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APPENDIX I — ACCOUNTANT'S REPORT OF OUR COMPANY

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, HongKong

[Date]

The Directors
Sinopharm Group Co. Ltd.
[●]

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Sinopharm Group Co. Ltd. (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in [●]. The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007 and 2008 and 31 May 2009, the balance sheets of the Company as at 31 December 2006, 2007 and 2008 and 31 May 2009, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the People's Republic of China (the "PRC") on 8 January 2003 as a limited liability company under the Company Law of the PRC. On 6 October 2008, the Company was converted into a joint stock limited company under the Company Law of the PRC by converting its registered capital and reserves as at 30 September 2007 with the proportion of 1:0.8699 into 1,637,037,451 shares of RMB1 each.

As at the date of this report, the Company has direct and indirect interests in subsidiaries and associates set out in Note 40 of Section II below.

All companies comprising the Group and associates have adopted 31 December as their financial year end date. The financial statements of these companies were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC (the "PRC GAAP"). The financial statements of subsidiaries and associates were audited by auditors other than PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the details of which are set out in Note 40 of Section II below. Except for Shenzhen Accord Pharmaceutical Co., Ltd. ("Accord Pharma") and China National Medicines Corporation Ltd. ("National Medicines"), all of these companies are private companies.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 in accordance with Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

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Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRS.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the five months ended 31 May 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRS.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out such additional procedures as we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the financial information for the five months ended 31 May 2008, our responsibility is to express a conclusion on the financial information, based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006, 2007 and 2008 and 31 May 2009 and of the Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the five months ended 31 May 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRS.

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APPENDIX I — ACCOUNTANT'S REPORT OF OUR COMPANY

I. CONSOLIDATED FINANCIAL STATEMENTS

1 CONSOLIDATED BALANCE SHEETS

	Section II Note	As at 31 December			As at 31 May 2009
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
ASSETS					
Non-current assets					
Land use rights	6	397,839	384,639	402,947	437,388
Investment properties	7	78,120	81,615	61,782	59,553
Property, plant and equipment	8	1,087,957	1,192,945	1,257,019	1,331,887
Intangible assets	9	215,830	217,145	204,020	296,927
Investments in associates	11	216,532	255,360	306,528	317,548
Available-for-sale financial assets	12	35,650	56,967	52,911	57,650
Deferred income tax assets	13	148,168	138,519	143,035	138,045
Other non-current assets		12,579	4,783	5,185	6,128
		<u>2,192,675</u>	<u>2,331,973</u>	<u>2,433,427</u>	<u>2,645,126</u>
Current assets					
Inventories	14	2,043,361	2,634,374	3,154,820	3,613,012
Trade receivables	15	4,871,520	6,110,476	7,911,774	9,347,940
Prepayments and other receivables	16	519,232	605,504	616,907	572,300
Available-for-sale financial assets	12	15	15	15	15
Pledged bank deposits	17	124,665	649,323	285,835	247,840
Cash and cash equivalents	17	1,838,797	1,955,596	1,712,119	2,602,116
		<u>9,397,590</u>	<u>11,955,288</u>	<u>13,681,470</u>	<u>16,383,223</u>
Total assets		<u>11,590,265</u>	<u>14,287,261</u>	<u>16,114,897</u>	<u>19,028,349</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Paid-in capital	18	1,637,037	1,637,037	1,637,037	1,637,037
Reserves	19	122,591	46,722	627,193	947,444
Minority interest in equity	19	830,633	934,589	1,146,352	1,293,112
Total equity		<u>2,590,261</u>	<u>2,618,348</u>	<u>3,410,582</u>	<u>3,877,593</u>
LIABILITIES					
Non-current liabilities					
Bank borrowings	20	177,720	157,720	130,000	60,000
Deferred income tax liabilities	13	69,724	66,776	63,977	76,664
Post-employment benefit obligations	21	241,668	250,220	302,697	299,949
Other non-current liabilities	22	241,184	247,305	329,865	346,171
		<u>730,296</u>	<u>722,021</u>	<u>826,539</u>	<u>782,784</u>
Current liabilities					
Trade payables	23	5,629,830	7,209,584	9,053,071	10,404,170
Accruals and other payables	24	872,487	996,870	860,532	1,028,023
Dividends payable	39(b)	-	463,959	363,959	363,959
Current income tax liabilities		63,040	114,883	96,044	106,881
Bank borrowings	20	1,704,351	1,521,596	1,504,170	2,464,939
Loans from parent company	20	-	640,000	-	-
		<u>8,269,708</u>	<u>10,946,892</u>	<u>11,877,776</u>	<u>14,367,972</u>
Total liabilities		<u>9,000,004</u>	<u>11,668,913</u>	<u>12,704,315</u>	<u>15,150,756</u>
Total equity and liabilities		<u>11,590,265</u>	<u>14,287,261</u>	<u>16,114,897</u>	<u>19,028,349</u>
Net current assets		<u>1,127,882</u>	<u>1,008,396</u>	<u>1,803,694</u>	<u>2,015,251</u>
Total assets less current liabilities		<u>3,320,557</u>	<u>3,340,369</u>	<u>4,237,121</u>	<u>4,660,377</u>

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2 COMPANY BALANCE SHEETS

	Section II Note	As at 31 December			As at 31 May
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
ASSETS					
Non-current assets					
Investment properties		6,476	6,329	6,083	5,980
Property, plant and equipment	8	12,670	15,162	13,960	12,349
Investments in subsidiaries	10	1,629,336	1,751,800	2,091,663	2,233,972
Investments in associates	11	13,993	-	14,690	14,690
Available-for-sale financial assets	12	6,760	6,760	20,394	20,394
Deferred income tax assets	13	23,918	23,886	27,999	18,024
Other non-current assets		6,725	1,940	1,421	1,205
		<u>1,699,878</u>	<u>1,805,877</u>	<u>2,176,210</u>	<u>2,306,614</u>
Current assets					
Inventories	14	394,058	479,092	581,264	671,756
Trade receivables	15	897,039	814,662	1,295,948	2,240,159
Prepayments and other receivables	16	740,711	1,167,178	1,078,924	795,093
Pledged bank deposits	17	13,695	20,422	-	-
Cash and cash equivalents	17	838,610	359,002	301,008	719,842
		<u>2,884,113</u>	<u>2,840,356</u>	<u>3,257,144</u>	<u>4,426,850</u>
Total assets		<u>4,583,991</u>	<u>4,646,233</u>	<u>5,433,354</u>	<u>6,733,464</u>
EQUITY					
Paid-in capital	18	1,637,037	1,637,037	1,637,037	1,637,037
Reserves	19	137,956	(231,244)	332,246	570,525
Total equity		<u>1,774,993</u>	<u>1,405,793</u>	<u>1,969,283</u>	<u>2,207,562</u>
LIABILITIES					
Non-current liabilities					
Other non-current liabilities	22	176,087	175,426	222,422	222,361
Post-employment benefit obligations		23,162	32,407	40,150	40,177
		<u>199,249</u>	<u>207,833</u>	<u>262,572</u>	<u>262,538</u>
Current liabilities					
Trade payables	23	1,174,602	1,315,838	1,707,023	2,285,181
Accruals and other payables	24	275,439	282,135	493,630	369,928
Dividends payable		-	463,959	363,959	363,959
Current income tax liabilities		17,708	27,353	31,887	40,537
Bank borrowings	20	1,142,000	383,322	605,000	1,203,759
Loans from parent company	20	-	560,000	-	-
		<u>2,609,749</u>	<u>3,032,607</u>	<u>3,201,499</u>	<u>4,263,364</u>
Total liabilities		<u>2,808,998</u>	<u>3,240,440</u>	<u>3,464,071</u>	<u>4,525,902</u>
Total equity and liabilities		<u>4,583,991</u>	<u>4,646,233</u>	<u>5,433,354</u>	<u>6,733,464</u>
Net current assets/(liabilities)		<u>274,364</u>	<u>(192,251)</u>	<u>55,645</u>	<u>163,486</u>
Total assets less current liabilities		<u>1,974,242</u>	<u>1,613,626</u>	<u>2,231,855</u>	<u>2,470,100</u>

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3 CONSOLIDATED INCOME STATEMENTS

	Section II Note	Year ended 31 December			Five months ended 31 May	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5, 25	23,736,642	31,110,214	38,187,433	15,007,230	18,048,041
Cost of sales		(21,747,100)	(28,559,991)	(35,152,478)	(13,794,590)	(16,610,004)
Gross profit		1,989,542	2,550,223	3,034,955	1,212,640	1,438,037
Other income	26	17,272	23,994	69,923	16,159	19,668
Distribution and selling expenses		(778,961)	(945,284)	(966,013)	(364,980)	(408,611)
General and administrative expenses		(747,602)	(839,587)	(966,727)	(354,387)	(346,502)
Operating profit		480,251	789,346	1,172,138	509,432	702,592
Other gains/(loss) – net ..	27	(45,633)	124,137	92,749	79,394	103,965
Finance income		11,695	17,759	24,312	7,280	8,998
Finance costs		(101,539)	(150,868)	(265,996)	(98,065)	(93,867)
Finance costs – net	31	(89,844)	(133,109)	(241,684)	(90,785)	(84,869)
Share of results of associates	11	19,193	40,035	54,186	22,799	25,063
Profit before income tax		363,967	820,409	1,077,389	520,840	746,751
Income tax expense	32	(181,519)	(284,460)	(259,286)	(119,015)	(193,840)
Profit for the year/ period		182,448	535,949	818,103	401,825	552,911
Attributable to:						
Equity holders of the Company		101,331	380,920	585,673	297,005	421,502
Minority interests		81,117	155,029	232,430	104,820	131,409
		182,448	535,949	818,103	401,825	552,911
Earnings per share for profit attributable to the equity holders of the Company during the year/period						
- Basic and fully diluted	34	0.06	0.23	0.36	0.18	0.26
Dividends	35	165,769	298,190	105,699	-	279,469

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4 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Section II Note</u>	<u>Attributable to equity holders of the Company RMB'000</u>	<u>Attributable to minority interests RMB'000</u>	<u>Total equity RMB'000</u>
Year ended 31 December 2006				
Profit for the year		101,331	81,117	182,448
Other comprehensive income:				
Revaluation of available-for-sale financial assets				
- gross	12, 19	(1,031)	(1,001)	(2,032)
- tax	13	394	278	672
Other comprehensive income, net of tax		<u>(637)</u>	<u>(723)</u>	<u>(1,360)</u>
Total comprehensive income		<u>100,694</u>	<u>80,394</u>	<u>181,088</u>
Year ended 31 December 2007				
Profit for the year		380,920	155,029	535,949
Other comprehensive income:				
Revaluation of available-for-sale financial assets				
- gross	12, 19	9,459	10,206	19,665
- tax	13	(2,289)	(1,615)	(3,904)
Other comprehensive income, net of tax		<u>7,170</u>	<u>8,591</u>	<u>15,761</u>
Total comprehensive income		<u>388,090</u>	<u>163,620</u>	<u>551,710</u>
Year ended 31 December 2008				
Profit for the year		585,673	232,430	818,103
Other comprehensive income:				
Revaluation of available-for-sale financial assets				
- gross	12, 19	(6,857)	(7,837)	(14,694)
- tax	13	1,655	2,018	3,673
Other comprehensive income, net of tax		<u>(5,202)</u>	<u>(5,819)</u>	<u>(11,021)</u>
Total comprehensive income		<u>580,471</u>	<u>226,611</u>	<u>807,082</u>

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APPENDIX I — ACCOUNTANT'S REPORT OF OUR COMPANY

4 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	<u>Section II</u> <u>Note</u>	<u>Attributable</u> <u>to equity</u> <u>holders of</u> <u>the Company</u> <u>RMB'000</u>	<u>Attributable</u> <u>to minority</u> <u>interests</u> <u>RMB'000</u>	<u>Total</u> <u>equity</u> <u>RMB'000</u>
Five months ended 31 May 2009				
Profit for the period		421,502	131,409	552,911
Other comprehensive income:				
Revaluation of available-for-sale financial assets				
- gross	12, 19	6,641	8,740	15,381
- tax	13	<u>(1,693)</u>	<u>(2,153)</u>	<u>(3,846)</u>
Other comprehensive income, net of tax		<u>4,948</u>	<u>6,587</u>	<u>11,535</u>
Total comprehensive income		<u>426,450</u>	<u>137,996</u>	<u>564,446</u>
Five months ended 31 May 2008 (Unaudited)				
Profit for the period		297,005	104,820	401,825
Other comprehensive income:				
Revaluation of available-for-sale financial assets				
- gross		(2,276)	(2,331)	(4,607)
- tax		<u>521</u>	<u>631</u>	<u>1,152</u>
Other comprehensive income, net of tax		<u>(1,755)</u>	<u>(1,700)</u>	<u>(3,455)</u>
Total comprehensive income		<u>295,250</u>	<u>103,120</u>	<u>398,370</u>

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5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Section II</u> <u>Note</u>	<u>Paid-in</u> <u>capital</u> <u>RMB'000</u>	<u>Reserves</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>	<u>Minority</u> <u>interests</u> <u>RMB'000</u>	<u>Total</u> <u>equity</u> <u>RMB'000</u>
Balance at 31 December 2005		1,027,954	450,590	1,478,544	719,661	2,198,205
Total comprehensive income		-	100,694	100,694	80,394	181,088
Changes in shareholding of subsidiaries		-	-	-	(28,911)	(28,911)
Capital injections from equity holders ...	18, 19	609,083	(299,458)	309,625	-	309,625
Dividends	35	-	(92,112)	(92,112)	(22,721)	(114,833)
Share surrendered to minority interest holders	27	-	-	-	82,210	82,210
Distribution of a subsidiary prior to the Reorganisation	18, 19	-	(37,123)	(37,123)	-	(37,123)
As at 31 December 2006		1,637,037	122,591	1,759,628	830,633	2,590,261
Total comprehensive income		-	388,090	388,090	163,620	551,710
Changes in shareholding of subsidiaries		-	-	-	(22,021)	(22,021)
Dividends	35	-	(463,959)	(463,959)	(37,643)	(501,602)
As at 31 December 2007		1,637,037	46,722	1,683,759	934,589	2,618,348
Total comprehensive income		-	580,471	580,471	226,611	807,082
Changes in shareholding of subsidiaries		-	-	-	14,903	14,903
Dividends	35	-	-	-	(29,751)	(29,751)
As at 31 December 2008		1,637,037	627,193	2,264,230	1,146,352	3,410,582
Total comprehensive income		-	426,450	426,450	137,996	564,446
Changes in shareholding of subsidiaries		-	-	-	76,729	76,729
Effect of business combination of Guangxi Guoda Pharmacy Chainstore Co., Ltd. under common control		-	(500)	(500)	-	(500)
Dividends	35	-	(105,699)	(105,699)	(67,965)	(173,664)
As at 31 May 2009		1,637,037	947,444	2,584,481	1,293,112	3,877,593
As at 31 December 2007		1,637,037	46,722	1,683,759	934,589	2,618,348
Total comprehensive income		-	295,250	295,250	103,120	398,370
Changes in shareholding of subsidiaries		-	-	-	17,850	17,850
Dividends	35	-	-	-	(4,295)	(4,295)
As at 31 May 2008 (Unaudited)		1,637,037	341,972	1,979,009	1,051,264	3,030,273

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6 CONSOLIDATED CASH FLOW STATEMENTS

	Section II Note	Year ended 31 December			Five months ended 31 May	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Cash flows from operating activities:						
Cash generated from operations	36	787,527	671,829	955,240	(321,678)	447,137
Income tax paid		(149,088)	(230,649)	(301,391)	(152,327)	(183,003)
Net cash generated from operating activities		638,439	441,180	653,849	(474,005)	264,134
Cash flows from investing activities:						
Proceeds from disposal of land use rights		7,156	22,828	6,823	-	-
Proceeds from disposal of property, plant and equipment		39,592	81,142	36,378	13,307	14,060
Proceeds from disposal of available-for-sale financial assets		5,343	3,116	470	-	1,684
Proceeds from disposal of certain interests in associates		685	1,755	26,207	-	-
Proceeds from disposal of partial interests in subsidiaries		-	103,701	83,172	63,683	111,244
Disposal of subsidiaries, net of cash disposed	36	-	(49,080)	6,168	5,056	-
Dividends received from associates		14,875	29,531	25,289	15,729	9,203
Dividends received from available-for-sale financial assets	26	536	139	4	-	-
Interest received		11,159	13,191	23,828	7,280	8,721
Acquisition of land use rights		(68,328)	(21,677)	(29,258)	(24,006)	(22,443)
Acquisition of property, plant and equipment		(180,464)	(236,006)	(269,345)	(73,631)	(63,966)
Acquisition of intangible assets		(11,236)	(2,442)	(7,331)	-	(3,683)
Acquisition of associates		(28,550)	-	(14,690)	-	-
Purchase of available-for-sale financial assets		(1,471)	-	-	-	-
Acquisition of subsidiaries, net of cash acquired	38	(18,589)	54,913	(24,923)	(9,616)	(92,073)
Acquisition of additional interests in subsidiaries		(41,607)	(15,508)	(10,745)	-	-
Net cash used in investing activities		(270,899)	(14,397)	(147,953)	(2,198)	(37,253)

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6 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section II Note	Year ended 31 December			Five months ended 31 May	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from financing activities:						
(Increase)/Decrease in pledge bank deposits	17	(23,522)	(524,658)	363,488	(32,391)	37,995
Proceeds from bank borrowings		1,774,229	1,435,823	1,416,467	1,382,680	2,296,495
Proceeds from loans from parent company		-	640,000	1,680,000	60,000	1,850,000
Repayments of bank borrowings		(1,382,845)	(1,690,990)	(1,496,596)	(630,647)	(1,445,870)
Repayments of loans from parent company		(350,000)	-	(2,320,000)	(700,000)	(1,850,000)
Capital injections from equity holders	18(ii)	309,626	-	-	-	-
Capital injections from minority shareholders of subsidiaries		15,518	6,507	9,705	-	11,250
Dividends paid to equity holders	35	(101,490)	-	(127,745)	-	(105,699)
Dividends paid to minority shareholders of subsidiaries		(25,927)	(37,643)	(30,521)	(4,295)	(48,504)
Interest paid		(95,755)	(139,023)	(244,171)	(91,298)	(82,551)
Net cash generated from/(used in) financing activities		119,834	(309,984)	(749,373)	(15,951)	663,116
Increase/(Decrease) in cash and cash equivalents		487,374	116,799	(243,477)	(492,154)	889,997
Cash and cash equivalents at beginning of year/period	17	1,351,423	1,838,797	1,955,596	1,955,596	1,712,119
Cash and cash equivalents at end of year/period	17	<u>1,838,797</u>	<u>1,955,596</u>	<u>1,712,119</u>	<u>1,463,442</u>	<u>2,602,116</u>

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II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Organisation and principal activities

The Company was incorporated on 8 January 2003 by China National Pharmaceutical Group Corporation (中國醫藥集團總公司; “CNPGC”) and Shanghai Fosun Industrial Investment Co., Ltd. (“Fosun Investment”), which held 51% and 49% equity interests, respectively, in the Company. On 24 May 2004, Shanghai Fosun Industrial Investment Co., Ltd. transferred its 40% equity interests in the Company to Shanghai Fosun Grand Medicine Chain Operating Co., Ltd. (上海復星大藥房連鎖經營有限公司; “Fosun Grand Medicine”) and 9% equity interest in the Company to Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (復星醫藥(集團)股份有限公司; “Fosun Pharma”). After the transfers, CNPGC, Fosun Grand Medicine and Fosun Pharma held 51%, 40% and 9% equity interests, respectively, in the Company.

[●], certain restructuring of equity holders of the Company was carried out.

Upon the completion of the restructuring in July 2008, Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司 or “Sinopharm Investment”), a subsidiary of CNPGC, and CNPGC hold 96% and 4% equity interests, respectively, in the Company. CNPGC and Shanghai Qishen Investment Co., Ltd. (上海齊紳投資管理有限公司 or “Qishen Investment”) hold 51% and 49% equity interests, respectively, in Sinopharm Investment.

The ultimate holding company of Fosun Investment, Fosun Grand Medicine, Fosun Pharma and Qishen Investment is Fosun International Holdings Limited.

On 6 October 2008, the Company was transformed into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1: 0.8699 into 1,637,037,451 shares of RMB1 each. The address of its registered office is 221 Fuzhou Road, Huangpu District, Shanghai, PRC.

The Group is mainly engaged in: (1) distribution of medicines and pharmaceutical products to wholesale customers including hospitals and other distributors, (2) operation of pharmaceutical chain stores, and (3) manufacture and sale of certain antibiotic and herbal medicines, distribution of chemical reagents, healthcare products and laboratory supplies, and property rental operations.

The ultimate holding company of the Company is CNPGC, which is incorporated in the PRC.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years/ periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the

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process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 of this section.

During the Relevant Periods, the Company acquired 58.67% equity interests in National Medicines from CNPGC, its holding company (Note 19) and acquired 100% equity interests in Guangxi Guoda Pharmacy Chainstore Co., Ltd. from a wholly-owned subsidiary of CNPGC. These transactions have been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated financial statements include the financial position, results and cash flows of National Medicines and Guangxi Guoda Pharmacy Chainstore Co., Ltd. as if the acquisition had been completed prior to the beginning of the Relevant Periods. For the other companies acquired from (or disposed to) a third party during the Relevant Periods, they are included in (excluded from) the consolidated financial statements of the Group from the date of the relevant acquisition (disposal).

(i) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 June 2009 or later periods, but the Group has not early adopted them:

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective for annual period starting from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from the financial year beginning on 1 January 2010.
- HKFRS 3 (Revised), 'Business combinations' (effective for annual period starting from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from the financial year beginning on 1 January 2010.
- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective for annual period starting from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

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- There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 1, 'Presentation of financial statements', HKAS 7, 'Statement of cash flows', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 17, 'Leases', HKAS 18, 'Revenue', HKAS 34, 'Interim financial reporting', HKAS 36, 'Impairment of assets', HKAS 38, 'Intangible assets', HKAS 39, 'Financial instruments: Recognition and measurement', HKFRS 5, 'Non-current assets held for sale and discontinued operations' and HKFRS 8, 'Operating Segments' which are not addressed above. These amendments are unlikely to have any significant impact on the Group's financial statements and have therefore not been analysed in detail.

(ii) Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 June 2009 or later periods but are not relevant for the Group's operations:

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective for annual period starting from 1 July 2009).
- HK(IFRIC) — Int 17, 'Distributions of non-cash assets to owners' (effective for annual period starting from 1 July 2009).
- HK(IFRIC) — Int 18, 'Transfers of Assets from Customers' (effective for annual period starting from 1 July 2009).
- HKFRS 2, 'Share-based payment' (effective for annual period starting from 1 July 2009).
- HKAS 39, 'Financial instruments: Recognition and measurement' (effective for annual period starting from 1 January 2010).
- HK(IFRIC) — Int 9, 'Reassessment of embedded derivatives' (effective for annual period starting from 1 July 2009).
- HK(IFRIC) — Int 16, 'Hedges of a net investment in a foreign operation' (effective for annual period starting from 1 July 2009)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Control also exists when the Company owns half or less of the voting rights of an entity when there is: (1) the Company is the largest shareholder of the entity; (2) the other shareholdings in

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the entity individually or in aggregate are widely dispersed; (3) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by the Company; and (4) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by the Company.

