaceutical Co., Ltd. and portions of our interests in the other subsidiaries. In each case, following the sale, our equity interest in the company sold was reduced to below 50% and the company was no longer our subsidiary. The total consideration received from the disposals of the equity interests was approximately RMB80.7 million. We recognized a net loss of approximately RMB5.8 million from these transactions. The purchase price of the sales to independent third parties was reached after negotiations made on an arm's length basis, and reflects fair market valuations conducted by a third-party valuer or the audited asset value of the target. The purchase price of the sales to related parties also reflects fair market valuations conducted by a third-party valuer or the audited asset value of the target. For further information on these disposals, see Note 36 to the Accountant's Report of our Company in Appendix I to this document.

RESTRUCTURING

The simplified shareholding structure of the Company immediately before the Restructuring was as follows:



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Shareholders of the Company and the Company itself have undergone the Restructuring, details of which are set out below. As confirmed by Chen & Co. Law Firm, our legal advisers as to PRC law, our Restructuring complies with all applicable PRC laws and regulations, and all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Restructuring have been obtained.

- (1) Pursuant to the resolution of the board of directors of CNPGC dated 23 April 2008, CNPGC contributed RMB10 million to establish Sinopharm Investment. On 6 May 2008, Sinopharm Investment obtained a business license issued by the Pudong New District Branch of the Shanghai Administration of Industry and Commerce.
- (2) Pursuant to an equity transfer agreement entered into between Qishen Company, a wholly-owned subsidiary of Fosun Pharma and Fosun Pharma dated 21 May 2008, Fosun Pharma transferred to Qishen Company 7.04% out of the 9% equity interest held by it in the Company for a consideration of RMB120,890,000, which was calculated based on the original amount contributed by the transferor. Pursuant to an equity transfer agreement entered into between Qishen Company and Fosun Grand Medicine dated 21 May 2008, Fosun Grand Medicine transferred to Qishen Company 40% equity interest held by it in the Company for a consideration of RMB686,840,000, which was calculated based on the original amount contributed by the transferor. On 11 June 2008, the Company completed the registration of the above changes in equity interest and obtained the business license reissued by the Huangpu Branch of the Shanghai Administration of Industry and Commerce. After the above transfers of equity interest, the shareholding of the Company was as follows: 51% held by CNPGC; 1.96% held by Fosun Pharma and 47.04% held by Qishen Company.
- (3) Pursuant to the resolution of the board of directors of CNPGC dated 23 April 2008, CNPGC subscribed for the newly increased registered capital of Sinopharm Investment in the amount of RMB41.0 million, by using 48.96% equity interest held by it in the Company, together with RMB5.3 million in cash. On 20 June 2008, the Company completed the registration of the above change in equity interest and obtained the business license reissued by the Huangpu Branch of the Shanghai Administration of Industry and Commerce. After the above increase in registered capital, the shareholding of the Company was as follows: 2.04% held by CNPGC; 1.96% held by Fosun Pharma; 47.04% held by Qishen Company and 48.96% held by Sinopharm Investment.
- (4) Pursuant to an equity transfer agreement in respect of the Company and its supplemental agreement entered into between Fosun Pharma and CNPGC dated 20 June 2008, Fosun Pharma transferred to CNPGC 1.96% equity interest held by it in the Company for a consideration of RMB43.0 million, which was calculated based on the appraised net asset value of the Company as of 30 September 2007 attributable to such equity interest. On 14 July 2008, the Company completed the registration of the above change in equity interest and obtained the business license reissued by the Huangpu Branch of the Shanghai Administration of Industry and Commerce. After the above transfer of equity interest, the shareholding of the Company was as follows: 4% held by CNPGC; 47.04% held by Qishen Company and 48.96% held by Sinopharm Investment.
- (5) Pursuant to a capital increase agreement in respect of Sinopharm Investment entered into between CNPGC and Qishen Company dated 20 June 2008, Qishen Company

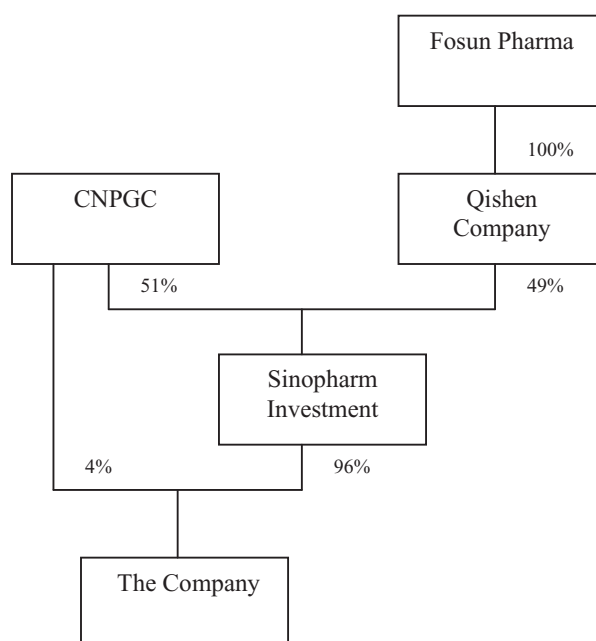
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contributed to Sinopharm Investment an additional registered capital of RMB49.0 million, by contributing 47.04% equity interest held by it in the Company, and RMB14.7 million in cash. On 21 July 2008, the Company completed the registration of the above change in equity interest and obtained the business license reissued by the Huangpu Branch of the Shanghai Administration of Industry and Commerce. After completion of the above capital increase, the shareholding of the Company was as follows: 4% held by CNPGC and 96% held by Sinopharm Investment.

- (6) On 6 October 2008, the Company was converted into a joint stock limited company.

The simplified shareholding structure of the Company immediately after the Restructuring is as follows:



Other than the joint investment in Sinopharm Investment, the Company is not aware of any other relationship between CNPGC and the Fosun Group.