(ii) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

(iii) Accounting for business combinations not under common control

Subsidiaries acquired from third parties are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group from third parties. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

(iv) Inter-company eliminations

Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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(v) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests, including the transfer for no consideration of equity interests in Accord Pharma and National Medicines (Note 27), as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

As noted in Note 2(a), once HKAS 27 (revised) becomes effective, transaction with minority interests will be treated as equity transactions and will no longer result in goodwill or gains and losses.

(vi) Company's balance sheets

In the Company's balance sheets, the investments in subsidiaries are stated at cost less provision for impairment losses (if any). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associate companies are accounted for by the Company on the basis of dividend received and receivable.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the operating committee (comprising the general manager and the general manager office) that makes strategic decisions.

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(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Renminbi (“RMB”), which is the Group’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the respective functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or cost. All other foreign exchange gains and losses are presented in the income statement within other (losses)/gains - net.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Plant and machinery	8-15 years
Motor vehicles	5 years
Furniture, fittings and equipment	5-8 years

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Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains - net, in the income statement.

(g) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group.

The land component of leasehold investment property is accounted for as land use rights.

The building component of investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 to 40 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

(h) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost represents consideration paid for the rights to use the land for periods ranging from 40 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the rights.

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses (if any). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

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(ii) Sales network

Sales network are measured initially at cost and are amortised using the straight-line method over their estimated useful lives of 9 years.

(iii) Trademarks and patent rights

Trademarks are measured initially at cost and are amortised using the straight-line method over their estimated useful lives of 10 years. Patent rights are initially recorded at actual cost and are amortised using the straight-line method over the estimated useful lives of 1 to 20 years.

(iv) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(j) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, pledged bank deposits and cash and cash equivalents in the balance sheet.

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(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains – net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in (m).

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the consolidated income statement.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Paid-in capital

Paid-in capital is classified as equity. Incremental costs directly attributable to paid-in capital are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(s) Current and deferred income tax

Tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(t) Employee benefits

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the

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current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the income statement.

Past-service costs are recognised immediately as incurred, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Revenue recognition

Revenue comprises 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 value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been

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met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods — pharmaceutical distribution

The Group sells a range of medicine, pharmaceutical and other products in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the wholesaler (including hospital and distributor), the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Medicine products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts at the time of sale. Accumulated experience is used to estimate and provide for the discounts. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 to 180 days, which is consistent with the market practice.

(ii) Sales of goods — retail pharmacy operations

The Group operates a chain of retail outlets for selling medicines and other pharmaceutical products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by debit or credit cards.

(iii) Sales of services

The Group provides import and export agency service, consulting service and other miscellaneous services. Revenue from fixed-price contracts for delivering services is recognised in the period when the services are provided.

(iv) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(v) Franchise income

Franchise income is recognised as revenue when all material services relating to the contract have been substantially performed.

(vi) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment, and continues unwinding the discount as interest income.

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(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(w) **Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

(x) **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(y) **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 **Financial risk management**

(a) **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value and cash flow interest rate risk), credit risk and liquidity risk. The ongoing global financial crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have led to bank failures and bank rescues in the United States of America ("USA"), Western Europe and elsewhere. The global financial crisis has also led to current or potential recession in major economies. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

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(i) Foreign currency risk

The Group mainly operates in the PRC with most of the Group's transactions denominated and settled in RMB. However, the Group has certain cash and cash equivalents and trade payables denominated in foreign currencies, mainly United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Euro ("EUR"), which are exposed to foreign currency translation risk. The Group has not hedged its foreign currency risk.

As at 31 December 2006, 2007, 2008 and 31 May 2009, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, post-tax profit for the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 would have been approximately RMB8,579,000 higher/lower, RMB38,898,000 higher/lower, RMB19,667,000 higher/lower and RMB46,029,347 higher/lower, respectively, mainly as a result of foreign exchange losses/gains or gains/losses on translation of USD, HKD and EUR-denominated cash and cash equivalents and trade payables.

(ii) Fair value and cash flow interest rate risk

Except for bank deposits which earn interest at floating rates, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2006, 2007 and 2008 and 31 May 2009, if interest rates on bank deposits had been 15% higher/lower than the actual benchmark annual rate of 0.72%, 0.72%, 0.36% and 0.36% announced by the People's Bank of China ("PBOC") respectively with all other variables held constant, the post-tax profit for the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 would have been RMB1,175,000, RMB1,914,000, RMB2,808,000 and RMB1,012,987 higher/lower, respectively, mainly as a result of higher/lower interest income on bank deposits.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2006, 2007 and 2008 and 31 May 2009, if interest rates on bank borrowings had been 15% higher/lower than the actual benchmark annual rate of 6.1%, 7.5%, 5.3% and 5.3% announced by PBOC respectively with all other variables held constant, the post-tax profit for the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 would have been RMB7,104,000, RMB8,076,000, RMB13,684,000 and RMB5,341,040 lower/higher, respectively, mainly as a result of higher/lower interest expense on bank borrowings.

(iii) Credit risk

The carrying amounts of pledged bank deposits, cash and cash equivalents, trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

Under the ongoing global financial crisis, debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may

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also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/reviews. Majority of trade receivables are with customers having an appropriate credit history.

The Group has policies to place its cash and cash equivalents only with major financial institutions. As at 31 December 2006, 2007, 2008 and 31 May 2009, most of the pledged bank deposits and cash and cash equivalents were deposited with major financial institutions in Mainland China.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities, discounting of bank acceptance notes to banks and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group. Details of the undrawn borrowing facilities available to the Group are disclosed in Note 20.

The Group has agreed to receive bank acceptance notes from certain customers with long-term business trading history and most of these notes are guaranteed by major banks in Mainland China. The maturity of these bank acceptance notes ranges from 3 to 6 months. To maintain flexibility in the Group's funding requirements, a major portion of these bank acceptance notes are discounted to banks with effective interest rates ranging from 1.92% to 8.16% per annum. The Group derecognises the related receivables once it has transferred substantially all the risks and rewards to its bankers upon discounting.

The liquidity crisis under the ongoing global financial crisis could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Management believes that they are taking all the necessary measures to maintain sufficient liquidity reserve to support sustainability and growth of the Group's business in the current circumstances and to repay outstanding borrowings when they fall due. Currently, the Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

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The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 1 year</u> RMB'000	<u>Between 1 and 2 years</u> RMB'000	<u>Between 2 and 5 years</u> RMB'000	<u>Over 5 years</u> RMB'000	<u>Total</u> RMB'000
As at 31 December 2006					
Borrowings	1,704,351	-	177,720	-	1,882,071
Interests payments on borrowings (Note)	40,921	12,138	19,006	-	72,065
Trade and other payables	6,502,317	-	-	-	6,502,317
	<u>8,247,589</u>	<u>12,138</u>	<u>196,726</u>	<u>-</u>	<u>8,456,453</u>
As at 31 December 2007					
Borrowings	2,161,596	57,720	100,000	-	2,319,316
Interests payments on borrowings (Note)	41,370	10,118	10,293	-	61,781
Trade and other payables	8,206,454	-	-	-	8,206,454
	<u>10,409,420</u>	<u>67,838</u>	<u>110,293</u>	<u>-</u>	<u>10,587,551</u>
As at 31 December 2008					
Borrowings	1,504,170	30,000	100,000	-	1,634,170
Interests payments on borrowings (Note)	39,291	8,144	3,526	-	50,961
Trade and other payables	9,913,603	-	-	-	9,913,603
	<u>11,457,064</u>	<u>38,144</u>	<u>103,526</u>	<u>-</u>	<u>11,598,734</u>
As at 31 May 2009					
Borrowings	2,464,939	30,000	30,000	-	2,524,939
Interests payments on borrowings (Note)	28,901	1,786	204	-	30,891
Trade and other payables	11,432,193	-	-	-	11,432,193
	<u>13,926,033</u>	<u>31,786</u>	<u>30,204</u>	<u>-</u>	<u>13,988,023</u>

Note: Interest is based on borrowings as at 31 December 2006, 2007, 2008 and 31 May 2009 and the interest rate as at 31 December 2006, 2007, 2008 and 31 May 2009.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2006, 2007, 2008 and 31 May 2009, the Group was in a net cash position (total bank borrowings and loan from parent company (if any) were less than the total of pledged bank deposits and cash and cash equivalents).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings and loan from parent company (if any) divided by capital and reserves attributable to the Company's equity holders.

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The gearing ratios are as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Bank borrowings	1,882,071	1,679,316	1,634,170	2,524,939
Loan from parent company	-	640,000	-	-
Total borrowings	<u>1,882,071</u>	<u>2,319,316</u>	<u>1,634,170</u>	<u>2,524,939</u>
Capital and reserves attributable to the Company's equity holders	<u>1,759,628</u>	<u>1,683,759</u>	<u>2,264,230</u>	<u>2,584,481</u>
Gearing ratio	<u>107%</u>	<u>138%</u>	<u>72%</u>	<u>98%</u>

(c) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) De facto control over Accord Pharma and National Medicines

The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of Accord Pharma although it has held less than 50% of its equity interests since December 2004, after considering that (1) the Company has been the single largest shareholder of Accord Pharma; (2) the shareholding in Accord Pharma was dispersed and the other top ten shareholders held less than 4% and 18% equity interests individually or in aggregate; (3) the participation of the other shareholders at the shareholders' meetings has been relatively low and passive; and (4) the majority of the executive directors of Accord Pharma were representatives of the Company.

The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of National Medicines during the Relevant Periods although its equity interests in this company was decreased to below 50%

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following the completion of the share reform in August 2006 (Note 27), after considering that (1) the Company has been the single largest shareholder of National Medicines; (2) the shareholding in National Medicines was dispersed and the other top ten shareholders held less than 4% and 19% equity interests individually or in aggregate; (3) the participation of the other shareholders at the shareholders' meetings has been relatively low and passive; and (4) the majority of the executive directors of National Medicines were representatives of the Company.

(b) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(c) Useful lives of sales network, trademarks and patent rights

The Group determines the estimated useful lives and consequently the related amortisation charges for its sales network, trademarks and patent rights. These estimates are based on the historical experience of the actual useful lives of sales network, trademarks and patent rights of similar nature and functions. Management will increase the amortisation charges where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future periods.

(d) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicated that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

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(e) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

(f) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(g) Income taxes and deferred income tax

The Group is subject to income taxes in Mainland China jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(h) Post-employment benefit obligations

The valuation of the present value of post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of benefit obligations. Key assumptions for benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

5 Segment information

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the general manager and the general manager office) that are used to make strategic decisions. The operating committee considers the business from a

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business type perspective. The reportable operating segments derive their revenue primarily from the following three business types in the PRC:

- (1) Pharmaceutical distribution — distribution of medicine and pharmaceutical products to wholesale customers, including hospitals and distributors;
- (2) Retail pharmacy operations — operation of medicine chain stores; and
- (3) Other business operations — distribution of laboratory supplies, manufacturing and distribution of chemical reagents and production and sale of pharmaceutical.

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those business segments.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of land use rights, investment properties, property, plant and equipment, intangible assets, inventories, receivables and operating cash.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings and other liabilities that are incurred for financing rather than operating purpose.

Unallocated assets mainly represent deferred income tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred income tax liabilities.

Capital expenditure comprises mainly additions to land use rights, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

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The segment information provided to the operating committee is as follows:

(i) As at and for the year ended 31 December 2006

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment results					
External segment revenue	21,927,216	823,171	986,255	-	23,736,642
Inter-segment revenue	87,199	-	90,398	(177,597)	-
Revenue	<u>22,014,415</u>	<u>823,171</u>	<u>1,076,653</u>	<u>(177,597)</u>	<u>23,736,642</u>
Operating profit	396,766	12,337	73,803	(2,655)	480,251
Other (losses)/gains	(45,641)	(108)	116	-	(45,633)
Share of results of associates	20,251	-	(1,058)	-	19,193
	371,376	12,229	72,861	(2,655)	453,811
Finance costs – net					(89,844)
Profit before income tax					363,967
Income tax expense					(181,519)
Profit for the year					<u>182,448</u>
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	37,225	1,248	9,596		48,069
Provision for impairment of inventories	1,414	1,809	941		4,164
Amortisation of land use rights	6,451	-	2,566		9,017
Depreciation of property, plant and equipment	52,877	12,457	18,841		84,175
Depreciation of investment properties ...	-	-	3,695		3,695
Amortisation of intangible assets	22,362	87	7,380		29,829
Segment assets and liabilities					
Segment assets	9,807,470	492,160	1,345,441	(202,974)	11,442,097
Segment assets include:					
Investment in associate	204,121	-	12,411	-	216,532
Unallocated assets					148,168
Total assets					<u>11,590,265</u>
Segment liabilities	6,216,073	384,209	641,415	(193,488)	7,048,209
Unallocated liabilities					1,951,795
Total liabilities					<u>9,000,004</u>
Capital expenditures	<u>150,746</u>	<u>17,843</u>	<u>109,562</u>	-	<u>278,151</u>

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(ii) As at and for the year ended 31 December 2007

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment results					
External segment revenue	28,997,317	835,624	1,277,273	-	31,110,214
Inter-segment revenue	128,042	-	97,893	(225,935)	-
Revenue	<u>29,125,359</u>	<u>835,624</u>	<u>1,375,166</u>	<u>(225,935)</u>	<u>31,110,214</u>
Operating profit	682,251	24,226	84,496	(1,627)	789,346
Other gains/(losses)	128,065	(1,079)	(2,849)	-	124,137
Share of results of associates	41,245	-	(1,210)	-	40,035
	851,561	23,147	80,437	(1,627)	953,518
Finance costs – net					(133,109)
Profit before income tax					820,409
Income tax expense					(284,460)
Profit for the year					<u>535,949</u>
Other segment items included in the income statement					
Provision for impairment of trade and other receivables	38,622	1,640	2,965		43,227
Provision for impairment of inventories	1,020	439	6,484		7,943
Amortisation of land use rights	6,223	-	2,566		8,789
Depreciation of property, plant and equipment	59,153	12,482	20,708		92,343
Depreciation of investment properties	-	-	3,539		3,539
Amortisation of intangible assets	23,022	50	7,187		30,259
Segment assets and liabilities					
Segment assets	12,605,622	337,881	1,465,250	(260,011)	14,148,742
Segment assets include:					
Investment in associate	245,883	-	9,477	-	255,360
Unallocated assets					138,519
Total assets					<u>14,287,261</u>
Segment liabilities	8,602,504	211,958	717,259	(248,900)	9,282,821
Unallocated liabilities					2,386,092
Total liabilities					<u>11,668,913</u>
Capital expenditures	<u>232,260</u>	<u>17,865</u>	<u>64,021</u>	<u>-</u>	<u>314,146</u>

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(iii) As at and for the year ended 31 December 2008

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment results					
External segment revenue	35,745,080	952,162	1,490,191	-	38,187,433
Inter-segment revenue	213,020	-	98,144	(311,164)	-
Revenue	<u>35,958,100</u>	<u>952,162</u>	<u>1,588,335</u>	<u>(311,164)</u>	<u>38,187,433</u>
Operating profit	1,057,293	11,896	106,507	(3,558)	1,172,138
Other gains/(losses)	93,564	(616)	(199)	-	92,749
Share of results of associates	54,137	-	49	-	54,186
	1,204,994	11,280	106,357	(3,558)	1,319,073
Finance costs – net					(241,684)
Profit before income tax					1,077,389
Income tax expense					(259,286)
Profit for the year					<u>818,103</u>
Other segment items included in the income statement					
(Write-back of)/provision for impairment of trade and other receivables					
	(2,508)	(1,146)	85		(3,569)
Provision for impairment of inventories					
	1,060	1,061	2,365		4,486
Amortisation of land use rights					
	8,180	-	2,770		10,950
Depreciation of property, plant and equipment					
	71,117	14,292	33,208		118,617
Depreciation of investment properties					
	-	-	6,776		6,776
Amortisation of intangible assets					
	34,859	80	1,437		36,376
Segment assets and liabilities					
Segment assets	14,527,096	422,576	1,368,699	(346,509)	15,971,862
Segment assets include:					
Investment in associate	282,246	-	24,282	-	306,528
Unallocated assets					143,035
Total assets					<u>16,114,897</u>
Segment liabilities	10,318,922	299,396	712,108	(324,259)	11,006,167
Unallocated liabilities					1,698,148
Total liabilities					<u>12,704,315</u>
Capital expenditures	<u>132,276</u>	<u>9,522</u>	<u>139,641</u>	<u>-</u>	<u>281,439</u>

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(iv) As at and for the five months ended 31 May 2009

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment results					
External segment revenue	16,845,715	463,206	739,120	-	18,048,041
Inter-segment revenue	99,183	-	48,384	(147,567)	-
Revenue	<u>16,944,898</u>	<u>463,206</u>	<u>787,504</u>	<u>(147,567)</u>	<u>18,048,041</u>
Operating profit	633,726	4,201	68,607	(3,942)	702,592
Other gains/(losses)	102,058	(391)	2,298	-	103,965
Share of results of associates	25,063	-	-	-	25,063
	760,847	3,810	70,905	(3,942)	831,620
Finance costs – net					(84,869)
Profit before income tax					746,751
Income tax expense					(193,840)
Profit for the period					<u>552,911</u>
Other segment items included in the income statement					
Provision for/(writeback of) impairment of trade and other receivables	8,163	(53)	416		8,526
Provision for impairment of inventories	2,105	119	2,366		4,590
Amortisation of land use rights	2,610	-	1,099		3,709
Depreciation of property, plant and equipment	29,397	5,904	17,733		53,034
Depreciation of investment properties	-	-	1,308		1,308
Amortisation of intangible assets	14,633	34	4,279		18,946
Segment assets and liabilities					
Segment assets	17,164,576	480,341	1,596,579	(351,192)	18,890,304
Segment assets include:					
Investment in associate	309,241	-	8,307	-	317,548
Unallocated assets					138,045
Total assets					<u>19,028,349</u>
Segment liabilities	11,753,334	193,822	948,658	(346,518)	12,549,296
Unallocated liabilities					2,601,460
Total liabilities					<u>15,150,756</u>
Capital expenditures	<u>121,529</u>	<u>3,381</u>	<u>149,784</u>	<u>-</u>	<u>274,694</u>

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(v) As at and for the five months ended 31 May 2008 (Unaudited)

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment results					
External segment revenue	14,017,737	389,016	600,477	-	15,007,230
Inter-segment revenue	102,661	-	38,236	(140,897)	-
Revenue	<u>14,120,398</u>	<u>389,016</u>	<u>638,713</u>	<u>(140,897)</u>	<u>15,007,230</u>
Operating profit	453,665	4,970	56,225	(5,428)	509,432
Other (losses)/gains	79,421	(279)	252	-	79,394
Share of results of associates	22,799	-	-	-	22,799
	555,885	4,691	56,477	(5,428)	611,625
Finance costs – net					(90,785)
Profit before income tax					520,840
Income tax expense					(119,015)
Profit for the period					<u>401,825</u>
Other segment items included in the income statement					
Provision for/(writeback of) impairment of trade and other receivables	11,519	(1,263)	468		10,724
Provision for impairment of inventories	(3,869)	-	48		(3,821)
Amortisation of land use rights	1,946	-	1,091		3,037
Depreciation of property, plant and equipment	32,938	3,813	14,224		50,975
Depreciation of investment properties	-	-	1,170		1,170
Amortisation of intangible assets	13,868	23	745		14,636
Segment assets and liabilities					
Segment assets	14,473,263	439,817	1,195,734	(315,889)	15,792,925
Segment assets include:					
Investment in associate	247,426	-	7,314	-	254,740
Unallocated assets					133,280
Total assets					<u>15,926,205</u>
Segment liabilities	9,854,151	257,879	580,391	(318,966)	10,373,455
Unallocated liabilities					2,522,476
Total liabilities					<u>12,895,931</u>
Capital expenditures	<u>48,349</u>	<u>2,684</u>	<u>25,666</u>	<u>-</u>	<u>76,699</u>

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6 Land use rights — Group

Land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired rights to use certain land. The Group's interests in land use rights represent prepaid operating lease payments and their net book amount are analysed as follows:

	Year ended 31 December			Five months ended 31 May 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	437,761	430,725	459,984	498,134
Accumulated amortisation	(39,922)	(46,086)	(57,037)	(60,746)
Net book amount	<u>397,839</u>	<u>384,639</u>	<u>402,947</u>	<u>437,388</u>
Opening net book amount	348,528	397,839	384,639	402,947
Additions	65,639	18,321	29,258	22,443
Acquisition of subsidiaries	-	-	-	15,707
Amortisation	(9,017)	(8,789)	(10,950)	(3,709)
Disposals	(7,311)	(22,732)	-	-
Closing net book amount	<u>397,839</u>	<u>384,639</u>	<u>402,947</u>	<u>437,388</u>

Land use rights are located in Mainland China with tenure between 40 to 50 years.

Amortisation of land use rights has been included in general and administrative expenses.

Land use rights with net book amount of approximately RMB42,181,000, RMB41,366,000, RMB40,550,000 and nil as at 31 December 2006, 2007, 2008 and 31 May 2009, respectively, are pledged as collaterals for the Group's bank borrowings (Note 20).

7 Investment properties — Group

	Year ended 31 December			Five months ended 31 May 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	101,056	109,156	87,927	86,555
Accumulated depreciation	(22,936)	(27,541)	(26,145)	(27,002)
Net book amount	<u>78,120</u>	<u>81,615</u>	<u>61,782</u>	<u>59,553</u>
Opening net book amount	65,170	78,120	81,615	61,782
Acquisition of a subsidiary (Note 38)	-	5,942	-	-
Transfer from property, plant and equipment (Note 8)	16,645	1,414	956	-
Transfer to property, plant and equipment (Note 8) ..	-	(322)	(14,013)	(921)
Depreciation	(3,695)	(3,539)	(6,776)	(1,308)
Closing net book amount	<u>78,120</u>	<u>81,615</u>	<u>61,782</u>	<u>59,553</u>

Investment properties are located in Mainland China, on land with use rights between 40 to 50 years.

As at 31 May 2009, the property rights of buildings with a net book amount of RMB11,345,000 were absent.

Except for buildings without property rights for which no commercial value belongs to the Group, the fair values of the investment properties were RMB122,664,000, RMB134,524,000,

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RMB101,691,000 and RMB119,783,000 as at 31 December 2006, 2007, 2008 and 31 May 2009, respectively. These estimates by the directors were based on market transacted prices for similar properties in the vicinity of the relevant properties. In case where market transacted prices were not available, fair values were estimated using published price indices and guidelines from the relevant government authorities. Considering that the carrying amounts of investment properties are not significant to the Group, the directors of the Company are of the view that the fair value of the investment properties can be estimated with reference to the market value of properties in the vicinity and the therefore valuation by independent property valuers is not considered necessary.

Investment properties with net book amount of nil, RMB29,979,000, nil and nil as at 31 December 2006, 2007, 2008 and 31 May 2009 were pledged as collateral for the Group's bank borrowings (Note 20).

Lease rental income relating to the lease of investment properties has been included in the consolidated income statements as follows:

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue (Note 25)	25,736	36,855	31,242	15,069	15,868

8 Property, plant and equipment

The Group

	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Furniture, fittings and equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
At 1 January 2006						
Cost	625,285	259,836	98,264	137,444	277,893	1,398,722
Accumulated depreciation and impairment	(150,020)	(105,254)	(60,651)	(54,131)	-	(370,056)
Net book amount	475,265	154,582	37,613	83,313	277,893	1,028,666
Year ended 31 December 2006						
Opening net book amount ...	475,265	154,582	37,613	83,313	277,893	1,028,666
Acquisition of a subsidiary (Note 38)	2,859	-	1,122	367	-	4,348
Additions	26,413	5,149	74,318	17,166	62,473	185,519
Transfers	126,182	4,681	-	-	(130,863)	-
Transfer to investment properties (Note 7)	(16,645)	-	-	-	-	(16,645)
Disposals	(20,658)	(1,266)	(2,922)	(4,910)	-	(29,756)
Depreciation	(19,672)	(17,695)	(27,705)	(19,103)	-	(84,175)
Closing net book amount ...	573,744	145,451	82,426	76,833	209,503	1,087,957
At 1 January 2007						
Cost	742,895	263,811	162,895	129,745	209,503	1,508,849
Accumulated depreciation and impairment	(169,151)	(118,360)	(80,469)	(52,912)	-	(420,892)
Net book amount	573,744	145,451	82,426	76,833	209,503	1,087,957

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	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Furniture, fittings and equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
Year ended 31 December 2007						
Opening net book amount . . .	573,744	145,451	82,426	76,833	209,503	1,087,957
Acquisition of a subsidiary (Note 38)	44,953	-	546	1,659	-	47,158
Additions	48,799	15,567	64,148	25,191	81,343	235,048
Transfers	146,979	69,200	-	-	(216,179)	-
Transfer from investment properties (Note 7)	322	-	-	-	-	322
Transfer to investment properties (Note 7)	(1,414)	-	-	-	-	(1,414)
Disposal of subsidiaries	(21,846)	-	-	-	-	(21,846)
Disposals	(23,240)	(13,669)	(13,444)	(8,096)	(3,488)	(61,937)
Depreciation	(28,367)	(17,955)	(29,180)	(16,841)	-	(92,343)
Closing net book amount	<u>739,930</u>	<u>198,594</u>	<u>104,496</u>	<u>78,746</u>	<u>71,179</u>	<u>1,192,945</u>
At 1 January 2008						
Cost	946,111	312,869	195,295	140,102	71,179	1,665,556
Accumulated depreciation and impairment	(206,181)	(114,275)	(90,799)	(61,356)	-	(472,611)
Net book amount	<u>739,930</u>	<u>198,594</u>	<u>104,496</u>	<u>78,746</u>	<u>71,179</u>	<u>1,192,945</u>
Year ended 31 December 2008						
Opening net book amount . . .	739,930	198,594	104,496	78,746	71,179	1,192,945
Acquisition of subsidiaries (Note 38)	4,916	-	-	-	-	4,916
Additions	20,011	9,871	57,533	23,791	104,240	215,446
Transfers	16,920	17,022	-	-	(33,942)	-
Transfer from investment properties (Note 7)	14,013	-	-	-	-	14,013
Transfer to investment properties (Note 7)	(956)	-	-	-	-	(956)
Disposal of subsidiaries	(7,847)	(2,089)	(8,214)	(759)	-	(18,909)
Disposals	(21,187)	(2,300)	(5,407)	(2,925)	-	(31,819)
Depreciation	(37,621)	(25,712)	(34,400)	(20,884)	-	(118,617)
Closing net book amount	<u>728,179</u>	<u>195,386</u>	<u>114,008</u>	<u>77,969</u>	<u>141,477</u>	<u>1,257,019</u>
At 31 December 2008						
Cost	952,582	302,300	220,472	147,713	141,477	1,764,544
Accumulated depreciation and impairment	(224,403)	(106,914)	(106,464)	(69,744)	-	(507,525)
Net book amount	<u>728,179</u>	<u>195,386</u>	<u>114,008</u>	<u>77,969</u>	<u>141,477</u>	<u>1,257,019</u>

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	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Furniture, fittings and equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
Five months ended 31 May 2009						
Opening net book amount . . .	728,179	195,386	114,008	77,969	141,477	1,257,019
Acquisition of subsidiaries (Note 38)	7,897	53,716	5,930	3,095	2,230	72,868
Additions	17,232	14,581	6,085	16,521	11,866	66,285
Transfers	78,979	25,646	-	-	(104,625)	-
Transfer from investment properties (Note 7)	921	-	-	-	-	921
Disposals	(5,198)	(4,758)	(1,918)	(298)	-	(12,172)
Depreciation	(17,370)	(14,517)	(7,841)	(13,306)	-	(53,034)
Closing net book amount . . .	<u>810,640</u>	<u>270,054</u>	<u>116,264</u>	<u>83,981</u>	<u>50,948</u>	<u>1,331,887</u>
At 31 May 2009						
Cost	1,048,215	401,463	228,155	164,486	50,948	1,893,267
Accumulated depreciation and impairment	(237,575)	(131,409)	(111,891)	(80,505)	-	(561,380)
Net book amount	<u>810,640</u>	<u>270,054</u>	<u>116,264</u>	<u>83,981</u>	<u>50,948</u>	<u>1,331,887</u>

Depreciation expenses were charged to the consolidated income statements as follows:

	<u>Year ended</u> <u>31 December</u>			<u>Five months ended</u> <u>31 May</u>	
	<u>2006</u> RMB'000	<u>2007</u> RMB'000	<u>2008</u> RMB'000	<u>2008</u> RMB'000 (Unaudited)	<u>2009</u> RMB'000
Cost of sales	28,637	35,160	46,533	20,645	21,224
Distribution and selling expenses	5,098	4,734	7,107	2,750	4,942
General and administrative expenses	50,440	52,449	64,977	27,580	26,868
	<u>84,175</u>	<u>92,343</u>	<u>118,617</u>	<u>50,975</u>	<u>53,034</u>

Property, plant and equipment with net book amount of approximately RMB155,075,000, RMB213,601,000, RMB147,600,000 and RMB65,637,000 as at 31 December 2006, 2007, 2008 and 31 May 2009, respectively, were pledged as collateral of the Group's bank borrowings (Note 20).

As at 31 May 2009, the property rights of buildings with net book amount of RMB34,843,000 are absent.

Details of the borrowing cost capitalised into the cost of property, plant and equipment were as follows:

	<u>Year ended</u> <u>31 December</u>			<u>Five months ended</u> <u>31 May</u>	
	<u>2006</u> RMB'000	<u>2007</u> RMB'000	<u>2008</u> RMB'000	<u>2008</u> RMB'000 (Unaudited)	<u>2009</u> RMB'000
Borrowing cost capitalised	1,461	2,998	3,202	1,597	1,231
Weighted average of the borrowing cost rate	<u>5.4%</u>	<u>4.4%</u>	<u>5.9%</u>	<u>5.9%</u>	<u>5.4%</u>

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	<u>Buildings</u> RMB'000	<u>Furniture, fittings and equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
At 1 January 2006					
Cost	705	6,839	6,589	-	14,133
Accumulated depreciation	(273)	(1,690)	(1,454)	-	(3,417)
Net book amount	<u>432</u>	<u>5,149</u>	<u>5,135</u>	<u>-</u>	<u>10,716</u>
Year ended 31 December 2006					
Opening net book amount	432	5,149	5,135	-	10,716
Additions	-	1,106	3,065	752	4,923
Transfers	287	-	-	(287)	-
Disposals	(209)	-	(406)	-	(615)
Depreciation	-	(1,366)	(988)	-	(2,354)
Closing net book amount	<u>510</u>	<u>4,889</u>	<u>6,806</u>	<u>465</u>	<u>12,670</u>
At 31 December 2006					
Cost	768	7,945	8,928	465	18,106
Accumulated depreciation	(258)	(3,056)	(2,122)	-	(5,436)
Net book amount	<u>510</u>	<u>4,889</u>	<u>6,806</u>	<u>465</u>	<u>12,670</u>
Year ended 31 December 2007					
Opening net book amount	510	4,889	6,806	465	12,670
Additions	-	2,432	1,546	1,851	5,829
Transfers	-	2,316	-	(2,316)	-
Disposals	-	(5)	(204)	-	(209)
Depreciation	-	(1,598)	(1,530)	-	(3,128)
Closing net book amount	<u>510</u>	<u>8,034</u>	<u>6,618</u>	<u>-</u>	<u>15,162</u>
At 31 December 2007					
Cost	768	12,597	10,234	-	23,599
Accumulated depreciation	(258)	(4,563)	(3,616)	-	(8,437)
Net book amount	<u>510</u>	<u>8,034</u>	<u>6,618</u>	<u>-</u>	<u>15,162</u>
Year ended 31 December 2008					
Opening net book amount	510	8,034	6,618	-	15,162
Additions	-	2,153	-	-	2,153
Disposals	-	-	80	-	80
Depreciation	-	(1,662)	(1,773)	-	(3,435)
Closing net book amount	<u>510</u>	<u>8,525</u>	<u>4,925</u>	<u>-</u>	<u>13,960</u>
At 31 December 2008					
Cost	768	14,750	10,234	-	25,752
Accumulated depreciation	(258)	(6,225)	(5,309)	-	(11,792)
Net book amount	<u>510</u>	<u>8,525</u>	<u>4,925</u>	<u>-</u>	<u>13,960</u>
Five months ended 31 May 2009					
Opening net book amount	510	8,525	4,925	-	13,960
Additions	-	58	-	-	58
Disposals	-	(132)	-	-	(132)
Depreciation	-	(895)	(642)	-	(1,537)
Closing net book amount	<u>510</u>	<u>7,556</u>	<u>4,283</u>	<u>-</u>	<u>12,349</u>
At 31 May 2009					
Cost	768	14,676	10,234	-	25,678
Accumulated depreciation	(258)	(7,120)	(5,951)	-	(13,329)
Net book amount	<u>510</u>	<u>7,556</u>	<u>4,283</u>	<u>-</u>	<u>12,349</u>

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9 Intangible assets — Group

	<u>Goodwill</u> RMB'000	<u>Sales network</u> RMB'000	<u>Trademarks and patent</u> RMB'000	<u>Software</u> RMB'000	<u>Total</u> RMB'000
At 1 January 2006					
Cost	11,704	152,238	79,363	17,247	260,552
Accumulated amortisation	-	(24,565)	(7,601)	(8,011)	(40,177)
Net book amount	<u>11,704</u>	<u>127,673</u>	<u>71,762</u>	<u>9,236</u>	<u>220,375</u>
Year ended 31 December 2006					
Opening net book amount	11,704	127,673	71,762	9,236	220,375
Acquisition of subsidiaries	8,287	-	-	-	8,287
Acquisition of additional interests in subsidiaries	5,869	-	-	-	5,869
Additions	-	-	-	11,128	11,128
Amortisation	-	(16,915)	(7,095)	(5,819)	(29,829)
Closing net book amount	<u>25,860</u>	<u>110,758</u>	<u>64,667</u>	<u>14,545</u>	<u>215,830</u>
At 1 January 2007					
Cost	25,860	152,238	79,363	28,375	285,836
Accumulated amortisation	-	(41,480)	(14,696)	(13,830)	(70,006)
Net book amount	<u>25,860</u>	<u>110,758</u>	<u>64,667</u>	<u>14,545</u>	<u>215,830</u>
Year ended 31 December 2007					
Opening net book amount	25,860	110,758	64,667	14,545	215,830
Acquisition of subsidiaries	-	24,083	-	-	24,083
Additions	-	-	2,542	4,949	7,491
Amortisation	-	(17,933)	(7,090)	(5,236)	(30,259)
Closing net book amount	<u>25,860</u>	<u>116,908</u>	<u>60,119</u>	<u>14,258</u>	<u>217,145</u>
At 1 January 2008					
Cost	25,860	176,321	81,905	33,324	317,410
Accumulated amortisation	-	(59,413)	(21,786)	(19,066)	(100,265)
Net book amount	<u>25,860</u>	<u>116,908</u>	<u>60,119</u>	<u>14,258</u>	<u>217,145</u>
Year ended 31 December 2008					
Opening net book amount	25,860	116,908	60,119	14,258	217,145
Acquisition of subsidiaries	4,733	32,184	-	19	36,936
Disposal of subsidiaries	-	-	(20,998)	-	(20,998)
Additions	-	-	2,200	5,113	7,313
Amortisation	-	(23,072)	(6,576)	(6,728)	(36,376)
Closing net book amount	<u>30,593</u>	<u>126,020</u>	<u>34,745</u>	<u>12,662</u>	<u>204,020</u>
At 31 December 2008					
Cost	30,593	208,505	63,107	38,456	340,661
Accumulated amortisation	-	(82,485)	(28,362)	(25,794)	(136,641)
Net book amount	<u>30,593</u>	<u>126,020</u>	<u>34,745</u>	<u>12,662</u>	<u>204,020</u>
Five months ended of 31 May 2009					
Opening net book amount	30,593	126,020	34,745	12,662	204,020
Acquisition of subsidiaries	44,363	26,645	37,162	-	108,170
Additions	-	-	-	3,683	3,683
Amortisation	-	(10,556)	(6,232)	(2,158)	(18,946)
Closing net book amount	<u>74,956</u>	<u>142,109</u>	<u>65,675</u>	<u>14,187</u>	<u>296,927</u>
At 31 May 2009					
Cost	74,956	235,151	100,269	33,936	444,312
Accumulated amortisation	-	(93,042)	(34,594)	(19,749)	(147,385)
Net book amount	<u>74,956</u>	<u>142,109</u>	<u>65,675</u>	<u>14,187</u>	<u>296,927</u>

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Amortisation expenses were charged to the consolidated income statements as follows:

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Distribution and selling expenses	17,217	17,931	25,942	10,994	10,556
General and administrative expenses	12,612	12,328	10,434	3,642	8,390
	<u>29,829</u>	<u>30,259</u>	<u>36,376</u>	<u>14,636</u>	<u>18,946</u>

Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment, as follows:

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Pharmaceutical distribution	4,127	4,127	4,127	4,127	8,657
Retail pharmacy operations	15,194	15,194	19,927	16,882	19,927
Other business operations	6,539	6,539	6,539	6,539	46,372
	<u>25,860</u>	<u>25,860</u>	<u>30,593</u>	<u>27,548</u>	<u>74,956</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate. The key assumptions used for value-in-use calculations are as follows:

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations
Gross margin	6.0%	21.0%	30.0%
Growth rate to extrapolate cash flows beyond the budget period	4.0%	0.3%	6.0%
Discount rate	12.6%	12.9%	13.5%

Management determined budgeted gross margin and growth rates based on past performance and its expectations for market development. The discount rates used are pre-tax after reflecting specific risks of the relevant businesses.

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10 Investments in subsidiaries — Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at cost				
- Listed shares (i)	526,299	518,893	511,686	500,421
- Unlisted shares	1,103,037	1,232,907	1,579,977	1,733,551
	<u>1,629,336</u>	<u>1,751,800</u>	<u>2,091,663</u>	<u>2,233,972</u>
Quoted market value of listed shares	<u>1,917,572</u>	<u>6,170,180</u>	<u>4,930,405</u>	<u>5,286,560</u>

Note –

- (i) This represents the Group's investments in Accord Pharma and National Medicines, companies listed on the Shenzhen and Shanghai Stock Exchanges respectively in Mainland China.

Particulars of the Company's principal subsidiaries are set out in Note 40.

11 Investments in associates

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	193,133	233,255	289,175	300,195
Goodwill	23,399	22,105	17,353	17,353
End of the year/period	<u>216,532</u>	<u>255,360</u>	<u>306,528</u>	<u>317,548</u>
Beginning of the year/period	185,822	216,532	255,360	306,528
Acquisitions	28,550	-	14,690	-
Reclassification from investments in subsidiaries upon cessation of control	-	35,865	21,956	-
Reclassification from available-for-sale financial assets (Note 12)	-	-	-	1,915
Share of results	19,193	40,035	54,186	25,063
Dividends declared by associates attributable to the Group	(16,348)	(21,324)	(25,713)	(15,958)
Disposals	(685)	(1,755)	(13,951)	-
Reclassification to investments in subsidiaries upon transfer of control to the Group (Note 38)	-	(13,993)	-	-
End of the year/period	<u>216,532</u>	<u>255,360</u>	<u>306,528</u>	<u>317,548</u>

The Group's shares of the assets, liabilities, revenues and results of the associates are as follows:

	Year ended 31 December			Five months ended 31 May 2009
	2006	2007	2008	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	452,129	440,303	524,332	752,317
Liabilities	258,996	207,048	235,157	452,122
Revenues	671,218	816,147	1,023,589	529,027
Profit for the year/period	<u>19,193</u>	<u>40,035</u>	<u>54,186</u>	<u>25,063</u>

Particulars of the Company's principal associates, all of which are unlisted, are set out in Note 40.

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The Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at cost				
- Unlisted shares	13,993	-	14,690	14,690

12 Available-for-sale financial assets

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity investments, at fair value	16,165	35,828	21,137	36,521
Unlisted equity investments, at fair value	19,500	21,154	31,789	21,144
	35,665	56,982	52,926	57,665
Less: Current portion	(15)	(15)	(15)	(15)
	35,650	56,967	52,911	57,650

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	44,202	35,665	56,982	52,926
Additions	1,543	5,580	13,661	-
Net (losses)/gains transferred to equity	(2,032)	19,665	(14,694)	15,381
Disposals	(8,048)	(3,928)	(3,023)	(1,672)
Reclassification to investments in associates (Note 11)	-	-	-	(1,915)
Provision for impairment	-	-	-	(7,055)
At 31 December	35,665	56,982	52,926	57,665

The Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	7,420	6,760	6,760	20,394
Additions	-	-	13,634	-
Disposals	(660)	-	-	-
Unlisted equity investments, at fair value	6,760	6,760	20,394	20,394

The fair value of listed equity investments is based on the quoted market values. The fair value of unlisted equity investments is determined based on the consideration for disposal of similar available-for-sale financial assets by the Group during the Relevant Periods. The directors consider that such consideration approximates the fair value of existing available-for-sale financial assets as these investments are within the same industry and are of similar sizes. For unlisted investments where there was no disposal of similar investments by the Group during the Relevant Periods, the directors estimate the fair values of these investments mainly based on the historical performance of these companies, market environment and the prospective industry overview.

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13 Deferred income tax

The Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Deferred income tax assets				
- to be recovered after more than 12 months	131,435	134,013	134,603	127,926
- to be recovered within 12 months	16,733	4,506	8,432	10,119
	<u>148,168</u>	<u>138,519</u>	<u>143,035</u>	<u>138,045</u>
Deferred income tax liabilities				
- to be settled after more than 12 months	(64,639)	(60,501)	(57,702)	(65,524)
- to be settled within 12 months	(5,085)	(6,275)	(6,275)	(11,140)
	<u>(69,724)</u>	<u>(66,776)</u>	<u>(63,977)</u>	<u>(76,664)</u>
Deferred income tax assets - net	<u>78,444</u>	<u>71,743</u>	<u>79,058</u>	<u>61,381</u>

The movements in the deferred income tax account are as follows:

	<u>Year ended 31 December</u>			<u>Five months ended</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>31 May 2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Beginning of the year/period	79,983	78,444	71,743	79,058
Disposal of subsidiaries	(697)	(1,690)	-	-
Acquisition of subsidiaries (Note 38)	53	(3,079)	(8,031)	(14,017)
Recognised in the consolidated income statements (Note 32(a))	(1,567)	1,972	11,673	186
Recognised in equity	672	(3,904)	3,673	(3,846)
End of the year/period	<u>78,444</u>	<u>71,743</u>	<u>79,058</u>	<u>61,381</u>

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The movements in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	80,664	43,679	22,616	3,462	150,421
Acquisition of a subsidiary (Note 38)	-	53	-	-	53
Disposal of subsidiaries	-	(697)	-	-	(697)
Recognised in the consolidated income statements	(244)	283	(4,584)	2,936	(1,609)
At 31 December 2006	80,420	43,318	18,032	6,398	148,168
Acquisition of a subsidiary (Note 38)	1,875	2,137	-	-	4,012
Disposal of subsidiaries	-	(1,690)	-	-	(1,690)
Recognised in the consolidated income statements	(12,456)	(2,377)	(9,127)	11,989	(11,971)
At 31 December 2007	69,839	41,388	8,905	18,387	138,519
Acquisition of subsidiaries (Note 38)	-	15	-	-	15
Disposal of subsidiaries	-	-	-	-	-
Recognised in the consolidated income statements	14,231	(709)	(5,118)	(3,903)	4,501
At 31 December 2008	84,070	40,694	3,787	14,484	143,035
Acquisition of subsidiaries (Note 38)	-	175	-	-	175
Recognised in the consolidated income statements	(10,739)	6,878	(334)	(970)	(5,165)
At 31 May 2009	73,331	47,747	3,453	13,514	138,045

Deferred income tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains from available-for-sale financial assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	59,804	4,851	5,783	70,438
Recognised in the consolidated income statements	(6,009)	-	5,967	(42)
Recognised in equity	-	(672)	-	(672)
At 31 December 2006	53,795	4,179	11,750	69,724
Acquisition of a subsidiary (Note 38)	7,091	-	-	7,091
Recognised in the consolidated income statements	(2,193)	-	(11,750)	(13,943)
Recognised in equity	-	3,904	-	3,904
At 31 December 2007	58,693	8,083	-	66,776
Acquisition of a subsidiary (Note 38)	8,046	-	-	8,046
Recognised in the consolidated income statements	(7,172)	-	-	(7,172)
Recognised in equity	-	(3,673)	-	(3,673)
At 31 December 2008	59,567	4,410	-	63,977
Acquisition of subsidiaries (Note 38)	14,192	-	-	14,192
Recognised in the consolidated income statements	(5,351)	-	-	(5,351)
Recognised in equity	-	3,846	-	3,846
At 31 May 2009	68,408	8,256	-	76,664

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Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB24,124,000, RMB34,291,000, RMB26,905,000 and RMB25,128,000 in respect of tax losses amounting to approximately RMB96,931,000, RMB137,166,000, RMB107,619,000 and RMB111,205,000 as at 31 December 2006, 2007 and 2008 and 31 May 2009, respectively. As at 31 December 2008, tax losses amounting to RMB15,642,000, RMB29,338,000, RMB17,573,000, RMB29,304,000 and RMB15,763,000 will expire in 2009, 2010, 2011, 2012 and 2013, respectively.

The Company

The gross movements in deferred income tax account are as follows:

	Year ended 31 December			Five months ended 31 May 2009
	2006 RMB'000	2007 RMB'000	2008 RMB'000	RMB'000
Beginning of year/period	16,879	23,918	23,886	27,999
Recognised in the income statements	7,039	(32)	4,113	(9,975)
End of year/period	<u>23,918</u>	<u>23,886</u>	<u>27,999</u>	<u>18,024</u>

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	10,007	5,495	1,377	16,879
Recognised in the income statements	2,005	5,490	(456)	7,039
At 31 December 2006	12,012	10,985	921	23,918
Recognised in the income statements	(749)	(2,270)	2,987	(32)
At 31 December 2007	11,263	8,715	3,908	23,886
Recognised in the income statements	1,937	830	1,346	4,113
At 31 December 2008	13,200	9,545	5,254	27,999
Recognised in the income statements	(3,156)	(1,565)	(5,254)	(9,975)
At 31 May 2009	<u>10,044</u>	<u>7,980</u>	-	<u>18,024</u>

14 Inventories

The Group

	As at 31 December			As at 31 May 2009
	2006 RMB'000	2007 RMB'000	2008 RMB'000	RMB'000
Raw materials	62,342	167,380	76,949	154,423
Work in progress	899	3,527	73	29,089
Finished goods and trading merchandise	2,006,926	2,493,405	3,098,842	3,452,459
Less: Provision for impairment	(26,806)	(29,938)	(21,044)	(22,959)
	<u>2,043,361</u>	<u>2,634,374</u>	<u>3,154,820</u>	<u>3,613,012</u>

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The cost of inventories recognised as expense and included in cost of sales amounted to RMB21,700,069,000, RMB28,500,633,000, RMB35,076,249,000 and RMB16,573,321,000 for each of the years ended 31 December 2006, 2007, 2008 and the five months ended 31 May 2009, respectively.

Inventories are stated at the lower of cost and net realisable value. Net write down of inventories to their net realisable value amounted to approximately RMB4,164,000, RMB7,943,000, RMB4,486,000 and RMB4,590,000 for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 was included in general and administrative expenses (Note 28).

The Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trading merchandise	394,393	479,528	581,588	672,361
Less: Provision for impairment	(335)	(436)	(324)	(605)
	<u>394,058</u>	<u>479,092</u>	<u>581,264</u>	<u>671,756</u>

15 Trade receivables

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable	4,710,216	5,785,943	7,435,437	8,871,828
Notes receivable	264,226	455,356	606,475	623,560
	4,974,442	6,241,299	8,041,912	9,495,388
Less: Provision for impairment	(102,922)	(130,823)	(130,138)	(147,448)
Trade receivables – net	<u>4,871,520</u>	<u>6,110,476</u>	<u>7,911,774</u>	<u>9,347,940</u>

The fair values of trade receivables approximate their carrying amounts.

Retail sales at the Group's medicine chain stores are usually made in cash or by debit or credit cards. For medicine distribution and medicine manufacture businesses, sales are made on credit terms ranging from 30 to 180 days. The ageing analysis of trade receivables (accounts receivable and notes receivable) is as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Below 3 months	4,104,821	5,317,998	6,806,815	8,289,024
3 to 6 months	588,272	668,493	886,811	1,021,499
6 months to 1 year	189,146	196,272	316,861	148,128
1 to 2 years	43,181	26,862	8,875	5,320
Over 2 years	49,022	31,674	22,550	31,417
Total	<u>4,974,442</u>	<u>6,241,299</u>	<u>8,041,912</u>	<u>9,495,388</u>

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Certain trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
3 to 6 months	550,950	590,071	799,660	923,032
6 months to 1 year	170,231	177,084	297,519	135,884
1 to 2 years	25,909	20,717	6,387	-
Over 2 years	19,609	4,606	1,393	-
Total	<u>766,699</u>	<u>792,478</u>	<u>1,104,959</u>	<u>1,058,916</u>

As of 31 December 2006, 2007, and 2008 and 31 May 2009, trade receivables of approximately RMB102,922,000, RMB130,823,000, RMB130,138,000 and RMB147,448,000, respectively, were impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult economic situations. The ageing of these receivables is as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
3 to 6 months	37,322	78,422	87,151	98,467
6 months to 1 year	18,915	19,188	19,342	12,244
1 to 2 years	17,272	6,145	2,488	5,320
Over 2 years	29,413	27,068	21,157	31,417
	<u>102,922</u>	<u>130,823</u>	<u>130,138</u>	<u>147,448</u>

Movements of provision for impairment of trade receivables are as follows:

	<u>Year ended</u>			<u>Five months ended</u>	
	<u>31 December</u>			<u>31 May</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At the beginning of year/period	104,606	102,922	130,823	130,823	130,138
Provision for impairment (Note 28)	24,980	22,351	10,883	11,252	17,721
Receivables written off as uncollectible	(26,664)	(1,178)	(11,568)	(282)	(411)
Others	-	6,728	-	-	-
At the end of year/period	<u>102,922</u>	<u>130,823</u>	<u>130,138</u>	<u>141,793</u>	<u>147,448</u>

The creation and release of provision for impairment of trade and other receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The trade receivables are denominated in RMB.

Notes receivable with carrying amount of nil, RMB122,519,000, RMB234,166,000 and RMB204,790,000 as at 31 December 2006, 2007, 2008 and 31 May 2009, respectively, were pledged as collaterals of the Group's bank borrowings (Note 20). Accounts receivable with carrying amount of nil, nil, RMB44,298,000 and RMB86,117,000 as at 31 December 2006, 2007, 2008 and 31 May 2009, respectively, were pledged as collaterals of the Group's bank borrowings (Note 20).

Accounts receivable with carrying amount of nil, RMB97,599,000, RMB390,839,000 and RMB755,175,000 during the years ended 31 December 2006, 2007, 2008 and the five months

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ended 31 May 2009, respectively, were derecognized in the accounts receivable factoring programs without recourse. The collection of such accounts receivable on behalf of banks amounted to nil, nil, RMB14,190,000 and RMB215,625,000 as at 31 December 2006, 2007, 2008 and 31 May 2009, respectively, and were recorded in other payables (Note 24).

There is no concentration of credit risk with respect to trade receivable as the Group has a large number of customers.

The Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable	909,003	823,467	1,259,860	1,884,908
Notes receivable	4,665	3,241	48,233	369,787
	913,668	826,708	1,308,093	2,254,695
Less: Provision for impairment	(16,629)	(12,046)	(12,145)	(14,536)
Trade receivables – net	<u>897,039</u>	<u>814,662</u>	<u>1,295,948</u>	<u>2,240,159</u>

The ageing analysis of trade receivables, before provision for impairment, at respective balance sheet dates was as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Below 3 months	809,655	730,875	1,162,874	2,065,283
3 to 6 months	67,093	81,369	90,614	146,780
6 months to 1 year	8,466	7,648	32,418	37,853
1 to 2 years	15,376	1,463	16,110	3,753
Over 2 years	13,078	5,353	6,077	1,026
	<u>913,668</u>	<u>826,708</u>	<u>1,308,093</u>	<u>2,254,695</u>

16 Prepayments and other receivables

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments				
- purchase of inventories	251,255	257,609	380,219	303,476
- construction	12,675	11,994	23,463	16,207
- operating expenses	9,142	9,632	20,181	15,365
Value-added tax recoverable	37,445	84,380	40,567	89,278
Deposits	31,341	37,481	44,353	38,404
Receivables arising from disposal of subsidiary	-	25,000	-	-
Staff advances	17,954	22,242	17,062	29,552
Receivables arising from disposal of land use rights	37,740	37,740	2,357	-
Amount due from related parties				
- other receivables	49,178	38,258	29,121	38,756
- prepayment	890	53	602	615
Other receivables	<u>127,377</u>	<u>155,656</u>	<u>110,284</u>	<u>82,247</u>
	574,997	680,045	668,209	613,900
Less: Provision for impairment	(55,765)	(74,541)	(51,302)	(41,600)
	<u>519,232</u>	<u>605,504</u>	<u>616,907</u>	<u>572,300</u>

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The fair values of other receivables approximate their carrying amounts.

The other receivables are denominated in RMB.

Movements of provision for impairment of other receivables are as follows:

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
At the beginning of year/period	34,327	55,765	74,541	74,541	51,302
Provision for impairment (Note 28)	23,089	20,876	(14,452)	(528)	(9,195)
Receivables written off as uncollectible	(1,651)	(2,100)	(8,787)	(860)	(507)
At the end of year/period	<u>55,765</u>	<u>74,541</u>	<u>51,302</u>	<u>73,153</u>	<u>41,600</u>

The Company

	As at 31 December			As at 31 May
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Amounts due from subsidiaries	638,295	963,316	919,504	623,346
Prepayments				
- purchase of inventories	46,932	138,012	143,371	100,250
- construction	-	300	-	-
Value-added tax recoverable	9,321	24,446	-	30,437
Receivables arising from disposal of land use rights	37,740	37,740	-	-
Other receivables	34,743	37,617	40,587	47,839
	<u>767,031</u>	<u>1,201,431</u>	<u>1,103,462</u>	<u>811,872</u>
Less: Provision for impairment	(26,320)	(34,253)	(24,538)	(16,779)
	<u>740,711</u>	<u>1,167,178</u>	<u>1,078,924</u>	<u>795,093</u>

17 Pledged bank deposits, cash and cash equivalents

The Group

	As at 31 December			As at 31 May
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Collateral for letters of credit	13,695	-	-	-
Collateral for bank acceptance of notes	110,970	203,221	277,435	223,855
Collateral for bank borrowings (Note 20)	-	446,102	8,400	18,000
Term deposits over 3 months	-	-	-	5,985
Total pledged bank deposits	<u>124,665</u>	<u>649,323</u>	<u>285,835</u>	<u>247,840</u>
Cash and cash equivalents				
- Cash at banks and on hand	<u>1,838,797</u>	<u>1,955,596</u>	<u>1,712,119</u>	<u>2,602,116</u>
Denominated in				
- RMB	1,962,674	2,602,360	1,994,268	2,846,937
- Others	788	2,559	3,686	3,019
	<u>1,963,462</u>	<u>2,604,919</u>	<u>1,997,954</u>	<u>2,849,956</u>

The maximum exposure to credit risk at the reporting dates approximates the carrying value of pledged bank deposits and cash and cash equivalents.

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange controls promulgated by the PRC authorities.

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The effective interest rates and average maturity of cash at banks are as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Effective interest rate (% per annum)	0.7	0.8	0.6	0.4

The Company

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Collateral for issuing letters of credit	13,695	-	-	-
Collateral for bank acceptance of notes	-	4,500	-	-
Collateral for bank borrowings (Note 20)	-	15,922	-	-
Total pledged bank deposits	<u>13,695</u>	<u>20,422</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents				
- Cash at banks and on hand	<u>838,610</u>	<u>359,002</u>	<u>301,008</u>	<u>719,842</u>
Denominated in				
- RMB	<u>852,305</u>	<u>379,424</u>	<u>301,008</u>	<u>719,842</u>

18 Capital

	<u>Registered and</u>	<u>Domestic shares</u>	<u>Total</u>
	<u>paid-in capital</u>	<u>of RMB1 each</u>	<u>RMB'000</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January 2006 (i)	1,027,954	-	1,027,954
Capital injections from equity holders (Note 19(b))	609,083	-	609,083
At 1 January 2007 and 2008	1,637,037	-	1,637,037
Transformation by conversion of registered and paid-in capital to domestic shares (ii)	<u>(1,637,037)</u>	<u>1,637,037</u>	<u>-</u>
At 31 December 2008 and 31 May 2009	<u>-</u>	<u>1,637,037</u>	<u>1,637,037</u>

Notes -

- (i) The Company was incorporated in the PRC on 8 January 2003 as a limited liability company under the Company Law of the PRC. The registered and paid-in capital the Company upon incorporation was RMB1,027,954,000.
- (ii) On 6 October 2008, the Company was transformed into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as of 30 September 2007 with the proportion of 1:0.8699 into 1,637,037,451 shares of RMB1 each. In this connection, the Company transferred its statutory reserves of RMB49,249,302 and retained earnings of RMB195,664,900 as at 6 October 2008 to "Capital premium" account, in order to satisfy the approved capital premium amount of RMB244,914,202.

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19 Reserves

Group

	Note	Capital premium RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Available-for-sale financial assets change RMB'000	Retained earnings (Note (d)) RMB'000	Total RMB'000
Balance at 31 December 2005		-	22,388	299,458	5,780	122,964	450,590
Profit for the year		-	-	-	-	101,331	101,331
Appropriation to statutory reserves	(a)	-	16,506	-	-	(16,506)	-
Capital injections from equity holders	(b)	11,175	-	(310,633)	-	-	(299,458)
Dividends	35	-	-	-	-	(92,112)	(92,112)
Distribution of a subsidiary prior to the Reorganisation	(c)	-	-	-	-	(37,123)	(37,123)
Revaluation of available-for-sale financial assets							
- gross		-	-	-	(1,031)	-	(1,031)
- tax		-	-	-	394	-	394
As at 31 December 2006		11,175	38,894	(11,175)	5,143	78,554	122,591
Profit for the year		-	-	-	-	380,920	380,920
Appropriation to statutory reserves	(a)	-	10,355	-	-	(10,355)	-
Dividends	35	-	-	-	-	(463,959)	(463,959)
Revaluation of available-for-sale financial assets							
- gross		-	-	-	9,459	-	9,459
- tax		-	-	-	(2,289)	-	(2,289)
As at 31 December 2007		11,175	49,249	(11,175)	12,313	(14,840)	46,722
Profit for the period		-	-	-	-	585,673	585,673
Transform into a joint stock limited company	18(ii)	244,914	(49,249)	-	-	(195,665)	-
Revaluation of available-for-sale financial assets							
- gross		-	-	-	(6,857)	-	(6,857)
- tax		-	-	-	1,655	-	1,655
Appropriation to statutory reserves	(a)	-	11,744	-	-	(11,744)	-
As at 31 December 2008		256,089	11,744	(11,175)	7,111	363,424	627,193
Profit for the period		-	-	-	-	421,502	421,502
Dividends	35	-	-	-	-	(105,699)	(105,699)
Effect of business combination of Guangxi Guoda Pharmacy Chainstore Co., Ltd. under common control		-	-	(500)	-	-	(500)
Revaluation of available-for-sale financial assets							
- gross		-	-	-	6,641	-	6,641
- tax		-	-	-	(1,693)	-	(1,693)
As at 31 May 2009		256,089	11,744	(11,675)	12,059	679,227	947,444

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Company

	<u>Note</u>	<u>Capital premium RMB'000</u>	<u>Statutory reserves RMB'000</u>	<u>Retained Earnings (Note (d)) RMB'000</u>	<u>Total RMB'000</u>
Balance at 31 December 2005		-	22,388	43,108	65,496
Profit for the year		-	-	164,572	164,572
Appropriation to statutory reserves	(a)	-	16,506	(16,506)	-
Dividends		-	-	(92,112)	(92,112)
As at 31 December 2006		-	38,894	99,062	137,956
Profit for the year		-	-	94,759	94,759
Appropriation to statutory reserves	(a)	-	10,355	(10,355)	-
Dividends		-	-	(463,959)	(463,959)
As at 31 December 2007		-	49,249	(280,493)	(231,244)
Profit for the year		-	-	563,490	563,490
Appropriation to statutory reserves	(a)	-	11,744	(11,744)	-
Transform into a joint stock limited company	18(b)	244,914	(49,249)	(195,665)	-
As at 31 December 2008		244,914	11,744	75,588	332,246
Profit for the period		-	-	343,978	343,978
Dividends		-	-	(105,699)	(105,699)
As at 31 May 2009		<u>244,914</u>	<u>11,744</u>	<u>313,867</u>	<u>570,525</u>

Apart from profit for the years/periods and fair value reserves arising from available-for-sales financial assets, if any, movements in owners' equity during the Relevant Periods mainly comprised:

- (a) PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of net profits to statutory surplus reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to discretionary surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.
- (b) Capital injections from equity holders

In June 2006, CNPGC transferred 58.67% equity interests in National Medicines, a subsidiary of CNPGC, to the Company (the "Reorganisation"). At the same time, Fosun Grand Medicine and Fosun Pharma injected cash of RMB309,625,000 to the Company to reflect their additional share of net assets of the Group (the "Cash Injection"). As a result of the Reorganisation and the Cash Injection, the Company's registered and paid-in capital increased by RMB609,083,000 and a capital premium of RMB11,175,000, representing the excess of the Cash Injection over the additional share of the Group's net assets by Fosun Grand Medicine and Fosun Pharma, was recognised by the Company.

As the Reorganisation was accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control

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Combinations” issued by the HKICPA, the Financial Information includes the financial position, results and cash flows of National Medicines as if the group structure resulting from the Reorganisation had been in existence since the beginning of the Relevant Periods. As a result, RMB310,633,000, representing the Company’s share in net assets of National Medicines immediately prior to the Reorganisation, was reflected as a deduction to capital reserves during the year ended 31 December 2006.

- (c) The distribution in the year ended 31 December 2006 represented dividends declared by National Medicines to CNPGC of RMB9,378,495, and the profit of National Medicines for the period from 1 January 2006 to 30 June 2006 of RMB27,744,574, which are attributable to CNPGC as stipulated in the equity transfer agreement entered into by the Company and CNPGC, before the Reorganisation.
- (d) Retained earnings as at 31 December 2006, 2007 and 2008 and 31 May 2009 include proposed final dividend of RMB165,769,000, nil, RMB105,699,000, and RMB279,469,000, respectively.

20 Borrowings

The Group

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Bank borrowings – secured	120,840	816,068	425,633	395,634
Bank borrowings – unsecured	1,761,231	863,248	1,208,537	2,129,305
Total bank borrowings	<u>1,882,071</u>	<u>1,679,316</u>	<u>1,634,170</u>	<u>2,524,939</u>
Loan from parent company – unsecured	<u>-</u>	<u>640,000</u>	<u>-</u>	<u>-</u>

The bank borrowings and loan from parent company were denominated in RMB.

The Group’s bank borrowings were repayable as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Within 1 year	1,704,351	1,521,596	1,504,170	2,464,939
Between 1 to 2 years	-	57,720	30,000	30,000
Between 2 to 5 years	177,720	100,000	100,000	30,000
	<u>1,882,071</u>	<u>1,679,316</u>	<u>1,634,170</u>	<u>2,524,939</u>

All of the Group’s bank borrowings are on floating rates and loans from parent company are on fixed rates. The weighted average effective interest rates at respective balance sheet dates were as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Bank borrowings	<u>5.2%</u>	<u>5.7%</u>	<u>5.8%</u>	<u>4.9%</u>
Loans from parent company	<u>-</u>	<u>4.0%</u>	<u>-</u>	<u>-</u>

Interest rates of bank borrowings are reset periodically according to the benchmark rates announced by the PBOC.

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The collaterals for the Group's borrowings are as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Property, plant and equipment (Note 8)	155,075	213,601	147,600	65,637
Land use rights (Note 6)	42,181	41,366	40,550	-
Investment properties (Note 7)	-	29,979	-	-
Bank deposits (Note 17)	-	446,102	8,400	18,000
Notes receivable (Note 15)	-	122,519	234,166	204,790
Accounts receivable (Note 15)	-	-	44,298	86,117
	<u>197,256</u>	<u>853,567</u>	<u>475,014</u>	<u>374,544</u>

The fair values of the short-term borrowings approximate their carrying amounts.

The carrying amounts and fair value of the non-current borrowings are as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Carrying amount	177,720	157,720	130,000	60,000
Fair value	<u>135,918</u>	<u>128,730</u>	<u>122,856</u>	<u>56,926</u>

The Group has the following undrawn borrowing facilities:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Floating rate				
- expiring within one year	<u>1,747,664</u>	<u>2,967,688</u>	<u>3,103,391</u>	<u>6,602,080</u>

The facilities expiring within one year are annual facilities subject to review at various dates during the following year.

The Company

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Bank borrowings – secured	-	15,922	-	263,759
Bank borrowings – unsecured	1,142,000	367,400	605,000	940,000
Total bank borrowings	<u>1,142,000</u>	<u>383,322</u>	<u>605,000</u>	<u>1,203,759</u>
Loan from parent company – unsecured	<u>-</u>	<u>560,000</u>	<u>-</u>	<u>-</u>

At respective balance sheet dates, the Company's bank borrowings were repayable as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within one year	<u>1,142,000</u>	<u>383,322</u>	<u>605,000</u>	<u>1,203,759</u>

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All of the Company’s borrowings are on floating rates and loans from parent company are on fixed rates. The weighted average effective interest rates at respective balance sheet dates were as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Bank borrowings	5.6%	5.9%	5.1%	4.9%
Loans from parent company	-	4.0%	-	-

The security for the Company’s borrowings is as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Pledged bank deposits (Note 17)	-	15,922	-	-
Notes receivable	-	-	-	263,759

21 Post-employment benefit obligations - Group

Certain subsidiaries provide post-employment pension and medical benefits to their retirees. The Group accounts for these benefits using the accounting basis similar to a defined benefit plan.

The amounts recognised in the balance sheet are analysed as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Present value of unfunded post-employment benefit obligations	239,560	256,152	307,193	304,889
Unrecognised past service cost	2,108	(5,932)	(4,496)	(4,940)
Liability in the balance sheet	<u>241,668</u>	<u>250,220</u>	<u>302,697</u>	<u>299,949</u>

Movements of the post-employment benefit obligations are as follows:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Beginning of the year/period	245,615	241,668	250,220	302,697
Acquisition of a subsidiary (Note 38)	-	7,500	-	-
Total expenses, included in staff costs as shown below	15,234	23,846	80,585	8,027
Benefits paid	(19,181)	(22,794)	(28,108)	(10,775)
End of the year/period	<u>241,668</u>	<u>250,220</u>	<u>302,697</u>	<u>299,949</u>

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The amounts recognised in the consolidated income statements are as follows:

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current service cost	3,317	6,980	3,388	1,375	1,604
Interest cost	8,469	8,954	11,455	4,952	4,097
Actuarial losses/(gains)	2,334	(19,463)	56,305	16,344	(4,513)
Past service cost	1,114	27,375	12,602	356	6,839
Gain on curtailment	-	-	(3,165)	-	-
Total expenses, included in staff costs	15,234	23,846	80,585	23,027	8,027

The above obligations are determined by an independent actuarial firm using the projected unit credit method, on each balance sheet date. The principal actuarial assumptions used are as follows:

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Discount rate	3.0 - 4.0%	4.5 - 4.8%	3.3%	4.0 - 4.3%	3.8%
Future pension increases	0 - 2%	0 - 2%	0 - 2%	0 - 2%	0 - 2%
Medical cost trend rates	2 - 6%	2 - 6%	2 - 6%	2 - 6%	2 - 6%

Mortality: Average life expectancy of residents in the PRC.

22 Other non-current liabilities

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Medical reserve funds				
- general (i)	222,713	222,433	226,009	226,259
- for 2008 Sichuan earthquake (i)	-	-	64,000	64,000
Office relocation funds (ii)	-	-	24,351	37,738
Others	18,471	24,872	15,505	18,174
	241,184	247,305	329,865	346,171

Notes -

- (i) During the Relevant Periods, certain medical reserves funds were received by CNPGC from the PRC government for it to purchase medical products (including medicines) required to respond to major disasters, epidemics and other emergencies. In accordance with a responsibility letter dated 4 January 2006 signed between CNPGC and the Company, CNPGC has re-allocated the funds in relation to medicines to the Group.

The Group will sell pharmaceutical products to specific customers at cost when there is any major disaster, epidemic and other emergency. Such transactions will be priced at cost and relevant trade receivables from specific customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. The funds used to offset trade receivables during the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 amounted to approximately RMB59,172,000, RMB437,000,

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RMB4,000 and nil, respectively. The Group is required to maintain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised for the aforementioned use and for no other purposes.

In addition, in accordance with notices from Central Ministry of Finance, such balance is not repayable within one year.

- (ii) Certain of the Group's subsidiaries received funds from local governments as compensation for losses arising from office relocation upon the request from the local government. Upon completion of the office relocation, such funds, after offsetting against actual losses arising from office relocation, will be recognised as other income. As at 31 December 2008, the directors expect that such office relocation will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.

The Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Medical reserve funds				
- general	175,319	174,658	174,654	174,654
- for 2008 Sichuan earthquake	-	-	47,000	47,000
Others	768	768	768	707
	<u>176,087</u>	<u>175,426</u>	<u>222,422</u>	<u>222,361</u>

23 Trade payables

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	4,241,922	5,298,190	6,380,439	7,776,146
Notes payables	1,387,908	1,911,394	2,672,632	2,628,024
	<u>5,629,830</u>	<u>7,209,584</u>	<u>9,053,071</u>	<u>10,404,170</u>

Purchases are made on credit terms ranging from 45 to 180 days.

The ageing analysis of trade payables at respective balance sheet dates is as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Below 3 months	4,745,597	6,445,535	8,266,665	9,584,621
3 to 6 months	394,712	441,733	293,825	481,094
6 months to 1 year	272,802	147,993	254,107	122,164
1 to 2 years	56,558	46,263	76,589	60,721
Over 2 years	160,161	128,060	161,885	155,570
	<u>5,629,830</u>	<u>7,209,584</u>	<u>9,053,071</u>	<u>10,404,170</u>

The Group's trade payables are denominated in the following currencies:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	5,528,163	6,749,940	8,809,567	9,840,923
USD	101,667	459,644	243,504	563,247
	<u>5,629,830</u>	<u>7,209,584</u>	<u>9,053,071</u>	<u>10,404,170</u>

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	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	976,907	961,831	1,525,634	1,712,000
Notes payables	197,695	354,007	181,389	573,181
	<u>1,174,602</u>	<u>1,315,838</u>	<u>1,707,023</u>	<u>2,285,181</u>

The ageing analysis of trade payables at respective balance sheet dates was as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Below 3 months	1,082,329	1,167,030	1,661,998	2,247,666
3 to 6 months	71,710	142,494	20,969	26,781
6 months to 1 year	20,563	6,314	21,393	3,154
1 to 2 years	-	-	2,663	5,683
Over 2 years	-	-	-	1,897
	<u>1,174,602</u>	<u>1,315,838</u>	<u>1,707,023</u>	<u>2,285,181</u>

The Company's trade payables are denominated in RMB.

24 Accruals and other payables

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Accrual of operating expenses	186,871	228,242	212,194	226,826
Accounts receivables collection on behalf of banks for factoring programs	-	-	14,190	215,625
Salary and welfare payables	239,447	223,023	214,697	155,477
Advances from customers	122,199	126,588	126,489	117,943
Other deposits	36,869	40,452	40,449	28,637
Taxes payable other than income tax and value added tax	6,782	9,618	19,299	19,332
Amounts due to related parties				
-other payables	64,375	69,238	10,286	18,751
-advances	118	-	-	98
Payables arising from acquisition of subsidiaries	-	-	-	20,213
Other payables	215,826	299,709	222,928	225,121
	<u>872,487</u>	<u>996,870</u>	<u>860,532</u>	<u>1,028,023</u>

The Group's other payables are denominated in RMB.

The Company

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	158,926	126,855	353,088	111,900
Amounts due to other related parties	43,139	48,676	-	17,263
Salary and welfare payables	31,124	43,133	42,261	24,238
Accrual of operating expenses	27,748	22,673	17,481	17,711
Accounts receivables collection on behalf of banks for factoring business	-	-	13,054	187,800
Taxes payable other than income tax and value added tax	400	13,861	2,719	1,843
Advances from customers	4,716	-	1,709	2,135
Other deposits	570	2,247	522	1,826
Other payables	8,816	24,690	62,796	5,212
	<u>275,439</u>	<u>282,135</u>	<u>493,630</u>	<u>369,928</u>

The Company's other payables are denominated in RMB.

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25 Revenue

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Sales	23,671,776	31,037,877	38,110,586	14,979,294	18,006,679
Rental income	25,736	36,855	31,242	15,069	15,868
Franchise fees from medicine chain stores	11,587	10,930	15,255	5,725	3,852
Consulting income	6,217	10,071	13,126	2,796	13,313
Import and export agency income	7,717	11,012	15,204	3,147	8,057
Advertising fee income	13,093	2,688	-	-	-
Others	516	781	2,020	1,199	272
	<u>23,736,642</u>	<u>31,110,214</u>	<u>38,187,433</u>	<u>15,007,230</u>	<u>18,048,041</u>

26 Other income

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Government grants (i)	16,736	23,855	69,919	16,159	19,650
Dividend income from available-for-sale financial assets (Note 36)	536	139	4	-	18
	<u>17,272</u>	<u>23,994</u>	<u>69,923</u>	<u>16,159</u>	<u>19,668</u>

Note –

- (i) Government grants mainly represented subsidy income received from various government organisations as incentives to certain Group companies.

27 Other gains — net

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Loss on transfer for no consideration of certain interests in two listed subsidiaries (i)	(82,210)	-	-	-	-
Gain on disposal of certain interests in two listed subsidiaries (ii)	-	91,371	75,965	59,422	99,979
Gain on disposal of land use rights and property, plant and equipment	4,531	15,092	3,644	(17)	1,255
Gain on settlement of borrowings (iii)	33,318	-	-	-	-
Foreign exchange gain - net	2,544	20,757	26,139	20,917	85
Gain/(Loss) on disposal of subsidiaries (Note 36)	-	5,340	(11,118)	(2,187)	-
Others – net	(3,816)	(8,423)	(1,881)	1,259	2,646
	<u>(45,633)</u>	<u>124,137</u>	<u>92,749</u>	<u>79,394</u>	<u>103,965</u>

Notes -

- (i) Share reforms of Accord Pharma and National Medicines, two listed subsidiaries

Up to the share reform of Accord Pharma and National Medicines in 2006, the Group held non-tradable shares in these companies. In 2006, these companies undergone share reforms, with holders of non-tradable shares agreed to transfer certain of their interests in these companies to holders of tradable shares so that all issued shares of these companies became

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tradable. In this connection, the Group transferred for no consideration 4.19% interest in Accord Pharma and 11.66% interest in National Medicines to holders of tradeable shares of these companies. Thereafter, the Group holds 39.14% equity interests in Accord Pharma and 47.60% equity interests in National Medicines, in the form of tradable shares.

(ii) Gain on disposal of interests in two listed subsidiaries, National Medicines and Accord Pharma

In 2007, the Group disposed 1.58% interest in National Medicines and the Group's interests decreased from 47.60% to 46.02%. In 2008, the Group disposed 0.99% interest in National Medicines and the Group's interests decreased from 46.02% to 45.03%. In 2009, the Group disposed 1.00% interest in National Medicines and the Group's interests decreased from 45.03% to 44.03%.

In 2009, the Group disposed 0.81% interest in Accord Pharma and the Group's interests decreased from 39.14% to 38.33%.

(iii) Gain on settlement of borrowings

Prior to 2006, two subsidiaries of the Group had bank borrowings of RMB117,940,000. These borrowings were overdue and were transferred by the bank to a state-owned assets management company. During the year ended 31 December 2006, the subsidiaries reached an agreement with the state-owned assets management company to settle the borrowings at a discount, resulting in a gain on settlement of RMB33,318,000.

28 Expenses by nature

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Raw materials and trading merchandise consumed (Note 14)	21,695,526	28,517,908	35,106,795	13,751,485	16,554,794
Changes in inventories of finished goods and work in progress (Note 14)	4,543	(17,275)	(30,546)	13,361	18,527
Employee benefit expenses (Note 29)	562,664	653,053	891,849	337,655	327,356
Provision for impairment of trade receivables (Note 15)	24,980	22,351	10,883	11,252	17,721
Provision for impairment of other receivables (Note 16)	23,089	20,876	(14,452)	(528)	(9,195)
Provision for impairment of inventories	4,164	7,943	4,486	(3,821)	4,590
Provision for impairment of available-for-sale financial assets	-	-	-	-	7,055
Operating leases in respect of leasehold land and buildings	95,518	118,908	127,736	53,125	70,045
Depreciation of property, plant and equipment (Note 8)	84,175	92,343	118,617	50,975	53,034
Depreciation of investment properties (Note 7)	3,695	3,539	6,776	1,170	1,308
Amortisation of intangible assets (Note 9)	29,829	30,259	36,376	14,636	18,946
Amortisation of land use rights (Note 6)	9,017	8,789	10,950	3,037	3,709
Auditors' remuneration	5,247	15,448	20,251	2,411	1,646
Advisory and consulting fees	9,037	18,686	25,948	6,585	7,832
Transportation expenses	115,478	124,070	134,680	54,852	59,433
Travel expenses	57,513	72,707	85,561	28,866	28,966
Promotion and advertising expenses	190,764	231,764	214,188	71,139	75,832
Utilities	18,908	20,954	23,269	8,404	10,159
Others	339,516	402,539	311,851	109,353	113,359
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>23,273,663</u>	<u>30,344,862</u>	<u>37,085,218</u>	<u>14,513,957</u>	<u>17,365,117</u>

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29 Employee benefit expenses

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	407,031	503,045	631,560	245,348	243,512
Contributions to pension plans (i)	43,222	47,503	68,482	20,925	25,988
Post-employment benefits (Note 21)	15,234	23,846	80,585	23,027	8,027
Housing benefits (ii)	13,863	17,538	27,156	10,178	10,231
Other benefits	83,314	61,121	84,066	38,177	39,598
	<u>562,664</u>	<u>653,053</u>	<u>891,849</u>	<u>337,655</u>	<u>327,356</u>

Notes -

- (i) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 7% to 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 20% to 23% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.
- (ii) Housing benefits represent the government-supervised housing funds (at rates ranging from 5% to 12% of the employees' basic salary) in Mainland China during the Relevant Periods.

30 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Ms. Fu Mingzhong	560	240	-	42	842
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Guo Guangchang	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Chen Weigang	-	-	-	-	-
Ms. Zheng Hong	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua	80	-	-	-	80
Mr. Tao Wuping	80	-	-	-	80
Mr. Xie Rong	80	-	-	-	80
Supervisor					
Mr. Chen Qiyu	-	-	-	-	-
Mr. Kong Zhenyu	-	-	-	-	-
	<u>800</u>	<u>240</u>	<u>-</u>	<u>42</u>	<u>1,082</u>

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The remuneration of every Director for the year ended 31 December 2007 is set out below:

	<u>Salary</u> RMB'000	<u>Discretionary bonuses</u> RMB'000	<u>Other benefits</u> RMB'000	<u>Employer's contribution to pension scheme</u> RMB'000	<u>Total</u> RMB'000
Executive director					
Ms. Fu Mingzhong	630	240	-	49	919
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Guo Guangchang	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Chen Weigang	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua	80	-	-	-	80
Mr. Tao Wuping	80	-	-	-	80
Mr. Xie Rong	80	-	-	-	80
Supervisor					
Mr. Chen Qiyu	-	-	-	-	-
Mr. Ou Yangjun	-	-	-	-	-
Mr. Yang Jun	-	-	-	-	-
	<u>870</u>	<u>240</u>	<u>-</u>	<u>49</u>	<u>1,159</u>

The remuneration of every Director for the year ended 31 December 2008 is set out below:

	<u>Salary</u> RMB'000	<u>Discretionary bonuses</u> RMB'000	<u>Other benefits</u> RMB'000	<u>Employer's contribution to pension scheme</u> RMB'000	<u>Total</u> RMB'000
Executive director					
Ms. Fu Mingzhong	680	260	-	52	992
Mr. Wei Yulin	650	230	-	38	918
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Guo Guangchang	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Lian Wanyong	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua	187	-	-	-	187
Mr. Tao Wuping	187	-	-	-	187
Mr. Xie Rong	187	-	-	-	187
Supervisor					
Mr. Chen Qiyu	-	-	-	-	-
Ms. Zhang Jian	250	150	-	44	444
Mr. Xing Yonggang	-	-	-	-	-
	<u>2,141</u>	<u>640</u>	<u>-</u>	<u>134</u>	<u>2,915</u>

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The remuneration of every Director for five months ended 31 May 2009 is set out below:

	<u>Salary</u> RMB'000	<u>Discretionary bonuses</u> RMB'000	<u>Other benefits</u> RMB'000	<u>Employer's contribution to pension scheme</u> RMB'000	<u>Total</u> RMB'000
Executive director					
Ms. Fu Mingzhong	283	-	-	25	308
Mr. Wei Yulin	271	-	-	19	290
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Guo Guangchang	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Lian Wanyong	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua	47	-	-	-	47
Mr. Tao Wuping	47	-	-	-	47
Mr. Xie Rong	47	-	-	-	47
Supervisor					
Mr. Chen Qiyu	-	-	-	-	-
Ms. Zhang Jian	104	-	-	20	124
Mr. Xing Yonggang	-	-	-	-	-
	<u>799</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>863</u>

The remuneration of every Director for five months ended 31 May 2008 is set out below:

	<u>Salary</u> RMB'000 (Unaudited)	<u>Discretionary bonuses</u> RMB'000 (Unaudited)	<u>Other benefits</u> RMB'000 (Unaudited)	<u>Employer's contribution to pension scheme</u> RMB'000 (Unaudited)	<u>Total</u> RMB'000 (Unaudited)
Executive director					
Ms. Fu Mingzhong	283	-	-	21	304
Non-executive directors					
Mr. She Lulin	-	-	-	-	-
Mr. Guo Guangchang	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Chen Weigang	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Fanghua	47	-	-	-	47
Mr. Tao Wuping	47	-	-	-	47
Mr. Xie Rong	47	-	-	-	47
Supervisor					
Mr. Chen Qiyu	-	-	-	-	-
Mr. Ou Yangjun	-	-	-	-	-
Mr. Yang Jun	-	-	-	-	-
	<u>424</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>445</u>

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(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director (Year ended 31 December 2006 and 2007) or two directors (year ended 31 December 2008 and five months ended 31 May 2008 and 2009) whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining four individuals (year ended 31 December 2006 and 2007 and five months ended 31 May 2008) or three individuals (year ended 31 December 2008 and five months ended 31 May 2009) are as follows:

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Salaries	1,740	2,240	1,680	971	700
Discretionary bonuses	800	685	570	-	-
Employer's contribution to pension scheme . . .	132	155	147	69	71
Other benefits	-	-	-	-	-
	<u>2,672</u>	<u>3,080</u>	<u>2,397</u>	<u>1,040</u>	<u>771</u>

	Year ended 31 December			Five months ended 31 May	
	2006 Number	2007 Number	2008 Number	2008 Number (Unaudited)	2009 Number
In the band of:					
Nil – HK\$500,000 (Nil – RMB440,945)	-	-	-	4	3
HK\$500,001 – HK\$1,000,000 (RMB440,945 – RMB881,890)	4	4	3	-	-

(c) During the Relevant Periods, no emoluments were paid by the Group to any of the directors, the supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which a director or a supervisor or the highest paid individual waived or agreed to waive any of the emoluments.

31 Finance income and costs

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Interest expenses:					
- Borrowings	86,297	101,934	121,640	48,818	53,961
- Discount of notes receivable	10,919	39,423	108,074	40,611	20,277
- Discount of accounts receivable	-	664	14,125	3,466	9,544
Gross interest expenses	<u>97,216</u>	<u>142,021</u>	<u>243,839</u>	<u>92,895</u>	<u>83,782</u>
Bank charges	5,784	11,845	25,359	6,767	11,316
Less: capitalised interest expenses	<u>(1,461)</u>	<u>(2,998)</u>	<u>(3,202)</u>	<u>(1,597)</u>	<u>(1,231)</u>
Finance costs	<u>101,539</u>	<u>150,868</u>	<u>265,996</u>	<u>98,065</u>	<u>93,867</u>
Finance income:					
- Interest income on bank deposits	<u>(11,695)</u>	<u>(17,759)</u>	<u>(24,312)</u>	<u>(7,280)</u>	<u>(8,998)</u>
Net finance costs	<u>89,844</u>	<u>133,109</u>	<u>241,684</u>	<u>90,785</u>	<u>84,869</u>

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32 Taxation

(a) Income tax expense

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC current income tax	179,952	286,432	270,959	121,470	194,026
Deferred income tax (Note 13)	1,567	(1,972)	(11,673)	(2,455)	(186)
	<u>181,519</u>	<u>284,460</u>	<u>259,286</u>	<u>119,015</u>	<u>193,840</u>

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, as follows:

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	363,967	820,409	1,077,389	520,840	746,751
Less: Share of results of associates	(19,193)	(40,035)	(54,186)	(22,799)	(25,063)
	<u>344,774</u>	<u>780,374</u>	<u>1,023,203</u>	<u>498,041</u>	<u>721,688</u>
Tax calculated at weighted average domestic tax rate applicable	104,393	236,098	241,671	112,643	177,395
Unrealised intra-group profit	13,850	2,842	-	-	2,495
Expenses not deductible for tax purposes (i)	52,427	9,076	11,663	3,880	8,901
Tax losses for which no deferred income tax asset was recognised, net	10,849	15,080	6,335	2,802	5,132
Change of income tax rate	-	21,364	(383)	(310)	(83)
Income tax expense	<u>181,519</u>	<u>284,460</u>	<u>259,286</u>	<u>119,015</u>	<u>193,840</u>
Weighted average applicable domestic tax rate (ii)	<u>30%</u>	<u>30%</u>	<u>24%</u>	<u>23%</u>	<u>25%</u>

(i) Expenses not deductible for tax purposes during the year ended 31 December 2006 comprises mainly loss on transfer of shares for no consideration in the share reform of two listed subsidiaries (Note 27) and also entertainment expenses and salaries in excess of the allowable deduction limits. For the years ended 31 December 2007 and 2008, expenses not deductible for tax purposes comprises mainly entertainment expenses and salaries in excess of the allowable deduction limits.

(ii) The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the Relevant Periods.

During the years ended 31 December 2006 and 2007, enterprises incorporated in the PRC are normally subject to enterprise income tax ("EIT") at rate of 33% (30% national enterprise income tax and 3% local municipal income tax), while certain subsidiaries enjoyed preferential EIT at a rate of 15% under approval of the relevant tax authorities or they operated in designated areas with preferential EIT policies.

Effective from 1 January 2008, income tax rates for all PRC enterprises have been unified at 25%. For enterprises which were established before the publication of the new CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by relevant tax authorities, the new CIT rate will be gradually increased to 25% within 5 years.

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For enterprises that enjoy a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009 and will be 22% for 2010, 24% for 2011 and 25% for 2012. For enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Details of the preferential EIT policies are listed as follows:

Shanghai Tongyu Information Technology Co., Ltd. and Shanghai Sinopharm Waigaoqiao Co., Ltd. are domestic enterprises established in Pudong New Area, Shanghai, PRC. In accordance with the "Circular of the State Administration of Taxation on the Applicable EIT Rate of Domestic Enterprise Established in Pudong New Area, Shanghai" (Guo Shui Fa [1992] No.114) and "Implementation on Tax Policies for Domestic Enterprises Established in Pudong New Area, Shanghai" (Hu Cai Pu [1992] No.2), they enjoyed a preferential EIT rate of 15% during the years ended 31 December 2006 and 2007. In accordance with the "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies" released by State Council, their EIT rate was 18% for 2008 and 20% for 2009.

Sinopharm Logistics Tianjing Co., Ltd. enjoyed EIT exemption in the year ended 31 December 2007 in accordance with the "Circular of Several Preferential Policies on EIT" released by Ministry of Finance and State Administration of Taxation and "Notification on EIT Reduction and Exemption" (Jin Guo Shui Bao Shui Jian Mian [2007] No.85) approved by local tax authorities.

Guangxi Accord Pharmacy Chainstore Co., Ltd. enjoyed preferential EIT rate of 15% from year 2006 to 2010 in accordance with the "Circular of Preferential Policies on Taxation on Development of the Western Region" released by Ministry of Finance, State Administration of Taxation and General Administration of Customs, "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies" released by State Council and approval notification (Gui Di Shui Han [2007] No.302) released by Guangxi local tax authorities.

Accord Pharma, Guangdong Accord Drugstore Co., Ltd., Shenzhen Zhijun Pharmaceutical Co., Ltd. Shenzhen Zhijun Pharmaceutical Trade Co., Ltd., Shenzhen Accord Pharmacy Chainstore Co., Ltd., Shenzhen Jianmin Pharmaceutical Co., Ltd., Shenzhen Accord Pharmaceutical Logistics Co., Ltd. and Shenzhen Accord Traditional & Herbal Medicine Co., Ltd. enjoyed a preferential EIT rate of 15% during the years ended 2006 and 2007 in accordance with the "Statute of Special Economic Zone in Guangdong Province" adopted by the National People's Congress. In accordance with the "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies", their EIT rate was 18% for 2008 and will be 20% for 2009, except for Shenzhen Zhijun Pharmaceutical Co., Ltd. Shenzhen Zhijun Pharmaceutical Co., Ltd. was awarded a certificate as a national high-tech enterprise. In accordance with the Corporate Income Tax Law of the People's Republic of China, it was entitled to a preferential EIT rate of 15% for three years starting from 2008.

China National Pharmaceutical Logistics Corp., Ltd. is a foreign investment production enterprise established in the national Economy and Technology Development Zone. According to the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises, it was entitled to a preferential EIT rate of 15% during the years ended 31 December 2006 and 2007. In accordance with the "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies", its EIT rate was 18% for 2008 and will be 20% for 2009.

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Sinopharm Holding Nanning Co., Ltd. enjoyed full EIT exemption in 2006 and 60% EIT exemption in 2007 and 2008 in accordance with the “Circular of State Council on Several Policies of Development of the Western Region”, “Circular of Guangxi Zhuang Autonomous Region on the Implementation of the Development of the Western Region Policy by the State Council” and “Circular of Several Preferential Policies on EIT” released by Ministry of Finance and State Administration of Taxation.

Sinopharm Holding Hubei Co., Ltd. was awarded the “Certificate of High-tech Enterprise” by the Governing Committee of the Technology Development Zone in Donghu Wuhan on 1 July 2005 and was certified to be a high-tech enterprise. The EIT rate was 15% between 2006 and 2007.

Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. was awarded a certificate as a national high-tech enterprise. In accordance with the Corporate Income Tax Law of the People’s Republic of China, it was entitled to a preferential EIT rate of 15% in 2009.

(b) Business tax (“BT”) and related taxes

Certain of the Group’s revenues (including service fee income) are subject to BT at rates ranging from 3% to 5% of the amount of revenue. In addition, the Group is subject to city construction tax (“CCT”) and educational surcharge (“ES”) based on 1% to 7% and 1% to 3% of the amount of BT payable.

(c) Value-added tax (“VAT”) and related taxes

Certain of the Group’s revenues (including sales revenue) are subject to output VAT generally calculated at 0%, 13% or 17% of the selling prices. Input credit relating to input VAT paid on purchases can be used to offset the output VAT. The Group is also subject to CCT and ES based on 1% to 7% and 1% to 3% of the net VAT payable.

33 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for each of years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2008 and 2009 have been dealt with in the financial statements of the Company to the extent of RMB164,572,000, RMB94,759,000, RMB563,490,000, RMB74,060,000 and RMB343,978,000, respectively.

34 Earnings per share

Basic earnings per share are based on the profit attributable to equity holders of the Company for the years/periods and on the weighted average number of ordinary shares in issued during the years/periods. The 1,637,037,451 shares issued on 6 October 2008 upon transformation of the Company into a joint stock limited company are considered as outstanding for all prior years/periods presented.

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008 (Unaudited)	2009
Profit attributable to equity holders of the Company (RMB’000)	101,187	380,674	585,693	297,027	421,502
Weighted average number of ordinary shares in issue (’000)	1,637,037	1,637,037	1,637,037	1,637,037	1,637,037
Basic earnings per share (RMB per share)	<u>0.06</u>	<u>0.23</u>	<u>0.36</u>	<u>0.18</u>	<u>0.26</u>

No diluted earnings per share is presented as there was no dilutive potential shares existed during the years/periods.

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35 Dividends

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Interim dividend declared	-	298,190	-	-	-
Proposed final dividend	165,769	-	105,699	-	279,469
	<u>165,769</u>	<u>298,190</u>	<u>105,699</u>	<u>-</u>	<u>279,469</u>

Dividends paid during the year ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2008 and 2009 were RMB101,490,000, nil, RMB127,744,574, nil and RMB105,699,000, respectively. Dividend paid during the year ended 31 December 2006 comprised final dividends in respect of the year ended 31 December 2005 of RMB92,112,000 and dividend declared by National Medicines to CNPGC of RMB9,378,495 (Note 19(c)).

Final dividends proposed for the respective years/periods were not reflected as dividend payable at the respective balance sheet dates nor were reflected as an appropriation of retained earnings.

36 Notes to consolidated cash flow statement

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Profit before income tax	363,967	820,409	1,077,389	520,840	746,751
Adjustments for:					
- Share of profit from associates (Note 11)	(19,193)	(40,035)	(54,186)	(22,799)	(25,063)
- Asset impairment	52,233	51,170	917	6,904	20,171
- Depreciation	87,870	95,882	125,393	52,145	54,342
- Amortisation	38,846	39,048	47,326	17,673	22,655
- Gain on disposal of land use rights and property, plant and equipment (Note 27)	(4,531)	(15,092)	(3,644)	17	(1,255)
- Loss on transfer for no consideration of certain interests in two subsidiaries (Note 27)	82,210	-	-	-	-
- Gain on disposal of interests in a listed subsidiary (Note 27)	-	(91,371)	(75,965)	(59,422)	(99,979)
- Dividend income on available-for-sale financial assets (Note 26)	(536)	(139)	(4)	-	(18)
- Finance income	(11,695)	(17,759)	(24,312)	(7,280)	(8,998)
- Finance cost	95,755	139,023	240,637	91,298	82,551
- Loss/(gain) on disposal of subsidiaries (Note 27)	-	(5,340)	11,118	2,187	-
	<u>684,926</u>	<u>975,796</u>	<u>1,344,669</u>	<u>601,563</u>	<u>791,157</u>
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)					
- Inventories	(111,601)	(585,961)	(453,392)	(215,428)	(377,662)
- Trade receivables	(1,043,692)	(1,280,441)	(1,747,262)	(1,768,574)	(1,251,244)
- Prepayments and other receivables	(33,988)	(64,034)	(51,964)	6,123	74,682
- Trade payables	1,155,277	1,594,050	1,917,788	814,998	1,138,694
- Accruals and other payables	136,605	32,419	(54,599)	239,640	71,510
Cash generated from operations	<u>787,527</u>	<u>671,829</u>	<u>955,240</u>	<u>(321,678)</u>	<u>447,137</u>

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In the cash flow statements, proceeds from disposals of land use rights and property, plant and equipment comprise:

	Year ended 31 December			Five months ended 31 May	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Net book amount	37,067	84,669	31,819	13,324	12,172
Gain on disposal	4,531	15,092	3,644	(17)	1,255
Proceeds from disposal in current year	41,598	99,761	35,463	13,307	13,427
Receipt of proceeds from disposal of land use rights and property, plant and equipment in prior years	5,170	4,209	7,738	-	633
Proceeds from disposal	<u>46,768</u>	<u>103,970</u>	<u>43,201</u>	<u>13,307</u>	<u>14,060</u>

The principal non-cash transactions are the issue of shares as consideration for the acquisition of National Medicines described in Note 18, and dilution of interests in the two listed subsidiaries described in Note 27.

Disposal of subsidiaries:

On 28 January 2007, the Group disposed 100% equity interests in Shanxi Guoda Pharmacy Chainstore Co., Ltd. to an independent third party at a consideration of RMB4,018,000, resulting in a gain on disposal of approximately RMB2,794,000. On 30 November 2007, the Group disposed 25% equity interests, out of its original 60% equity interests in Sinopharm Holding Hubei Xinlong Co., Ltd. to an independent third party at a consideration of RMB25,000,000. Loss of the disposal amounted to approximately RMB2,150,000. The remaining 35% equity interests in this company was reclassified as investments in associates (Note 11). On 29 December 2007, the Group disposed 100% equity interests in Tianjin Sinopharm Bohai Pharmaceutical Co., Ltd. to an independent third party at a consideration of RMB4,298,000, resulting in a gain on disposal of approximately RMB4,696,000.

On 30 January 2008, the Group disposed 36% equity interests out of its original 51% equity interests, in Sichuan Industrial Institute of Antibiotic Co., Ltd. to China National Pharmaceutical Industry Corporation, China National Pharmaceutical Foreign Trade Corporation, China National Group Corporation of Traditional & Herbal Medicine and Sichuan Industrial Institute of Antibiotics at a total consideration of RMB19,667,000. Loss on disposal amounted to approximately RMB2,187,000. The remaining 15% equity interest in this company was reclassified as available-for-sale financial assets.

On 30 June 2008, the Group disposed 53% equity interests, out of its original 100% equity interests, in Sinopharm Holding Shenzhen TCM Co., Ltd. to CNPGC at a consideration of RMB25,690,000, resulting in a loss on disposal of approximately RMB8,104,000. The remaining 47% equity interests in this company was reclassified as investments in associates (Note 11).

On 30 June 2008, the Group disposed 72.91% equity interests in Yangzhou Pharmaceutical Group Guangning Co., Ltd. to an independent third party at a consideration of RMB1,978,000, resulting in a loss on disposal of approximately RMB827,000.

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	Year ended 31 December	
	2007	2008
	RMB'000	RMB'000
Disposal consideration	33,316	47,335
Disposal consideration, settled	8,316	47,335
Less: Cash and cash equivalents in the disposed subsidiaries	(57,396)	(41,167)
Net cash (outflow)/inflow on disposal	<u>(49,080)</u>	<u>6,168</u>
Net assets of the disposed subsidiaries		
Current assets	391,807	100,270
Non-current assets	32,079	69,969
Current liabilities	(314,462)	(38,539)
Non-current liabilities	-	(2,913)
	<u>109,424</u>	<u>128,787</u>
Disposal consideration	33,316	47,335
Less: Share of net assets of the disposed subsidiaries	(27,976)	(58,453)
Gain/(Loss) on disposal	<u>5,340</u>	<u>(11,118)</u>

37 Commitments

(a) Capital commitments

Capital expenditures at balance sheet date are as follows:

The Group

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment:				
- contracted but not provided for	58,286	88,689	47,355	28,332
- authorised but not contracted for	219,617	334,219	138,441	121,771
	<u>277,903</u>	<u>422,908</u>	<u>185,796</u>	<u>150,103</u>

(b) Operating lease commitments

(i) The Group is the lessee:

The Group had future minimum lease payments under non-cancellable operating leases of land and buildings as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	21,874	36,880	50,588	63,985
Later than 1 year and not later than 5 years	26,956	82,299	87,839	108,936
	<u>48,830</u>	<u>119,179</u>	<u>138,427</u>	<u>172,921</u>

Certain of the operating leases contain renewal options which allow the Group to renew the existing leases upon expiry at the then market rental for specified periods.

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(ii) The Group is the lessor:

The Group leases out certain office premises, plant and equipment under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	29,633	28,716	14,723	25,308
Later than 1 year and not later than 5 years	-	38,538	30,225	35,751
Later than 5 years	-	29,534	23,123	22,321
	<u>29,633</u>	<u>96,788</u>	<u>68,071</u>	<u>83,380</u>

38 Business combinations

(a) Business combination under common control

In June 2006, CNPGC transferred 58.67% equity interests in National Medicines, a subsidiary of CNPGC, to the Company (Note 19(b)).

In May 2009, the Group acquired 100% equity interests in Guangxi Guoda Pharmacy Chainstore Co., Ltd. from a subsidiary of CNPGC.

The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of National Medicines and Guangxi Guoda Pharmacy Chainstore Co., Ltd, on the consolidated balance sheets.

The consolidated balance sheet as at 31 December 2006:

	The Group, excluding National Medicines and Guangxi Guoda Pharmacy Chainstore Co., Ltd.	National Medicines	Guangxi Guoda Pharmacy Chainstore Co., Ltd.	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment in National Medicines	249,866	-	-	(249,866)	-
Other assets/(liabilities-) – net	<u>1,989,495</u>	<u>601,856</u>	<u>(904)</u>	<u>(186)</u>	<u>2,590,261</u>
Net assets	<u>2,239,361</u>	<u>601,856</u>	<u>(904)</u>	<u>(250,052)</u>	<u>2,590,261</u>
Paid-in capital	1,637,037	133,000	3,000	(136,000)	1,637,037
Capital premium	11,175	243,138	-	(243,138)	11,175
Statutory reserves	38,894	-	-	-	38,894
Available-for-sale financial assets change	-	5,143	-	-	5,143
Capital reserves	-	-	-	(11,175)	(11,175)
Retained earnings	56,081	190,756	(3,904)	(164,379)	78,554
Minority interests	496,174	29,819	-	304,640	830,633
	<u>2,239,361</u>	<u>601,856</u>	<u>(904)</u>	<u>(250,052)</u>	<u>2,590,261</u>

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The consolidated balance sheet as at 31 December 2007:

	The Group, excluding National Medicines and Guangxi Guoda Pharmacy Chainstore Co., Ltd.	National Medicines	Guangxi Guoda Pharmacy Chainstore Co., Ltd.	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment in National					
Medicines	243,261	-	-	(243,261)	-
Other assets/(liabilities) – net . .	1,904,648	715,067	(658)	(709)	2,618,348
Net assets	<u>2,147,909</u>	<u>715,067</u>	<u>(658)</u>	<u>(243,970)</u>	<u>2,618,348</u>
Paid-in capital	1,637,037	133,000	3,000	(136,000)	1,637,037
Capital premium	11,175	243,138	-	(243,138)	11,175
Statutory reserves	49,249	-	-	-	49,249
Available-for-sale financial					
assets change	-	12,313	-	-	12,313
Capital reserves	-	-	-	(11,175)	(11,175)
Retained earnings	(80,657)	288,610	(3,658)	(219,135)	(14,840)
Minority interests	531,105	38,006	-	365,478	934,589
	<u>2,147,909</u>	<u>715,067</u>	<u>(658)</u>	<u>(243,970)</u>	<u>2,618,348</u>

The consolidated balance sheet as at 31 December 2008:

	The Group, excluding National Medicines and Guangxi Guoda Pharmacy Chainstore Co., Ltd.	National Medicines	Guangxi Guoda Pharmacy Chainstore Co., Ltd.	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment in National					
Medicines	230,771	-	-	(230,771)	-
Other assets/(liabilities) – net . .	2,571,517	840,499	(678)	(756)	3,410,582
Net assets	<u>2,802,288</u>	<u>840,499</u>	<u>(678)</u>	<u>(231,527)</u>	<u>3,410,582</u>
Paid-in capital	1,637,037	239,400	3,000	(242,400)	1,637,037
Capital premium	256,089	147,866	-	(147,866)	256,089
Statutory reserves	11,744	-	-	-	11,744
Available-for-sale financial					
assets change	-	7,111	-	-	7,111
Capital reserves	-	-	-	(11,175)	(11,175)
Retained earnings	224,136	421,587	(3,678)	(278,621)	363,424
Minority interests	673,282	24,535	-	448,535	1,146,352
	<u>2,802,288</u>	<u>840,499</u>	<u>(678)</u>	<u>(231,527)</u>	<u>3,410,582</u>

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The consolidated balance sheet as at 31 May 2009:

	The Group, excluding National Medicines and Guangxi Guoda Pharmacy Chainstore Co., Ltd.	National Medicines	Guangxi Guoda Pharmacy Chainstore Co., Ltd.	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment in National Medicines	226,510	-	-	(226,510)	-
Other assets/(liabilities) – net ..	2,960,600	919,092	(1,207)	(892)	3,877,593
Net assets	<u>3,187,110</u>	<u>919,092</u>	<u>(1,207)</u>	<u>(227,402)</u>	<u>3,877,593</u>
Paid-in capital	1,637,037	239,400	3,000	(242,400)	1,637,037
Capital premium	255,588	147,866	-	(147,365)	256,089
Statutory reserves	11,744	-	-	-	11,744
Available-for-sale financial assets change	-	12,059	-	-	12,059
Capital reserves	-	-	-	(11,675)	(11,675)
Retained earnings	514,927	495,050	(4,207)	(326,543)	679,227
Minority interests	767,814	24,717	-	500,581	1,293,112
	<u>3,187,110</u>	<u>919,092</u>	<u>(1,207)</u>	<u>(227,402)</u>	<u>3,877,593</u>

No significant accounting adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common combination to achieve consistency of accounting policies.

(b) Business combinations not under common control

Other than the acquisition of equity interests in National Medicines from CNPGC, which was accounted for under merger accounting, the Group also acquired equity interests in certain subsidiaries from third parties. Details of the major acquisitions are as follows:

(i) Year ended 31 December 2006

In January 2006, the Group acquired 80.11% equity interests in Jiangsu Dadesheng Pharmacy Chainstore Co., Ltd. from third parties. Details of net assets acquired and goodwill arising from the acquisition are as follows:

Acquisition consideration – Cash	RMB'000 22,857
Fair value of the net assets acquired	(14,570)
Goodwill – Pharmaceutical retail	<u>8,287</u>

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The details of the assets and liabilities acquired and cash flow relating to this acquisition are as follows:

	<u>Fair values at acquisition</u>	<u>Acquiree’s carrying amounts at acquisition</u>
	<u>RMB’000</u>	<u>RMB’000</u>
Cash and cash equivalents	4,267	4,267
Property, plant and equipment	4,348	4,348
Investments in associates	1,158	1,158
Deferred income tax assets	53	-
Other non-current assets	3,938	3,938
Inventories	15,738	15,738
Trade and other receivables	15,159	15,159
Other non-current liabilities	(4,328)	(4,328)
Trade and other payables	(12,146)	(12,146)
Borrowings	(10,000)	(10,000)
Net assets	18,187	<u>18,134</u>
Minority interests (19.89%)	(3,617)	
Net assets acquired	<u>14,570</u>	
Purchase consideration settled in cash	22,857	
Cash and cash equivalents in subsidiary acquired	(4,267)	
Cash outflow on acquisition	<u>18,590</u>	

The revenue, net profit and cash flow of Jiangsu Dadesheng Pharmacy Chainstore Co., Ltd. from the acquisition date to 31 December 2006 is insignificant to the Group.

(ii) Year ended 31 December 2007

In January 2007, a third party conferred its 25.90% voting rights in Sinopharm Holding Jiangsu Co. Ltd. (“Sinopharm Jiangsu”), a then 38.94% owned associates, to the Group (the “Transfer”). After the Transfer, although the Group’s equity interests in Sinopharm Jiangsu still remained at 38.94%, the Group’s voting rights in Sinopharm Jiangsu increased from 38.94% to 64.84%. As control in Sinopharm Jiangsu has been passed to the Group pursuant to the Transfer, the results and financial position of Sinopharm Jiangsu were consolidated into the Group’s financial statements with effect from January 2007, and the Group’s interest in Sinopharm Jiangsu has been reclassified from investment in associates to investments in subsidiaries (Note 11).

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Details of the assets and liabilities of Sinopharm Jiangsu at the date of the Transfer, and cash flow relating to the Transfer are as follows:

	Fair values at date of the Transfer	Acquiree's carrying amounts at date of the Transfer
	RMB'000	RMB'000
Cash and cash equivalents	54,913	54,913
Property, plant and equipment	47,158	47,158
Investment properties	5,942	5,942
Intangible assets	24,083	-
Investment in associates	5,149	5,149
Deferred income tax assets	4,012	4,012
Inventories	82,951	82,951
Trade and other receivables	223,278	223,278
Other non-current assets	845	845
Trade and other payables	(310,946)	(310,946)
Deferred income tax liabilities	(7,091)	-
Post-employment benefit obligations	(7,500)	(7,500)
Borrowings	(86,860)	(86,860)
Net assets	<u>35,934</u>	<u>18,942</u>
Minority interests (61.06%)	<u>(21,941)</u>	
Net assets of Sinopharm Jiangsu attributable to the Group at the date of the Transfer, reclassified from investments in associates to investments in subsidiaries (Note 11) ...	<u>13,993</u>	

Cash inflow on the Transfer represents cash and cash equivalents of Sinopharm Jiangsu being consolidated at the date of the Transfer amount to RMB54,913,000.

The revenue, net profit and cash flow of Sinopharm Holding Jiangsu Co. Ltd. from the date of the Transfer to 31 December 2007 are as follows:

	RMB'000
Revenue	1,113,868
Net profit	3,481
Cash inflows from operating activities	1,039
Net cash inflow	1,039

(iii) Year ended 31 December 2008

In May 2008, the Group acquired 20% equity interests in Sinopharm Holding Henan Co., Ltd. ("Sinopharm Henan") from a third party and subsequently injected additional capital to Sinopharm Henan. After completion of the acquisition and capital injection, the Group owns 51% equity interests in Sinopharm Henan.

In May 2008, the Group acquired 51% equity interests in Shenyang Tianyitang Pharmacy Chainstore Co., Ltd. from third parties. In June 2008, the Group acquired 51% equity interests in Zhejiang Intmedic Drug Store Co., Ltd. from a third party.

The effect of the above acquisitions is summarized as follow:

	RMB'000
Acquisition consideration - Cash	55,870
Fair value of the acquired net assets	<u>(51,137)</u>
Goodwill – Pharmaceutical retail	<u>4,733</u>

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The details of the assets and liabilities acquired and cash flow relating to these acquisitions are summarized as follows:

	Fair values at acquisition date	Acquirees' carrying amounts at acquisition date
	RMB'000	RMB'000
Cash and cash equivalents	30,947	30,947
Property, plant and equipment	4,916	4,916
Intangible assets	32,203	19
Deferred income tax assets	15	15
Inventories	36,594	36,594
Other non-current assets	913	913
Trade and other receivables	101,766	101,766
Trade and other payables	(94,842)	(94,842)
Deferred income tax liabilities	(8,046)	-
Post-employment benefit obligations	(4,197)	(4,197)
Net assets	<u>100,269</u>	<u>76,131</u>
Minority interests	(49,132)	
Net assets acquired	<u>51,137</u>	
Purchase consideration settled in cash	55,870	
Cash and cash equivalents in subsidiaries acquired	<u>(30,947)</u>	
Cash outflow on acquisition	<u>24,923</u>	

The revenue, net profit and cash flow of Sinopharm Henan, Shenyang Tianyitang Pharmacy Chainstore Co., Ltd. and Zhejiang Intmedic Drug Store Co., Ltd. from the acquisition date to 31 December 2008 are summarized as follows:

	From acquisition date to 31 December 2008
	RMB'000
Revenue	340,339
Net profit	1,548
Cash inflows from operating activities:	23,054
Net cash inflow	23,054

In addition, in December 2008, the Group acquired the 25.90% equity interests in Sinopharm Jiangsu, a then subsidiary, from a third party at a consideration of RMB10,745,000.

(iv) Period ended 31 May 2009

In January 2009, the Group acquired 100% equity interests in Dongguan Accord Pharmaceutical Co., Ltd. (東莞一致醫藥有限公司) from an independent third party for a consideration of RMB2,742,000.

In February 2009, the Group acquired 80% equity interests in Hebei Pharmaceutical Aijia Medicine Co., Ltd. (河北醫藥愛家藥業有限公司) from an independent third party for a consideration of RMB5,040,000.

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In March 2009, the Group acquired 75% equity interests in Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. (蘇州致君萬慶藥業有限公司) from an independent third party for a consideration of RMB103,500,000.

In April 2009, the Group acquired 67% equity interests in Sinopharm Holding Anhui Co., Ltd. ("Sinopharm Anhui") from an independent third party for a consideration of RMB36,600,000.

The effect of the above acquisitions is summarized as follow:

	RMB'000
Acquisition consideration - Cash	147,882
Fair value of the acquired net assets	<u>(103,519)</u>
Goodwill – Pharmaceutical distribution and other business operations	<u>44,363</u>

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd..

The details of the assets and liabilities acquired and cash flow relating to these acquisitions are summarized as follows:

	Fair values at acquisition date	Acquirees' carrying amounts at acquisition date
	RMB'000	RMB'000
Cash and cash equivalents	35,596	35,596
Property, plant and equipment	72,868	72,868
Intangible assets	63,807	4,068
Land use rights	15,707	3,519
Deferred income tax assets	175	175
Inventories	80,530	80,530
Other non-current assets	299	299
Trade and other receivables	197,255	197,255
Trade and other payables	(270,148)	(270,148)
Deferred income tax liabilities	(14,192)	-
Borrowings	(40,000)	(40,000)
Net assets	<u>141,897</u>	<u>84,162</u>
Minority interests	<u>(38,378)</u>	
Net assets acquired	<u>103,519</u>	
Purchase consideration settled in cash	127,669	
Cash and cash equivalents in subsidiaries acquired	<u>(35,596)</u>	
Cash outflow on acquisition	<u>92,073</u>	

The revenue, net profit and cash flow of Dongguan Accord Pharmaceutical Co., Ltd., Hebei Pharmaceutical Aijia Medicine Co., Ltd., Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. and Sinopharm Anhui from the respective acquisition dates to 31 May 2009 are summarized as follows:

	From acquisition date to 31 May 2009
	RMB'000
Revenue	128,889
Net profit	256
Cash outflows from operating activities:	4,405
Net cash outflow	26,405

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39 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is under the control of the PRC Government. In accordance with HKAS 24 “Related Party Disclosures” issued by the HK/CPA, other state-owned enterprises and their subsidiaries, which are not controlled by CNPGC, but directly or indirectly controlled by the PRC Government, are regarded as related parties (“other state-owned enterprises”). For the purpose of related party transactions disclosure, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers, suppliers and business partners as to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The Company’s directors and the Group’s management consider the following entities are related parties of the Group.

<u>Name of related party</u>	<u>Nature of relationship</u>
CNPGC	The ultimate holding company of the Company
Fosun Grand Medicine	Shareholder of the Company
Fosun Pharma	Shareholder of the Company
Beijing Zhongguan Pharmaceutical Co., Ltd. (北京中冠藥業有限責任公司)	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation (中國醫藥對外貿易公司)	Controlled by CNPGC
China National Pharmaceutical Industry Corporation (中國醫藥工業有限公司)	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd. (國藥集團工業有限公司)	Controlled by CNPGC
China National Pharmaceutical Group Beijing Medical Equipment Co., Ltd. (國藥集團北京醫療器械有限公司)	Controlled by CNPGC
China National Group Corporation of Traditional & Herbal Medicine (中國藥材集團公司)	Controlled by CNPGC
China National Group Corporation of Traditional & Herbal Medicine Chengde Co., Ltd. (中國藥材集團公司承德藥材有限責任公司)	Controlled by CNPGC
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd. (廣東南方醫藥對外貿易有限公司)	Controlled by CNPGC
Guangdong Oriental New & Special Drugs Corporation (廣東東方新特藥公司)	Controlled by CNPGC
Guangdong Renbo Medical Equipment Co., Ltd. (廣東仁博醫療器材有限公司)	Controlled by CNPGC
Guangxi Nanning Medicines Wholesales Station (廣西壯族自治區南寧醫藥批發站)	Controlled by CNPGC
Guangdong Tianliang Pharmaceutical Co., Ltd. (廣東天量醫藥有限公司)	Controlled by CNPGC

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<u>Name of related party</u>	<u>Nature of relationship</u>
Guangxi Wuzhou Huawu Traditional & Herbal pharmaceutical Co., Ltd. (廣西梧州華梧藥材有限公司)	Controlled by CNPGC
Hehua Pharmaceutical Co., Ltd. (華禾藥業股份有限公司)	Controlled by CNPGC
Hebei Traditional & Herbal Medicine Co., Ltd. (河北省醫藥藥材公司)	Controlled by CNPGC
Sichuan Industrial Institute of Antibiotic Co., Ltd. (四川抗菌素工業研究所有限公司)	Controlled by CNPGC
Yunnan Traditional & Herbal Medicine Co., Ltd. (雲南藥材有限公司)	Controlled by CNPGC
Zk Medical Equipment Corporation Ltd. (北京國藥中康醫療器械有限公司)	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre (北京華邈中藥工程技術開發中心)	Controlled by CNPGC
Heilongjiang Traditional & Herbal Corporation (黑龍江省藥材公司)	Controlled by CNPGC
China National Medical Equipment Industry Corporation (中國醫療器械工業公司)	Controlled by CNPGC
Xinjiang Province New & Special National Pharmaceutical Co., Ltd. (新疆新特藥民族藥業有限責任公司)	Controlled by CNPGC
Hubei Yibao Meheco International Trade Co., Ltd. (湖北怡保國際醫藥有限公司)	Controlled by CNPGC
Shanghai Traditional & Herbal Co., Ltd. (上海國藥藥材有限公司)	Controlled by CNPGC
Xinjiang Province New & Special West Pharmaceutical Co., Ltd. (新疆新特西部藥業有限責任公司)	Controlled by CNPGC
Reed Sinopharm Exhibitions Co., Ltd. (國藥勵展展覽有限責任公司)	Controlled by CNPGC
Sinopharm Wuhan Pharmaceutical Industry Design Institute (中國醫藥集團武漢醫藥設計院)	Controlled by CNPGC
China National Pharmaceutical Group Shanghai Medical Equipment Co., Ltd. (國藥集團上海醫療器械有限公司)	Associate and controlled by CNPGC
National Medicines & Health Technology Co., Ltd. (國藥健與康保健有限公司)	Associate
Sinopharm Prospect Dentech (Beijing) Co., Ltd. (北京國藥前景口腔技術有限公司)	Associate
Sichuan Industrial Institute of Antibiotic (四川抗菌素研究所)	Associate
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd. (國藥集團上海立康醫藥股份有限公司)	Associate
Qinghai Pharmaceutical Co., Ltd. (青海製藥廠有限公司)	Subsidiary of associate
Shenzhen Main Luck Pharmaceutical Co., Ltd. (深圳萬樂藥業有限公司)	Associate
Shanghai Donghong Pharmaceutical Co., Ltd. (上海東虹醫藥有限公司)	Associate

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<u>Name of related party</u>	<u>Nature of relationship</u>
Sinopharm Holding Hubei Xinlong Co., Ltd. (國藥控股湖北新龍有限公司)	Associate
Yichang Humanwell Pharmaceutical Co., Ltd. (宜昌人福藥業有限責任公司)	Associate
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd (上海北翼國大醫藥藥材有限公司)	Associate
Dongshi Pharmaceutical Information Co., Ltd. (東氏醫藥資訊有限公司)	Associate

In addition to the related party information disclosed in Note 36, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years/ periods and balances arising from related party transaction.

(a) Significant related party transactions

(i) Significant transactions with related parties except for other state-owned enterprises

During the Relevant Period, the Group had the following significant transactions with related parties, which will continue [●], except interest expenses derived from borrowings from CNPGC.

	<u>Year ended</u> <u>31 December</u>			<u>Five months ended</u> <u>31 May</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Sales of goods				(Unaudited)	
Shanghai Donghong Pharmaceutical Co., Ltd.	137,057	156,239	172,360	73,216	75,773
Xinjiang Province New & Special National Pharmaceutical Co., Ltd.	-	-	-	-	43,837
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	41,220	45,753	45,287	17,785	18,244
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	32,942	60,530	43,461	20,059	16,451
Sinopharm Holding Hubei Xinlong Co., Ltd.	-	5,928	32,631	10,432	12,720
Hubei Yibao Meheco International Trade Co., Ltd.	-	-	-	-	12,288
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	17,826	6,626	42,610	4,928	3,502
Guangdong Oriental New & Special Drugs Corporation	12,799	2,375	3,380	1,115	1,429
China National Group Corporation of Traditional & Herbal Medicine	2,777	3,092	2,850	1,106	1,403
China National Pharmaceutical Foreign Trade Corporation	7,192	6,729	33,269	670	475
China National Pharmaceutical Industry Corporation	5,502	9,824	18,701	4,490	316
China National Pharmaceutical Industry Co., Ltd. . .	8,280	1,100	-	-	173
Guangdong Tianliang Pharmaceutical Co., Ltd.	3,891	1,558	50	50	-
Guangdong Renbo Medical Equipment Co., Ltd. . . .	1,175	19	6	-	-

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	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provide logistic service					
China National Pharmaceutical Foreign Trade Corporation	-	1,488	2,020	686	846
China National Pharmaceutical Industry Corporation	1,096	2,257	2,382	907	792
				(Unaudited)	
	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of goods					
Yichang Humanwell Pharmaceutical Co., Ltd.	153,949	236,194	303,473	138,331	173,451
China National Pharmaceutical Foreign Trade Corporation	115,824	165,587	192,065	34,011	52,275
Guangdong Oriental New & Special Drugs Corporation	19,957	25,876	24,590	12,866	25,354
Shenzhen Main Luck Pharmaceutical Co., Ltd.	4,974	6,921	22,361	4,369	11,821
Shanghai Donghong Pharmaceutical Co., Ltd.	14,392	15,664	18,477	7,085	10,364
China National Pharmaceutical Industry Co., Ltd.	100,497	-	2,327	1,246	9,672
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	17,349	29,631	40,598	16,495	9,427
Qinghai Pharmaceutical Co., Ltd.	14,213	22,377	26,218	8,811	5,717
China National Group Corporation of Traditional & Herbal Medicine	6,344	6,685	20,091	6,450	2,290
China National Pharmaceutical Industry Corporation	18,569	23,031	25,800	5,967	2,049
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	30,687	42,976	34,705	16,924	1,751
Shanghai Traditional & Herbal Co., Ltd.	-	-	-	-	964
Guangxi Wuzhou Huawu Traditional & Herbal pharmaceutical Co. Ltd	2,255	2,784	209	-	-
Sinopharm Holding Hubei Xinlong Co., Ltd.	-	-	-	401	-
				(Unaudited)	
	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating leases					
Sichuan Industrial Institute of Antibiotic Co., Ltd.	-	-	14	6	6
				(Unaudited)	
	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses					
CNPGC	10,849	24,264	23,706	3,403	16,325

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(ii) Significant transactions with other state-owned enterprises

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of goods	15,230,449	19,953,356	24,368,312	9,436,086	11,006,322
Purchase of goods	1,653,375	3,713,630	3,455,369	1,720,374	1,904,763
Purchase of fixed assets	49,924	82,839	32,150	7,013	79,830
Interest expenses on bank borrowings	68,933	54,918	71,094	28,531	22,706
Interest income from bank deposits	5,888	8,813	13,512	4,046	4,703

Sales of goods to other state-owned enterprises included sales of medical products to specific customers during major disasters, epidemics and other emergencies, which amounted to nil, RMB507,500, RMB54,970,000, RMB51,615,400 and RMB7,200 for the years ended 31 December 2006, 2007 and 2008 and five months ended 31 May 2008 and 31 May 2009, respectively. Such transactions were priced at cost and relevant trade receivables will be offset with medical reserve funds upon approval from CNPGC and the relevant PRC government authorities (Note 22).

(iii) Key management compensation

	Year ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other short-term employee benefits	4,138	5,432	5,915	2,096	2,380
Termination benefits	-	-	-	-	-
Post-employment benefits	-	-	-	-	-
Other long-term benefits	-	-	-	-	-
	<u>4,138</u>	<u>5,432</u>	<u>5,915</u>	<u>2,096</u>	<u>2,380</u>

Except for the sales of medical products to specific customers under major disaster, epidemic and other emergency which are priced at cost (ii above), the above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

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(b) Balances with related parties

(i) Significant balances with related parties except for other state-owned enterprises

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables due from				
Shanghai Donghong Pharmaceutical Co., Ltd.	18,476	13,913	25,400	28,238
Xinjiang Province New & Special National Pharmaceutical Co., Ltd.	-	-	-	12,493
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	-	9,962	10,272	8,616
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	10,847	2,486	962	5,182
Hubei Yibao Meheco International Trade Co., Ltd.	-	-	-	3,347
Sinopharm Holding Hubei Xinlong Co., Ltd.	-	-	2,503	2,846
Xinjiang Province New & Special West Pharmaceutical Co., Ltd.	-	-	-	887
China National Pharmaceutical Industry Co., Ltd.	777	1,100	233	766
Sinopharm Holding Ningxia Co., Ltd.	-	-	-	603
China National Group Corporation of Traditional & Herbal Medicine	-	536	373	579
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	1,097	2	13,868	578
China National Pharmaceutical Foreign Trade Corporation	521	734	9,183	425
Guangdong Oriental New & Special Drugs Corporation	180	377	695	419
China National Pharmaceutical Group Beijing Medical Equipment Co., Ltd.	-	-	-	142
Sichuan Industrial Institute of Antibiotic Co., Ltd.	-	-	23	114
Guangxi Wuzhou Huawu Traditional & Herbal pharmaceutical Co., Ltd.	-	5	16	41
Hebei Traditional & Herbal Medicine Co., Ltd.	-	3	19	15
China National Pharmaceutical Group Shanghai Medical Equipment Co., Ltd.	-	-	-	8
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	-	-	5	5
Sinopharm Holding Jiangsu Co., Ltd.	3,144	-	-	-
Zk Medical Equipment Corporation Ltd.	-	56	84	-
China National Pharmaceutical Industry Corporation	-	769	893	-
Guangdong Tianliang Pharmaceutical Co., Ltd.	-	-	9	-
	35,042	29,943	64,538	65,304

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables due from				
Guangxi Nanning Medicines Wholesales Station	47,428	24,940	21,444	20,082
CNPGC	701	6,153	500	16,617
Zk Medical Equipment Corporation Ltd.	-	2,034	2,034	2,034
China National Group Corporation of Traditional & Herbal Medicine	-	-	-	11
Shenzhen Main Luck Pharmaceutical Co., Ltd.	-	-	-	6
Shanghai Donghong Pharmaceutical Co., Ltd.	-	60	7	6
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	-	5,000	5,000	-
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd.	-	27	136	-
Guangdong Renbo Medical Equipment Co., Ltd.	-	44	-	-
China National Pharmaceutical Group Shanghai Medical Equipment Co., Ltd.	1,000	-	-	-
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	49	-	-	-
	49,178	38,258	29,121	38,756

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Other receivables are all non-trade receivables and will be settled prior to [●].

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments due from				
China National Pharmaceutical Foreign Trade Corporation	-	-	-	252
Sinopharm Wuhan Pharmaceutical Industry Design Institute	-	-	-	160
Reed Sinopharm Exhibitions Co., Ltd.	-	-	-	130
China National Pharmaceutical Industry Co., Ltd.	-	1	500	73
Sinopharm Holding Hubei Xinlong Co., Ltd.	-	-	99	-
Guangdong Oriental New & Special Drugs Corporation	-	-	3	-
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	890	52	-	-
	<u>890</u>	<u>53</u>	<u>602</u>	<u>615</u>

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables due to				
Yichang Humanwell Pharmaceutical Co., Ltd.	16,959	102,984	221,429	236,328
China National Pharmaceutical Foreign Trade Corporation	20,174	14,878	29,205	19,080
Guangdong Oriental New & Special Drugs Corporation	1,919	3,146	2,448	12,800
CNPGC	518	2,834	5,900	10,544
Qinghai Pharmaceutical Co., Ltd.	8,421	12,574	11,653	9,898
Shenzhen Main Luck Pharmaceutical Co., Ltd.	-	6,372	4,557	7,308
China National Pharmaceutical Industry Corporation	17,456	7,457	10,133	5,124
Shanghai Donghong Pharmaceutical Co., Ltd.	1,605	104	929	2,275
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	2,511	1,056	2,256	682
Guangdong Southern Pharmaceutical Foreign Trade Co., Ltd.	7,857	4,333	2,091	642
Hebei Traditional & Herbal Medicine Co., Ltd.	115	-	2,367	34
Sinopharm Holding Hubei Xinlong Co., Ltd.	-	-	322	-
Guangdong Tianliang Pharmaceutical Co., Ltd.	8	8	16	-
China National Pharmaceutical Industry Co., Ltd.	582	58	66	-
China National Pharmaceutical Group Beijing Medical Equipment Co., Ltd.	303	9	77	-
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	-	-	10	-
Heilongjiang Traditional & Herbal Corporation	-	-	1	-
China National Pharmaceutical Group Shanghai Medical Equipment Co., Ltd.	69	89	-	-
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	8	25	-	-
Guangxi Wuzhou Huawu Traditional & Herbal pharmaceutical Co., Ltd.	-	11	-	-
Guangdong Renbo Medical Equipment Co., Ltd.	10	10	-	-
Sichuan Industrial Institute of Antibiotics	-	5	-	-
Yunnan Traditional & Herbal Medicine Co., Ltd.	1,744	-	-	-
National Medicines & Health Technology Co., Ltd.	94	-	-	-
Guangxi Nanning Medicines Wholesales Station	3	-	-	-
	<u>80,356</u>	<u>155,953</u>	<u>293,460</u>	<u>304,715</u>

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	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables due to				
Sinopharm Holding Ningxia Co., Ltd.	-	-	-	15,319
CNPGC	58,005	49,569	3,312	2,832
Zk Medical Equipment Corporation Ltd.	-	-	-	570
Sichuan Industrial Institute of Antibiotic	6,359	1,093	6,503	30
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd	-	-	463	-
Dongshi Pharmaceutical Information Co., Ltd.	-	-	8	-
China National Pharmaceutical Foreign Trade Corporation	-	7,649	-	-
China National Pharmaceutical Industry Corporation	-	7,649	-	-
China National Group Corporation of Traditional & Herbal Medicine	-	3,278	-	-
Guangdong Oriental New & Special Drugs Corporation ...	11	-	-	-
	<u>64,375</u>	<u>69,238</u>	<u>10,286</u>	<u>18,751</u>

Other payables are all non-trade payables and will be settled prior to [●].

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Advances due to				
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	-	-	-	85
China National Medical Equipment Industry Corporation	-	-	-	13
Zk Medical Equipment Corporation Ltd.	118	-	-	-
	<u>118</u>	<u>-</u>	<u>-</u>	<u>98</u>

Advances are all trade payables and will continue after [●].

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Loan from parent company				
CNPGC	-	640,000	-	-

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends payable				
CNPGC	-	236,620	185,620	185,620
Fosun Grand Medicine	-	185,583	145,583	145,583
Fosun Pharma	-	41,756	32,756	32,756
	<u>-</u>	<u>463,959</u>	<u>363,959</u>	<u>363,959</u>

Dividends payable will be settled prior to [●].

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(ii) Balances with other state owned enterprises

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	3,695,499	4,748,244	5,785,822	5,587,158
Trade and other payables	518,237	770,670	1,094,324	790,934
Restricted cash	82,453	236,732	74,618	62,706
Cash and cash equivalents	775,478	1,357,996	1,025,077	1,472,163
Borrowings	<u>1,334,000</u>	<u>897,350</u>	<u>951,721</u>	<u>1,272,554</u>

The receivables from related parties were unsecured, non-interest bearing and repayable on demand.

The payables to related parties were unsecured and non-interest bearing, except for borrowings.

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40 Principal subsidiaries and associates

As at 31 May 2009, the Company has direct and indirect interests in the following subsidiaries:

Principle subsidiaries:

<u>Company name</u>	<u>Country and date of incorporation</u>	<u>Issued and paid up capital/ registered capital</u>	<u>Effective interests held by the Group</u>	<u>Effective interests held by the Group</u>	<u>Principal activities and place of operations</u>	<u>Auditors</u>	<u>Note</u>
		<u>RMB'000</u>	<u>Direct %</u>	<u>Indirect %</u>			
National Medicines (國藥集團藥業股份有限公司)	PRC, 21 December 1999	478,800	44.03	-	Distribution of pharmaceutical products and laboratory supplies in the PRC	2006, 2007 and 2008: (iv) (b)	(ii), (v)
Sinopharm Logistics Co., Ltd. (國藥集團醫藥物流有限公司)	PRC, 18 December 2002	300,000	100	-	Provision of pharmaceutical logistics services in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Accord Pharma (深圳一致藥業股份有限公司)	PRC, 18 June 2001	288,149	38.33	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	(i), (v)
Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)	PRC, 23 March 2004	200,000	99	-	Distribution of pharmaceutical and healthcare products in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Sinopharm Holding Tianjin Co., Ltd. (國藥控股天津有限公司)	PRC, 1 December 2004	150,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	

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Company name	Country and date of incorporation	Issued and paid up capital/ registered capital	Effective interests held by the Group	Effective interests held by the Group	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Sinopharm Holding Shenyang Co., Ltd. (國藥控股瀋陽有限公司)	PRC, 27 November 2003	140,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents; provision of pharmaceutical logistics services in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Logistics Co., Ltd. (國藥物流有限責任公司)	PRC, 8 November 2002	90,620	-	51	Provision of pharmaceutical logistics services in the PRC	2006, 2007 and 2008: (iv) (b)	
Sinopharm Holding Shanghai Co., Ltd. (國藥集團醫藥控股上海有限公司)	PRC, 1 December 2003	80,000	90	10	Distribution of pharmaceutical products and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Sinopharm Holding Beijing Co., Ltd. (國藥控股北京有限公司)	PRC, 28 October 2003	80,000	96	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Suzhou Zhijun Wanqing Pharmaceutical Co., Ltd. (蘇州致君萬慶藥業有限公司)	PRC, 10 March 2003	80,000	-	75	Distribution of pharmaceutical products in the PRC	2006 and 2007: (iv) (s) 2008: (iv) (a)	
Shenzhen Zhijun Pharmaceutical Co., Ltd. (深圳致君制藥有限公司)	PRC, 22 December 1984	69,000	-	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC	2006, 2007 and 2008: (iv) (a)	

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<u>Company name</u>	<u>Country and date of incorporation</u>	<u>Issued and paid up capital/ registered capital</u>	<u>Effective interests held by the Group</u>	<u>Effective interests held by the Group</u>	<u>Principal activities and place of operations</u>	<u>Auditors</u>	<u>Note</u>
		<u>RMB'000</u>	<u>Direct %</u>	<u>Indirect %</u>			
China National Pharmaceutical Group Guorui Medicine Co., Ltd (國藥集團國瑞藥業有限公司)	PRC, 31 March 2000	60,000	-	98	Medicine manufacture and trading in the PRC	2006, 2007 and 2008: (iv) (b)	
Sinopharm Holding Henan Co., Ltd. (國藥控股河南股份有限公司)	PRC, 11 December 2006	57,765	51	-	Distribution of pharmaceutical products and chemical reagents in the PRC	2006 and 2007: (iv) (d) 2008: (iv) (k)	
China National Pharmaceutical Group Chemical Reagent Co., Ltd. (國藥集團化學試劑有限公司)	PRC, 24 October 2003	50,000	90	10	Distribution of chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Sinopharm Holding Guangzhou Co., Ltd. (國藥控股廣州有限公司)	PRC, 1 September 2003	50,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	
Guangdong Huixin Investment Co., Ltd. (廣東惠信投資有限公司)	PRC, 6 May 1985	50,000	-	100	Medicine trading; property rental in the PRC	2006, 2007 and 2008: (iv) (a)	
Guangdong Accord Drugstore Co., Ltd. (廣東一致藥店有限公司)	PRC, 1 July 2004	50,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	
Sinopharm Holding Hubi Co., Ltd. (國藥控股湖北有限公司)	PRC, 1 December 2003	50,000	70	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (v) (iv) (c) 2008: (iv) (k)	

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Company name	Country and date of incorporation	Issued and paid up capital/ registered capital	Effective interests held by the Group	Effective interests held by the Group	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shanghai Sinopharm Waigaoqiao Co., Ltd. (上海國藥外高橋醫藥有限公司)	PRC, 30 January 2002	50,000	90	10	Distribution of pharmaceutical and healthcare products in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Group Shanghai Corporation (中國醫藥集團上海公司)	PRC, 24 July 1988	40,237	100	-	Distribution of pharmaceutical products and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Sinopharm Holding Beijing Huahong Co., Ltd. (國藥控股北京華鴻有限公司)	PRC, 18 November 2003	40,000	60	-	Distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (i) 2007: (iv) (c) 2008: (iv) (k)	
Sinopharm Holding Logistics Tianjing Co., Ltd. (國藥控股天津物流有限公司)	PRC, 29 September 2005	40,000	-	100	Provision of pharmaceutical logistics services in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd. (北京國藥天元物業管理有限公司)	PRC, 28 December 1981	36,130	100	-	Property rental, distribution of laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical (Group) Tianjin Corporation (中國醫藥(集團)天津公司)	PRC, 1 December 1952	32,540	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Shanghai GuoDa Pharmacy Chain store Co., Ltd. (上海國大藥房連鎖有限公司)	PRC, 18 May 2001	30,000	-	65	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	

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Company name	Country and date of incorporation	Issued and paid up capital/registered capital	Effective interests held by the Group	Effective interests held by the Group	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Sinopharm Holding Zhejiang Co., Ltd. (國藥控股浙江有限公司)	PRC, 9 October 1995	30,000	86	-	Distribution of pharmaceutical products and laboratory supplies in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Sinopharm Logistics Hunan Co., Ltd. (國藥控股湖南物流有限公司)	PRC, 15 December 2008	30,000	100	-	Provision of pharmaceutical logistics services in the PRC	2006 and 2007: Not applicable 2008: (iv) (k)	
Sinopharm Holding Anhui Co., Ltd. (國藥控股安徽有限公司)	PRC, 5 January 2007	30,000	67	-	Distribution of pharmaceutical products, in the PRC	2006, 2007 and 2008: Not applicable	
Sinopharm Holding Nanning Co., Ltd. (國藥控股南寧有限公司)	PRC, 15 March 2004	29,000	60	40	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (a) 2008: (iv) (k)	
Sinopharm Holding Jiangsu Co., Ltd. (國藥控股江蘇有限公司)	PRC, 17 January 1991	20,745	65	-	Distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (c) (v) 2007: (iv) (b) 2008: (iv) (k)	
Sinopharm Holding Liuzhou Co., Ltd. (國藥控股柳州有限公司)	PRC, 1 December 2003	20,531	-	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	
Sinopharm Holding Guangdong Xinlong Co., Ltd. (國藥控股廣東新龍有限公司)	PRC, 1 December 2004	20,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	

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		RMB'000	Direct %	Indirect %			
Sinopharm Holding Hunan Co., Ltd. (國藥控股湖南有限公司)	PRC, 21 June 2001	20,000	80	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (i) 2008: (iv) (k)	
Sinopharm Holding Shanxi Co., Ltd. (國藥控股山西有限公司)	PRC, 17 January 2004	20,000	60	-	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Group Southwest Medicine Co., Ltd. (國藥集團西南醫藥有限公司)	PRC, 19 November 1997	20,000	67	3	Distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (e) 2007: (iv) (b) 2008: (iv) (k)	(v)
Shanxi Pharmaceutical Corporation. (陝西省醫藥公司)	PRC, 29 March 1994	18,630	-	100	Distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (e) 2007 and 2008: (iv) (b)	
Shanghai Ourchem Chemical Reagent Co., Ltd. (上海沃愷化學試劑有限公司)	PRC, 11 August 1988	18,850	100	-	Property rental, distribution of laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Zhejiang Intmedicine Drugstore Co., Ltd. (浙江英特藥房有限公司)	PRC, 13 March 2000	15,000	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006 and 2007: (iv) (j) 2008: (iv) (k)	(v)
Sinopharm Holding Suzhou Co., Ltd. (國藥控股蘇州有限公司)	PRC, 3 January 1993	15,000	70	-	Distribution of pharmaceutical products and laboratory supplies in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	

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		<u>RMB'000</u>	<u>Direct %</u>	<u>Indirect %</u>			
Sinopharm Logistics Shanxi Co., Ltd. (國藥控股山西物流 有限公司)	PRC, 13 December 2008	15,000	100	-	Provision of pharmaceutical logistics services in the PRC	2006, 2007 and 2008: Not applicable	
Jiangsu Dadesheng Pharmacy Chain Store Co., Ltd. (江蘇大德生藥房連鎖 有限公司)	PRC, 23 August 2001	13,980	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (f) 2007: (iv) (b) 2008: (iv) (k)	
Sinopharm Holding Beijing Kangchen Bio-medicine Co., Ltd. (國藥控股北京康辰 生物醫藥有限公司)	PRC, 19 January 2005	12,000	51	-	Distribution of pharmaceutical products and laboratory supplies in the PRC	2006: (iv) (i) 2007: (iv) (c) 2008: (iv) (k)	
Shenzhen Accord Pharmacy Chain Store Co., Ltd. (深圳市一致醫藥連鎖有限公司)	PRC, 3 July 1985	10,800	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	
Liaoning Guoda Pharmacy Chain Store Co., Ltd. (遼寧國大藥房連鎖有限公司)	PRC, 12 May 1998	10,460	-	100	Distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (b) 2007: (iv) (c) 2008: (iv) (k)	
GuoDa Ningxia Pharmacy Chain Store Co., Ltd. (寧夏國大藥房連鎖有限公司)	PRC, 17 November 2008	10,000	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006 and 2007: Not applicable 2008: (iv) (k)	
China National Pharmaceutical Group Northwest Medicine Co., Ltd. (國藥集團西北醫藥有限公司)	PRC, 30 May 2001	10,000	60	-	Distribution of pharmaceutical and healthcare products, logistics services in the PRC	2006: (iv) (c) 2007: (iv) (b) 2008: (iv) (b)	

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		<u>RMB'000</u>	<u>Direct %</u>	<u>Indirect %</u>			
Beijing Guoda Pharmacy Chain Store Co., Ltd. (北京國大藥房連鎖有限公司)	PRC, 1 August 2001	10,000	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006 and 2007: (iv) (b) 2008: (iv) (k)	
Guoda Shenyang Tianyitang Pharmacy Chain Store Co., Ltd. (瀋陽國大天益堂藥房連鎖有限公司)	PRC, 2 August 2002	10,000	-	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006: (iv) (b)(v) 2007: (iv) (c) 2008: (iv) (k)	
Hebei Pharmaceutical Aijia Medicine Co., Ltd. (河北醫藥愛家藥業有限公司)	PRC, 5 January 1997	10,000	80	-	Distribution of pharmaceutical products in the PRC	2006, 2007 and 2008: Not applicable	
Tianjin Orient Bookcom Pharmaceutical Trade Co., Ltd. (天津東方博康醫藥貿易有限公司)	PRC, 6 January 1994	10,000	-	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006: (iv) (e) 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Tianjin Purchasing & Supplying Station Development Zone Branch (中國醫藥天津採購供應站開發區藥品公司)	PRC, 1 July 1993	9,000	-	100	Distribution of pharmaceutical products and laboratory supplies in the PRC	2006: (iv) (e) 2007: (iv) (c) 2008: Not applicable	
Shenzhen Accord Traditional & Herbal Medicine Co., Ltd. (深圳市一致藥材有限公司)	PRC, 1 December 2001	6,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	

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<u>Company name</u>	<u>Country and date of incorporation</u>	<u>Issued and paid up capital/ registered capital</u> RMB'000	<u>Effective interests held by the Group</u> Direct %	<u>Effective interests held by the Group</u> Indirect %	<u>Principal activities and place of operations</u>	<u>Auditors</u>	<u>Note</u>
Tianjin Guoda Pharmacy Chain Store Co., Ltd. (天津國大藥房連鎖有限公司)	PRC, 18 September 2001	5,000	-	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
Guangxi Accord Medicine Co., Ltd. (廣西一致醫藥有限公司)	PRC, 17 January 2004	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006 and 2007: (iv) (p) 2008: (iv) (a)	
Shenzhen Jianmin Pharmaceutical Co., Ltd. (深圳市健民醫藥有限公司)	PRC, 8 January 2001	5,000	-	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (p)	
China National Pharmaceutical Group Shenyang Chemical Reagent Co., Ltd. (國藥集團化學試劑瀋陽有限公司)	PRC, 7 September 1998	5,000	-	51	Distribution of chemical reagents in the PRC	2006: (iv) (b) 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Group Beijing Chemical Reagent Co., Ltd. (國藥集團化學試劑北京有限公司)	PRC, 30 December 1953	4,570	-	100	Distribution of chemical reagents and healthcare products in the PRC	2006: (iv) (e) 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Group Shanghai Chemical Reagent Co., Ltd. (國藥集團化學試劑上海有限公司)	PRC, 12 June 2006	4,500	-	100	Distribution of laboratory supplies and chemical reagents in the PRC	2006: Not applicable 2007: (iv) (c) 2008: (iv) (k)	

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Company name	Country and date of incorporation	Issued and paid up capital/ registered capital	Effective interests held by the Group	Effective interests held by the Group	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Taicang Hushi Chemical Reagent Co., Ltd. (太倉滬試試劑有限公司)	PRC, 24 June 2002	4,000	-	60	Chemical reagents manufacture and trading in the PRC	2006: (iv) (a) 2007: (iv) (c) 2008: (iv) (k)	
Guangdong Yuexing Pharmaceutical Co., Ltd. (廣東粵興醫藥有限公司)	PRC, 1 December 1993	3,000	-	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	
Guangxi Guoda Pharmacy Chainstore Co., Ltd. (廣西國大藥房連鎖有限公司)	PRC, 14 August 2001	3,000	-	100	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (c)	
Dongguan Accord Pharmaceutical Co., Ltd. (東莞一致醫藥有限公司)	PRC, 12 September 2001	2,800	-	100	Distribution of pharmaceutical products in the PRC	2006 and 2007: (iv) (t) 2008: (iv) (u)	
Shaanxi Yiyue Hotel (陝西怡悅賓館)	PRC, 14 December 1994	2,000	-	100	Hotel management in the PRC	2006: (iv) (e) 2007 and 2008: (iv) (b)	
Guangxi Accord Chinese Herbal Slice Co., Ltd. (廣西一致中藥飲片有限公司)	PRC, 12 June 2007	2,000	-	100	Medicine manufacture and trading in the PRC	2006 and 2007: Not applicable 2008: (iv) (a)	
Guangzhou Accord Pharmacy Chain Store Co., Ltd. (廣州一致藥店連鎖有限公司)	PRC, 1 September 2001	2,000	-	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC	2006, 2007 and 2008: (iv) (a)	

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		<u>RMB'000</u>	<u>Direct %</u>	<u>Indirect %</u>			
Sinopharm Holding Foshan Co., Ltd. (國藥控股佛山有限公司)	PRC, 15 January 1986	2,000	-	100	Medicine chain store; distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC	2006, 2007 and 2008: (iv) (a)	
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd. (深圳致君醫藥貿易有限公司)	PRC, 1 March 1985	1,890	-	100	Distribution of pharmaceutical, healthcare products and laboratory supplies in the PRC	2006, 2007 and 2008: (iv) (a)	
Yangzhou Weikang Pharmaceutical Co., Ltd. (揚州衛康醫藥有限公司)	PRC, 29 December 1992	1,420	-	85	Distribution of pharmaceutical products in the PRC	2006: (iv) (h) 2007: (iv) (b) 2008: (iv) (k)	
Shanghai Tongyu Information Technology Co., Ltd. (上海統禦信息科技有限公司)	PRC, 27 December 2005	1,000	95	5	Information technology development and medicine consulting in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Group Suzhou Chemical Reagent Co., Ltd. (國藥集團化學試劑蘇州有限公司)	PRC, 25 August 2004	1,000	-	100	Distribution of chemical reagents in the PRC	2006: (iv) (a) 2007: (iv) (c) 2008: (iv) (k)	
China National Pharmaceutical Group Chengdu Chemical Reagent Co., Ltd. (國藥集團化學試劑成都有限公司)	PRC, 15 November 2004	1,000	-	60	Distribution of laboratory supplies in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	(v)
Sinopharm Holding Tianjin Enterprise Development Co., Ltd. (天津國藥企業發展有限公司)	PRC, 28 July 2004	1,000	-	100	Consulting and technology services in the PRC	2006: (iv) (e) 2007: (iv) (c) 2008: (iv) (k)	

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Company name	Country and date of incorporation	Issued and paid up capital/ registered capital	Effective interests held by the Group	Effective interests held by the Group	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shenzhen Accord Pharmaceutical Logistics Co., Ltd. (深圳一致藥業物流有限公司)	PRC, 1 September 2005	1,000	-	100	Provision of pharmaceutical logistics services in the PRC	2006, 2007 and 2008: (iv) (a)	
Shanghai Guoda Shanghong Qibao Drugstore Co., Ltd. (上海國大上虹七寶藥房有限公司)	PRC, 9 April 2004	1,000	-	51	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC	2006: (iv) (e) 2007: (iv) (c) 2008: (iv) (k)	
Shaanxi Dongshi Business Enterprise Development Co., Ltd. (陝西東氏企業發展有限公司)	PRC, 19 May 2004	600	-	90	Property rental etc. in the PRC	2006: (iv) (e) 2007: (iv) (b) 2008: (iv) (b)	
China National Pharmaceutical Group Shaanxi Co., Ltd. (國藥集團陝西醫藥有限公司)	PRC, 15 August 2000	600	-	100	Distribution of pharmaceutical products and chemical reagents in the PRC	2006: (iv) (e) 2007 and 2008: (iv) (b)	
China National Pharmaceutical Group Shaanxi New & Special Medicine Co., Ltd. (國藥集團陝西新特藥品有限公司)	PRC, 15 August 2000	600	-	100	Distribution of pharmaceutical products and chemical reagents in the PRC	2006: (iv) (e) 2007 and 2008: (iv) (b)	
Sinopharm Chemical Reagent Shaanxi Co., Ltd. (陝西化玻器械有限公司)	PRC, 15 August 2000	600	-	100	Distribution of chemical reagents, etc. in the PRC	2006: (iv) (e) 2007 and 2008: Not applicable	
Guangdong Hengchang Logistics Co., Ltd. (廣東恒暢物流有限公司)	PRC, 14 August 1993	540	-	100	Provision of pharmaceutical logistics services in the PRC	2006, 2007 and 2008: (iv) (a)	
Shanghai Guoda Dongsheng Drugstore Co., Ltd. (上海國大東盛大藥房有限公司)	PRC, 1 July 2003	500	-	50	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC	2006: (iv) (e) 2007: (iv) (c) 2008: (iv) (k)	

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<u>Company name</u>	<u>Country and date of incorporation</u>	<u>Issued and paid up capital/ registered capital</u>	<u>Effective interests held by the Group</u>	<u>Effective interests held by the Group</u>	<u>Principal activities and place of operations</u>	<u>Auditors</u>	<u>Note</u>
		<u>RMB'000</u>	<u>Direct %</u>	<u>Indirect %</u>			
Shanghai Shengzhan Computer Science & Technology Co., Ltd. (上海聖展計算機科技有限公司)	PRC, 23 June 2005	500	-	100	Information technology services in the PRC	2006: (iv) 2007: (e) 2008: Not applicable	(iv) (c)
Guangxi Accord Pharmacy Chain Store Co., Ltd. (廣西一致藥店連鎖有限公司)	PRC, 1 December 2001	500	-	100	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents; property rental in the PRC	2006, 2007 and 2008: (iv) (a)	(a)
Zhejiang Intlmedicine DrugStore Dongshan Co., Ltd. (浙江英特藥房東山藥店有限公司)	PRC, 1 December 2000	500	-	51	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC	2006 and 2007: (iv) 2008: (j) (k)	(iv) (k)
Beijing China Reagent & Fine Chemicals Consulting Co., Ltd (北京國化精試諮詢有限公司)	PRC, 27 December 2001	100	-	100	Information technology consultation, computer and software development in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (k)	(iv) (c)

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As at 31 December 2008, the Company has direct and indirect interests in the following associates:

Principal associates:

<u>Company name</u>	<u>Country and date of incorporation</u>	<u>Issued and paid up capital/ registered capital</u> RMB'000	<u>Effective interests held by the Group</u> %	<u>Principal activities</u>	<u>Auditors</u>
Qinghai Pharmaceutical Group Co., Ltd. (青海製藥(集團)有限公司)	PRC, 17 January 2000	132,266	47	Distribution of pharmaceutical products and laboratory supplies in the PRC	2006, 2007 and 2008: (iv) (l)
Yichang Humanwell Pharmaceutical Co., Ltd.	PRC, 1 August 2001	60,000	20	Medicine manufacture and trading in the PRC	2006, 2007 and 2008: (iv) (m)
Sinopharm Holding Hubei Xinlong Co., Ltd.	PRC, 19 March 2001	36,000	35	Distribution of pharmaceutical, healthcare products, laboratory supplies and chemical reagents	2006 and 2007: (iv) (c) 2008: (iv) (q)
Shenzhen Main Luck Pharmaceutical Co., Ltd.	PRC, 4 July 1990	USD5 million	35	Research and inspection of pharmaceutical products in the PRC	2006, 2007 and 2008: (iv) (n)
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd	PRC, 26 July 1994	12,000	26	Distribution of pharmaceutical products and chemical reagents in the PRC	2006: (iv) (e) 2007: (iv) (o) 2008: (iv) (o)
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	PRC, 27 July 1994	10,000	30	Distribution of pharmaceutical products in the PRC	2006 and 2007: (iv) (c) 2008: (iv) (r)
National Medicines & Health Technology Co., Ltd.	PRC, 4 August 2004	7,500	35	Distribution of healthcare products in the PRC	2006 and 2007: (iv) (b) 2008: Not applicable
Shanghai Donghong Pharmaceutical Co., Ltd.	PRC, 2000	6,000	35	Distribution of pharmaceutical and healthcare products in the PRC	2006, 2007 and 2008: (iv) (a)

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<u>Company name</u>	<u>Country and date of incorporation</u>	<u>Issued and paid up capital/ registered capital</u> RMB'000	<u>Effective interests held by the Group</u> %	<u>Principal activities</u>	<u>Auditors</u>
China National Pharmaceutical Group Shanghai Medical Equipment Co., Ltd.	PRC, November 1997	5,000	20	Distribution of healthcare equipment and medical supplies in the PRC	2006 and 2007: (iv) (i) 2008: (iv) (c)
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	PRC, 04 August 2004	2,000	39	Oral healthcare products manufacture and trading in the PRC	2006, 2007 and 2008: (iv) (b)
Dongshi Pharmaceutical Information Co., Ltd.	PRC, 1999	1,000	46	Corporate management services in the PRC	Not applicable

Notes:

- (i) The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of Accord Pharma although it held less than 50% of its equity interests since December 2004, after considering the facts that (1) the Company has been the single largest shareholder of Accord Pharma; (2) the shareholding in Accord Pharma has been dispersed and the other top ten shareholders held less than 4% and 18% equity interests individually or in aggregate; (3) the participation of the other shareholders at the shareholders' meetings has been relatively low and passive; and (4) the majority of the executive directors of Accord Pharma were representatives of the Company.
- (ii) The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of National Medicines during the Relevant Periods although its equity interests in this company was decreased to below 50% following the completion of the share reform in August 2006 (Note 27), after considering the facts that (1) the Company has been the single largest shareholder of National Medicines; (2) the shareholding in National Medicines has been dispersed and the other top ten shareholders held less than 4% and 19% equity interests individually or in aggregate; (3) the participation of the other shareholders at the shareholders' meetings has been relatively low and passives; and (4) the majority of the executive directors of National Medicines were representatives of the Company.
- (iii) No audited financial statements were prepared for this company as it is not subject to any audit requirements.
- (iv) The statutory audits of these companies' financial statements for the years ended 31 December 2006, 2007 and 2008 were performed by certified public accountants in the PRC as follows:
- (a) Shulun Pan Certified Public Accountants Co., Ltd. (立信會計師事務所有限公司);
- (b) Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司);

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- (c) Shinewing Certified Public Accountants Co., Ltd. (信永中和會計師事務所);
 (d) Henan Guangda Certified Public Accountants Co., Ltd. (河南光大會計師事務所);
 (e) Beijing TianZhengHua, CPA (天正華會計師事務所);
 (f) Jiangsu Ruihong Certified Public Accountants Co., Ltd. (江蘇瑞紅會計師事務所);
 (g) Vocation International CPA Co., Ltd. (天職國際會計師事務所);
 (h) Yangzhou Hengxin Certified Public Accountants Co., Ltd. (揚州恒信會計師事務所);
 (i) Beijing Tianhua Zhongxing Certified Public Accountants Co., Ltd. (北京天華中興會計師事務所);
 (j) Zhejiang Pan-China Certified Public Accountants Co., Ltd. (浙江天健會計師事務所);
 (k) PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司);
 (l) Shenzhen Dahua Tiancheng Certified Public Accountants Co., Ltd. (深圳大華天誠會計師事務所);
 (m) Hubei Daxin Certified Public Accountants Co., Ltd. (湖北大信會計師事務所有限公司);
 (n) Shenzhen Pengcheng Certified Public Accountants Co., Ltd. (深圳市鵬城會計師事務所有限公司);
 (o) Shanghai An Dahua Xin Certified Public Accountants Co., Ltd. (上海安大華鑫會計師事務所);
 (p) Nanning Joint Accounting Firm in Birch (南寧樺林聯合會計師事務所);
 (q) Prachanda Accountants in Wuhan Services Co., Ltd. (武漢中昌達會計師事務所有限公司);
 (r) NexiaHDDY Certified Public Accountants (Shanghai) Co., Ltd. (上海宏大東亞會計師事務所有限公司);
 (s) Kunshan Gongxin CPA Co., Ltd. (昆山公信會計師事務所有限公司);
 (t) Dongguan City Ryan C. P. A Partnership (東莞市里安會計師事務所有限公司);
 (u) Guanzhou Da Gong CPA Co., Ltd. (廣州市大公會計師事務所有限公司);
- (v) Except for Accord Pharma and National Medicines which are joint stock limited liability companies, the other subsidiaries of the Group during the Relevant Periods were limited liability entities. The Group’s interests in the above subsidiaries throughout the Relevant Periods or since the dates of establishment of the companies, where appropriate, are as stated in the table above, except for the following movements in equity interests in subsidiaries:

Company name	Effective interests held by the Group as at 31 December			Effective interests held by the Group as at 31 May
	2006	2007	2008	2009
	%	%	%	%
Accord Pharma (Note 27)	39.14	39.14	39.14	38.33
National Medicines (Note 27)	47.60	46.02	45.03	44.03
Sinopharm Holding Nanning Co., Ltd.	60	100	100	100
Sinopharm Holding Jiangsu Co., Ltd. (Note 38)	39	39	65	65
Sinopharm Holding Henan Co., Ltd. (Note 38)	-	-	51	51
Zhejiang Intmedic Drug Store Co., Ltd. (Note 38)	-	-	51	51
Shenyang Tianyitang Pharmacy Chainstore Co., Ltd. (Note 38)	-	-	51	51
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	100	100	70	70
China National Pharmaceutical Group Chengdu Chemical Reagent Co., Ltd.	100	100	60	60
Sinopharm Holding Beijing Co., Ltd.	100	100	100	96
Sinopharm Holding Hubei Co., Ltd.	78	64	70	70

- (vi) The English names of certain subsidiaries, associates and auditors represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

41 Subsequent events

- (a) Special Dividend

On 22 December 2008, the shareholders’ meeting of the Company resolved to distribute its retained earnings to Sinopharm Investment and CNPGC, after making the required deductions for the statutory common reserve fund, as of [●] (the “Special Dividend”).

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III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2009. Same as disclosed elsewhere in the report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2009.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong