



**SINOPHARM GROUP CO. LTD.\***  
**國藥控股股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國藥控股股份有限公司)*

Stock Code : 01099

Annual Report  
2011



CARING FOR LIFE  
**Attending  
to Health**

\* The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Sinopharm Group Co. Ltd.".

# Company Profile



Sinopharm Group Co. Ltd. (the “**Company**” or “**Sinopharm Group**”) and its subsidiaries (the “**Group**”) has rapidly increased its market share and profits in a highly fragmented industry by taking advantage of its economies of scale and nationwide distribution network, through which the Group offers a wide range of value-added supply chain services for its customers and suppliers.

The Group has integrated operations in the following business segments, namely:

- **Pharmaceutical distribution segment:** Pharmaceutical distribution is the Group’s principal business. The Group provides distribution, logistics and other value-added services for domestic and international manufacturers of pharmaceutical and healthcare products and other suppliers. The Group stands out from its competitors in China by its geographical coverage, the breadth of its product portfolio and the strength of the supply chain services it provides to its customers and suppliers.
- **Retail pharmacy segment:** The Group has a network of retail drug stores that it directly operates and franchises in major cities throughout China.
- **Other business operations segment:** The Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies.

The Group is the industry leader in the distribution of pharmaceutical and healthcare products in China both in terms of its market share and the geographical coverage of its distribution network. As a leading pharmaceutical distributor in China, the Group will benefit from the rapid growth, consolidation, and regulatory reform in pharmaceutical and healthcare industry in the PRC.



Sinopharm Group Co. Ltd. is the largest distributor of pharmaceutical and healthcare products and a leading value-added supply chain service provider in the PRC. In year 2011, we became the first pharmaceutical distributor in domestic market that achieved over RMB100 billion in sales.

**Looking forward, we are confident in being the benchmark of the pharmaceutical distribution industry in the PRC and becoming an internationally recognized pharmaceutical and healthcare service provider.**

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## DIRECTORS

Mr. She LuLin (*Non-executive Director and Chairman*)  
Mr. Wang Qunbin (*Non-executive Director*)  
Mr. Chen Wenhao (*Non-executive Director*)  
Mr. Zhou Bin (*Non-executive Director*)  
Mr. Chen Qiyu (*Non-executive Director*)  
Mr. Deng Jindong (*Non-executive Director*)  
Mr. Fan Banghan (*Non-executive Director*)  
Mr. Liu Hailiang (*Non-executive Director*)  
Mr. Wei Yulin (*Executive Director and President*)  
Mr. Wang Fanghua (*Independent Non-executive Director*)  
Mr. Tao Wuping (*Independent Non-executive Director*)  
Mr. Xie Rong (*Independent Non-executive Director*)  
Mr. Zhou Bajun (*Independent Non-executive Director*)

## SUPERVISORS

Mr. Yao Fang (*Chief Supervisor*)  
Mr. Lian Wanyong  
Ms. Zhang Jian

## JOINT COMPANY SECRETARIES

Mr. Ma Wanjun  
Mr. Liu Wei

## STRATEGIC AND INVESTMENT COMMITTEE

Mr. She LuLin (*Chairman*)  
Mr. Wang Qunbin  
Mr. Chen Qiyu  
Mr. Zhou Bin  
Mr. Fan Banghan  
Mr. Wei Yulin  
Mr. Wang Fanghua  
Mr. Zhou Bajun

## AUDIT COMMITTEE

Mr. Xie Rong (*Chairman*)  
Mr. Chen Wenhao  
Mr. Wang Fanghua  
Mr. Fan Banghan  
Mr. Deng Jindong  
Mr. Zhou Bajun

## REMUNERATION COMMITTEE

Mr. Tao Wuping (*Chairman*)  
Mr. Wang Fanghua  
Mr. Xie Rong  
Mr. Fan Banghan  
Mr. Liu Hailiang

## NOMINATION COMMITTEE

Mr. She Lulin (*Chairman*)  
Mr. Wang Fanghua  
Mr. Tao Wuping  
Mr. Xie Rong  
Mr. Fan Banghan

## AUTHORIZED REPRESENTATIVES

Mr. Wei Yulin  
Mr. Ma Wanjun

## LEGAL ADVISERS

*As to Hong Kong and United States laws:*  
DLA Piper

*As to PRC law:*  
Jincheng & Tongda Law Firm



### COMPLIANCE ADVISER

China International Capital Corporation Hong Kong Securities Limited

### AUDITOR

PricewaterhouseCoopers

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2302, 23th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

### PRINCIPAL PLACE OF BUSINESS IN THE PRC, REGISTERED OFFICE AND HEADQUARTERS

6th Floor, No. 221 Fuzhou Road  
Shanghai 200002, China

### COMPANY'S WEBSITE

[www.sinopharmgroup.com.cn](http://www.sinopharmgroup.com.cn)

### H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### STOCK CODE

01099

### PRINCIPAL BANKS

Bank of Communications Co. Ltd.  
Shanghai Branch Hongkou Sub-branch  
Bank of Communications Co. Ltd.  
Beijing Branch Tiantan Sub-branch  
Bank of Communications Co. Ltd.  
Guangzhou Branch Operating Department  
China Merchants Bank Co. Ltd.  
Shanghai Branch Nan Xi Sub-branch  
Bank of China Limited  
Shanghai Yangpu Sub-branch  
China Minsheng Banking Co. Ltd.  
Shanghai Branch Minhang Sub-branch  
Industrial and Commercial Bank of China  
Shanghai Branch Operating Department

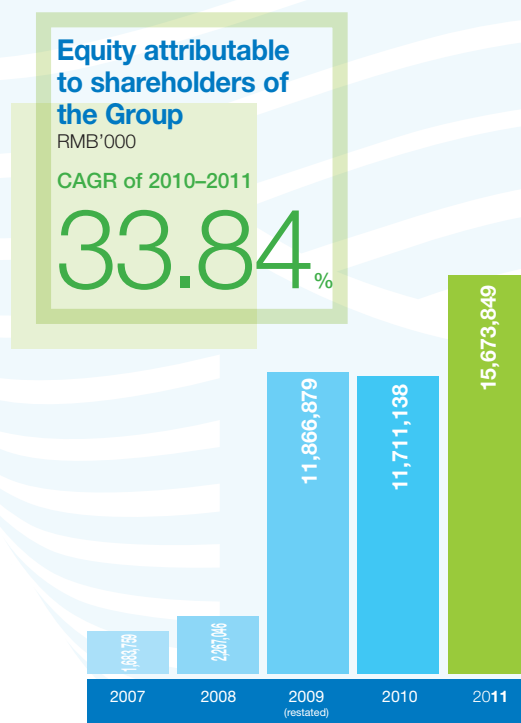
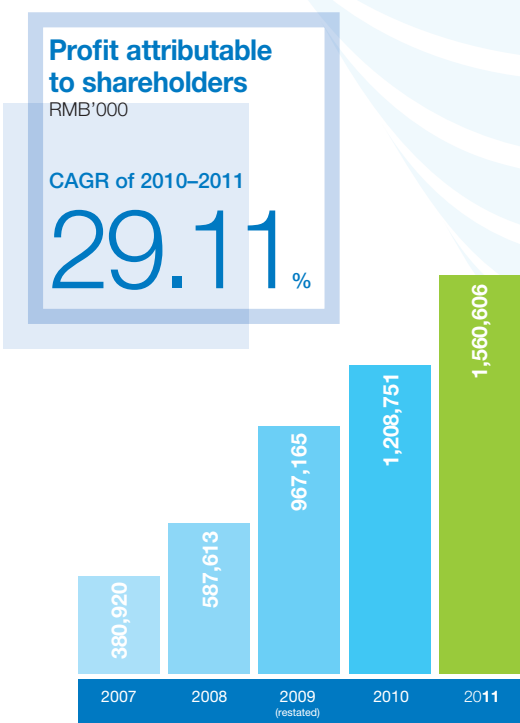
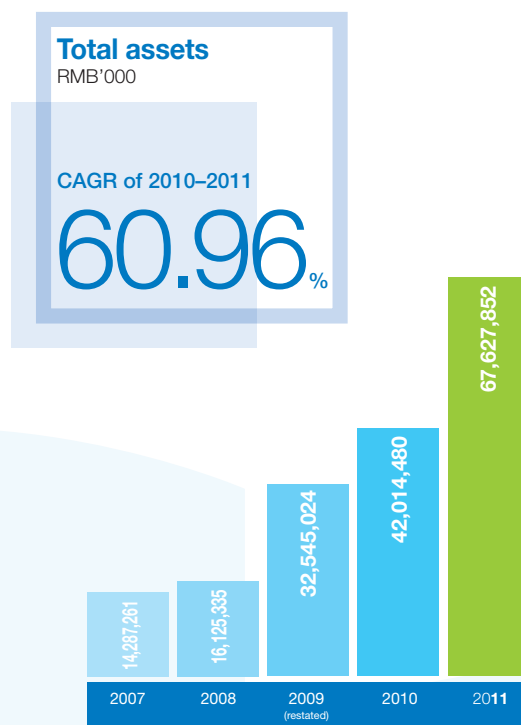
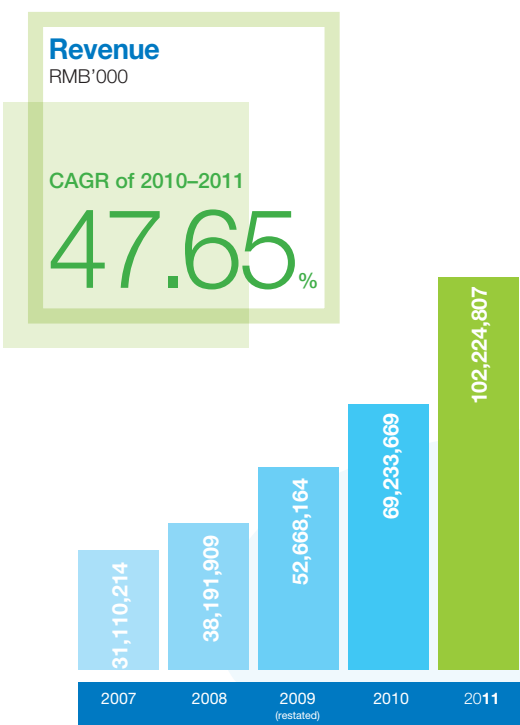
### OFFICE OF BOARD OF DIRECTORS

Tel: (86 21) 6339 1911  
Email: [ir@sinopharmholding.com](mailto:ir@sinopharmholding.com)

# Financial Highlights

	2007	2008	2009	2009 (adjusted)	2010	2011	Unit: RMB'000 2007-2011 (Compound Annual growth rate)
<b>Operating results</b>							
Revenue	31,110,214	38,191,909	47,045,853	52,668,164	<b>69,233,669</b>	<b>102,224,807</b>	34.64%
Gross profit	2,550,223	3,039,147	3,784,568	4,407,340	<b>5,835,870</b>	<b>8,354,697</b>	34.54%
Operating profit	789,346	1,173,510	1,550,279	1,891,964	<b>2,408,815</b>	<b>3,636,216</b>	46.50%
Earnings before interest and tax	953,518	1,321,013	1,788,379	2,140,065	<b>2,670,204</b>	<b>3,945,605</b>	42.63%
Profit attributable to the shareholders	380,920	587,613	845,819	967,165	<b>1,208,751</b>	<b>1,560,606</b>	42.27%
<b>Profitability</b>							
Gross margin	8.20%	7.96%	8.05%	8.37%	<b>8.43%</b>	<b>8.17%</b>	
Operating margin	2.54%	3.07%	3.29%	3.59%	<b>3.48%</b>	<b>3.56%</b>	
Net profit margin	1.22%	1.54%	1.80%	1.84%	<b>1.75%</b>	<b>2.35%</b>	
<b>Data per share (RMB)</b>							
Earnings per share – Basic	0.23	0.36	0.47	0.53	<b>0.53</b>	<b>0.66</b>	
Earnings per share – Fully diluted	0.23	0.36	0.37	0.43	<b>0.53</b>	<b>0.66</b>	
<b>Asset status</b>							
Total assets	14,287,261	16,125,335	28,275,250	32,545,024	<b>42,014,480</b>	<b>67,627,852</b>	
Equity attributable to shareholders of the Group	1,683,759	2,267,046	10,910,856	11,866,879	<b>11,711,138</b>	<b>15,673,849</b>	
Total liabilities	11,668,913	12,711,937	15,770,795	18,522,507	<b>27,295,400</b>	<b>47,239,766</b>	
Cash and cash equivalents	1,955,596	1,712,119	6,616,801	7,567,839	<b>7,474,698</b>	<b>13,091,012</b>	
Gearing ratio	81.67%	78.83%	55.78%	56.92%	<b>64.97%</b>	<b>69.85%</b>	
<b>Liquidity ratio</b>							
Current ratio (times)	1.09	1.15	1.71	1.35	<b>1.68</b>	<b>1.40</b>	
Inventory turnover ratio (days)	29.9	30.1	31.3	32.0	<b>36.9</b>	<b>37.86</b>	
Trade receivables turnover ratio (days)	64.4	67.0	71.3	68.9	<b>78.4</b>	<b>78.08</b>	
Trade payables turnover ratio (days)	82.0	84.4	89.4	86.2	<b>96.6</b>	<b>89.91</b>	

# Financial Highlights







Adhering to the rich tradition  
of CNPGC accumulated in  
its 50-year history, “Caring  
for Life, Attending to Health”,  
Sinopharm Group has always  
been positioning itself as the  
“leader and integrator of China’s  
pharmaceutical industry”.

Revenue of the company  
amount to RMB

102,225  
million





CARING FOR LIFE

# Attending Health



The logo for the Chairman's Statement features a light blue square frame on the left side. To the right of the frame, the words "Chairman's" and "Statement" are stacked vertically in a light blue, sans-serif font.

Dear respected Shareholders,

I would like to express my heartfelt gratitude to the shareholders and the community for your consistent support to the Group over the past year. In view of year 2011, it was a year full of challenges and opportunities for the pharmaceutical industry, and it was also a year of reforms.

As the largest pharmaceutical distribution network in the PRC, we are facing a complicated and ever-changing external environment. We are in the crucial period of deepening the medical system reform. We have been working towards the strategic targets of "Sinopharm Twelfth Five-Year Plan" and by uniting as one and working hard together, we continued our glorious performance during our "Eleventh Five-Year Plan" and maintained a speedy and healthy growth of the Group. Our Group achieved a tremendous sales revenue of over RMB100 billion and we became the first pharmaceutical distribution network in the PRC that achieved over RMB100 billion in sales and established an important milestone for the pharmaceutical distribution industry. This achievement has further fortified our leading position in the industry.

## **CORPORATE SALES REVENUE EXCEEDED RMB100 BILLION**

For the year ended 31 December 2011 (the "**Reporting Period**"), the revenue of the Group amounted to RMB102,224.81 million, representing an increase of RMB32,991.14 million or 47.65% as compared with the corresponding period of last year.

During the Reporting Period, the profit for the year of the Group amounted to RMB2,402.55 million, representing an increase of RMB572.19 million or 31.26% as compared with the corresponding period of last year. Profit attributable to shareholders amounted to RMB1,560.61 million, which increased by RMB351.86 million or 29.11% as compared with the corresponding period of last year.

During the Reporting Period, the earnings per share of the Group amounted to RMB0.66, representing a 24.53% increase over the corresponding period of last year.

Compared with the year end of 2010, as of 31 December 2011, total assets of the Group increased from RMB42,014.48 million to RMB67,627.85 million, net assets increased from RMB14,719.08 million to RMB20,388.09 million, and gearing ratio increased from 64.97% to 69.85%.

## Chairman's Statement



In 2011, capital expenditure of the Group amounted to RMB4,962.70 million which was primarily used in acquisitions and purchases of land use rights, property, plant and equipment, investment properties and intangible assets.

2011 was a fruitful year of completion of the first stage of the 3-year medical system reform. The PRC government implemented a series of policies to deepen the reform of medical system. Significant improvement over the key aspects of the medical system reform was seen since the announcement of the “Opinion on Deepening of Medical System Reform by State Council” and “The Outline for the Development of Pharmaceutical and Healthcare System Reform (2009-2011)” by the State Council in March 2009. Through the measures implemented in the first stage of medical reform, the preliminary framework of basic medical insurance system covering all residents in urban and rural areas has been completed; the coverage of urban employee basic medical insurance, basic medical insurance for urban residents, and new rural cooperative medical service has been extended to 95% of the urban and rural population; the national essential drug system has been set up; and a basic medical service system covering urban and rural areas has been completed. From 2009 to 2011, the PRC government has invested a total amount of RMB1,130 billion in medical and healthcare reform, which was much higher than its original plan of RMB850 billion.

## Chairman's Statement

The above measures demonstrated the confidence and determination of the PRC government in deepening the medical system reform.

As the largest pharmaceutical distribution enterprise in the PRC, the Group has experienced a crucial period in 2011 which targeted to deepen the medical system reform. It is also the vital stage of the pharmaceutical distribution industry reform and readjustments on directions of development.

In May 2011, the Ministry of Commerce announced “The Outline for the Development of Pharmaceutical Distribution Industry in 2011-2015” as the foundation of the pharmaceutical industry development in the coming few years. In view of the PRC pharmaceutical distribution market development in 2011, it is obvious that under the guidance of the “Twelfth Five-year Plan”, the pharmaceutical distribution industry maintained a strong growth and the industry was in midst of a faster structural readjustments. The pharmaceutical distribution industry is heading towards a large scale intensified development.

Our Group took an active role in expanding our distribution network and to provide professional distributing services. Until now, our network expansion is almost complete and the value of our network has greatly increased. As the leader in the pharmaceutical distribution industry, we will be benefited by the “Twelfth Five-Year Plan” from its measures to promote the rapid development and structural readjustments of pharmaceutical distribution industry.

## PROSPECTS

The achievement of over RMB100 billions of sales marked a milestone as well as a new start for the Group. We will seize the opportunity of the rapid development of the pharmaceutical industry to achieve the creative integrations and explore the operating models, and we aim to maintain our leading position in the industry while developing intensively with the focus on integration. We will create our differentiation competitive advantage through establishing the intelligent supply chain, and will maximize the value of our distribution channels through the innovation of business model and management model. By extending our value chain system we will be able to generate more profits and become the benchmark of the industry in management excellence.

## Chairman's Statement



In year 2012, Sinopharm will begin at a new starting point of RMB100 billions of sales and adhere to the strategic “Twelfth Five-Year Plan”. We will strengthen our core competitiveness by improving our business structures, operating quality, management efficiency and risk management. At the same time, we will, targeting to integrate and leverage market resources, strengthen our performance-oriented management system and promote full integration of operations and management. We will also improve our monitoring system construction and corporate culture construction, raise our self-awareness and motivations on the changes of our development mode and nurture new internal growth drivers to maintain our leading position in the industry.

I would like to express my gratitude to all shareholders, directors, members of senior management of the Company and all my fellow colleagues for their efforts during the past year. With concerted efforts, we have achieved the hundred-billion sales target and established a glorious milestone for the Company. The Group will definitely have an even more glorious future.

**She Lulin**  
*Chairman*

Shanghai, China  
22 March 2012





Sinopharm Holdings believes that a company's development is closely related with people's livelihood. The pioneering quality and professional concept will be able to develop the health industry jointly. Create and realize extraordinary corporate value.

Deliver health,  
Benefit common people

M O S T P O W E R F U L

# Most Reliable Best Partner





# Shareholding Structure of the Group

As of the date of this report, the structure of the Group was as follows:



# Management Discussion and Analysis

## INDUSTRY OVERVIEW

2011 was a special year for the development of pharmaceutical industry in China. It was a fruitful year of the 3-year national medical system reform and also the beginning year of the “Twelfth Five-Year Plan”. The PRC government has put forward the economic development targets of the coming five years and has released the “Outline for the Twelfth Five-Year Plan on Pharmaceutical Distribution Industry” which contained the policies to promote and facilitate the continued rapid development of pharmaceutical industry.



While the abovementioned measures are being released and implemented, the PRC government is also devoted in facilitating and deepening the medical system reform. The Ministry of Health, State Food and Drug Administration, National Development and Reform Commission, the Ministry of Industry and the Ministry of Commerce have introduced a series of measures. Though the two price cuts of pharmaceutical products, the drug tender policies, medical payment methods and the multi-layered management of antibiotics put forward in 2011 all posed uncertainties to the pharmaceutical industry, we strongly believe that the pharmaceutical company will maintain rapid development in the long run. On the one hand the PRC government has made large investments in innovative studies and encouraged upgrade of the industry. On the other hand, there were structural changes on medical expenditure. The PRC government will continue to increase its investment and the natural population growth, change of demography such as the aging of population, improvement in living standards and the change of disease spectrums will increase the demand for pharmaceuticals.

The aggregate health expenditure is an effective indicator of the balance between healthcare development and the national economy. From 2005 to 2010, the aggregate health expenditure increased from approximately RMB870 billion to RMB1,800 billion, representing an increase of 102.6% and a CAGR of 19.3% which was higher than the GDP growth rate. However, despite the heavy investment in the pharmaceutical industry by the government, the aggregate health expenditure in China only accounted for 5.1% of its GDP in 2011 which is low among the 193 World Health Organization (WHO) member countries and lags far behind the western countries. Therefore, the PRC government will continue to invest in the pharmaceutical and health industry to boost the rapid development of the industry in the future.

The driving forces of the rapid growth of the industry also include: urbanization, natural growth of population, the aging of population, improvement of living standards and the change in disease spectrums.

## Management Discussion and Analysis

Based on the population census conducted in 2010, 13.26% of the population aged 60 or above, 2.93 percent-points higher than that of the census conducted in 2000, and 8.87% of the population aged 65 or above, representing an 1.91% increase compared with the 2000 population census, indicating that the Chinese community is transforming into an aging society. The aging population will bring about higher morbidity rate and lead to rising demand for drugs in the overall pharmaceutical industry.

Income level for residents is rising in China. The average annual consumption of residents has reached RMB9,968 per capita, increased by 270% from that in 2000. With the improvement in the living standards, people will have higher requirements on quality of living and healthcare, and they are also more capable to pay for medical treatments.

With the improvement of the medical standard in our country, the change in the disease spectrum in China and the rest of the world, and the rising number of endocrinology, oncology, cardiovascular and cerebrovascular diseases, chronic drugs have replaced drugs for infectious diseases and has become one the largest markets in the industry. Along with the change in disease spectrum, the main drugs in our country have shifted from anti-transfected and anti-infective drugs to drugs for chronic diseases.

With the deepening of the national medical system in China, the industry will maintain sound development driven by strong demands. During the Reporting Period, the pharmaceutical distribution industry has presented several characteristics:

1. The pharmaceutical distribution industry has maintained the rapid growth momentum with a glorious prospect. According to the statistics of pharmaceutical distribution industry from the Ministry of Commerce, the total national sales of pharmaceutical distribution industry in 2010 amounted to RMB708.4 billion. The total sales of pharmaceutical distribution industry of 2011 is expected an increase of 18% as compared with the corresponding period of last year;
2. The concentration ratio of the industry has been rising with accelerating structural readjustments, more extensive network coverage and emerging economies of scale;
3. The medical reform has boosted the demand for pharmaceutical products while the retail drug market structure hasn't witnessed any substantial changes. Over 70% of drugs were sold in medical institutions and only approximately 20% were sold by drug retailers;





### BUSINESS REVIEW

For the twelve months ended 31 December 2011, the Group has been well positioned to take advantages of the healthcare reform and the development of the pharmaceutical industry in China in maintaining and strengthening its leading positions as a medicine and healthcare product distributor and pharmaceutical supply chain service provider, and has operations in the following business segments:

- **Pharmaceutical distribution:** The Group provides pharmaceutical supply chain management services for the distribution of domestic and imported prescribed medicines and over-the-counter medicines from manufacturers and suppliers to hospitals, other medical institutions, retail drug stores and other customers. As of 31 December 2011, the Group enlarged its extensive distribution network to 46 distribution centers (Secondary distribution center) covering 30 provinces, municipalities and autonomous regions in China through acquisitions and establishments. Apart from securing its leading position in first-tier cities, the Group has expanded its business in second and third-tier cities to achieve a total coverage of 174 cities in order to provide products and services to customers in a timely and efficient manner. The Group's direct customers included 9,421 hospitals (including 1,179 of the class-three hospitals which are the largest and most highly-ranked hospitals) or approximately 72.32% of all hospitals in China (and 91.82% of all the class-three hospitals). There were 57,775 small end-customers (including ungraded hospitals, community service centers (stations), healthcare centers), 45,842 retailer customers and 5,737 pharmaceutical distributing customers. During the Reporting Period, revenue of the pharmaceutical distribution business accounted for 93.28% of the total revenue of the Group.
- **Retail pharmacy:** The Group has a network of retail drug stores that are either directly operated by the Group or through franchises in major cities throughout China. As of 31 December 2011, the number of retail stores was 1,773, among which 1,529 were directly operated by the Group and 244 were operated through franchisees. The Group's retail drug stores operations accounted for 2.95% of its total revenue during the Reporting Period.
- **Other business operations:** The Group's other business operations include the production or sale of pharmaceutical products, healthcare products, chemical reagents, and laboratory supplies, accounting for 3.77% of its total revenue during the Reporting Period.

### REVIEW ON MERGERS, ACQUISITIONS AND RESTRUCTURING

During the Reporting Period, the coverage of the distribution network of the Group has been extended to 30 provinces, including all the provinces, autonomous regions and municipalities in China except for the Tibet Autonomous Region. Apart from our network coverage at the provincial level, we have also been centering around our strategic target of "one province, one city, one branch" and have continued the expansion of distribution networks.

## Management Discussion and Analysis

As of the date of this report, pharmaceutical distribution network of the Group covered 174 cities (including municipalities, provincial capitals and other prefecture-level cities) in China, accounting for over 52% of the 333 cities (at or above prefecture-level) in China.

Our Group relied on the well-established distribution networks which covers all provinces of the PRC (with the exception of Tibet) and continued to infiltrate our network to all regional areas and prefecture level cities. The goal of expanding the coverage of the distribution networks to 41 prefectural or higher level cities was realized in 2011. The Group is accelerating its implementation of the integration plan with respect to strategic coverage of pharmaceutical distribution network across China.

During the Reporting Period, the Group has succeeded in expanding its pharmaceutical distribution network. While the Group expanded its network, it has also improved the investment strategies and uphold its investment principle of “synergy is the best strategy” in its investments. This strengthened the Group’s control over its target market in the future. Through such expansion, the Group has further consolidated its unshakable leading position in the national market. The Group’s extensive national network has shown incomparable significant synergy effect.

- **Focus on Integration, Innovative Development**

The management focused on industry integration. At the same time, we are very aware of the development of our franchise operations, through integrations in business, management and cultural aspects, these subsidiaries will integrate into the Group in no time with healthy operations.

Focus integration is an integral need of the management of Sinopharm, we have to cultivate delicately during our expansion so as to enlarge our scale, intensify our development and to enhance our efficiency. In view of this, the management will motivate and guide all subsidiaries in enhancing their core values according to our business integration. They will fully utilize their potentials on the brand new unified platform of the Group. At the same time, the Group will further perfect its management and culture through scrutinizing its planning and implementations of business integrations so as to maximize and strengthen the results.

Our Group has successfully become the first in achieving RMB100 billions of sales in pharmaceutical distribution industry in the PRC. After this remarkable milestone, the management will make this a new starting point and explore more innovative business and management models. We will work hard to motivate the internal growth driver of the Group, improve our operation structures, quality of services, management efficiency and risk management system in order to enhance the Group’s core competitiveness and realize the perfection of efficiency, business transformation, innovative operation systems, advanced corporate cultures, brand building and raise the value of Sinopharm.



### INTERNATIONAL COOPERATION

In 2011, under our strategy of “from the first in China to one of the top 500 in the world”, the Group conducted exchanges with overseas elite companies and expressed intentions of cooperation. The Group also launched various cooperation projects with internationally well-known pharmaceutical companies.

### FINANCIAL SUMMARY

The financial summary sets out below is extracted from the audited financial statements of the Company prepared in accordance with the HKFRS during the Reporting Period:

During the Reporting Period, the Group recorded revenue of RMB102,224.81 million, representing an increase of RMB32,991.14 million or 47.65% as compared with the corresponding period of last year. Among that, revenue from the distribution business was RMB96,367.24 million, representing an increase of RMB31,004.35 million or 47.43% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded net profits of RMB2,402.55 million, representing an increase of RMB572.19 million or 31.26% as compared with the corresponding period of last year. Profit attributable to equity holders was RMB1,560.61 million, representing an increase of RMB351.86 million or 29.11% as compared with the corresponding period of last year.

During the Reporting Period, the earnings per share of the Group was RMB0.66, representing an increase of 24.53% as compared with the corresponding period of last year.

#### Revenue

The Group recorded a revenue of RMB102,224.81 million during the Reporting Period, representing an increase of 47.65% as compared with RMB69,233.67 million for the twelve months ended 31 December 2010. The increase in revenue of the Group was primarily due to substantial increase in revenue from the Group’s pharmaceutical distribution, retail pharmacy and other operations. The revenue growth trend of the Group was in line with the increase of the Group’s market share and the overall development of pharmaceutical market in China.

- **Pharmaceutical Distribution:** The revenue from pharmaceutical distribution of the Group was RMB96,367.24 million during the Reporting Period, representing an increase of 47.43% as compared with RMB65,362.89 million for the twelve months ended 31 December 2010, which accounted for 93.28% of the total revenue of the Group. The increase in revenue was primarily due to the further expansion of the pharmaceutical distribution network and a remarkable growth of the industry.

## Management Discussion and Analysis

- **Retail Pharmacy:** The revenue from retail pharmacy of the Group was RMB3,044.87 million during the Reporting Period, representing an increase of 77.55% as compared with RMB1,714.96 million for the twelve months ended 31 December 2010. The increase was primarily due to the business growth of existing pharmacies and the expansion of retail pharmacy network of the Group.
- **Other Business Operations:** The revenue from other business operations of the Group was RMB3,898.11 million during the Reporting Period, representing an increase of 36.29% as compared with RMB2,860.21 million for the twelve months ended 31 December 2010. The increase was primarily due to the growth of pharmaceutical manufacturing operations, chemical reagent operations, laboratory supplies business and healthcare products operations.

### Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB93,870.11 million, representing an increase of 48.07% as compared with RMB63,397.80 million for the twelve months ended 31 December 2010. The increase was primarily due to the increase in revenue which led to the increase in cost of sales.

### Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group increased by 43.16% from RMB5,835.87 million for the twelve months ended 31 December 2010 to RMB8,354.70 million during the Reporting Period. The gross profit margin of the Group for the twelve months ended 31 December 2010 and 2011 were 8.43% and 8.17% respectively.

### Other Income

During the Reporting Period, other income of the Group was RMB168.94 million, representing an increase of 118.35% as compared with RMB77.37 million for the twelve months ended 31 December 2010. The increase was primarily due to the increase in subsidies of the Group from the central and regional governments.

### Distribution and Selling Expenses

During the Reporting Period, the distribution and selling expenses of the Group was RMB2,922.79 million, representing an increase of 49.12% as compared with RMB1,960.02 million for the twelve months ended 31 December 2010. The increase was primarily attributable to the enlarged scale of the Group, business development and the expansion of distribution network through new set-ups and acquisitions.





### General and Administrative Expenses

During the Reporting Period, the general and administrative expenses of the Group was RMB1,964.63 million, representing an increase of 27.21% as compared with RMB1,544.41 million for the twelve months ended 31 December 2010. The increase in general and administrative expenses was primarily attributable to the administrative costs occurred from the expansion of distribution network.

The proportion of the Group's general and administrative expenses to the total revenue of the Group decreased from 2.23% for the twelve months ended 31 December 2010 to 1.92% for the corresponding period in 2011. The decrease was primarily due to the realization of the Group's economics of scale.

### Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB3,636.22 million, representing an increase of 50.95% from RMB2,408.82 million for the twelve months ended 31 December 2010.

### Other Gains – Net

The other gains of the Group less other losses increased by 17.86% from RMB171.38 million for the twelve months ended 31 December 2010 to RMB201.99 million during the Reporting Period. The increase was primarily due to the disposal of a subsidiary of the Company.

### Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB818.01 million, representing an increase of 200.46% as compared with RMB272.25 million for the twelve months ended 31 December 2010. The increase was primarily due to the change in funding structure of the Group.

### Share of Results from Associates

During the Reporting Period, the Group's share of results from associates was RMB107.40 million, representing an increase of 19.32% as compared with RMB90.01 million for the twelve months ended 31 December 2010.

### Income Tax Expenses

The Group's income tax expenses increased by 27.74%, from RMB567.60 million for the twelve months ended 31 December 2010 to RMB725.05 million during the Reporting Period. The increase was primarily due to the increase in profits of the Group led to an increase in income tax. The Company's effective income tax rate decreased from 23.67% for the twelve months ended 31 December 2010 to 23.18% during the Reporting Period. The rate remained similar.

# Management Discussion and Analysis

## Annual Profits

As a result of the abovementioned factors, the profit of the Group for the twelve months ended 31 December 2011 was RMB2,402.55 million, representing an increase of 31.26% from RMB1,830.36 million for the twelve months ended 31 December 2010. The profit margin of the Group for the twelve months ended 31 December 2010 and 2011 were 2.64% and 2.35%, respectively.

## Profit Attributable to Equity Holders of the Company

As a result of the abovementioned factors, profit or net profit attributable to equity holders of the Group increased by 29.11%, or RMB351.86 million, from RMB1,208.75 million for the twelve months ended 31 December 2010 to RMB1,560.61 million during the Reporting Period. The Group's net profit margins during the Reporting Period and that of the corresponding period of 2010 were 1.53% and 1.75%, respectively.

## Minority Interests

Minority interests of the Group during the Reporting Period was RMB841.94 million, representing an increase of 35.45% from RMB621.61 million for the twelve months ended 31 December 2010.

## Liquidity and Capital Resources

### Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB34,577 million, of which approximately RMB16,593 million were not yet utilized. Cash and cash equivalents of RMB13,091.01 million were primarily comprised of cash, bank savings and income from current operating activities.

### Cash flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expanding the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for each year ended 31 December 2010 and 2011:

	2011 RMB million	2010 RMB million
Net cash generated from operating activities	1,019.27	1,268.33
Net cash used in investing activities	(2,830.83)	(1,897.27)
Net cash generated from financing activities	7,427.87	535.80
Net increase/(decrease) in cash and cash equivalents	5,616.31	(93.14)
Cash and cash equivalents at the beginning of year	7,474.70	7,567.84
Cash and cash equivalents at the end of year	13,091.01	7,474.70



### **Net cash generated from operating activities**

The Group's cash inflow from operations primarily derives from payments for the sale of the products and services in its pharmaceutical distribution, retail pharmacy and other business operations segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB1,019.27 million, representing a decrease of 19.64% from RMB1,268.33 million for the twelve months ended 31 December 2010. The decrease was primarily attributable to suppliers and customers of the Group facing cash pressures due to the tightening of macroeconomic environment, the Group has increased its proportion in direct sales, the operating cycles were also lengthened due to the increase in average collection days for account receivables.

### **Net cash used in investing activities**

During the Reporting Period, the net cash used in investment activities of the Group was RMB2,830.83 million, representing an increase of 49.21% as compared with RMB1,879.27 million for the twelve months ended 31 December 2010.

### **Net cash generated from financing activities**

During the Reporting Period, the net cash generated from financing activities of the Group was RMB7,427.87 million, representing an increase of RMB6,892.07 million as compared with RMB535.80 million for the twelve months ended 31 December 2010.

### **Capital Expenditure**

The Group's capital expenditures primarily include acquisitions and purchases of land use rights, property, plant and equipment, investment properties and intangible assets. The Group's capital expenditures amounted to RMB3,244.99 million and RMB4,962.70 million as at 31 December 2010 and 31 December 2011 respectively.

The Group's current plans with respect to its capital expenditures may be modified according to the progress of its operation plans (including changes in market conditions, competition and other factors). As the Group continues to expand, it may incur additional capital expenditure. The Group's ability to obtain additional funding for its future capital expenditure is subject to a variety of uncertainties, including its future operational results, financial condition and cash flows, economic, political and other conditions in China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

## **Capital Structure**

### **Indebtedness**

As of 31 December 2011, the Group had aggregate banking facilities of RMB34,577 million, of which RMB16,593 million were not utilized and are available to be drawn down. These banking facilities are primarily comprised short-term working capital loans. Among the Group's total borrowings as of 31 December 2011, bank borrowings of RMB8,666.79 million will be due within one year, RMB221.70 million will be due after one year and bonds of RMB4,960.66 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

## Management Discussion and Analysis

### **Gearing ratio**

The Group's gearing ratio was 69.85% as of 31 December 2011 (31 December 2010: 64.97%), which is calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as of 31 December 2011.

### **Foreign exchange risks**

The uncertainties of foreign currency exchange rate will not incur significant foreign currency exchange risks to the Group.

### **Pledge of assets**

As of 31 December 2011, part of the Group's bank borrowings was secured by land use rights with book value of RMB33.57 million, properties, plant and equipment with book value of RMB57.10 million, trade receivables with book value of RMB3,496.18 million and bank deposits with book value of RMB141.95 million.

### **Major Acquisitions and Disposals**

During the Reporting Period, the Group had no material acquisition or disposal.

### **Going concern**

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a "going concern" basis.

### **Contingent Liabilities, Legal and Potential Proceedings**

As of 31 December 2011, the Group neither had any guarantees or other material or contingent liabilities, nor had any legal proceedings or potential proceedings.

### **Human Resources**

As of 31 December 2011, the Group had 35,394 employees. In order to meet the development needs and support the implementation of the strategic objectives of the Company, the Group has adopted an idea of professional management, reorganizing current human resources, creative management model, optimizing the management mechanism, and actively promoting the organizational reform. The Group has increased its speed of nurturing and recruiting talents. It has implemented a strict selection process for employees hiring and established a number of initiatives to enhance their productivity. The Group has conducted periodic performance reviews for its employees, and has adjusted their salaries and bonuses accordingly. In addition, the Group has implemented training programs for employees of various positions.

### **Future Plan**

The Group's objectives are to consolidate its position as the leading distributor of, and supply chain services provider for, pharmaceutical and healthcare products in China. It will continue to grow and play a significant role in the development of the pharmaceutical and healthcare industry in China.

# Corporate Governance Report



The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and protection of the interests of the shareholders of the Company. The Company has adopted sound governance and disclosure practices, and will continuously improve these practices and create an ethical corporate culture. The board of directors (the “**Board**”) of the Company passed the resolution on adopting all code provisions in the Code on Corporate Governance Practices (“**Corporate Governance Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) as the corporate governance code of the Company on 31 August 2009. The Company has complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

## SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Board passed the resolution on 31 August 2009 for the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the standards for governing the transactions of the Company’s listed securities by the directors (the “**Director**”) and supervisors (the “**Supervisor**”) of the Company. Having made specific enquiries with all Directors and Supervisors, the Company confirms that each Director and Supervisor has complied with standards for the securities transactions by directors and supervisors under the Model Code during the Reporting Period.

## COMPOSITION OF THE BOARD

As at the date of this report, the Board consists of 13 Directors, including one executive Director, Mr. Wei Yulin; eight non-executive Directors, namely Mr. She Lulin, Mr. Wang Qunbin, Mr. Chen Wenhao, Mr. Zhou Bin, Mr. Chen Qiyu, Mr. Deng Jindong, Mr. Fan Banghan and Mr. Liu Hailiang; and four independent non-executive Directors, namely Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong and Mr. Zhou Bajun. To the knowledge of the Company, there is no financial, business or family relationships or material/relevant relationships among members of the Board or between the Chairman and the President.

Biographical details of the Directors are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” of this annual report.

## MAJOR RESPONSIBILITIES OF THE BOARD

The Board is the core of the Company’s corporate governance framework and it takes several roles in representing interests, supervising resources and coordinating interests. The main purpose of the Board is strategic planning, guidance and supervision on operation management. In general, the responsibilities of the Board include formulating operation plans and investment proposals of the Company, preparing the proposed and final annual budgets of the Company, assessing the performance of the Company and overseeing the work of senior management.

The Board is mainly responsible for making scientific and strategic decisions for the long term interest of the Company, shareholders and others. It should be supervised and evaluated over its decisions on controlling corporate resources and operation management. The Board is responsible for maintaining effective stimulation and supervision over the senior management when duly delegating its power to the senior management. The Board is the core of the Company's corporate governance framework and its role is clearly separated from that of senior management.

The Company has complied with the requirement of separation of these two roles under the Corporate Governance Code with Mr. She Lulin acting as the Chairman of the Board and Mr. Wei Yulin acting as the President. The Chairman is responsible for managing the Board, steering the Board to formulate overall strategies and business development plans, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for the issues raised in the Board meetings. The President is responsible for managing the business of the Company and implementing policies, business objectives and plans formulated by the Board, and is accountable to the Board for the Company's overall operation.

The Board has established an audit committee, a remuneration committee, a nomination committee and a strategic and investment committee. Please see below for the composition and responsibilities of the audit committee, the remuneration committee, the nomination committee and the strategic and investment committee. Each committee shall provide their recommendations to the Board based on their respective terms of reference. The decisions of the Board on such recommendations shall be final, unless otherwise stated in the terms of reference of these committees.

### **CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

On 23 August 2011, the resolution in relation to re-election of the Board of Directors was considered and passed at the 14th meeting of the first session of the Board. Upon the expiration of the first session of the Board of Sinopharm, nominated by the shareholders and reviewed by the nomination committee of the Board, the Board nominated Mr. Wei Yulin, as an executive Director of the Company, Mr. She Lulin, as a non-executive Director of the Company and the Chairman, Mr. Wang Qunbin as a non-executive Director of the Company and the Vice-chairman; Mr. Deng Jindong, Mr. Fan Banghan and Mr. Liu Hailiang, as non-executive Directors of the Company and Mr. Wang Fanghua, Mr. Tao Wuping and Mr. Xie Rong, as independent non-executive Directors of the Company. The above nine Directors, and the three non-executive Directors, Mr. Chen Wenhao, Mr. Zhou Bin and Mr. Chen Qiyu who are still in the term of office, and one independent non-executive Director, Mr. Zhou Bajun who is still in his term of office comprise the second session of the Board, with effect from 21 September 2011.



On 23 August 2011, the resolution in relation to re-election of the Supervisory Committee was considered and passed at the 14th meeting of the first session of the Board. Upon the expiration of the first session of the Supervisory Committee of Sinopharm, and nominated by the shareholders, the second session of the Supervisory Committee comprises Mr. Yao Fang, Mr. Lian Wanyong and Ms. Zhang Jian, who was elected by the employee's representatives' general meeting, with effect from 21 September 2011.

On 11 November 2011, the resolution in relation to re-election of the special committees under the second session of the Board was considered and passed at the 1st meeting of the second session of the Board. It was resolved that (1) the independent non-executive Directors, Mr. Xie Rong, Mr. Wang Fanghua and Mr. Zhou Bajun, and the non-executive directors, Mr. Chen Wanhou, Mr. Fan Banghan and Mr. Deng Jindong were appointed as members of the audit committee of the second session of the Board. The audit committee comprises six members and its term of office is consistent with that of the Board. Mr. Xie Rong serves as the chairman; (2) the independent non-executive Directors, Mr. Tao Wupin, Mr. Wang Fanghua and Mr. Xie Rong, and the non-executive Directors, Mr. Fan Banghan and Mr. Liu Hailiang were appointed as members of the remuneration committee of the second session of the Board. The remuneration committee comprises five members and its term of office is consistent with that of the Board. Mr. Tao Wuping serves as the chairman; (3) the non-executive Directors, Mr. She Lulin and Mr. Fan Banghan, and the independent non-executive Directors, Mr. Wang Fanghua, Mr. Tao Wuping and Mr. Xie Rong were appointed as members of the nomination committee of the second session of the Board. The nomination committee comprises five members and its term of office is consistent with that of the Board. Mr. She Lulin serves as the chairman; (4) the non-executive Directors, Mr. She Lulin, Mr. Chen Qiyu, Mr. Zhou Bin and Mr. Fan Banghan, the executive Director, Mr. Wei Yulin, and the independent non-executive Directors, and Mr. Wang Fanghua and Mr. Zhou Bajun were appointed as members of the strategy and investment committee of the second session of the Board. The strategy and investment committee comprises eight members and its term of office is consistent with that of the Board. Mr. She Lulin serves as the chairman; and (5) Mr. Ma Wanjun and Mr. Xu Shuangjun were appointed as vice-presidents of the Company, with effect from 23 March 2011.



## BOARD MEETINGS

The Board convened nine meetings during the Reporting Period. Notices for regular board meetings shall be given to each member of the Board at least 14 days prior to the meeting. All relevant information shall be delivered to the Directors at least three days before the board meeting.

The attendance record of the Directors at the meetings was as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
<b>Executive Director</b>	
Mr. Wei Yulin	9/9
<b>Non-executive Directors</b>	
Mr. She Lulin	9/9
Mr. Wang Qunbin	9/9
Mr. Chen Wenhao	9/9
Mr. Zhou Bin	9/9
Mr. Chen Qiyu	9/9
Mr. Deng Jindong	9/9
Mr. Fan Banghan	9/9
Mr. Liu Hailiang	9/9
<b>Independent Non-executive Directors</b>	
Mr. Wang Fanghua	9/9
Mr. Tao Wuping	9/9
Mr. Xie Rong	8/9
Mr. Zhou Bajun	9/9

Note: Mr. Xie Rong attended one meeting not in person but by his alternate;

At board meetings, the Company's senior management reported the information of business activities and development of the Company to all Directors on a timely basis. The senior management also met with and consulted the independent non-executive Directors for their opinions on the Company's business development and operations. Any Director shall abstain from voting in respect of any proposed resolution(s) in which he/she has conflict of interest.



## AUDIT COMMITTEE

The audit committee of the Company comprises six Directors: Mr. Xie Rong, Mr. Chen Wenhao, Mr. Wang Fanghua, Mr. Fan Banghan, Mr. Deng Jindong and Mr. Zhou Bajun. Mr. Xie Rong currently serves as the chairman of the audit committee. The primary responsibilities of the Company's audit committee are to inspect, review and supervise the Company's financial information and reporting process for financial information. These responsibilities include, among others:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
- developing and implementing policies on the engagement of an external auditor to supply non-audit services.

During the Reporting Period, three meetings were held by the Audit Committee to consider the annual results for the year ended 31 December 2010, the interim results for the six months ended 30 June 2011 and the third quarterly results for the period ended 30 September, 2011.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. Xie Rong	2/3
Mr. Chen Wenhao	3/3
Mr. Wang Fanghua	1/3
Mr. Fan Banghan	3/3
Mr. Deng Jindong	3/3
Mr. Zhou Bajun	3/3

Note: Mr. Xie Rong attended one meeting not in person but by his alternate; Mr. Wang Fanghua attended two meetings not in person but by his alternate.

The audit committee has reviewed the audited annual results for the year ended 31 December 2011 and the audited annual consolidated financial statements for the year ended 31 December 2011. The audit committee believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The audit committee has reviewed all material control measures, including the supervision of the financial and operational and compliance affairs, as well as risk management in year 2011. The audit committee was satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations. In addition, the audit committee has also reviewed the adequacy of resources, qualification and experiences of employees in relation to the accounting and financial reporting function of the Company and the adequacy of training courses taken by the employees and the relevant budgets.

The audit committee has reviewed the remuneration of the auditor for 2011 and recommended the Board to re-appoint PricewaterhouseCoopers as the auditor of the Company for 2012, subject to the approval of shareholders at the forthcoming annual general meeting.

### **NOMINATION COMMITTEE**

The nomination committee of the Company comprises five Directors: Mr. She Lulin, Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong and Mr. Fan Banghan. Mr. She Lulin currently serves as the chairman of the nomination committee. The primary responsibilities of the Company's nomination committee are to formulate the nomination procedures and standards for candidates for Directors. These responsibilities include, among others:

- reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- assessing the independence of independent non-executive Directors; and
- making recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors, and the succession plans for Directors (in particular the chairman and the president).

The nomination procedures of the Directors are as follows: members of the nomination committee to propose a list of candidates for Directors, which shall then be submitted by the committee to the Board for review; the Board shall then submit the list of candidates to the general meeting for shareholders' approval.



The examination procedures of the candidates of the Directors are: (1) to collect, or require relevant department of the Company to collect, the particulars of the occupation, education, designation, detailed work experience and all part-time jobs of the candidates and summarize the same in written materials; (2) to hold nomination committee meetings to examine the qualifications of the candidates in accordance with the requirements applicable to a Director and to state the opinion and recommendations on appointments in the form of proposals; and (3) to carry out other relevant work according to decisions of or feedback from the Board.

During the Reporting Period, two meetings were held by the nomination committee to consider the qualification of Mr. Xu Shuangjun and Mr. Ma Wanjun who were candidates for the vice-presidents of the Company and Dr. Liu Wei and Mr. Wu Aimin who were candidates for company secretaries.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. She Lulin	2/2
Mr. Wang Fanghua	2/2
Mr. Tao Wuping	2/2
Mr. Xie Rong	2/2
Mr. Fan Banghan	2/2

### REMUNERATION COMMITTEE

The remuneration committee of the Company comprises five Directors: Mr. Tao Wuping, Mr. Wang Fanghua, Mr. Xie Rong, Mr. Fan Banghan and Mr. Liu Hailiang. Mr. Tao Wuping currently serves as the chairman of the remuneration committee. The primary responsibilities of the Company's remuneration committee are to formulate and review the compensation policies and schemes for the Company's Directors and senior management. These responsibilities include, among others:

- making recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management;
- determining the specific remuneration packages of all executive Directors and senior management, and making recommendations to the Board in relation to the remuneration of non-executive Directors; and
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives determined by the Board from time to time.

## Corporate Governance Report

During the Reporting Period, one meeting was held by the remuneration committee, during which the resolutions regarding the payment of remuneration of the President of the Company in 2010, the remuneration standards of the President in 2011 and the remuneration of management team of the Company in 2010 were discussed and approved.

The attendance record of the committee members at the meeting during the Reporting Period was as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. Tao Wuping	1/1
Mr. Wang Fanghua	1/1
Mr. Xie Rong	1/1
Mr. Fan Banghan	1/1
Mr. Liu Hailiang	1/1

### STRATEGIC AND INVESTMENT COMMITTEE

The strategic and investment committee of the Company comprises six Directors: Mr. She Lulin, Mr. Wang Qunbin, Mr. Chen Qiyu, Mr. Zhou Bin, Mr. Fan Banghan and Mr. Wei Yulin. Mr. She Lulin currently serves as the chairman of the strategic and investment committee.

During the Reporting Period, seven meetings were held by the strategic and investment committee.

The strategic and investment committee is a special organization under and accountable to the Board. It is mainly responsible for conducting research and making recommendations on the long term development strategies and major investment decisions of the Company, and supervising and reviewing the implementation of annual operation plans and investment proposals under the authorization of the Board.



The attendance record of the committee members at the meeting during the Reporting Period was as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held</b>
Mr. She Lulin	7/7
Mr. Wang Qunbin	6/7
Mr. Wang Fanghua	3/7
Mr. Zhou Bin	6/7
Mr. Chen Qiyu	7/7
Mr. Wei Yulin	7/7
Mr. Fan Banghan	7/7
Mr. Zhou Bajun	3/7

Note: Mr. Wang Qunbin attended one meeting not in person but by his alternate; Mr. Zhou Bin attended one meeting not in person but by his alternate.

Mr. Zhou Bajun was appointed by the Board as a member of the strategic and investment committee on 23 March 2011. Four meetings were held afterwards, and Mr. Zhou Bajun attended one of the meetings not in person but by his alternate.

Mr. Wang Fanghua was appointed by the Board as a member of the strategic and investment committee on 23 March 2011. Four meetings were held afterwards, and Mr. Wang attended one of the meetings not in person but by his alternate.

### TERM OF OFFICE OF THE NON-EXECUTIVE DIRECTORS

<b>Name</b>	<b>Position</b>	<b>Commencement Date</b>	<b>Expiry Date</b>
Mr. She Lulin	Non-executive Director	21 September 2011	20 September 2014
Mr. Wang Qunbin	Non-executive Director	21 September 2011	20 September 2014
Mr. Chen Wenhao	Non-executive Director	7 January 2011	6 January 2014
Mr. Zhou Bin	Non-executive Director	7 January 2011	6 January 2014
Mr. Chen Qiyu	Non-executive Director	31 May 2010	31 May 2013
Mr. Deng Jindong	Non-executive Director	21 September 2011	20 September 2014
Mr. Fan Banghan	Non-executive Director	21 September 2011	20 September 2014
Mr. Liu Hailiang	Non-executive Director	21 September 2011	20 September 2014
Mr. Wang Fanghua	Independent non-executive Director	21 September 2011	20 September 2014
Mr. Tao Wupin	Independent non-executive Director	21 September 2011	20 September 2014
Mr. Xie Rong	Independent non-executive Director	21 September 2011	20 September 2014
Mr. Zhou Bajun	Independent non-executive Director	19 August 2009	18 August 2012

### REMUNERATION OF AUDITORS

PricewaterhouseCoopers is the independent external auditor of the Company. The Company has paid PricewaterhouseCoopers approximately RMB16.85 million as remuneration for its auditing service provided for 2011. During the same year, PricewaterhouseCoopers has not provided any significant non-auditing service to the Group.

### CONFIRMATION OF THE DIRECTORS AND AUDITORS

The Directors have reviewed the effectiveness of the internal control system of the Group. The review covered all the material aspects of its internal controls, including the supervision of the financial and operational and compliance affairs, as well as risk management.

The Directors are responsible for supervising the preparation of annual accounts in order to give a true and fair view of the financial position, operating results and cash flow of the Group during the year. For the purpose of the preparation of the financial statements of the Reporting Period, the Directors have selected appropriate accounting policies, adopted applicable accounting principles, made judgments and assessments that are prudent and reasonable and ensured the financial statements were prepared on a going concern basis. The Directors have confirmed that the Group's financial statements were prepared in accordance with the requirements of laws and applicable accounting principles.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to operate as a going concern in financial year 2011. The statement of auditors about their reporting responsibilities on the financial statements is set out in the independent auditor's report.

### EFFECTIVE COMMUNICATIONS WITH INVESTORS

The Group had made remarkable improvements in investor relationship in 2011 under the leadership and support of the Board and management. The Group has participated in a number of investment forums and successfully communicated with many fund houses through various means. It organized on-site visits to its logistics centers, distribution centers and retail drug stores for fund houses to facilitate investors' direct understanding of and contact with the Company. The Company also received various fund house investors for on-site visits. In the future, the Company will maintain effective communications with investors through interim reports, annual reports, road shows and general meetings.





### EXCLUDED COMPANIES

The independent non-executive Directors have reviewed the compliance by China National Pharmaceutical Group Corporation (“**CNPGC**”) of the “Non-Competition Agreement” and confirmed that CNPGC has complied with the terms of such agreement from the date of signing of such agreement to 31 December 2011. At the same time, CNPGC also confirms to the Company that it has complied with the terms of the Non-Competition Agreement.

The independent non-executive Directors are not aware of any breach of the terms of the Non-Competition Agreement by CNPGC and therefore, no remedy action was taken by the Company from the date of signing of such agreement to 31 December 2011.

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors have held two meetings during the Reporting Period to consider and decide on whether to exercise the options or rights of first refusal in relation to the excluded companies granted by CNPGC to the Company under the Non-Competition Agreement (the “**Relevant Rights**”) and whether to take up any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the company which was referred to the Company by CNPGC or any of its subsidiaries (other than the Company). The independent non-executive directors had reviewed all decisions made during Reporting Period at the end of 2011 and details are as follows:

#### **1. Excluded Companies (as defined in the prospectus of the Company dated 10 September 2009 (the “Prospectus”)) against which the Relevant Rights were exercised**

The Company did not exercise the abovementioned Relevant Rights in the year of 2011.

#### **2. Excluded Companies against which the Relevant Rights were not exercised as at the end of the Reporting Period**

- (1) Tianjin Company: the independent non-executive Directors decided not to exercise the Relevant Rights. The reason for such decision is that shareholders of Tianjin Company have resolved to liquidate the company and the same will then be wound up.
- (2) South Trade: the independent non-executive Directors decided not to exercise the Relevant Rights. The reason for such decision is that South Trade only engages in Western medicines distribution business to a limited extent. In addition, it also intends to cease to engage in any Western medicines distribution business gradually and to focus on its current principal business.

During the Reporting Period, CNPGC and its subsidiaries (other than the Company) did not refer any business opportunity to the Company to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the Company. Therefore, the independent non-executive Directors did not make any decisions in relation to whether to take up any such business opportunity.

# Biographies of Directors, Supervisors and Senior Management

## DIRECTORS

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**Mr. Wei Yulin**, aged 54, executive Director, joined the Group on 16 January 2003, and has been an executive Director of the Company since 22 December 2008. Mr. Wei was the deputy general manager of the Company from January 2003 to December 2009 and has been the president of the Company since 20 December 2009. Mr. Wei has around 34 years of working experience, over 17 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Wei obtained a master's degree in business administration for executives from the Cheung Kong Graduate School of Business in September 2007. Mr. Wei is a practicing pharmacist, and was qualified as a senior economist in December 2009. Mr. Wei was previously the general manager of Sinopharm Holding Tianjin Co. Ltd. from January 2003 to December 2003 and from October 2004 to April 2006, and its chairman from January 2004 to October 2004. Mr. Wei was also the chairman of each of Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Shanxi Co. Ltd., China National Pharmaceutical Group Southwest Medicine Co. Ltd., Sinopharm Holding Hunan Co. Ltd., Sinopharm Holding Zhejiang Co. Ltd., Sinopharm Holding Henan Co. Ltd., Beijing Tianxingpuxin Bio-Medicine, Co. and Yujia Medical Service Co. Ltd., from May 2006 to January 2009, from January 2007 to January 2009, from March 2007 to January 2009, from September 2007 to January 2009, from October 2007 to January 2009, from April 2008 to January 2009, from April 2010 to November 2011 and from September 2010 to November 2011 respectively. In addition, Mr. Wei was a director of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. from March 2009 to August 2009. Mr. Wei has been appointed as the chairman of Sinopharm Holding Hongkong Co. Limited since January 2011 and the chairman of Sinopharm Lerentang Pharmaceutical Co. Ltd. since April 2011. He is currently the chairman of China National Accord Medicines Corporation Limited and Sinopharm Chemical Reagent Ltd.

**Mr. She Lulin**, aged 55, non-executive Director, joined the Group as a non-executive Director of the Company on 8 January 2003. He was the vice chairman of the Company and has served as the Chairman of the Company since 30 August 2007. He has around 28 years of working experience, over 25 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. She obtained a bachelor's degree in science, majoring in Pharmacy, from Nanjing Pharmaceutical Institution (currently known as China Pharmaceutical University) in July 1982 and a master's degree in business administration for executives from Tsinghua University in July 2005. Mr. She was previously the deputy head of the general manager's office, assistant to the general manager, deputy general manager and general manager of China National Pharmaceutical Group Guangzhou Corporation from August 1982 to August 1996. Mr. She was also the vice chairman and general manager of CNPGC from December 1998 to October 2004. Mr. She has been a director, general manager and the secretary of Party Committee of CNPGC from October 2004 to October 2009. He has been the vice chairman, general manager and secretary of Party Committee of CNPGC from October 2009 until present. Mr. She has been the president and legal representative of Sinopharm Industrial Investment Co. Ltd. from July 2008 until present. Mr. She was appointed the chairman of Sinopharm Group Holdings Co. Ltd. from December 1998 to January 2001.

**Mr. Chen Wenhao**, aged 58, non-executive Director, has around 28 years of working experience. He obtained a bachelor's degree in economics, majoring in finance, from Shanghai University of Finance and Economics in 1983 and a master's degree in economics, majoring in accounting, from Shanghai University of Finance and Economics in 1987. Mr. Chen has been teaching at Shanghai University of Finance and Economics since 1983 and has become a professor and a tutor of Ph.D. students since 1999. He has extensive experience in corporate financial affairs and corporate governance. Mr. Chen is also the vice chairman of Shanghai Institute of Finance (上海財務學會), vice chairman of Shanghai Association of Real Estate and Accounting (上海房產會計協會) and a director of Shanghai Institute of Finance and Taxation (上海財稅學會). He has been an external director of CNPGC since August 2006 and an independent director of Shanghai Diesel Engine Company Limited (a company listed on the Shanghai Stock Exchange) since June 2009. Mr. Chen has served as a non-executive director of the Company since 7 January 2011.

**Mr. Zhou Bin**, aged 43, non-executive Director, has around 20 years of working experience. He obtained a bachelor's degree in pharmacology from China Pharmaceutical University in July 1990, a master's degree in business administration from China Europe International Business School in September 2005 and a doctorate degree in industrial economy from Shanghai Academy of Social Sciences in July 2008. He was a research trainee, a research assistant and an assistant to the director of the department of information of Shanghai Institute of Pharmaceutical Industry from July 1990 to July 1998. He was a deputy director, research assistant and secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry from July 1998 to December 1999. He was a deputy director, associate researcher and secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry from December 1999 to May 2002. Mr. Zhou was subsequently a director and a secretary to the branch of the Party at the department of information and the director of the department of market investment of Shanghai Institute of Pharmaceutical Industry from May 2002 to January 2003. He was an assistant dean, the director of the department of market investment and a secretary to the branch of the Party at the department of information of Shanghai Institute of Pharmaceutical Industry and the chairman of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from January 2003 to October 2004. He was a vice dean, the director of the department of market investment and the director of the department of information of Shanghai Institute of Pharmaceutical Industry and the chairman of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from October 2004 to September 2005. Mr. Zhou was a vice dean and a member of the Party committee of Shanghai Institute of Pharmaceutical Industry and the chairman of Shanghai Institute of Pharmaceutical Industry Pharmaceutical Co. Ltd. from September 2005 to September 2006. He was a vice dean of and a secretary to the Party Committee of Shanghai Institute of Pharmaceutical Industry from October 2006 to April 2008. He was the dean of and a secretary to the Party Committee of Shanghai Institute of Pharmaceutical Industry from April 2008 to October 2010 and chairman of Shanghai Modern Pharmaceutical Co. Ltd. (a company listed on the Shanghai Stock Exchange) since August 2008 and a vice general manager of CNPGC since May 2010. He has also been the dean of and a secretary to the Party Committee of China Institute of Pharmaceutical Industry since October 2010. He is also currently a vice president of the Shanghai Pharmaceutical Profession Association, a vice president of the Shanghai Biological Medicine Profession Association and the president of the National Medical Technology Market Profession Association. Mr. Zhou has served as a non-executive director of the Company since 7 January 2011.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Chen Qiyu**, aged 39, non-executive Director, joined the Company on 8 January 2003, and had served as the chief Supervisor until 31 May 2010. He has around 18 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and a master's degree in business administration, majoring in executive business administration, from China Europe International Business School in September 2005. Mr. Chen was previously the deputy general manager, the chief financial officer, the board secretary, general manager, president and deputy general manager of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. Mr. Chen has been the vice chairman of Tianjin Pharmaceutical Holdings Ltd. and a supervisor of Shanghai Friendship Fortune and a director of Zhejiang Dian Diagnostics Technology Company Limited since February 2009, October 2003 and May 2010, respectively. Mr. Chen is also currently the chairman of Shanghai Biopharmaceuticals Industry Association, a commissioner of Shanghai Society of Genetics, the vice chairman of Shanghai Pharmaceutical Association and the vice-chief commissioner of the fourth commission of China Medicinal Biotech Association.

**Mr. Wang Qunbin**, aged 42, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director of the Company since then. He has around 19 years of working experience, over 16 years of which is management experience in biological medicine. Mr. Wang obtained a bachelor's degree in science, majoring in genetics, from Fudan University in July 1991. Mr. Wang was previously a lecturer at the Genetic Research Institute of Fudan University from September 1991 to September 1993, and then the general manager of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from October 1993 to October 2007 and a director of Tianjin Pharmaceutical Holdings Ltd. from March 2001 to February 2009. Mr. Wang has been the chairman of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since October 2007, a director and the president of Shanghai Fosun High Technology (Group) Co. Ltd. since November 1994 and January 2009, respectively, as well as a director of Shanghai Friendship-Fortune Holding Co. Ltd. and Sinopharm Industrial Investment Co. Ltd. since September 2000 and July 2008, respectively. Mr. Wang has been a director of Shanghai Friendship Group Incorporated Co. Ltd. (a company listed on the Shanghai Stock Exchange) since September 2000 and Henan Lingrui Pharmaceutical Company Ltd. (a company listed on the Shanghai Stock Exchange) since May 2003, and has also been an executive director and the president of Fosun International Limited (a company listed on the Hong Kong Stock Exchange) since August 2005 and January 2009, respectively. Mr. Wang is currently the vice chairman of China Pharmaceutical Industry Association, the chairman of the Shanghai Biopharmaceuticals Industry Association and the chairman of the Huzhou Chamber of Commerce in Shanghai.

**Mr. Deng Jindong**, aged 47, non-executive Director, joined the Group on 30 August 2007, and has been a non-executive Director of the Company since then. He has over 24 years of working experience, over 19 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics, majoring in industrial accounting, from Hangzhou Electronics Industry Institution (currently known as Hangzhou Dianzi University) in July 1986 and a master's degree in economics from Central Institute of Finance and Economics (currently known as Central University of Finance & Economics) in January 1991. He is a non-practicing PRC certified public accountant. Mr. Deng was previously the chief financial officer of Economic Information Network Data Co. Ltd., senior audit manager of Taikang Life Insurance Co. Ltd. and the head of the accounting department of CNPGC from April 2000 to October 2001, from October 2001 to October 2002 and from October 2002 to October 2004, respectively. Mr. Deng has been the chief accountant of CNPGC since October 2004 and a director and the chief financial officer of Sinopharm Industrial Investment Co. Ltd. since July 2008.

**Mr. Fan Banghan**, aged 58, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director of the Company since then. He has around 30 years of working experience, over 27 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Fan obtained an associate education from Branch Institute of the Shanghai Education Institute, majoring in politics and education, in July 1984. Mr. Fan was a deputy general manager and a director of medicine department of Shanghai Pharmaceutical Co. Ltd. from April 1996 to December 1997. Mr. Fan was a deputy general manager of Shanghai Pharmaceutical Co. Ltd. (a company listed on the Shanghai Stock Exchange) from January 1998 to March 2000 and has been a deputy general manager of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since 2000. Mr. Fan was a supervisor of China National Medicines Co. Ltd. (a company listed on the Shanghai Stock Exchange) from December 2005 to May 2009. Mr. Fan has been a director of China National Medicines Co. Ltd. since May 2009. Mr. Fan has been a director and the general manager of Sinopharm Industrial Investment Co. Ltd. since July 2008. Mr. Fan is currently the vice chairman of the Shanghai Pharmaceutical Trade Association.

**Mr. Liu Hailiang**, aged 62, non-executive Director, joined the Group on 8 January 2003, and has been a non-executive Director of the Company since then. He has around 42 years of working experience, over 15 years of which is management experience. Mr. Liu obtained an associate education in business administration from Shanghai Construction Institute in September 1986. Mr. Liu was previously the human resources manager of Johnson & Johnson China Ltd. from March 1995 to March 2000. Mr. Liu was an assistant to the general manager and chief human resources supervisor of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. from March 2000 to May 2004, and has been a supervisor and the chief supervisor of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since May 2004 and May 2008, respectively.

**Mr. Wang Fanghua**, aged 64, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director of the Company since then. He has 44 years of working experience. He obtained a master's degree in economics from Fudan University in January 1987 and then worked at Fudan University from July 1994 to April 1998 as assistant to the Dean of the School of Management and the head of the Department of Business Administration of Fudan University from July 1994 to April 1998. Mr. Wang has been the vice-dean, general vice-dean, dean of the School of Management and is currently the special principal consultant and the principal of the Antai College of Economics & Management of Shanghai Jiao Tong University (上海交通大學) since April 1998. Mr. Wang was an independent director of Shanghai Jinjiang International Hotels Development Co. Ltd. (a company listed on the Shanghai Stock Exchange) from August 2003 to May 2009. Mr. Wang has been an independent director of Shanghai Oriental Pearl Co. Ltd. (a company listed on the Shanghai Stock Exchange) from June 2005 to May 2011. Mr. Wang has been an independent director of each of Shenzhen Auto Electric Power Plant Co. Ltd. (a company listed on the Shenzhen Stock Exchange), Shanghai New World Co. Ltd. (a company listed on the Shanghai Stock Exchange) and Shanghai Mechanical and Electrical Co. Ltd. (a company listed on the Shanghai Stock Exchange) since March 2007, June 2008 and August 2010 respectively.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Tao Wuping**, aged 56, independent non-executive Director, joined the Group on 16 January 2003, and has been an independent non-executive Director of the Company since then. Mr. Tao is a lawyer. He has around 41 years of working experience, over 27 years of which is for practising law. Mr. Tao obtained a master's degree in law, majoring in international economic law, from Fudan University in June 1997. He has been the head of Shen Da Law Firm, a visiting law professor of Shanghai Institute of Foreign Trade, a part-time professor at the Law and Politics College of East China Normal University, and the honorary dean and a part-time professor at the Law and Politics College of Shanghai Normal University since August 1994, March 2002, June 2003, and September 2003, respectively. Mr. Tao was recognized as the "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

**Mr. Xie Rong**, aged 59, independent non-executive Director, joined the Group on 25 April 2005, and has been an independent non-executive Director since 30 August 2007. Before his appointment as an independent non-executive Director was formally approved by the relevant shareholders' resolution in August 2007, he had already been acting in such capacity since 25 April 2005. He has around 43 years of working experience. He obtained a doctorate degree in economics, majoring in accounting from Shanghai University of Finance & Economics, in January 1993. He was previously the deputy head of the Accounting Department of Shanghai University of Finance & Economics and a partner of KPMG China from September 1994 to November 1997 and from December 1997 to October 2002, respectively. Mr. Xie has been a director of SAIC Motor Co. Ltd. (a company listed on the Shanghai Stock Exchange) since April 2003 and was its independent director from April 2003 to June 2008. Mr. Xie was an independent non-executive director of each of China Shipping Development Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and China Eastern Airlines Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from May 2003 to May 2009 and from June 2003 to May 2010, respectively. Mr. Xie has been an independent non-executive director of each of China CITIC Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and Tianjin Capital Environmental Protection Group Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and Shanghai Baosight Software Co. Ltd. since February 2007, April 2008 and April 2010, respectively. Mr. Xie is currently the vice president of the Shanghai National Accounting Institute, a member of the Master of Accounting Professional Education Guidance Committee of the State Department Degree Committee, a standing commissioner of the China Auditing Institute and standing commissioner of the China Accounting Institute.



**Mr. Zhou Bajun**, aged 62, independent non-executive Director, joined the Group on 19 August 2009, and has been an independent non-executive Director since then. He has over 27 years of working experience, over 11 years of which is in the PRC securities market. Mr. Zhou obtained a doctorate degree in Economics from East China Normal University in October 1988. Mr. Zhou worked as deputy general manager of the China Business Department of Hong Kong Construction (Holdings) Limited (currently known as “Hong Kong Construction (Hong Kong) Limited”) from March 1999 to February 2000. Mr. Zhou has been a senior research fellow of China Everbright Holdings Company Limited since February 2002, and has also been a director and later a responsible officer of China Everbright Research Limited since March 2000 and August 2004, respectively. Mr. Zhou is a member of the Commission on Strategic Development of Hong Kong and a standing commissioner of the Hong Kong and Macau Research Center of Shanghai Academy of Social Science.

### SUPERVISORS

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**Mr. Yao Fang**, aged 42, the chief Supervisor, has around 18 years of working experience. He obtained a bachelor's degree in economics from Fudan University in July 1989 and a master of business administration degree from The Chinese University of Hong Kong in December 1993. Mr. Yao worked in Shanghai Wanguo Securities Co. Ltd. (currently known as Shenyin & Wanguo Securities Co. Ltd.) from 1993 to 1996, where his final position is assistant general manager of the International Business Department. Mr. Yao worked in Shanghai Shang Shi Assets Operation and Management Co. Ltd., from June 1996 to December 2002 where his final position is general manager. From January 2003 to October 2005, he served as the general manager of Shang Shi Management (Shanghai) Co. Ltd.. From November 2005 to December 2008, he served as managing director of Shanghai Industrial Pharmaceutical Investment Co. Ltd. (stock code: 600607) listed on Shanghai Stock Exchange. From December 2008 to December 2009, he worked as the chairman of Shanghai Overseas Co. Ltd.. From May 2003 to 31 December 2009, he served as an executive director of Shanghai Industrial Holding Limited (stock code: 0363) listed on Hong Kong Stock Exchange. Mr. Yao served as the standing deputy general manager and the chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since April 2010 and became the deputy chairman and president of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since 9 June 2010. He has served as a non-executive director of Biosion Bio-technology and science incorporation (Stock code: 8247) listed on the Hong Kong Stock Exchange since 24 January 2011. He has been the vice chairman of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. since June 2010. He has served as the Supervisor of the Company since 7 January 2011.

**Mr. Lian Wanyong**, aged 41, joined the Group on 22 December 2008, and has been a non-executive Director since 7 January 2011. He has over 15 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002. Mr. Lian was previously the manager of the operation and audit department of China National Group Corp. of Traditional & Herbal Medicine and a deputy head of the financial assets management department of CNPGC from January 2004 to June 2005 and from June 2005 to February 2008, respectively. Mr. Lian has been the head of the investment management department of CNPGC since February 2008.

## Biographies of Directors, Supervisors and Senior Management

**Ms. Zhang Jian**, aged 38, joined the Group on 16 June 2005, and has been a Supervisor since 12 September 2008 and the head of the auditing department of the Company since February 2008. She has around 13 years of working experience. She obtained a bachelor's degree in economics, majoring in accounting, from Shanghai University of Finance & Economics in July 1997. Ms. Zhang obtained a master degree of EMPACC from Shanghai National Accounting Institute in July 2009. She is a non-practicing PRC certified public accountant. She is currently the supervisor of Sinopharm Holding Shanxi Co. Ltd., China National Pharmaceutical Group Xinjiang Medicines Co. Ltd., Beijing Tianxingpuxin BioMed Co. Ltd. and Sinopharm Medicine Holding Beijing HuaHong Co. Ltd.

### COMPANY SECRETARIES

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**Mr. Ma Wanjun** as one of the joint company secretaries, is also the vice president and board secretary of the Group. Please refer to the section headed "senior management" for Mr. Ma's biography.

**Dr. Liu Wei**, is currently the managing partner of China Service and the managing partner of Beijing Office of DLA Piper. Dr. Liu has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and in England. Dr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge, with a bachelor in Chinese literature, a master degree in law, a PhD in Law in 1982, 1986 and 1996 respectively. He also completed his Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong in 2000. Dr. Liu was the first PRC student to obtain a PhD in law from the University of Cambridge after 1949. Dr. Liu worked for several local and state PRC governmental authorities. He is currently a member of the Shaanxi CPPCC. Dr. Liu is the chairman of DLA Piper's China Group and the partner in charge of the PRC affairs and practice and he keep a good relation with the government of PRC. In 1988, Dr. Liu, as one of the lawyers working in Hong Kong in the early stage, participated in the drafting of the Hong Kong Basic Laws, and then he was retained by the Securities and Futures Commission as a PRC affairs officer responsible for the supervision and policies of red chip shares, H-shares and B-shares, and was responsible for coordination with the China Securities Regulatory Commission, Shenzhen Stock Exchange and Shanghai Stock Exchange.

### SENIOR MANAGEMENT

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**Mr. Wei Yulin**, is the president of the Company. Please refer to the section headed "Directors" above for Mr. Wei's biography.

**Mr. Li Guangpu**, aged 54, joined the Company on May 2010, and has been a vice president of the Company since then. He has over 32 years of working experience, over 27 years of which is management experience in the pharmaceutical industry. Mr. Li completed his undergraduate education in Chinese medicine at the College of Chinese Traditional Medicine of Guangzhou University of Chinese Medicine (廣州中醫學院中藥系) in January 1982 and obtained a master's degree in business administration from Jinan University in Guangzhou in June 2002. He was the general manager of and secretary to the Party Committee of China National Group Corp. of Traditional & Herbal Medicine, the vice chairman of China Association of Traditional Chinese Medicine, the pharmaceutical department head and the deputy manager of Guangzhou Medical Station (廣州醫藥站) and the general manager of and secretary to the Party Committee of CNPGC Guang Zhou Branch from July 2003 to May 2010. He has been the executive director of Sinopharm Logistics Co. Ltd. since October 2010.



**Ms. Shen Linian**, aged 54, joined the Group on 16 January 2003, and has been a vice president of the Company since then. She has over 34 years of working experience, over 12 years of which is management experience in the pharmaceutical and healthcare products industry. Ms. Shen obtained a master's degree in business administration (specializing in International Business) from the Maastricht School of Management in August 2001 and completed her postgraduate education in political economics at Jiangsu Province Administration Institute in July 2006 and obtained a master degree in business administration of senior management from Antai College of Economics & Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. She was previously an assistant to the general manager and the head of the general manager's office of China National Pharmaceutical Group Shanghai Corporation from November 1998 to November 1999, and then was their deputy general manager from November 1999 to January 2003. She was the chairman of Sinopharm Holding Shanxi Co. Ltd., Sinopharm Holding Suzhou Co. Ltd. and Sinopharm Holding Gansu Co. Ltd. from May 2010 to November 2011.

**Mr. Lu Jun**, aged 53, joined the Group on 8 January 2003, and has been a vice president of the Company since 29 June 2004. He served as the assistant to the general manager of the Company, the general manager of medicine retail business department and the head of the investment department of the Company concurrently from April 2003 to June 2004. He has over 34 years of working experience, over 11 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Lu obtained a master's degree in business administration (specializing in International Business) from the Maastricht School of Management in August 2001 and obtained a master degree of Business Management in Antai College of Economic and Management of Shanghai Jiao Tong University (上海交通大學) in December 2009. Mr. Lu was previously the general manager of each of China National Pharmaceutical Group Shanghai Likang Medicine Co. Ltd., Shanghai Guoda Pharmacy Chain Store Co. Ltd. and Sinopharm Holding Guoda Drug Store Co. Ltd. from August 1998 to January 2001, from January 2001 to December 2004 and from June 2004 to June 2008, respectively. Mr. Lu was also a director of China National Accord Medicines Corporation Ltd. from September 2007 to December 2008 and of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. from March 2009 to August 2009, Sinopharm Holding Fujian Co. Ltd. from January 2010 to November 2011, Sinopharm Jiangxi from March 2010 to November 2011, Yujia Medical Service Co. Ltd. since September 2010, Sinopharm Holding Changzhou Co. Ltd. since December 2010 and Sinopharm Holding Shanxi Co. Ltd. since March 2011. Mr. Lu has been the chairman of Sinopharm Holding Guoda Drug Store Co. Ltd. and Sinopharm Holding Chongqing Co. Ltd. from July 2008 to November 2011 and from August 2010 to November 2011. He is currently the chairman of Sinopharm Holding Lingyun Co. Ltd., Sinopharm Holding Jiangsu Co. Ltd., Sinopharm Holding Suzhou Co. Ltd., Sinopharm Shandong, Sinopharm Holding Anhui Co. Ltd., Sinopharm Holding Nantong Co. Ltd., Sinopharm Holding Zhejiang Co. Ltd., Sinopharm Holding Wenzhou Co. Ltd..

## Biographies of Directors, Supervisors and Senior Management

**Mr. Wu Aimin**, aged 41, joined the Group on 3 July 2003, and has been a vice president of the Company since 13 December 2006. He was chief financial officer of the Company from July 2003 to December 2006. Mr. Wu was the secretary to the Board and one of the joint company secretaries from 20 March 2008 to 23 February 2012 and 31 August 2009 to 22 March 2012, respectively. Mr. Wu has around 18 years of working experience, all of which is financial management experience. He obtained a bachelor's degree in engineering, majoring in technical economy, from Hunan University in July 1992 and a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in December 2006. He is a qualified accountant in the PRC. He previously worked as a manager of Suzhou Asset Appraisal Firm and as a partner of Jiangsu Renhe Assets Appraisal Co. Ltd. from August 1992 to June 1998 and from June 1998 to October 1999, respectively. Mr. Wu was also the chief financial officer of V V Food & Beverage Co. Ltd. (a company listed on the Shanghai Stock Exchange) from October 1999 to June 2003 and a director of China National Medicines Co. Ltd. from December 2005 to May 2009. Mr. Wu has been a director of China National Accord Medicines Corporation Ltd. since January 2005 and a supervisor of China National Medicines Co. Ltd. from May 2009 to October 2011. Mr. Wu was also the director of Sinopharm Holding Hongkong Co. Limited, Sinopharm Holding Guoda Drug Store Co. Ltd., Sinopharm Chemical Reagent Ltd. from January 2009 to October 2011, March 2010 to October 2011 and March 2010 to October 2011, respectively. He was the chairman of Sinopharm Holding Zhejiang Co. Ltd. from May 2010 to October 2011.

**Mr. Shi Jinming**, aged 44, joined the Group on 8 January 2003, and has been a vice president of the Company since 9 January 2009. He has over 21 years of working experience, over 16 years of which is management experience. Mr. Shi obtained a bachelor's degree in Economics, majoring in trade and economy, from Shanghai University of Finance and Economics in July 1989 and a master's degree in business administration for executives from Sun Yat-sen University in June 2005. Mr. Shi was previously the general manager of China National Accord Medicines Corporation Ltd. from February 2004 to December 2008, and has been their chairman and director since January 2009. Mr. Shi has also been the chairman of each of China National Pharmaceutical Group Southwest Medicine Co. Ltd., Sinopharm Holding Hubei Co. Ltd. and Sinopharm Holding Hunan Co. Ltd. since February 2009, and has been the chairman of each of Sinopharm Holding Yunnan Co. Ltd., Sinopharm Holding Fuzhou Co. Ltd. and Sinopharm Holding Hainan Co. Ltd., Sinopharm Holding Jiangxi Co. Ltd., Sinopharm Holding Guizhou Co. Ltd. and Sinopharm Holding Chongqing Co. Ltd. since November 2009, December 2009 and December 2009, March 2010, March 2010 and November 2011. He is currently an executive director of Sinopharm Holding Distribution Co. Ltd. and a director of Sinopharm Holding Hongkong Co. Limited.

**Mr. Liu Yong**, aged 42, joined the Group on 8 January 2003, and has been a vice president of the Company since 9 January 2009. He has over 18 years of working experience, over 14 years of which is management experience. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises, from China Pharmaceutical University in July 1992 and a master's degree in business administration from Fudan University in January 2000. He was previously a deputy general manager of Shanghai Guoda Pharmacy Chain Store Co. Ltd. from April 2000 to April 2003. Mr. Liu was the general manager of Sinopharm Holding Shenyang Co. Ltd. from April 2003 to December 2008 and has been the chairman of Sinopharm Holding Shenyang Co. Ltd. from January 2009 to November 2011. He has also been the chairman of Sinopharm Holding Henan Co. Ltd., Sinopharm Chemical Reagent Ltd., China National Pharmaceutical Group Shanghai Likang Medicine Co. Ltd. and Sinopharm Holding Jilin Co. Ltd. from February 2009 to October 2010, February 2009 to March 2010, February 2009 to October 2010 and May 2010 to November 2011. He is currently the chairman of Sinopharm Holding Anhui Co. Ltd., Sinopharm Holding Beijing Co. Ltd., Beijing Kangchen Pharmaceutical Co. Ltd. (北京康辰藥業有限公司), China National Medicines Co. Ltd. and Sinopharm Holding Guoda Drug Store Co. Ltd.

**Mr. Li Zhiming**, aged 49, joined the Company in May 2010, and has been the vice president since then. He has more than 31 years of working experience, over 21 years of which is management experience. Mr. Li graduated from the economic management discipline of the Urumuqi Branch of Xi'an Military Academy (西安陸軍學院烏魯木齊分院). He was the deputy secretary to the Party Committee, vice chairman and general manager of Xinjiang Pharmaceutical Group Company (新疆藥業集團公司) from October 2003 to January 2008. He was the secretary to the Party Committee, chairman and general manager of Xinjiang Pharmaceutical Group Company from January 2008 to February 2009. He has been the secretary to the Party Committee, chairman and general manager of China National Pharmaceutical Group Xinjiang Medicines Co. Ltd. since February 2009. He is currently the chairman of Sinopharm Holding Tianjin Co. Ltd., Sinopharm Holding Heilongjiang Co. Ltd., Sinopharm Holding Shenyang Co. Ltd., Sinopharm Holding Jilin Co. Ltd., Sinopharm Holding Neimeng Co. Ltd., Sinopharm Holding Ningxia Co. Ltd., Sinopharm Holding Shaanxi Co. Ltd., etc..

**Mr. Cai Zhongxi**, aged 46, joined the Company as vice president of the Company since May 2010. He has over 22 years of working experience, over 20 years of which is management experience. Mr. Cai graduated from the military medical discipline of Second Military Medicine University in July 1989. He obtained a master's degree in business administration from the School of Management of Maastricht University of the Netherlands in August 2000 and a doctorate degree in business administration from the Southwestern University of the United States in September 2002. Mr. Cai was a doctor of 302 Military Hospital from August 1989 to April 1991. He held various positions in China National Pharmaceutical Group Shanghai Corporation, including deputy manager of specialized medicines department, assistant to general manager, deputy general manager, deputy general manager of general affairs and general manager, from August 1995 to December 2005. He was the chairman of Shanghai Yijia Medical Equipment Co. Ltd. (上海倚嘉醫療器械有限公司) from January to July 2006 and was the chairman and general manager of Shanghai Shengtai Medical Technology Co. Ltd. (上海盛泰醫療科技有限公司) from July 2006 to November 2011. He has also been the chairman of and executive director Shanghai Huyong Medicines Co. Ltd. (上海滬甬醫藥有限公司), and a chairman of China National Pharmaceutical Group Shanghai Likang Medicine Co. Ltd. Since October 2010 the chairman of Yujia Medical Service Co. Ltd. and Sinopharm Medicine Holding Beijing HuaHong Co. Ltd. since November 2011.

**Mr. Ma Wanjun**, aged 43, acted as vice president of the Company since September 2010. He has been the secretary to the Board and one of the joint company secretaries since 23 February and 22 March 2012 respectively. Mr. Ma has nearly 21 years of working experience, over 11 years of which is management experience. He obtained a bachelor of science degree in chemistry from Nankai University in July 1991 and an EMBA from China Europe International Business School in September 2006. He is a chief pharmacist. He was a business officer and manager in purchase and supply station of China National Pharmaceutical (Group) Tianjin Corporation from July 1991 to November 1999, and deputy general manager and deputy general manager of general affairs of China National Pharmaceutical (Group) Tianjin Corporation from December 1999 to May 2003. From May to December 2003, he was the deputy general manager of Pharmaceutical Business Department of Sinopharm Holding Medicines Co. Ltd.. From December 2003 to September 2004, he served as the general manager of Sinopharm Holding Tianjin Co. Ltd.. From December 2009 to September 2010, he served as the deputy general manager of the operation centre of the Company, he is currently the director of China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd., China National Medicines Co. Ltd. and Yujia Medical Service Co. Ltd., and also the chairman of Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd., Sinopharm Holding Henan Co. Ltd. and Sinopharm Healthy Industry(Shanghai) Co. Ltd.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Xu Shuangjun**, aged 43, acted as vice president of the Company since March 2011. He has 26 years of working experience, 18 years of which is management experience in the pharmaceutical industry. He graduated from the School of Pharmacy of the Second Military Medical University in Shanghai and obtained a bachelor's degree in medicine in 2001. He obtained a master's degree in business administration from the Macau University of Science and Technology in 2006 and has the qualifications of practicing pharmacist and chief pharmacist. He served as a manager of the operating branch and a deputy manager of Shijiazhuang City Medicines and Herbs Co. Ltd. (石家莊市醫藥藥材股份有限公司) from March 1999 to August 2004. He was the chairman and general manager of Hebei Zhongrui Medicines Co. Ltd. (河北中瑞醫藥有限公司) from August 2004 to December 2004. He served as the general manager and secretary to the Party Committee of Shijiazhuang Le Ren Tang Pharmaceutical Co. Ltd. (石家莊樂仁堂醫藥股份有限公司) from December 2004 to December 2005. He has been the chairman and general manager of and secretary to the Party Committee of Le Ren Tang Pharmaceutical Group Co. Ltd. since December 2005.

**Mr. Jiang Xiuchang**, aged 47, joined the Company in May 2010, and has been the chief financial officer of the Company since then. He has over 25 years of working experience, over 13 years of which is management experience. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986 and received his postgraduate education in corporate management from the School of Business of University of International Business and Economics in January 2005. Mr. Jiang joined China Medicines Corporation in July 1986 and was the deputy head of the department of information, reform office, finance department and department of pharmacy from May 1998 to March 2002. He also worked as deputy head, head and chief financial officer of the finance department of China National Medicines Co. Ltd. from March 2002 to May 2010. He is currently a director of China National Medicines Co. Ltd., China National Accord Medicines Corporation Limited, Sinopharm Lerentang Pharmaceutical Co. Ltd., Sinopharm Holding Hongkong Co. Ltd. and Sinopharm Group Finance Co. Ltd. and the supervisor of Sinopharm Holding Guoda Drug Store Co. Ltd. and Yujia Medical Service Co. Ltd. and Sinopharm Holding Distribution Co. Ltd. and Sinopharm Holding Beijing Co. Ltd..

# Report of the Board of Directors



The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

## PRINCIPAL BUSINESS

Our Group is the largest distributor of pharmaceutical and healthcare products, and a leading supply chain services provider in the PRC; it also operates the largest national pharmaceutical distribution network in the PRC according to the information of China Association of Pharmaceutical Commerce. The Group has been able to rapidly increase its market share and profits in a highly fragmented industry by taking advantage of its economies of scale and nationwide distribution network, through which the Group offers a wide range of value-added supply chain services for its customers and suppliers.

The Group has integrated operations in the following business segments, namely:

- **Pharmaceutical distribution segment:** Pharmaceutical distribution is the Group's principal business. The Group provides distribution, logistics and other value-added services for domestic and international manufacturers and other suppliers of pharmaceutical and healthcare products. The Group differentiates itself from its competitors in China by its geographic coverage, the breadth of its product portfolio and the strength of the supply chain services it provides to its customers and suppliers.
- **Retail pharmacy segment:** The Group has a network of retail drug stores that it directly operates or franchises in major cities throughout China.
- **Other business operations segment:** The Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and also the sale of medical equipment.

## RESULTS

The operating results of the Group is set out in the consolidated income statement on page 71 of this annual report.

## DIVIDENDS

Relevant resolution has been passed at a meeting of the Board held on 22 March 2012, and the Board proposed to distribute a final dividend (the "**Final Dividend**") of RMB0.19 per share for the year ended 31 December 2011, totalling RMB456,498,807. If the proposal in relation to the profit distribution is approved by the shareholders by way of an ordinary resolution at the 2011 annual general meeting to be held on Tuesday, 5 June 2012, the Final Dividend will be distributed on Friday, 20 July 2012 to holders of the H shares whose names appear on the register of members of H shares of the Company on Saturday, 16 June 2012.

## Report of the Board of Directors

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the “**CIT Law**”), the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the CIT Law. The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

Any resident enterprise as defined under the CIT Law which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% corporate income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document (the “**Notice**”) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld from the Final Dividend payable to any individual shareholders whose names appear on the H share register of members of the Company on 16 June 2012, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities.

### **PRINCIPAL SUBSIDIARIES**

The names, principal places of business, places of incorporation and details of share capital in issue of the Group's principal subsidiaries are set out in note 43 to the financial statements.



### RESERVES

Movements in reserves during the Reporting Period are set out in the consolidated statement of changes in equity on page 77 of this annual report, while the details of which during the Reporting Period are set out in note 31 to the financial statements.

### DISTRIBUTABLE RESERVES

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits (i.e. the Company's profit after tax after offsetting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities) before payment of any dividend on shares).

According to the articles of association of the Company (the "**Articles of Association**"), for the purpose of determining profit distribution, the profit distribution of the Company is the lesser of its profit after tax determined in accordance with: (i) the PRC accounting standard and regulations; and (ii) Hong Kong Financial Reporting Standards.

In year 2011, distributable reserves of the Group, calculated based on the above principles and after deducting the above dividends, amounted to approximately RMB401.8 million, which is prepared in accordance with the HKFRS.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

Details of changes in investment properties and property, plant and equipment of the Group during the Reporting Period are set out in notes 17 and 18 to the financial statements.

### BORROWINGS

The details of borrowings of the Group are set out in note 32 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

For the year ended 31 December 2011, none of the Directors, Supervisors, their respective Associates and any shareholder of the Company (who to the knowledge of the Board owns more than 5% of the share capital of the Company) had any interest in the 5 largest customers or the 5 largest suppliers of the Group.



## CONTINUING CONNECTED TRANSACTIONS

### Continuing connected transactions in 2011

As disclosed in the Prospectus, the Company was granted a waiver in relation to certain continuing connected transactions for a period of three years by the Hong Kong Stock Exchange, which expired on 31 December 2011. The date of transactions, parties involved, nature of transactions, price, annual caps approved by the Hong Kong Stock Exchange for the year ended 31 December 2011 and actual annual transaction amount in relation to these continuing connected transactions are set out below. Unless otherwise defined herein, terms used below shall have the same meanings as defined in the Prospectus.

### Master Agreements

Date: 31 August 2009 or 4 September 2009 (as the case may be)

Parties: The Company as supplier and/or purchaser on the one hand; and (i) CNPGC and its Associates; (ii) Fosun Pharma and its Associates; (iii) Zhejiang Intmedic; or (iv) Qianxitang Pharmaceutical as purchaser and/or supplier (as the case may be) on the other hand

Terms: (i) the Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with the Controlling Shareholder; (ii) the Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with Zhejiang Intmedic; (iii) the Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with Qianxitang Pharmaceutical; and (iv) the Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with the Controlling Shareholder shall commence from the date of the relevant Master Agreement and shall expire on 31 December 2011, unless at any time either party gives at least three months' prior written notice of termination to the other party.

(i) the Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with Fosun Pharma and (ii) the Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with Fosun Pharma shall commence from the date of their approval by the shareholders of Fosun Pharma and shall expire on 31 December 2011, unless at any time either party gives at least three months' prior written notice of termination to the other party.





- Nature of Transactions: (a) Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with the Controlling Shareholder
- (i) sale of pharmaceutical products, healthcare products and medical supplies; and (ii) other related or ancillary goods and services by the Group to CNPGC and its Associates
- (b) Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with Fosun Pharma
- (i) sale of pharmaceutical products, healthcare products and medical supplies; and (ii) other related or ancillary goods and services by the Group to Fosun Pharma and its Associates
- (c) Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with Zhejiang Intmedic
- (i) sale of pharmaceutical products, healthcare products and medical supplies; and (ii) other related or ancillary goods and services by the Group to Zhejiang Intmedic
- (d) Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with Fosun Pharma
- (i) purchase of pharmaceutical products, healthcare products and medical supplies; and (ii) other related or ancillary goods and services by Fosun Pharma and its Associates to the Group
- (e) Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with Qianxitang Pharmaceutical
- (i) purchase of pharmaceutical products, healthcare products and medical supplies; and (ii) other related or ancillary goods and services by Qianxitang Pharmaceutical to the Group
- (f) Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with the Controlling Shareholder
- (i) purchase of pharmaceutical products, healthcare products and medical supplies; and (ii) other related or ancillary goods and services by CNPGC and its Associates to the Group

## Report of the Board of Directors

It is envisaged that from time to time and as required, individual written implementation agreements may be entered into between the Group and: (i) CNPGC and/or its Associates; (ii) Fosun Pharma and/or its Associates; (iii) Zhejiang Intmedic; or (iv) Qianxitang Pharmaceutical, under the above Master Agreements.

Price: Each relevant product or service must be provided in accordance with the following general pricing principles:

- state-prescribed price;
- where there is no state-prescribed price, then according to state guidance price;
- where there is neither state-prescribed price nor state guidance price, then according to relevant market price; or
- where none of the above prices exists, then according to the price to be agreed between the parties. The agreed price will be calculated based on the actual cost or reasonable cost (whichever is lower) incurred in providing such product or service plus a reasonable profit.

The table below sets out the relevant annual caps approved by the Hong Kong Stock Exchange and the actual transaction figures for the year ended 31 December 2011 in relation to the above continuing connected transactions:

Transaction	Annual Caps for 2011 (RMB million)	Actual Figures for the year ended
		31 December 2011 (RMB million)
1. Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with the Controlling Shareholder	390	218
2. Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with Fosun Pharma*	300	70
3. Master Pharmaceutical Products, Healthcare Products and Medical Supplies Sales Agreement with Zhejiang Intmedic	658	346
4. Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with Fosun Pharma*	600	143
5. Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with Qianxitang Pharmaceutical#	42	0
6. Master Pharmaceutical Products, Healthcare Products and Medical Supplies Procurement Agreement with the Controlling Shareholder	4,000	1,758



\* Mr. Guo Guangchang resigned as a non-executive Director of the Company since 31 May 2010. Pursuant the Listing Rules, Mr. Guo Guangchang was no longer a connected person to the Company since 31 May 2011, and Fosun Pharma was no longer a connected person of the Company due to being an associate of Mr. Guo Guangchang since 31 May 2011. The aforesaid trading amount in respect of the continuing connected transactions between the Company and Fosun Pharma in year 2011 was calculated as at 30 May 2011.

# The Company has completed the acquisition of the business of Qianxitang Pharmaceutical in June 2011. Therefore, there will be no continuing connected transactions between the Company and Qianxitang Pharmaceutical afterwards.

Independent non-executive Directors had reviewed the above continuing connected transactions and confirmed, that in the financial year of 2011 these transactions have been entered into:

- (i) in the ordinary and usual course of business of the Company;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had informed the Board and confirmed that in the financial year of 2011 the above-mentioned continuing connected transactions:

1. were approved by the Board;
2. were in accordance with pricing policy of the Company
3. the terms of abovementioned transactions were written in accordance to its trading agreements; and
4. did not exceed the annual caps disclosed in the Prospectus and the Company's announcements dated 24 March 2010 and 18 April 2010.

For the year ended 31 December 2011, save as the disclosed above, there is no other related party transaction or continuing related party transaction set out in note 42 to the financial statements which constitutes connected transaction or continuing connected transaction under the Listing Rules. In respect of the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION AGREEMENT**

Since the aforesaid Master Agreements and the relevant annual caps for the continuing connected transactions contemplated thereunder have expired on 31 December 2011, on 11 November 2011, the Company and CNPGC (controlling shareholder of the parent Company and connected person of the Company) renewed the master procurement agreement of pharmaceutical products, personal-care

## Report of the Board of Directors

supplies and medical equipment (the “**Procurement Agreement**”) and the sales agreement of pharmaceutical products, personal-care supplies, medical equipment, chemical reagents and laboratories supplies (the “**Sales Agreement**”), respectively, both with a term from 1 January 2012 to 31 December 2014. The parties also set the annual caps for the three years ending 31 December 2014 for the continuing connected transactions contemplated under the Procurement Agreement and the Sales Agreement.

In accordance with the Listing Rules, the Company had published relevant announcement regarding signing of the Sales Agreement and the Procurement Agreement. The independent shareholders of the Company had approved the renewal of the Procurement Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2014 in the extraordinary general meeting held on 31 December 2011. In accordance with the Listing Rules, no independent shareholders’ approval is required for renewal of the Sales Agreement and the annual caps for the continuing connected transactions thereunder for the three years ending 31 December 2014.

### **DIRECTORS AND SUPERVISORS**

During the year and as of the date of this annual report, the Directors and Supervisors are as follows:

#### **Executive Director**

Mr. Wei Yulin

#### **Non-Executive Directors**

Mr. She Lulin

Mr. Chen Wenhao

Mr. Zhou Bin

Mr. Chen Qiyu

Mr. Wang Qunbin

Mr. Deng Jindong

Mr. Fan Banghan

Mr. Liu Hailiang

#### **Independent Non-executive Directors**

Mr. Wang Fanghua

Mr. Tao Wuping

Mr. Xie Rong

Mr. Zhou Bajun

#### **Supervisors**

Mr. Yao Fang

Mr. Lian Wanyong

Ms. Zhang Jian



### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years commencing on 22 September 2008, 22 December 2008, 19 August 2009, 31 May 2010 or 7 January 2011 (as the case may be), which is subject to termination in certain circumstances as stipulated in the relevant contract.

None of the Directors and Supervisors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **TERMS OF OFFICE OF DIRECTORS AND SUPERVISORS**

According to the Articles of Association, the term of office of each Director and Supervisor shall be three years commencing from the date when they are appointed or re-elected. All Directors and Supervisors may be re-appointed or re-elected upon the expiration of their terms of office.

### **BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Biographies of the Directors, Supervisors and senior management are set out from page 36 to 46 of this annual report.

### **REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**

The Remuneration Committee considers and makes recommendation to the Board of Directors on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The Company determines the remuneration of the Directors on the basis of their qualifications, experience and contributions. Details of the remuneration of Directors are set out in note 11 to the financial statements. The five highest paid individuals of the Group in the year include one Director. Details of the five highest paid individuals are set out in note 11 to the consolidated financial statements from page 116 of this annual report.

## INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

For the year ended 31 December 2011, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) subsisting in which a Director or Supervisor is or was materially interested, whether directly or indirectly.

For the year ended 31 December 2011, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director or Supervisor has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

For the year ended 31 December 2011, none of the Directors or Supervisors was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

## INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at 31 December 2011, four non-executive Directors, namely Mr. Wang Qunbin, Mr. Fan Banghan, Mr. Chen Qiyu and Mr. Liu Hailiang had interest in businesses which compete or likely to compete, either directly or indirectly with the business of the Group. Mr. Wang Qunbin, is a non-executive director of one of the Fosun Distribution Companies and two of the Fosun Production Companies. Mr. Fan Banghan, is a non-executive director of each of the Fosun Distribution Companies and certain of the Fosun Retail Companies. Mr. Chen Qiyu is director of some of the Fosun Production Companies. Mr. Liu Hailiang, is the chief supervisor of Fosun Pharma.

Certain of the Fosun Distribution Companies, the Fosun Production Companies and the Fosun Retail Companies are wholly-owned or controlled by Fosun Pharma. Set out below is a summary of the facts and circumstances regarding the Fosun Distribution Companies, the Fosun Production Companies and the Fosun Retail Companies:

### (i) Fosun Distribution Companies

#### Description of business

The Fosun Distribution Companies principally engage in the distribution of medicines in the PRC.

For the nine months ended 30 September 2011, the aggregate revenue of the Fosun Distribution Companies attributable to their medicines distribution business was approximately RMB6.37 million, representing only approximately 0.84% of the Company's total audited revenue for the same period. Given the insignificant size of the Fosun Distribution Companies' total revenue generated from the distribution of medicines and the fact that such total revenue covered not only Western medicines but also Chinese medicines, the Directors believe that there is no material competition between the Fosun Distribution Companies and the Group.



### **Independence**

The Company is financially independent from the Fosun Distribution Companies. It is also operationally independent from the Fosun Distribution Companies. Even though there is sale of pharmaceutical products to all of the Fosun Distribution Companies, such aggregate revenue represents only approximately 0.01% of the Company's total audited revenue for the year ended 31 December 2011. Furthermore, even though there is purchase of pharmaceutical products from all of the Fosun Distribution Companies, such costs represent only approximately 0.06% of the Company's total audited costs for the year ended 31 December 2011.

As mentioned above, Mr. Wang Qunbin, who is a non-executive Director, is a director of one of the Fosun Distribution Companies. Mr. Fan Banghan, who is a non-executive Director, is a director of certain of the Fosun Distribution Companies. Other than these two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Distribution Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Distribution Companies.

### **(ii) Fosun Production Companies**

#### **Description of business**

The Fosun Production Companies principally engage in the production of medicines in the PRC. The medicines produced by the Fosun Production Companies are mainly for the treatment of malaria, hepatic diseases, diabetes and gynaecological diseases, which are different and easily distinguishable from those produced by the Company, i.e. therapeutic products such as anti-infectious, respiratory, cardiovascular and gastrointestinal medicines. There is no overlap between the Company's products and those of the Fosun Production Companies.

The Core Business of the Company is the distribution of Western medicines in the PRC, not production of medicines. In addition, the Company only produces Western medicines and the production of Western medicines by the Company accounted for only approximately 2.32% of the Company's total audited revenue for the year ended 31 December 2010. Furthermore, because, as discussed in the previous paragraph, there is a clear delineation between the medicines produced by the Company and those produced by the Fosun Production Companies, the Directors believe that there is no competition between the Fosun Production Companies and the Company.

## **Independence**

The Company is financially independent from the Fosun Production Companies. It is also operationally independent from the Fosun Production Companies. Even though there is sale of pharmaceutical products to certain of the Fosun Production Companies and also sale of chemical reagent and laboratory supplies to them, such aggregate revenue represents only approximately 0.09% of the Company's total audited revenue for the year ended 31 December 2011. Even though there is purchase of pharmaceutical products from certain of the Fosun Production Companies, such costs represent only approximately 0.36% of the Company's total audited costs for the year ended 31 December 2010.

As mentioned above, Mr. Wang Qunbin, who is a non-executive Director, is a director of two of the Fosun Production Companies. Mr. Chen Qiyu, who is a non-executive Director, is a director of certain of the Fosun Production Companies. Other than these two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Production Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Production Companies.

## **(iii) Fosun Retail Companies**

### **Description of business**

The Fosun Retail Companies only engage in the operation of retail drug stores in the PRC.

The Core Business of the Company is the distribution of Western medicines in the PRC, not operation of retail drug stores. In addition, the operation of retail drug stores by the Fosun Retail Companies accounted for only approximately 0.52% of the Company's total audited revenue for the year ended 30 September 2011. Since operation of retail drug stores is not the Core Business of the Company, the Directors believe that there is no material competition between the Fosun Retail Companies and the Company.

### **Independence**

The Company is financially independent from the Fosun Retail Companies. It is also operationally independent from the Fosun Retail Companies. Even though there is sale of pharmaceutical products to two of the Fosun Retail Companies, such aggregate revenue represents only approximately 0.05% of the Company's total audited revenue for the year ended 31 December 2010.





Mr. Fan Banghan, the non-executive Director, is a director of certain of the Fosun Retail Companies. Other than these two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Retail Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Retail Companies.

### **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES IN THE GROUP AND ITS ASSOCIATED CORPORATIONS**

To the best knowledge of the Directors, as at 31 December 2011, none of the Directors, Supervisors and the chief executive of the Company and their respective associates have interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or required to be kept in the register under Section 352 of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

### **RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE**

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors, Supervisors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the year 2011 or any time during the year.

## Report of the Board of Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of share in the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
CNPGC	Domestic shares	Beneficial owner	2,728,396 (Note 2)	0.11	0.17	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	65.41	99.83	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	65.41	99.83	Long position
Qishen Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	65.41	99.83	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	65.41	99.83	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	65.41	99.83	Long position
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	65.41	99.83	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	65.41	99.83	Long position

## Report of the Board of Directors

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of share in the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position/ shares available for lending
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	65.41	99.83	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 9)	65.41	99.83	Long position
Capital Research and Management Company	H shares	Investment manager	74,959,025	3.12	9.05	Long position
NSSF	H shares	Beneficial owner	62,753,102	2.61	7.58	Long position
Blackrock, Inc	H shares	Interested of controlled corporation (Note 10)	51,137,271	2.13	6.17	Long position
			4,079,262	0.17	0.49	Short position
Government of Singapore Investment Corporation Pte Ltd	H shares	Investment manager	50,604,400	2.11	6.11	Long position
Mirae Asset Global Investments (Hong Kong) Limited	H shares	Investment manager	40,648,000	1.69	4.91	Long position
JP Morgan Chase & Co.	H shares	Beneficial owner, Investment manager, Custodian corporation/ approved lending agent (Note 11)	42,254,149	1.76	5.10	Long position
			2,108,230	0.09	0.25	Short position
			38,079,749	1.58	4.60	Shares available for lending
Matthews International Capital Management, LLC	H shares	Investment manager	41,692,800	1.74	5.03	Long position

## Report of the Board of Directors

### Notes:

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is interested in 2,728,396 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns a 51% of the equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.
- (3) Qishen Company is the beneficial owner of a 49% equity interest in Sinopharm Investment and, therefore, Qishen Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun Pharma is the beneficial owner of a 100% equity interest in Qishen Company and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun High Technology is the beneficial owner of a 49.03% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (6) Fosun Company is the beneficial owner of 100% shareholding in Fosun High Technology and, therefore, Fosun Company is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun Holdings is the beneficial owner of 78.24% shareholding in Fosun Company and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Fosun International Holdings is the beneficial owner of 100% shareholding in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (9) Mr. Guo Guangchang is the beneficial owner of 58% shareholding in Fosun International Holdings and 0.006% equity interest in Fosun Pharma and, therefore, Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (10) Blackrock, Inc is interested in long position of 51,137,271 H shares and short position of 4,079,262 H shares of the Company indirectly through its controlled corporations.
- (11) JP Morgan Chase & Co. is the beneficial owner of long position of 4,165,200 H shares of the Company and short position of 2,099,030 H shares of the Company. It is also interested in long position of 38,088,949 H shares and short position of 9,200 H shares of the Company indirectly through its controlled corporations.

Save as the disclosed above, to the best knowledge of the Directors, as at 31 December 2011, no person (other than the Directors, Supervisors or the chief executive) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.



### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

### PLACING OF H SHARES

For the purpose of raising capital for the Company while broadening the shareholder base and capital base of the Company, on 22 April 2011, the Company entered into the Placing Agreement with the placing agents in relation to the placing, on a best efforts basis, of an aggregate of 138,056,825 H shares at the placing price of HK\$25.00 per H share by the placing agents. The placing price per H share represents a discount of approximately 8.26% to the closing price of HK\$27.25 per H share as quoted on the Hong Kong Stock Exchange on 21 April 2011, being the last trading day prior to the entering into of the Placing Agreement.

The aggregate nominal value of the above-mentioned placing of H shares was RMB138,056,825 (equivalent to approximately HK\$164,353,000). The maximum amount of net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) of approximately HK\$3,386.79 million from the placing of the H shares was intended to be used for the expansion of pharmaceutical distribution and retail network and liquidity replenishment. The net price (after deducting all applicable costs and expenses, including commission, legal fees and levies) raised per H share upon completion of the placing was approximately HK\$24.53.

The placees of the placing of H shares included ten institutional investors. To the knowledge of the Directors, none of the placees became a substantial shareholder (as ascribed to it in the Listing Rules) of the Company immediately following completion of the placing of H shares.

The aforesaid placing of H shares had completed on 4 May 2011. Immediately following completion of the placing of H shares, the total issued share capital of the Company had increased from 2,264,568,474 shares to 2,402,625,299 shares, of which the total number of H shares held by the public had increased from 690,284,125 H shares to 828,340,950 H shares upon completion, and the number of domestic shares remained unchanged at 1,574,284,349 domestic shares.

The Directors consider that the placing of H shares is in the interests of the Company and its shareholders as a whole.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of all Directors, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules in the financial year of 2011 and prior to the issue of this annual report.

## MANAGEMENT CONTRACT

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the year.

## PENSION SCHEME

During the Reporting Period, details of the pension scheme of the Group are set out in note 10 to the financial statements.

## ENTRUSTED DEPOSIT AND MATURED TIME DEPOSIT

As at 31 December 2011, the Company had not held any deposits under trust or any time deposit in any financial institution in the PRC which could not be withdrawn upon maturity.

## TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

## CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received confirmation of independence from each independent non-executive Director. Based on the confirmation, the Company considered that all independent non-executive Directors were independent during the Reporting Period.

## AUDITOR

The financial statements set out in this annual report have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. The Company did not re-appoint its auditor over the past three years.

By Order of the Board  
**Sinopharm Group Co. Ltd.**  
**She Lulin**  
*Chairman*

Shanghai, China  
22 March 2012

# Report of the Supervisory Committee



During the Reporting Period, all members of the first session of the Supervisory Committee of the Company (the “**Supervisory Committee**”) have complied with the principle of integrity and performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles of Association and Rules of Procedures for the Supervisory Committee of the Company to protect the interests of the shareholders and the Company.

## I. WORKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

For year 2011, the Supervisory Committee held two meetings and the details are as follows:

On 23 March 2011, the fifth meeting of the first session of the Supervisory Committee was convened to discuss the “report of the Supervisory Committee of 2010”.

On 24 August 2011, the sixth meeting of the first session of the Supervisory Committee was convened to discuss the “report of the interim results announcement for the six months ended 31 June 2011”.

## II. COMMENTS OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2011

During the Reporting Period, the members of the Company’s Supervisory Committee adhered to the principles of fidelity and accountability to all shareholders and duly performed their duties and works according to the relevant laws and regulations. The Supervisory Committee supervised the regulatory compliance and operation, financial condition, use of funds and internal control of the Company through attending shareholders’ general meetings and board meetings as non-voting delegates and on-site inspections. The Supervisory Committee has arrived at the following opinions:

1. Regulatory compliance of the operation of the Company. During the Reporting Period, the Board earnestly exercised the rights and performed the obligations conferred by the PRC Company Law and Articles of Association to make decisions in time on material matters including production and operation plans and development objectives, and implemented all resolutions adopted by the shareholders’ general meetings and board meetings. Senior management managed and operated the Company in compliance with laws and regulations. The Directors and senior management have fulfilled obligation of integrity without violating any laws or Articles of Association or committing any action which may be against the interests of shareholders.
2. Evaluation of financial condition of the Company. During the Reporting Period, the Supervisory Committee has supervised and reviewed the financial structure and position of the Company. The Supervisory Committee is of the opinion that the financial structure of the Company was healthy and standardized and the Company is in a good financial position. The 2011 Audit Report of the Company has truly, accurately and completely reflected the financial condition, results of operation and cash flows of the Company.



## Report of the Supervisory Committee

3. The use of funds raised by the Company. The Supervisory Committee is of the opinion that the use of proceeds complied with the provisions of relevant laws and regulations and the Articles of Association without violating the interests of the Company and its shareholders. The Supervisory Committee will continue to supervise and monitor the use of proceeds.
4. Acquisition and disposal of assets of the Company. The acquisitions and disposals of the assets of the Company during the Reporting Period were based on fair and reasonable prices. No insider dealing or any action that may injure shareholders' interests or cause any loss of assets of the Company has been found.
5. Connected transactions of the Company. During the Reporting Period, the connected transactions between the Company and all connected persons conformed to applicable regulations of the Hong Kong Stock Exchange. The connected transactions were based on fair and reasonable prices and were carried out in accordance with the principles of reasonableness, fairness and justice. No harm to the interests of the Company and other unrelated shareholders has been found.
6. Preparation and review of annual report of the Company. The preparation and review of the 2011 annual report of the Company have conformed to all the relevant regulations of the China Securities Regulatory Commission and the Hong Kong Stock Exchange. No breach of confidentiality provisions by any person involved in the preparation or review of annual report is found.

In the coming year, the Supervisory Committee will continue to arduously perform its supervisory and monitoring duties with an aim to strengthen the overall competitiveness and profitability of the Company and to protect the interests of shareholders and the Company.

*Chief Supervisor*  
**Yao Fang**

22 March 2012

# Corporate Social Responsibility



In year 2011, our Group is dedicated to achieve our strategic goal and become “an international competitive world class pharmaceutical and health services provider”. We will also improve our social accountability system and actively undertakes our social responsibilities to create a steady value for our shareholders, clients and the environment. We strive to become a respectable pharmaceutical enterprise and build a better future together.

## 1. ACTIVELY PROMOTE THE ESTABLISHMENT OF SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM

The Group has committed to release Social Responsibility Reports on an ongoing basis:

In 2011, we have actively promoted the establishment of SA8000 social responsibility management system in our four subsidiaries, and have completed the certification of the social responsibility management system in our headquarter and the four subsidiaries.

### Active participation to public welfare activities

As a national enterprise providing specialized medicine reserves for rescues, military needs and foreign aid, the Company successfully completed the assignment of providing emergency supply to those in need.

The Company continued to help alleviate poverty in Fujun Village, a poor village in Gangyuan Town in Chongming County, we helped it to construct and repair 7km of roads with a construction fund of RMB200,000. The headquarter of the Company together with its 20 subsidiaries in Shanghai area continued a poverty alleviation programme to help families and elderlies with difficulties.

Through its corporate cultural program, the Company donated music, art and physical education school facilities including computers, printers, facsimile machines and other equipment such as beds for students, dining tables, solar-powered equipment to Guangxi Guangyang Town Gui Yan Elementary School (廣西灌陽縣文市鎮桂岩小學), Sichuan Aba Xiaojin Special School (四川阿壩州小金縣特殊教育學校), Guangxi Guangyang Town Hemu Village Elementary School (廣西灌陽縣新圩鎮和睦村小學), Jinagxi Xingguo Town Laoyingpan Hua Jian Guangcai Elementary School (江西興國縣老營盤華堅光彩小學) and Guangxi Guangyang New Town Longqiao Aimin 81 Elementary School, (廣西灌陽縣新圩鄉龍橋八一愛民學校) at a total cost of RMB157,000. The Fujian Company discussed with the relevant schools at the site and liaised with Gui Yan Elementary School for the establishment of three “hand-with-hands projects”.

The Company encouraged and guided voluntary work, on 12 March 2011, the establishment ceremony of the “Sinopharm voluntary team” was held. A total of RMB17,940 was collected from staff to fund the tree planting activity in Chongming prefecture, aiming to create a “Sinopharm forest of love”.

## Corporate Social Responsibility

### **People-oriented, to build a harmonious home with Sinopharm**

The Company is dedicated in building our belief to “love lives and protect health”, we aim at become a people-oriented operation, care for our staff and hold a large variety of culture events to promote our corporate cultures and build our team spirit.

The Company also started large-scale cultural tours such as the “tough and long path to becoming a great Sinopharmer”. The activity covered over 36 provincial level subsidiaries and 18 city level subsidiaries in the country. This activity aimed at promoting the culture of Sinopharm and encourage active participation. The cultural tour was also highlighted by the media. The “Shanghai Labour Daily” (上海市《勞動報》), the Guangxi Guangyan Daily (廣西灌陽縣《灌陽日報》) and the Sichuan Aba Xiaojin TV Station (四川省阿壩州小金縣電視臺) have made special reports on the event. The cultural tour was also awarded the “Innovative Award “in the 5th “Wu-Yi Cultural Contest” held by the Shanghai Labour Union.

The Company has also started the Staff Recreational Club and organized cultural and sport events to enrich lives of the staff and fulfill their cultural and spiritual needs.

# Independent Auditor's Report



羅兵咸永道

## To the shareholders of Sinopharm Group Co. Ltd.

*(Incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 71 to 220, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 22 March 2012

## Consolidated Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2011	2010
Revenue	5, 6	102,224,807	69,233,669
Cost of sales	9	(93,870,110)	(63,397,799)
<b>Gross profit</b>		<b>8,354,697</b>	5,835,870
Other income	7	168,941	77,370
Distribution and selling expenses	9	(2,922,793)	(1,960,018)
General and administrative expenses	9	(1,964,629)	(1,544,407)
<b>Operating profit</b>		<b>3,636,216</b>	2,408,815
Other gains – net	8	201,987	171,381
Finance income		115,493	76,388
Finance costs		(933,498)	(348,640)
Finance costs – net	12	(818,005)	(272,252)
Share of results of associates	21	107,402	90,008
<b>Profit before income tax</b>		<b>3,127,600</b>	2,397,952
Income tax expense	13	(725,050)	(567,595)
<b>Profit for the year</b>		<b>2,402,550</b>	1,830,357
<b>Attributable to:</b>			
Shareholders of the Company		1,560,606	1,208,751
Non-controlling interests		841,944	621,606
		<b>2,402,550</b>	1,830,357
<b>Earnings per share for profit attributable to the shareholders of the Company during the year</b> (expressed in RMB per share)			
– Basic and diluted	15	0.66	0.53
<b>Dividends</b>	37	<b>456,499</b>	363,082

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

## Consolidated Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2011	2010
<b>Profit for the year</b>		<b>2,402,550</b>	1,830,357
<b>Other comprehensive income:</b>			
Change in value of available-for-sale financial assets	23, 13	<b>(14,971)</b>	1,029
Remeasurement on post-employment benefit obligation	33, 13	<b>(24,196)</b>	–
Currency translation differences		<b>(1,213)</b>	(1,199)
<b>Other comprehensive income for the year, net of tax</b>		<b>(40,380)</b>	(170)
<b>Total comprehensive income for the year</b>		<b>2,362,170</b>	1,830,187
<b>Attributable to:</b>			
– Shareholders of the Company		<b>1,534,209</b>	1,208,005
– Non-controlling interests		<b>827,961</b>	622,182
		<b>2,362,170</b>	1,830,187

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



## Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	16	932,511	665,499
Investment properties	17	154,069	149,545
Property, plant and equipment	18	4,430,655	3,330,750
Intangible assets	19	4,642,436	1,591,588
Investments in associates	21	670,829	486,412
Available-for-sale financial assets	23	58,036	55,576
Deferred income tax assets	24	283,977	234,084
Other non-current assets	25	222,278	637,726
		<b>11,394,791</b>	7,151,180
<b>Current assets</b>			
Inventories	26	12,214,060	7,530,376
Trade receivables	27	26,591,821	17,751,877
Prepayments and other receivables	28	3,136,486	1,373,261
Available-for-sale financial assets	23	1,163	990
Bank deposits and restricted cash	29	1,198,519	732,098
Cash and cash equivalents	29	13,091,012	7,474,698
		<b>56,233,061</b>	34,863,300
<b>Total assets</b>		<b>67,627,852</b>	42,014,480
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Share capital	30	2,402,625	2,264,568
Reserves	31	13,271,224	9,446,570
		<b>15,673,849</b>	11,711,138
<b>Non-controlling interests</b>		<b>4,714,237</b>	3,007,942
<b>Total equity</b>		<b>20,388,086</b>	14,719,080

## Consolidated Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2011	2010
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	32	5,182,353	90,900
Deferred income tax liabilities	24	517,551	265,651
Post-employment benefit obligations	33	435,451	368,712
Other non-current liabilities	34	812,851	816,061
		<b>6,948,206</b>	1,541,324
<b>Current liabilities</b>			
Trade payables	35	27,053,995	19,831,205
Accruals and other payables	36	4,269,641	2,332,509
Dividends payable		12,106	13,575
Current income tax liabilities		289,033	232,605
Borrowings	32	8,666,785	3,344,182
		<b>40,291,560</b>	25,754,076
<b>Total liabilities</b>		<b>47,239,766</b>	27,295,400
<b>Total equity and liabilities</b>		<b>67,627,852</b>	42,014,480
<b>Net current assets</b>		<b>15,941,501</b>	9,109,224
<b>Total assets less current liabilities</b>		<b>27,336,292</b>	16,260,404

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

The financial statements were approved by the Board of Directors on 22 March 2012 and were signed on its behalf.

**Wei Yulin**  
Director

**Xie Rong**  
Director

## Company Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	5,343	5,589
Property, plant and equipment	18	71,632	25,888
Intangible assets	19	21,110	3,686
Investments in subsidiaries	20	11,733,744	8,736,400
Investments in associates	21	165,715	13,829
Available-for-sale financial assets	23	6,620	6,620
Deferred income tax assets	24	30,466	35,156
Other non-current assets	25	100,382	599,512
		<b>12,135,012</b>	9,426,680
<b>Current assets</b>			
Inventories	26	734,679	1,374,188
Trade receivables	27	1,568,720	2,569,969
Prepayments and other receivables	28	7,207,260	3,591,840
Restricted bank deposits	29	2,200	–
Cash and cash equivalents	29	6,993,072	2,856,923
		<b>16,505,931</b>	10,392,920
<b>Total assets</b>		<b>28,640,943</b>	19,819,600
<b>EQUITY</b>			
Share capital	30	2,402,625	2,264,568
Reserves	31	11,396,945	8,620,010
<b>Total equity</b>		<b>13,799,570</b>	10,884,578

## Company Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December	
		2011	2010
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	32	4,960,656	–
Other non-current liabilities	34	226,123	263,232
Post-employment benefit obligations		42,871	42,248
		<b>5,229,650</b>	305,480
<b>Current liabilities</b>			
Trade payables	35	2,522,120	3,569,836
Accruals and other payables	36	6,025,765	3,903,768
Current income tax liabilities		3,838	25,938
Borrowings	32	1,060,000	1,130,000
		<b>9,611,723</b>	8,629,542
<b>Total liabilities</b>		<b>14,841,373</b>	8,935,022
<b>Total equity and liabilities</b>		<b>28,640,943</b>	19,819,600
<b>Net current assets</b>		<b>6,894,208</b>	1,756,878
<b>Total assets less current liabilities</b>		<b>19,029,220</b>	11,190,058

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

The financial statements were approved by the Board of Directors on 22 March 2012 and were signed on its behalf.

**Wei Yulin**  
Director

**Xie Rong**  
Director

## Consolidated Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to shareholders of the Company			Non- controlling interests	Total Equity
		Paid-in capital	Reserves	Total		
As at 1 January 2010		2,264,568	9,602,311	11,866,879	2,155,638	14,022,517
Total comprehensive income		–	1,208,005	1,208,005	622,182	1,830,187
Effect of transactions with non-controlling interests		–	(117,245)	(117,245)	(27,704)	(144,949)
Changes in shareholding of non-controlling interests of subsidiaries		–	–	–	485,268	485,268
Effect of business combination under common control		–	(1,217,780)	(1,217,780)	(147,316)	(1,365,096)
Dividends		–	(22,872)	(22,872)	(80,126)	(102,998)
Distribution of subsidiaries acquired under common control prior to acquisition		–	(5,849)	(5,849)	–	(5,849)
As at 31 December 2010		2,264,568	9,446,570	11,711,138	3,007,942	14,719,080
Total of comprehensive income		–	<b>1,534,209</b>	<b>1,534,209</b>	<b>827,961</b>	<b>2,362,170</b>
Issue shares, net of expenses		<b>138,057</b>	<b>2,696,683</b>	<b>2,834,740</b>	–	<b>2,834,740</b>
Effect of transactions with non-controlling interests	40	–	<b>(228)</b>	<b>(228)</b>	<b>(751)</b>	<b>(979)</b>
Revaluation loss of subsidiaries in conversion of corporate institution		–	<b>(667)</b>	<b>(667)</b>	<b>(110)</b>	<b>(777)</b>
Capital injection from non- controlling shareholders of subsidiaries		–	–	–	<b>435,468</b>	<b>435,468</b>
Acquisition of subsidiaries		–	–	–	<b>677,041</b>	<b>677,041</b>
Other changes in shareholding of non-controlling interests of subsidiaries		–	–	–	<b>(26,546)</b>	<b>(26,546)</b>
Distribution of subsidiaries acquired under common control prior to acquisition		–	<b>(44,770)</b>	<b>(44,770)</b>	–	<b>(44,770)</b>
Dividends	37	–	<b>(363,082)</b>	<b>(363,082)</b>	<b>(205,350)</b>	<b>(568,432)</b>
Others		–	<b>2,509</b>	<b>2,509</b>	<b>(1,418)</b>	<b>1,091</b>
As at 31 December 2011		<b>2,402,625</b>	<b>13,271,224</b>	<b>15,673,849</b>	<b>4,714,237</b>	<b>20,388,086</b>

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

## Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2011	2010
<b>Cash flows from operating activities:</b>			
Cash generated from operations	38	1,847,146	1,775,120
Income tax paid		(827,877)	(506,794)
<b>Net cash generated from operating activities</b>		<b>1,019,269</b>	1,268,326
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of land use rights		107	180
Proceeds from disposal of property, plant and equipment		148,438	66,223
Proceeds from disposal of available-for-sale financial assets		4,335	46,904
Proceeds from disposal of associates		–	1,629
Proceeds from disposal of investment properties		11,644	446
Disposal of subsidiaries, net of cash disposed		(137)	(66,765)
Dividends received from associates		85,210	49,238
Dividends received from available-for-sale financial assets		2,871	–
Payment/Disposal of loan receivable		–	2,585,496
Payment for acquisition		(191,000)	(296,063)
Purchase of land use rights		(102,776)	(86,515)
Purchase of property, plant and equipment		(996,818)	(1,429,332)
Purchase of intangible assets		(29,949)	(14,936)
Purchase of investment properties		(1,607)	–
Acquisition of available-for-sale financial assets		(15,750)	–
Acquisition of subsidiaries, net of cash acquired	41	(1,386,133)	(2,320,980)
Consideration paid for prior year acquisitions		(144,941)	–
Acquisition of associates		(190,039)	–
Acquisition of non-controlling interests of subsidiaries	40(a)	(24,284)	(432,793)
<b>Net cash used in investing activities</b>		<b>(2,830,829)</b>	(1,897,268)

## Consolidated Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2011	2010
<b>Cash flows from financing activities:</b>			
Increase in restricted cash	29	(466,421)	(402,398)
Proceeds from borrowings		14,352,764	4,819,503
Repayment of borrowings		(13,166,504)	(3,657,563)
Issue of bond, net of expense	32	4,953,770	–
Issue of shares, net of expense	30	2,834,740	–
Payment of share issuance and listing expenses		–	(25,661)
Capital injections from non-controlling shareholders of subsidiaries		435,468	143,070
Dividends paid to shareholders of the Company		(363,082)	(22,872)
Dividends paid to non-controlling shareholders of subsidiaries		(206,818)	(101,839)
Interest paid		(749,961)	(314,349)
Distribution of subsidiary acquired under common control prior to acquisition		(44,770)	(40,238)
(Repayment)/proceeds of H1N1 medical reserve from government	34	(151,312)	138,148
<b>Net cash generated from financing activities</b>		<b>7,427,874</b>	535,801
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>5,616,314</b>	(93,141)
Cash and cash equivalents at beginning of year	29	7,474,698	7,567,839
<b>Cash and cash equivalents at end of year</b>	29	<b>13,091,012</b>	7,474,698

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



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 1 GENERAL INFORMATION

Sinopharm Group Co. Ltd. (the “**Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) on 8 January 2003 as a company with limited liability under the PRC Company Law.

On 6 October 2008, the Company was converted 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. In September 2009, the Company issued overseas-listed foreign invested shares (“**H Shares**”), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 23 September 2009.

The address of the Company’s registered office is 221 Fuzhou Road, Huangpu District, Shanghai, the PRC.

The Company and its subsidiaries (together, the “**Group**”) is mainly engaged in: (1) distribution of medicines, medical device and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics, (2) operation of pharmaceutical chain stores, and (3) distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

The ultimate holding company of the Company is China National Pharmaceutical Group Corporation (“**CNPGC**”), which was incorporated in the PRC.

These financial statements are presented in Renminbi (“**RMB**”) thousands, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2012.

## 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 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 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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) New and amended standards adopted by the Group

- HKAS 24 (Revised) 'Related party disclosures' is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group adopted the entire standard from 1 January 2011 except government-related entity exemption which had been early adopted from 1 January 2009. Upon the adoption of HKAS 24 (Revised), transactions between the Group and the subsidiaries of the entities, which have significant influence over the Company, are identified as related party transactions. Further details are disclosed in Note 42.
- Amendment to HKAS 19 'Employee benefit' makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment is effective for periods beginning on or after 1 January 2013. Earlier application is permitted. The amendment should be applied retrospectively except for changes to the carrying value of assets that include employee benefit costs in the carrying amount.

The Group has early adopted this amendment from 1 January 2011. Upon the early adoption, 'Actuarial gains and losses' are renamed 'remeasurements' and are recognized in other comprehensive income amount to RMB32,210 thousands instead of income statements and will not be recycled through profit or loss in subsequent periods. The Group didn't raise retrospective adjustments due to the immaterial impact based on assessment. Further details are disclosed in Note 33.

#### (ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (continued)

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.
- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.
- HKAS 1 (Amendment) "Presentation of financial statements" required to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The Group is yet to assess the amendment's fully impact and intends to adopt HKAS 1 (Amendment) no later than the accounting period beginning on or after 1 July 2012.

There are no other HKAS, HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries

Subsidiaries are all entities (including special purpose 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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 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.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### (i) Business combinations not under common control

The Group uses the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (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 year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

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 year in which it is incurred.

#### (iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2(j) for the impairment of non-financial assets including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Associates (continued)

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 other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

### (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.

### (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 RMB, which is the Company's functional and the Group's presentation currency.



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Foreign currency translation (continued)

#### (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 or valuation where items are re-measured. 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 other comprehensive income.

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 other comprehensive income.

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 year 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	5-8 years
Furniture, fittings and equipment	5-8 years

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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Investment property

Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

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 years ranging from 10 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the year of the rights.

### (i) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Intangible assets (continued)

#### (ii) Sales network

Sales network represents customer relationship and distribution channels which are measured initially at cost and are amortised using the straight-line method over their estimated useful lives of 9 to 20 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 3 to 6 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.

#### (v) Internally generated product development cost

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the product development phase is recognised as intangible assets only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- there is an ability to use or sell the product development result;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Intangible assets (continued)

#### (v) Internally generated product development cost (continued)

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as an expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as intangible assets in the balance sheet.

Internally generated product development cost recognised as assets are amortised over their estimated useful lives of 3 to 5 years.

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

### (j) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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: loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) 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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Financial assets (continued)

#### Classification (continued)

#### (ii) 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. 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 are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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.

### (l) Impairment of financial assets

#### (i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (I) Impairment of financial assets (continued)

#### (i) Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

#### (ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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.



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) 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.

### (n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

### (o) Cash and cash equivalents

In the consolidated statement of cash flows, 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. In the consolidated and equity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### (p) Share capital

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

### (q) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) 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 year 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.

### (s) Borrowing costs

General and specific borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (t) Current and deferred income tax

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

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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Current and deferred income tax (continued)

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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (u) 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 current and prior years. 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.

The Group has early adopted the amendment to HKAS 19 'Employee benefit' from 1 January 2011. See note 2(a)(i) for further details.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income and will not be recycled through profit or loss in subsequent periods.

Past-service costs are recognised in the income statement immediately as incurred.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Employee benefits (continued)

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.

### (v) 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. Provisions are not recognized for future operating losses.

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.

### (w) 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 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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Revenue recognition (continued)

#### (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 agency service, consulting service and other miscellaneous services. Revenue from fixed-price contracts for delivering services is recognised in the year 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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Revenue recognition (continued)

#### (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.

#### (vii) Dividend income

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

### (x) 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 year of the lease.

### (y) 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 year 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.

### (z) Dividend distribution

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

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 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 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.

#### (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 2010, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, post-tax profit for the year ended 31 December 2011 would have been approximately RMB11,797 thousands (2010: RMB32,715 thousands) lower/higher, mainly as a result of foreign exchange losses/gains 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 (Note 29), 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 2011, if interest rates on bank deposits had been 15 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2011 would have been RMB12,654 thousands (2010: RMB9,046 thousands) higher/lower, 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 2011, if interest rates on borrowings had been 50 basis point higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2011 would have been RMB33,950 thousands (2010: RMB12,021 thousands) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (a) Financial risk factors (continued)

#### (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.

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 2011, most of the restricted 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. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

At the reporting date, the Group held cash and cash equivalents of RMB13,091,012 thousands (2010: RMB7,474,698 thousands) (Note 29) and trade receivables of RMB26,591,821 thousands (2010: RMB17,751,877 thousands) (Note 27) that are expected to readily generate cash inflows for managing liquidity risk. The Group also 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 2.00% to 11.04% per annum.

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 year 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.



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (iv) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>As at 31 December 2011</b>					
Borrowings	8,666,785	46,058	5,022,581	113,714	13,849,138
Interests payments on borrowings (Note)	448,723	282,177	179,787	5,646	916,333
Trade and other payables	30,643,324	-	-	-	30,643,324
	<b>39,758,832</b>	<b>328,235</b>	<b>5,202,368</b>	<b>119,360</b>	<b>45,408,795</b>
<b>As at 31 December 2010</b>					
Borrowings	3,344,182	-	30,000	60,900	3,435,082
Interests payments on borrowings (Note)	60,849	5,336	12,296	6,772	85,253
Trade and other payables	21,665,049	-	-	-	21,665,049
	25,070,080	5,336	42,296	67,672	25,185,384

Note: Interest is based on borrowings as at 31 December 2011 and 2010 and the interest rate as at 31 December 2011 and 2010.

#### (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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including "current and non-current borrowings" as shown on the consolidated balance sheet) divided by capital and reserves attributable to the Company's shareholders.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Capital risk management (continued)

The gearing ratios are as follows:

	As at 31 December	
	2011	2010
Total borrowings	13,849,138	3,435,082
Capital and reserves attributable to the Company's shareholders	15,673,849	11,711,138
Gearing ratio	88%	29%

The increase in the gearing ratio during 2011 is mainly due to the issue of mid-term bond and increase of bank borrowings as part of working capital. Since the Group keeps sufficient cash and cash equivalent, thus the management considers the gearing ratio as at 31 December 2011 is not high.

#### (c) Fair value estimation

The table below analyzed financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011 and 2010.

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2011</b>				
Available-for-sale financial assets	28,330	30,869	–	59,199
<b>At 31 December 2010</b>				
Available-for-sale financial assets	48,493	8,073	–	56,566

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (c) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 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 China National Accord Medicines Corporation Ltd. (“Accord Medicines”) and China National Medicines Corporation Ltd. (“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 Medicines although the Group 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 Medicines; (2) the shareholding in Accord Medicines has been dispersed and the other top ten shareholders held less than 5% equity interests individually or less than 21% 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 Medicines 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 although the Group held less than 50% of its equity interests since August 2006, 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% equity interests individually or less than 20% 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 years.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### (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 and considering the current market environment in PRC and estimations of future changes. 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 years.

### (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 indicate 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.

### (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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### (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 year 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 year in which such estimates are changed.

### (h) Post-employment benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 33.

### (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 19).

### (j) Fair value of contingent consideration

The Group determines the fair value of contingent consideration of acquisition based on the forecast of future performance results of acquired entities or business and terms of acquisition agreement. Management will increase or decrease the fair value of contingent consideration where future performance results are different from previous forecast and as a result affect the Group's financial condition and results of operations.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the general manager and the executives at the general manager office) that are used to make strategic decisions. The operating committee considers the business from a business type perspective. The reportable operating segments derive their revenue primarily from the following three business types in the PRC:

- (i) Pharmaceutical distribution – distribution of medicine, medicine device and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;
- (ii) Retail pharmacy operations – operation of medicine chain stores; and
- (iii) Other business operations – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy operations segment does not meet the quantitative thresholds required by HKFRS 8, 'Operating segments', management has concluded that this segment should be reported, as it is closely monitored by the operating committee as a potential growth segment and is expected to materially contribute to group revenue in the future.

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, investment in associates, 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.

Inter-segment revenues are conducted at prices and terms mutually agreed upon amongst those business segments. The revenue from external parties reported to the operating committee is measured in a manner consistent with that in the consolidated income statement.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 5 SEGMENT INFORMATION (continued)

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

(i) For the Year ended 31 December 2011 and 2010

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
<b>Year ended 31 December 2011</b>					
<b>Segment results</b>					
External segment revenue	95,489,133	3,044,869	3,690,805	-	102,224,807
Inter-segment revenue	878,105	-	207,303	(1,085,408)	-
Revenue	96,367,238	3,044,869	3,898,108	(1,085,408)	102,224,807
Operating profit	3,282,097	69,224	311,156	(26,261)	3,636,216
Other gains	181,069	21	20,897	-	201,987
Share of results of associates	6,020	1,625	99,757	-	107,402
	3,469,186	70,870	431,810	(26,261)	3,945,605
Finance costs – net					(818,005)
Profit before income tax					3,127,600
Income tax expense					(725,050)
Profit for the year					2,402,550
<b>Other segment items included in the income statement</b>					
Provision/(write-back) for impairment of trade and other receivables, net	36,561	641	(6)		37,196
Provision for impairment of inventories	23,966	357	156		24,479
Amortisation of land use rights	18,669	135	3,440		22,244
Depreciation of property, plant and equipment	262,703	31,587	14,955		309,245
Depreciation of investment properties	-	-	14,012		14,012
Amortisation of intangible assets	113,343	535	766		114,644
Capital expenditures	4,394,303	414,117	154,282		4,962,702



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (continued)

### (i) For the Year ended 31 December 2011 and 2010 (continued)

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
<b>Year ended 31 December 2010</b>					
<b>Segment results</b>					
External segment revenue	64,800,811	1,714,955	2,717,903	–	69,233,669
Inter-segment revenue	562,075	–	142,302	(704,377)	–
Revenue	65,362,886	1,714,955	2,860,205	(704,377)	69,233,669
Operating profit	2,131,194	41,462	237,612	(1,453)	2,408,815
Other gains	156,554	1,411	13,416	–	171,381
Share of results of associates	35,545	1,093	53,370	–	90,008
	2,323,293	43,966	304,398	(1,453)	2,670,204
Finance costs – net					(272,252)
Profit before income tax					2,397,952
Income tax expense					(567,595)
Profit for the year					1,830,357
<b>Other segment items included in the income statement</b>					
Provision/(write-back) for impairment of trade and other receivables, net	42,978	(162)	(306)		42,510
(Write-back)/provision for impairment of inventories	(3,294)	251	11		(3,032)
Amortisation of land use rights	10,345	–	3,244		13,589
Depreciation of property, plant and equipment	143,738	19,077	51,747		214,562
Depreciation of investment properties	–	–	16,365		16,365
Amortisation of intangible assets	32,803	295	22,901		55,999
<b>Capital expenditures</b>	2,708,252	199,083	337,651		3,244,986

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 5 SEGMENT INFORMATION (continued)

#### (ii) As at 31 December 2011 and 2010

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations	Elimination	Group
<b>As at 31 December 2011</b>					
<b>Segment assets and liabilities</b>					
Segment assets	64,025,103	1,044,854	4,408,535	(2,134,617)	67,343,875
Segment assets include:					
Investments in associates	28,926	8,930	632,973	-	670,829
Unallocated assets – Deferred income tax assets					283,977
Total assets					67,627,852
Segment liabilities	31,902,135	808,773	1,506,441	(1,344,272)	32,873,077
Unallocated liabilities – Deferred income tax liabilities and borrowings					14,366,689
Total liabilities					47,239,766
<b>As at 31 December 2010</b>					
<b>Segment assets and liabilities</b>					
Segment assets	38,721,332	946,633	3,371,812	(1,259,381)	41,780,396
Segment assets include:					
Investments in associates	23,267	4,606	458,539	-	486,412
Unallocated assets – Deferred income tax assets					234,084
Total assets					42,014,480
Segment liabilities	22,241,817	611,573	1,373,587	(632,310)	23,594,667
Unallocated liabilities – Deferred income tax liabilities and borrowings					3,700,733
Total liabilities					27,295,400

All of the Group's assets are located in the PRC.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 6 REVENUE

	Year ended 31 December	
	2011	2010
Sales of goods	<b>101,973,667</b>	69,053,448
Rental income (Note 17)	<b>81,706</b>	53,347
Franchise fees from medicine chain stores	<b>48,259</b>	40,593
Consulting income	<b>83,701</b>	42,758
Import agency income	<b>37,474</b>	43,523
	<b>102,224,807</b>	69,233,669

### 7 OTHER INCOME

	Year ended 31 December	
	2011	2010
Government grants (i)	<b>168,941</b>	77,370

Note:

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 8 OTHER GAINS – NET

	Year ended 31 December	
	2011	2010
Write-back of certain liabilities (i)	32,608	47,949
Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary	–	41,687
Gain on disposal of subsidiaries (ii)	123,557	3,879
Gain on disposal of available-for-sale financial assets	4,133	38,356
Gain on fair value re-measurement of existing stake in connection with acquisitions	393	29,341
Gain on disposal of land use right and property, plant and equipment	57,039	24,124
Foreign exchange loss – net	(13,692)	(5,827)
Loss on disposal of an associate	–	(207)
Others – net	(2,051)	(7,921)
	<b>201,987</b>	<b>171,381</b>

Notes:

- (i) In 2011, the Group reviewed all the trade and other payables with aging over 5 years and wrote-back these unpayable long aging liabilities of RMB32,608 thousands.
- (ii) In 2011, the Group disposed following subsidiaries to third parties:

Entities	Disposed equity interests
Sinopharm Holding Shijiazhuang Co. Ltd.	80%
Aksu Region Qiuci Medicines Co. Ltd.	100%
Urumqi Chinese Medicine Material Processing Plant	100%
Urumqi Pharmaceutical Holding Co. Ltd.	100%
Xinjiang Pharmaceutical Co. Ltd.	100%
Xinjiang Traditional&Herbal Medicines Co. Ltd.	100%
Xinjiang Chemical Reagent & Glassware Co. Ltd.	100%
Xinjiang Pharmaceutical Affiliated Company	100%
Xinjiang Uygur Autonomous Region Traditional & Ethnic Medicines Research Institute	100%

Gain on disposal of above subsidiaries is summarized as follows:

Carrying amount of equity interests disposed	(114,517)
Consideration received	9,040
	<hr/>
Gain on disposal of subsidiaries	123,557

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 9 EXPENSES BY NATURE

	Year ended 31 December	
	2011	2010
Raw materials and trading merchandise consumed	<b>93,607,765</b>	63,198,707
Changes in inventories of finished goods and work in progress	<b>116,851</b>	97,253
Employee benefit expenses (Note 10)	<b>2,259,559</b>	1,653,086
Provision for impairment of trade receivables (Note 27)	<b>30,095</b>	39,111
Provision/(write-back of provision) for impairment of other receivables (Note 28)	<b>7,101</b>	3,399
Provision/(write-back of provision) for impairment of inventories (Note 26)	<b>24,479</b>	(3,032)
Provision for impairment of intangible assets (Note 19)	<b>3,000</b>	–
Operating lease rental in respect of land and buildings	<b>278,849</b>	195,484
Depreciation of property, plant and equipment (Note 18)	<b>309,245</b>	214,562
Depreciation of investment properties (Note 17)	<b>14,012</b>	16,365
Amortisation of intangible assets (Note 19)	<b>114,644</b>	55,999
Amortisation of land use rights (Note 16)	<b>22,244</b>	13,589
Auditors' remuneration	<b>18,163</b>	12,987
Advisory and consulting fees	<b>42,035</b>	28,128
Transportation expenses	<b>428,623</b>	279,951
Travel expenses	<b>165,036</b>	117,406
Market development and business promotion expenses	<b>728,412</b>	489,859
Utilities	<b>57,377</b>	38,631
Others	<b>530,042</b>	450,739
Total cost of sales, distribution and selling expenses and general and administrative expenses	<b>98,757,532</b>	66,902,224

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2011	2010
Salaries, wages, allowances and bonuses	<b>1,632,346</b>	1,252,121
Contributions to pension plans (i)	<b>207,224</b>	133,187
Post-employment benefits (Note 33)	<b>46,869</b>	31,862
Housing benefits (ii)	<b>83,105</b>	56,555
Other benefits (iii)	<b>290,015</b>	179,361
	<b>2,259,559</b>	1,653,086

Notes:

- (i) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in Mainland China. The Group also begins to contribute to another retirement scheme managed by an individual assurance company from current year for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 7% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 20% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.
- (ii) Housing benefits represent contribution to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' basic salary.
- (iii) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
<b>Executive director</b>					
Mr. Wei Yulin	1,000	920	-	59	1,979
<b>Non-executive directors</b>					
Mr. She Lulin	-	-	-	-	-
Mr. Wang Qunbin	-	-	-	-	-
Mr. Fan Banghan	-	-	-	-	-
Mr. Liu Hailiang	-	-	-	-	-
Mr. Deng Jindong	-	-	-	-	-
Mr. Zhou Bin (i)	-	-	-	-	-
Mr. Chen Wenhao (i)	-	-	-	-	-
Mr. Chen Qiyu (ii)	-	-	-	-	-
<b>Independent non-executive directors</b>					
Mr. Wang Fanghua	250	-	-	-	250
Mr. Tao Wuping	250	-	-	-	250
Mr. Xie Rong	250	-	-	-	250
Mr. Zhou Bajun	250	-	-	-	250
<b>Supervisor</b>					
Mr. Zhangjian	300	220	-	55	575
Mr. Lian Wanyong (i)	-	-	-	-	-
Ms. Yao Fang (i)	-	-	-	-	-
	<b>2,300</b>	<b>1,140</b>	<b>-</b>	<b>114</b>	<b>3,554</b>

Note:

(i) Appointed on 7 January, 2011.

(ii) Appointed on 22 September, 2011.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

#### (a) Directors' emoluments (continued)

The remuneration of every Director for the year ended 31 December 2010 is set out below:

	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
<b>Executive director</b>					
Mr. Wei Yulin	1,000	430	–	53	1,483
Ms. Fu Mingzhong	1,000	430	–	16	1,446
<b>Non-executive directors</b>					
Mr. She Lulin	–	–	–	–	–
Mr. Wang Qunbin	–	–	–	–	–
Mr. Fan Banghan	–	–	–	–	–
Mr. Liu Hailiang	–	–	–	–	–
Mr. Lian Wanyong	–	–	–	–	–
Mr. Deng Jindong	–	–	–	–	–
Mr. Chen Qiyu	–	–	–	–	–
<b>Independent non-executive directors</b>					
Mr. Wang Fanghua	200	–	–	–	200
Mr. Tao Wuping	200	–	–	–	200
Mr. Xie Rong	200	–	–	–	200
Mr. Zhou Bajun	200	–	–	–	200
<b>Supervisor</b>					
Ms. Zhang Jian	300	200	–	55	555
Mr. Qian Shunjiang	–	–	–	–	–
Mr. Xing Yonggang	–	–	–	–	–
	3,100	1,060	–	124	4,284



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director (2010: two directors) whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining four (2010: three individuals) individuals are as follows:

	Year ended 31 December	
	2011	2010
Salaries	2,740	2,400
Discretionary bonuses	2,740	1,050
Employer's contribution to pension scheme	255	166
Other benefits	-	-
	<b>5,735</b>	<b>3,616</b>

	Year ended 31 December	
	2011 Number	2010 Number
In the band of:		
Nil – HK\$500,000 (Nil – RMB405,350)	-	-
HK\$500,001 – HK\$1,000,000 (RMB405,350 – RMB810,700)	-	3
HK\$1,000,001 – HK\$2,000,000 (RMB810,700 – RMB1,621,400)	4	-

- (c) 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.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 12 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2011	2010
Interest expense:		
– Borrowings	523,839	88,135
– Discount of notes receivable	209,865	167,305
– Discount of accounts receivable	147,805	63,494
Gross interest expense	881,509	318,934
Bank charges	86,626	36,831
Less: capitalised interest expense	(34,637)	(7,125)
Finance costs	933,498	348,640
Finance income:		
– Interest income on bank deposits	(115,493)	(76,388)
Net finance costs	818,005	272,252

### 13 TAXATION

#### (a) Income tax expense

	Year ended 31 December	
	2011	2010
Current PRC income tax	770,934	613,392
Deferred taxation (Note 24)	(45,884)	(45,797)
	725,050	567,595

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 13 TAXATION (continued)

#### (a) Income tax expense (continued)

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	
	2011	2010
Profit before income tax	<b>3,127,600</b>	2,397,952
Less: Share of results of associates	<b>(107,402)</b>	(90,008)
	<b>3,020,198</b>	2,307,944
Tax calculated at weighted average domestic tax rate applicable	<b>715,181</b>	533,086
Unrealised intra-group profit	–	13,823
Expenses not deductible for tax purposes	<b>35,723</b>	14,975
Income not subject to tax	<b>(21,332)</b>	–
Tax losses for which no deferred income tax asset was recognised, net	<b>6,136</b>	5,711
Tax losses utilised for which no deferred income tax recognised in prior years	<b>(6,781)</b>	–
Impact of change of applicable income tax rate on deferred tax	<b>(3,877)</b>	–
Income tax expense	<b>725,050</b>	567,595
Weighted average applicable domestic tax rate (i)	<b>24%</b>	24%

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

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 Corporate Income Tax Law of the Peoples Republic of China (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. For enterprises that enjoy a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and will be 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.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 13 TAXATION (continued)

#### (a) Income tax expense (continued)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2011			2010		
	Before tax	Tax (charge)/credit	After tax	Before tax	Tax (charge)/credit	After tax
Fair value (losses)/gains on available-for-sale financial assets	(19,961)	4,990	(14,971)	1,426	(397)	1,029
Remeasurement retirement benefit obligations	(32,210)	8,014	(24,196)	–	–	–
Currency translation differences	(1,213)	–	(1,213)	(1,199)	–	(1,199)
<b>Other comprehensive income</b>	<b>(53,384)</b>	<b>13,004</b>	<b>(40,380)</b>	227	(397)	(170)

### 14 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company for the year ended 31 December 2011 is dealt with in the financial statements of the Company to the extent of RMB401,806 thousands (2010: RMB334,914 thousands).

### 15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2011	2010
Profit attributable to shareholders of the Company (RMB'000)	1,560,606	1,208,751
Weighted average number of ordinary shares in issue ('000)	2,356,102	2,264,568
Basic earnings per share (RMB per share)	0.66	0.53

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 16 LAND USE RIGHTS – GROUP

Land in Mainland China 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 amounts are analysed as follows:

	Year ended 31 December	
	2011	2010
Cost	<b>1,046,244</b>	747,574
Accumulated amortisation	<b>(113,733)</b>	(82,075)
<b>Net book amount</b>	<b>932,511</b>	665,499
Opening net book amount	<b>665,499</b>	584,084
Additions	<b>102,776</b>	86,515
Acquisition of subsidiaries (Note 41)	<b>193,455</b>	17,844
Disposal of subsidiaries	–	(9,355)
Disposal	<b>(6,975)</b>	–
Amortisation (Note 9)	<b>(22,244)</b>	(13,589)
<b>Closing net book amount</b>	<b>932,511</b>	665,499

Land use rights are located in Mainland China with tenure of 10 to 50 years (2010: 40 to 50 years).

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

As at 31 December 2011, land use rights with net book amount of approximately RMB33,565 thousands (2010: Nil) were pledged as collaterals for the Group's bank borrowings (Note 32).

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 17 INVESTMENT PROPERTIES

#### The Group

	Year ended 31 December	
	2011	2010
Cost	<b>287,429</b>	265,559
Accumulated depreciation	<b>(133,360)</b>	(116,014)
Net book amount	<b>154,069</b>	149,545
Opening net book amount	<b>149,545</b>	164,001
Acquisition of subsidiaries (Note 41)	<b>4,574</b>	–
Additions	<b>1,607</b>	–
Transfer from property, plant and equipment (Note 18)	<b>26,651</b>	28,925
Transfer to property, plant and equipment (Note 18)	<b>(2,652)</b>	(19,148)
Disposal of subsidiaries	–	(7,422)
Disposal	<b>(11,644)</b>	(446)
Depreciation (Note 9)	<b>(14,012)</b>	(16,365)
Closing net book amount	<b>154,069</b>	149,545

Investment properties are located in Mainland China on land with land use rights of 40 to 50 years (2010: 40 to 50 years).

As at 31 December 2011, the fair value of the investment properties was estimated by the Company's directors to be approximately RMB1,666,673 thousands (2010: RMB1,423,067 thousands). These estimates were based on market transacted prices for similar properties in the vicinity of the relevant properties.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 17 INVESTMENT PROPERTIES (continued)

#### The Group (continued)

Rental income relating to leasing of investment properties has been included in the consolidated income statements as follows:

	Year ended 31 December	
	2011	2010
Revenue (Note 6)	81,706	53,347

#### The Company

	Year ended 31 December	
	2011	2010
Cost	7,343	7,343
Accumulated depreciation	(2,000)	(1,754)
Net book amount	5,343	5,589
Opening net book amount	5,589	5,836
Depreciation	(246)	(247)
Closing net book amount	5,343	5,589

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 18 PROPERTY, PLANT AND EQUIPMENT

#### The Group

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction In-progress	Total
<b>At 1 January 2010</b>						
Cost	1,381,023	546,543	288,848	215,161	140,279	2,571,854
Accumulated amortisation	(330,968)	(210,949)	(142,079)	(93,806)	–	(777,802)
Net book amount	1,050,055	335,594	146,769	121,355	140,279	1,794,052
<b>Year ended 31 December 2010</b>						
Opening net book amount	1,050,055	335,594	146,769	121,355	140,279	1,794,052
Acquisition of subsidiaries	303,430	28,906	19,648	36,116	14,030	402,130
Additions	72,193	32,246	57,321	67,834	1,283,541	1,513,135
Transfers	848,752	85,345	13,872	–	(947,969)	–
Transfer from investment properties (Note 17)	19,148	–	–	–	–	19,148
Transfer to investment properties (Note 17)	(28,925)	–	–	–	–	(28,925)
Disposals	(28,490)	(1,358)	(3,890)	(8,361)	–	(42,099)
Disposals of subsidiaries	(59,719)	(46,973)	–	(4,821)	(616)	(112,129)
Depreciation (Note 9)	(79,180)	(50,023)	(52,119)	(33,240)	–	(214,562)
Closing net book amount	2,097,264	383,737	181,601	178,883	489,265	3,330,750
<b>At 31 December 2010</b>						
Cost	2,472,087	624,418	370,513	299,005	489,265	4,255,288
Accumulated depreciation and impairment	(374,823)	(240,681)	(188,912)	(120,122)	–	(924,538)
Net book amount	2,097,264	383,737	181,601	178,883	489,265	3,330,750



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 18 PROPERTY, PLANT AND EQUIPMENT (continued)

#### The Group (continued)

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction In-progress	Total
<b>At 1 January 2011</b>						
Cost	2,472,087	624,418	370,513	299,005	489,265	4,255,288
Accumulated amortisation	(374,823)	(240,681)	(188,912)	(120,122)	-	(924,538)
Net book amount	2,097,264	383,737	181,601	178,883	489,265	3,330,750
<b>Year ended 31 December 2011</b>						
Opening net book amount	2,097,264	383,737	181,601	178,883	489,265	3,330,750
Acquisition of subsidiaries (Note 41)	233,861	4,546	33,642	29,941	175,468	477,458
Additions	121,949	33,898	90,346	83,157	683,081	1,012,431
Transfers	506,005	53,341	76,214	117	(635,677)	-
Transfer from investment properties (Note 17)	2,652	-	-	-	-	2,652
Transfer to investment properties (Note 17)	(26,554)	(97)	-	-	-	(26,651)
Disposals	(25,015)	(3,656)	(5,052)	(5,892)	-	(39,615)
Disposals of subsidiaries	(12,307)	(3,242)	(637)	(939)	-	(17,125)
Depreciation (Note 9)	(117,562)	(55,710)	(77,229)	(58,744)	-	(309,245)
Closing net book amount	2,780,293	412,817	298,885	226,523	712,137	4,430,655
<b>At 31 December 2011</b>						
Cost	3,291,680	702,334	570,635	402,787	712,137	5,679,573
Accumulated depreciation and impairment	(511,387)	(289,517)	(271,750)	(176,264)	-	(1,248,918)
Net book amount	2,780,293	412,817	298,885	226,523	712,137	4,430,655

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 18 PROPERTY, PLANT AND EQUIPMENT (continued)

#### The Group (continued)

Depreciation expense was charged to the consolidated income statements as follows:

	Year ended 31 December	
	2011	2010
Cost of sales	61,186	68,783
Distribution and selling expenses	83,869	47,154
General and administrative expenses	164,190	98,625
	309,245	214,562

As at 31 December 2011, property, plant and equipment with net book amount of approximately RMB57,101 thousands (2010: RMB12,847 thousands) were pledged as collaterals of the Group's bank borrowings (Note 32).

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

	Year ended 31 December	
	2011	2010
Borrowing cost capitalized	34,637	7,125
Weighted average borrowing cost rate	5.5%	5.0%

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 18 PROPERTY, PLANT AND EQUIPMENT (continued)

#### The Company

	Buildings	Furniture, fittings and equipment	Motor vehicles	Construction in Progress	Total
<b>At 1 January 2010</b>					
Cost	768	15,249	10,234	–	26,251
Accumulated depreciation	(258)	(8,225)	(6,850)	–	(15,333)
Net book amount	510	7,024	3,384	–	10,918
<b>Year ended 31 December 2010</b>					
Opening net book amount	510	7,024	3,384	–	10,918
Additions	–	2,889	7,241	8,935	19,065
Transfers	–	7,320	–	(7,320)	–
Disposals	–	(30)	(380)	–	(410)
Depreciation	–	(2,444)	(1,241)	–	(3,685)
Closing net book amount	510	14,759	9,004	1,615	25,888
<b>At 31 December 2010</b>					
Cost	768	25,304	16,269	1,615	43,956
Accumulated depreciation	(258)	(10,545)	(7,265)	–	(18,068)
Net book amount	510	14,759	9,004	1,615	25,888
<b>Year ended 31 December 2011</b>					
Opening net book amount	510	14,759	9,004	1,615	25,888
Additions	–	4,354	3,860	45,765	53,979
Transfers	–	6,107	–	(6,107)	–
Disposals	–	(99)	(130)	–	(229)
Depreciation	–	(5,162)	(2,844)	–	(8,006)
Closing net book amount	510	19,959	9,890	41,273	71,632
<b>At 31 December 2011</b>					
Cost	768	33,858	19,505	41,273	95,404
Accumulated depreciation	(258)	(13,899)	(9,615)	–	(23,772)
Net book amount	510	19,959	9,890	41,273	71,632

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 19 INTANGIBLE ASSETS

### The Group

	Goodwill	Sales network	Trademarks and patent	Software	Internally generated product development costs	Total
<b>At 1 January 2010</b>						
Cost	142,101	308,206	114,235	41,923	–	606,465
Accumulated amortisation	–	(109,546)	(51,256)	(22,997)	–	(183,799)
<b>Net book amount</b>	<b>142,101</b>	<b>198,660</b>	<b>62,979</b>	<b>18,926</b>	<b>–</b>	<b>422,666</b>
<b>Year ended 31 December 2010</b>						
Opening net book amount	142,101	198,660	62,979	18,926	–	422,666
Acquisition of subsidiaries	545,458	592,978	56,238	15,752	–	1,210,426
Additions	–	–	838	3,506	10,592	14,936
Disposal of subsidiaries	–	–	(212)	(49)	–	(261)
Disposal	–	–	–	(180)	–	(180)
Amortisation (Note 9)	–	(28,130)	(21,457)	(6,412)	–	(55,999)
Closing net book amount	687,559	763,508	98,386	31,543	10,592	1,591,588
<b>At 31 December 2010</b>						
Cost	687,559	901,184	170,787	61,130	10,592	1,831,252
Accumulated amortisation	–	(137,676)	(72,401)	(29,587)	–	(239,664)
<b>Net book amount</b>	<b>687,559</b>	<b>763,508</b>	<b>98,386</b>	<b>31,543</b>	<b>10,592</b>	<b>1,591,588</b>
<b>Year ended of 31 December 2011</b>						
Opening net book amount	<b>687,559</b>	<b>763,508</b>	<b>98,386</b>	<b>31,543</b>	<b>10,592</b>	<b>1,591,588</b>
Additions	–	–	505	25,062	4,382	29,949
Acquisition of subsidiaries (Note 41)	<b>2,191,471</b>	<b>948,496</b>	<b>143</b>	<b>342</b>	–	<b>3,140,452</b>
Disposal of subsidiaries	<b>(412)</b>	<b>(1,390)</b>	–	–	–	<b>(1,802)</b>
Disposal	–	–	(2)	(105)	–	(107)
Amortisation (Note 9)	–	(79,380)	(29,128)	(6,136)	–	(114,644)
Impairment charge (Note 9)	–	–	(3,000)	–	–	(3,000)
Closing net book amount	<b>2,878,618</b>	<b>1,631,234</b>	<b>66,904</b>	<b>50,706</b>	<b>14,974</b>	<b>4,642,436</b>
<b>At 31 December 2011</b>						
Cost	<b>2,878,618</b>	<b>1,847,619</b>	<b>171,441</b>	<b>87,308</b>	<b>14,974</b>	<b>4,999,960</b>
Accumulated amortisation	–	(216,385)	(104,537)	(36,602)	–	(357,524)
<b>Net book amount</b>	<b>2,878,618</b>	<b>1,631,234</b>	<b>66,904</b>	<b>50,706</b>	<b>14,974</b>	<b>4,642,436</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 19 INTANGIBLE ASSETS (continued)

#### The Group (continued)

Amortisation expense was charged to the consolidated income statements as follows:

	Year ended 31 December	
	2011	2010
Distribution and selling expenses	81,209	30,610
General and administrative expenses	33,435	25,389
	114,644	55,999

#### Impairment tests for goodwill:

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

	As at 31 December	
	2011	2010
Pharmaceutical distribution	2,199,317	344,345
Retail pharmacy operations	456,826	120,739
Other business operations	222,475	222,475
	2,878,618	687,559

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 rates do not exceed the long-term average growth rate for the businesses in which the CGUs operate.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 19 INTANGIBLE ASSETS (continued)

The key assumptions used for value-in-use calculations in 2011 are as follows:

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations
Gross margin	3.0-11.0%	26.0-35.0%	32.0%
Growth rate to extrapolate cash flows beyond the budget period	4.0%	4.5%	6.0%
Discount rate	13.5%	13.3%	12.7%

The key assumptions used for value-in-use calculations in 2010 are as follows:

	Pharmaceutical distribution	Retail pharmacy operations	Other business operations
Gross margin	6.0%	26.0%	30.0%
Growth rate to extrapolate cash flows beyond the budget period	4.0%	4.5%	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.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 19 INTANGIBLE ASSETS (continued)

### The Company

	Software
<b>At 1 January 2010</b>	
Cost	–
Accumulated amortisation	–
Net book amount	–
<b>Year ended 31 December 2010</b>	
Opening net book amount	–
Additions	4,213
Disposal	(527)
Closing net book amount	3,686
<b>At 31 December 2010</b>	
Cost	4,213
Accumulated amortisation	(527)
Net book amount	3,686
<b>Year ended 31 December 2011</b>	
Opening net book amount	<b>3,686</b>
Additions	<b>19,502</b>
Disposal	<b>(2,078)</b>
Closing net book amount	<b>21,110</b>
<b>At 31 December 2011</b>	
Cost	<b>23,715</b>
Accumulated amortisation	<b>(2,605)</b>
Net book amount	<b>21,110</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 20 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December	
	2011	2010
Investments, at cost		
– Listed shares (i)	500,260	500,260
– Unlisted shares	11,233,484	8,236,140
	11,733,744	8,736,400
Quoted market value of listed shares	4,883,427	9,689,250

Note

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

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

Refer to note 40 and 41 for the additions of investments in subsidiaries for the year.

Particulars of the Company's principal subsidiaries are set out in Note 43.

### 21 INVESTMENTS IN ASSOCIATES

#### The Group

	As at 31 December	
	2011	2010
Share of net assets	653,476	469,059
Goodwill	17,353	17,353
End of the year	670,829	486,412



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 21 INVESTMENTS IN ASSOCIATES (continued)

#### The Group (continued)

	Year ended 31 December	
	2011	2010
At 1 January	486,412	313,668
Acquisitions	193,737	–
Subsidiaries to associates	–	161,171
Share of post-tax profit	107,402	90,008
Associates to subsidiaries	–	(26,561)
Dividends declared by associates attributable to the Group	(111,387)	(50,018)
Disposals	(5,335)	(1,856)
At 31 December	670,829	486,412

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

	Year ended 31 December	
	2011	2010
Assets	1,023,278	661,074
Liabilities	369,802	192,015
Revenues	945,543	621,707
Profit for the year	107,402	90,008

Particulars of the Company's principal associates, all of which are unlisted, are set out in Note 41.

#### The Company

	As at 31 December	
	2011	2010
Investments, at cost		
– Unlisted shares	165,715	13,829

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 22 FINANCIAL INSTRUMENTS BY CATEGORY

#### The Group

<b>At 31 December 2011</b>	<b>Loans and receivables</b>	<b>Available- for-sale</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	–	59,199	59,199
Trade receivables	26,591,821	–	26,591,821
Other receivables	1,371,550	–	1,371,550
Restricted bank deposits	1,198,519	–	1,198,519
Cash and cash equivalents	13,091,012	–	13,091,012
<b>Total</b>	<b>42,252,902</b>	<b>59,199</b>	<b>42,312,101</b>
		<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>			
Borrowings		13,849,138	13,849,138
Trade payables		27,053,995	27,053,995
Accruals and other payables		3,589,329	3,589,329
<b>Total</b>		<b>44,492,462</b>	<b>44,492,462</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group (continued)

At 31 December 2010	Loans and receivables	Available- for-sale	Total
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	–	56,566	56,566
Trade receivables	17,751,877	–	17,751,877
Other receivables	349,987	–	349,987
Restricted bank deposits	732,098	–	732,098
Cash and cash equivalents	7,474,698	–	7,474,698
<b>Total</b>	26,308,660	56,566	26,365,226
		Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>			
Borrowings		3,435,082	3,435,082
Trade payables		19,831,205	19,831,205
Accruals and other payables		1,833,844	1,833,844
<b>Total</b>		25,100,131	25,100,131

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

#### The Company

<b>At 31 December 2011</b>	<b>Loans and receivables</b>	<b>Available- for-sale</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	–	6,620	6,620
Amounts due from subsidiaries	6,676,159	–	6,676,159
Trade receivables	1,568,720	–	1,568,720
Other receivables	288,284	–	288,284
Restricted bank deposit	2,200	–	2,200
Cash and cash equivalents	6,993,072	–	6,993,072
<b>Total</b>	<b>15,528,435</b>	<b>6,620</b>	<b>15,535,055</b>
		<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>			
Borrowings		6,020,656	6,020,656
Trade payables		2,522,120	2,522,120
Accruals and other payables		6,016,287	6,016,287
<b>Total</b>		<b>14,559,063</b>	<b>14,559,063</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

#### The Company (continued)

<b>At 31 December 2010</b>	Loans and receivables	Available- for-sale	Total
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	–	6,620	6,620
Amounts due from subsidiaries	3,096,034	–	3,096,034
Trade receivables	2,569,969	–	2,569,969
Other receivables	242,089	–	242,089
Cash and cash equivalents	2,856,923	–	2,856,923
<b>Total</b>	<b>8,765,015</b>	<b>6,620</b>	<b>8,771,635</b>
		Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>			
Borrowings		1,130,000	1,130,000
Trade payables		3,569,836	3,569,836
Accruals and other payables		3,601,573	3,601,573
<b>Total</b>		<b>8,301,409</b>	<b>8,301,409</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

#### The Group

	As at 31 December	
	2011	2010
Listed equity investments, at fair value	28,330	48,493
Unlisted equity investments, at fair value	30,869	8,073
	59,199	56,566
Less: Current portion	(1,163)	(990)
	58,036	55,576

	Year ended 31 December	
	2011	2010
At 1 January	56,566	56,882
Additions	22,808	6,406
Net (loss)/gain	(19,961)	1,426
Disposals	(214)	(8,148)
At 31 December	59,199	56,566

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

#### The Company

	As at 31 December	
	2011	2010
Unlisted equity investment, at fair value	6,620	6,620

	Year ended 31 December	
	2011	2010
At 1 January	6,620	6,760
Additions	-	6,000
Disposal	-	(6,140)
At 31 December	6,620	6,620

The fair value of listed equity investments is based on the quoted market prices. For unlisted equity investments, the Company's directors estimate the fair value of these investments mainly based on the historical performance of these companies, market environment and the prospective industry overview, or prices of similar recent disposal if applicable.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 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:

	As at 31 December	
	2011	2010
Deferred income tax assets		
– to be recovered after more than 12 months	239,787	184,196
– to be recovered within 12 months	44,190	49,888
	<b>283,977</b>	234,084
Deferred income tax liabilities		
– to be settled after more than 12 months	(485,645)	(251,818)
– to be settled within 12 months	(31,906)	(13,833)
	<b>(517,551)</b>	(265,651)
Deferred income tax liability – net	<b>(233,574)</b>	(31,567)

The gross movement in the deferred income tax account is as follows:

	Year ended 31 December	
	2011	2010
At 1 January	(31,567)	83,320
Acquisition of subsidiaries (Note 41)	(260,895)	(160,287)
Credited to consolidated income statements (Note 13)	45,884	45,797
Tax credited/(charged) relating to components of other comprehensive income (Note 13)	13,004	(397)
At 31 December	<b>(233,574)</b>	(31,567)



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX (continued)

#### The Group (continued)

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

#### Deferred income tax assets

	Employee benefit obligations	Impairment provision on assets	Unrealised profit	Tax losses	Others	Total
<b>At 1 January 2010</b>	103,300	65,704	9,618	2,048	12,740	193,410
Acquisition of subsidiaries	-	2,573	-	-	-	2,573
Credited/(charged) to consolidated income statements	13,751	9,936	4,404	(508)	10,518	38,101
<b>At 31 December 2010</b>	<b>117,051</b>	<b>78,213</b>	<b>14,022</b>	<b>1,540</b>	<b>23,258</b>	<b>234,084</b>
Acquisition of subsidiaries (Note 41)	4,702	12,288	-	-	5,460	22,450
(Charged)/credited to consolidated income statements	(11,166)	10,143	(5,059)	19,954	5,557	19,429
Credited to other comprehensive income	8,014	-	-	-	-	8,014
<b>At 31 December 2011</b>	<b>118,601</b>	<b>100,644</b>	<b>8,963</b>	<b>21,494</b>	<b>34,275</b>	<b>283,977</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX (continued)

The Group (continued)

#### Deferred income tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains from available-for- sale financial assets	Others	Total
<b>At 1 January 2010</b>	(98,788)	(11,302)	–	(110,090)
Acquisition of subsidiaries	(162,860)	–	–	(162,860)
Credited/(charged) to consolidated income statements	8,891	–	(1,195)	7,696
(Charged) to other comprehensive income	–	(397)	–	(397)
<b>At 31 December 2010</b>	<b>(252,757)</b>	<b>(11,699)</b>	<b>(1,195)</b>	<b>(265,651)</b>
Acquisition of subsidiaries (Note 41)	(283,345)	–	–	(283,345)
Credited/(charged) to consolidated income statements	31,845	108	(5,498)	26,455
Credited to other comprehensive income	–	4,990	–	4,990
<b>At 31 December 2011</b>	<b>(504,257)</b>	<b>(6,601)</b>	<b>(6,693)</b>	<b>(517,551)</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB14,084 thousands (2010: RMB5,711 thousands) in respect of tax losses amounting to approximately RMB56,337 thousands (2010: RMB59,963 thousands) that can be carried forward against future taxable income. As at 31 December 2011, these unrecognised tax losses amounting to RMB254 thousands, RMB3,508 thousands, RMB10,419 thousands, RMB17,373 thousands and RMB24,783 thousands will expire in 2012, 2013, 2014, 2015 and 2016 respectively.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 24 DEFERRED INCOME TAX (continued)

#### The Company

The gross movement in deferred income tax account is as follows:

	Year ended 31 December	
	2011	2010
At 1 January	35,156	29,677
(Charged)/credited to income statement	(5,746)	5,479
Credited to the other comprehensive income	1,056	–
At 31 December	30,466	35,156

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
<b>At 1 January 2010</b>	11,096	12,519	6,062	29,677
(Charged)/credited to income statement	(534)	(2,875)	8,888	5,479
<b>At 31 December 2010</b>	<b>10,562</b>	<b>9,644</b>	<b>14,950</b>	<b>35,156</b>
Credited/(charged) to income statements	6,844	(2,142)	(10,448)	(5,746)
Credited to other comprehensive income	1,056	–	–	1,056
<b>At 31 December 2011</b>	<b>18,462</b>	<b>7,502</b>	<b>4,502</b>	<b>30,466</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 25 OTHER NON-CURRENT ASSETS

#### The Group

	As at 31 December	
	2011	2010
Partial payment for acquisition of subsidiaries (i)	91,000	296,063
Partial payment for acquisition of an associate (ii)	100,000	–
Others	31,278	341,663
	<b>222,278</b>	637,726

(i) The Group paid partial consideration of RMB91,000 thousands for several subsidiaries' acquisition, but relevant transactions have not been completed by 31 December 2011(2010: RMB296,063 thousands).

(ii) The Group paid partial consideration of RMB100,000 thousands for an associate, but relevant transactions have not been completed by 31 December 2011(2010: Nil). The partial payment was recognized at fair value.

#### The Company

	As at 31 December	
	2011	2010
Partial payment for acquisition of subsidiaries	–	278,570
Partial payment for acquisition of an associate	100,000	–
Others	382	320,942
	<b>100,382</b>	599,512

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 26 INVENTORIES

#### The Group

	As at 31 December	
	2011	2010
Raw materials	173,310	179,790
Work in progress	21,291	47,380
Finished goods and trading merchandise	12,065,316	7,327,213
	12,259,917	7,554,383
Less: Provision for impairment	(45,857)	(24,007)
	12,214,060	7,530,376

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB93,724,616 thousands (2010: RMB63,295,960 thousands).

Movements of provision for impairment of inventories are as follows:

	Year ended 31 December	
	2011	2010
<b>Provision for impairment</b>		
At 1 January	24,007	27,589
Provision/(write-back of provision) for the year (Note 9)	24,479	(3,032)
Credited to cost of sales when inventories were sold	(2,629)	(550)
At 31 December	45,857	24,007

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 26 INVENTORIES (continued)

#### The Company

	As at 31 December	
	2011	2010
Trading merchandise	740,969	1,378,638
Less: Provision for impairment	(6,290)	(4,450)
	<b>734,679</b>	1,374,188

Movements of provision for impairment of inventories are as follows:

	Year ended 31 December	
	2011	2010
<b>Provision for impairment</b>		
At 1 January	4,450	5,428
Provision/(write-back of provision) for the year	1,840	(978)
At 31 December	<b>6,290</b>	4,450

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES

#### The Group

	As at 31 December	
	2011	2010
Accounts receivable	24,463,832	16,520,718
Notes receivable	2,417,433	1,511,315
	<b>26,881,265</b>	18,032,033
Less: Provision for impairment	(289,444)	(280,156)
Trade receivables – net	<b>26,591,821</b>	17,751,877

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 210 days. The ageing analysis of trade receivables (accounts receivable and notes receivable) is as follows:

	As at 31 December	
	2011	2010
Below 3 months	20,482,995	14,597,296
3 to 6 months	4,094,860	2,945,861
6 months to 1 year	2,206,129	399,612
1 to 2 years	64,512	47,303
Over 2 years	32,769	41,961
	<b>26,881,265</b>	18,032,033

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES (continued)

#### The Group (continued)

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:

	As at 31 December	
	2011	2010
3 to 6 months	3,896,363	2,777,357
6 months to 1 year	2,168,920	355,305
1 to 2 years	38,455	19,846
Over 2 years	5,088	2,073
	<b>6,108,826</b>	3,154,581

As of 31 December 2011, trade receivables of approximately RMB289,444 thousands (2010: RMB280,156 thousands), were impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult financial situations. The ageing of these receivables is as follows:

	As at 31 December	
	2011	2010
3 to 6 months	198,497	168,504
6 months to 1 year	37,209	44,307
1 to 2 years	26,057	27,457
Over 2 years	27,681	39,888
	<b>289,444</b>	280,156



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES (continued)

#### The Group (continued)

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

	Year ended 31 December	
	2011	2010
At 1 January	280,156	243,737
Provision for impairment (Note 9)	30,095	39,111
Receivables written off as uncollectible	(20,807)	(2,692)
At 31 December	289,444	280,156

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.

As at 31 December 2011, notes receivable of RMB59,051 thousands (2010: RMB110,276 thousands) and accounts receivable of RMB3,437,124 thousands (2010: RMB615,446 thousands) were pledged as collaterals of the Group's bank borrowings (Note 32).

As at 31 December 2011, outstanding accounts receivable of RMB4,081,990 thousands (2010: RMB3,283,765 thousands) were derecognized under the accounts receivable factoring programs without recourse. The ageing of these derecognised accounts receivable was within one year. As at 31 December 2011, the collection of such accounts receivable on behalf of banks amounted to RMB457,440 thousands (2010: RMB277,264 thousands) was recorded in other payables (Note 36).

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

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 27 TRADE RECEIVABLES (continued)

#### The Company

	As at 31 December	
	2011	2010
Accounts receivable	1,428,208	2,187,626
Notes receivable	149,460	401,638
	<b>1,577,668</b>	2,589,264
Less: Provision for impairment	<b>(8,948)</b>	(19,295)
Trade receivables – net	<b>1,568,720</b>	2,569,969

The ageing analysis of trade receivables, before provision for impairment is as follows:

	As at 31 December	
	2011	2010
Below 3 months	1,020,546	2,356,454
3 to 6 months	501,506	207,116
6 months to 1 year	49,066	11,281
1 to 2 years	6,550	12,198
Over 2 years	–	2,215
	<b>1,577,668</b>	2,589,264

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 28 PREPAYMENTS AND OTHER RECEIVABLES

#### The Group

	As at 31 December	
	2011	2010
Prepayments		
– purchase of inventories	1,583,856	906,468
– construction	84,093	23,141
– operating expenses	53,909	32,721
Value-added tax recoverable	356,712	154,248
Deposits	494,536	110,306
Staff advances	89,399	38,568
Government grant receivables	56,541	–
Amounts due from related parties	26,831	3,155
Prepayments to related parties	43,078	60,944
Other receivables	398,531	94,130
	<b>3,187,486</b>	1,423,681
Less: Provision for impairment	<b>(51,000)</b>	(50,420)
	<b>3,136,486</b>	1,373,261

The fair values of prepayments and 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	
	2011	2010
At 1 January	50,420	48,912
Provision for the year (Note 9)	7,101	3,399
Receivables written off as uncollectible	(6,521)	(1,891)
At 31 December	<b>51,000</b>	50,420

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 28 PREPAYMENTS AND OTHER RECEIVABLES (continued)

#### The Company

	As at 31 December	
	2011	2010
Amounts due from subsidiaries	6,676,159	3,096,034
Prepayments		
– purchase of inventories	241,557	253,717
– construction	1,260	–
Dividend receivable	214,966	153,058
Value-added tax recoverable	–	47,217
Other receivables	88,087	56,647
	7,222,029	3,606,673
Less: Provision for impairment	(14,769)	(14,833)
	7,207,260	3,591,840

### 29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS

#### The Group

	As at 31 December	
	2011	2010
<b>Bank deposits and restricted cash</b>		
Pledged bank deposits	1,189,519	729,598
Term deposits over 3 months	9,000	2,500
Total bank deposits and restricted cash	1,198,519	732,098

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS (continued)

The Group (continued)

	As at 31 December	
	2011	2010
<b>Cash and cash equivalents</b>		
– Cash at banks and on hand	13,091,012	7,474,698
<b>Bank deposits and restricted cash, cash and cash equivalents</b>		
Denominated in		
– RMB	13,198,905	8,033,396
– USD	95,133	29,229
– HKD	995,490	144,061
– Others	3	110
	14,289,531	8,206,796

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

RMB is 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.

The effective interest rates of bank deposits are as follows:

	As at 31 December	
	2011	2010
Weighted average effective interest rate (per annum)	1.03%	0.40%

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 29 BANK DEPOSITS AND RESTRICTED CASH, CASH AND CASH EQUIVALENTS (continued)

#### The Company

	As at 31 December	
	2011	2010
<b>Restricted cash</b>		
Pledged bank deposits	2,200	–
	As at 31 December	
	2011	2010
<b>Cash and cash equivalents</b>		
– Cash at banks and on hand	6,993,072	2,856,923
<b>Restricted cash and cash and cash equivalents</b>		
Denominated in		
– RMB	6,019,873	2,713,020
– HKD	975,399	143,903
	6,995,272	2,856,923

### 30 SHARE CAPITAL

	Number of shares	Domestic shares with par value of RMB1 per share	H Shares with par value of RMB1 per share	Total
<b>At 1 January 2010 &amp; 2011</b>	2,264,568	1,574,284	690,284	2,264,568
Issue of shares (i)	138,057	–	138,057	138,057
<b>At 31 December 2011</b>	2,402,625	1,574,284	828,341	2,402,625

- (i) On 4 May 2011, the Company issued 138,056,825 H shares at HK\$25.00 per share, and raised gross proceeds of HK\$3,451,421 thousands (equivalent to RMB2,888,839 thousands). After deduction of the expenses of HK\$64,635 thousands (equivalent to RMB54,099 thousands) in relation to the placement, the total net proceeds was HK\$3,386,786 thousands (equivalent to RMB2,834,740 thousands), and share premium was RMB2,696,683 thousands.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 31 RESERVES

### The Group

	Note	Share premium	Statutory reserves	Revaluation of available-for-sale financial assets	Other Reserves (Note (c))	Retained Earnings (Note (b))	Total
<b>At 1 January 2010</b>		8,131,102	92,768	15,990	999,727	362,724	9,602,311
Profit for the year		-	-	-	-	1,208,751	1,208,751
Revaluation of available-for-sale financial assets							
– gross		-	-	628	-	-	628
– tax		-	-	(175)	-	-	(175)
Currency translation differences		-	-	-	(1,199)	-	(1,199)
Appropriation to statutory reserves		-	38,084	-	-	(38,084)	-
Dividends		-	-	-	-	(22,872)	(22,872)
Transactions with non-controlling interests		-	-	-	(117,245)	-	(117,245)
Effect of business combination under common control		-	-	-	(1,101,965)	(115,815)	(1,217,780)
Distribution by subsidiaries acquired under common control prior to acquisition		-	-	-	-	(5,849)	(5,849)
Capitalisation of retained earnings by an associate		-	-	-	8,607	(8,607)	-
<b>At 31 December 2010</b>		8,131,102	130,852	16,443	(212,075)	1,380,248	9,446,570
Profit for the year		-	-	-	-	1,560,606	1,560,606
Revaluation of available-for-sale financial assets							
– gross	23	-	-	(8,785)	-	-	(8,785)
– tax	24	-	-	2,196	-	-	2,196
Remeasurement on post-employment benefit obligation							
– gross	33	-	-	-	(24,773)	-	(24,773)
– tax	24	-	-	-	6,178	-	6,178
Currency translation differences		-	-	-	(1,213)	-	(1,213)
Appropriation to statutory reserves	(a)	-	44,695	-	-	(44,695)	-
Issue of shares	30	2,696,683	-	-	-	-	2,696,683
Dividends	37	-	-	-	-	(363,082)	(363,082)
Transactions with non-controlling interests	40	-	-	-	(228)	-	(228)
Revaluation loss of subsidiaries in conversion of corporate institution		-	-	-	(667)	-	(667)
Distribution by subsidiaries acquired under common control prior to acquisition		-	-	-	-	(44,770)	(44,770)
Others		-	-	-	2,509	-	2,509
<b>At 31 December 2011</b>		10,827,785	175,547	9,854	(230,269)	2,488,307	13,271,224

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 31 RESERVES (continued)

#### The Company

	Note	Share premium	Statutory reserves	Other reserves (Note (c))	Retained Earnings (Note (b))	Total
<b>As at 1 January 2010</b>		8,119,927	92,768	(55,232)	91,517	8,248,980
Profit for the year		-	-	-	372,998	372,998
Appropriation to statutory reserves	(a)	-	38,084	-	(38,084)	-
Absorption of a subsidiary		-	-	-	20,904	20,904
Dividends		-	-	-	(22,872)	(22,872)
<b>As at 31 December 2010</b>		<b>8,119,927</b>	<b>130,852</b>	<b>(55,232)</b>	<b>424,463</b>	<b>8,620,010</b>
Profit for the year		-	-	-	446,501	446,501
Appropriation to statutory reserves	(a)	-	44,695	-	(44,695)	-
Remeasurement on post-employment benefit obligation						
- gross		-	-	(4,223)	-	(4,223)
- tax	24	-	-	1,056	-	1,056
Issue of shares		2,696,683	-	-	-	2,696,683
Dividends	37	-	-	-	(363,082)	(363,082)
<b>As at 31 December 2011</b>		<b>10,816,610</b>	<b>175,547</b>	<b>(58,399)</b>	<b>463,187</b>	<b>11,396,945</b>

Notes:

- (a) PRC laws and regulations require companies registered in the PRC to maintain certain statutory reserves, which are to be appropriated from the retained profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distributing retained profit to their shareholders. 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 based on a resolution of the board of directors.
- (b) Retained earnings as at 31 December 2011 include proposed final dividend of RMB456,499 thousands (2010: RMB363,082 thousands).
- (c) Other reserves mainly represents reserves for business combination under common control, transactions with non-controlling interests and remeasurement on post-employment benefit obligation.



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS

#### The Group

	As at 31 December	
	2011	2010
<b>Non-current</b>		
Unsecured bank borrowings	221,697	90,900
Bond (i)	4,960,656	–
	<b>5,182,353</b>	90,900
<b>Current</b>		
Secured bank borrowings	2,550,506	908,009
Unsecured bank borrowings	6,116,279	2,436,173
	<b>8,666,785</b>	3,344,182
<b>Total borrowings</b>	<b>13,849,138</b>	3,435,082

The borrowings were denominated in RMB.

Notes:

- (i) On 11 May 2011, the Company issued 20,000,000 bonds at a total par value of RMB2,000,000 thousands. After deduction of the expenses of approximately RMB18,840 thousands in relation to the bond offering, the total net proceeds was approximately RMB1,981,160 thousands. The bonds mature three years from the issue date with no early redemption options, and the annual interest rate is 4.89% which is fixed.

On 19 August 2011, the Company issued 30,000,000 bonds at a total par value of RMB3,000,000 thousands. After deduction of the expenses of approximately RMB27,390 thousands in relation to the bond offering, the total net proceeds was approximately RMB2,972,610 thousands. The bonds mature three years from the issue date with no early redemption options, and the annual interest rate is 5.53% which is fixed.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Group (continued)

The Group's borrowings were repayable as follows:

	Bank borrowings		Bond	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Within 1 year	8,666,785	3,344,182	–	–
Between 1 to 2 years	46,058	–	–	–
Between 2 to 5 years	61,925	30,000	4,960,656	–
Over 5 years	113,714	60,900	–	–
	<b>8,888,482</b>	3,435,082	<b>4,960,656</b>	–

All of the Group's bank borrowings are on floating rates, as follows:

	As at 31 December	
	2011	2010
Weighted average effective interest rate (per annum)	5.51%	4.73%

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

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

	As at 31 December	
	2011	2010
Property, plant and equipment (Note 18)	57,101	12,847
Land use rights (Note 16)	33,565	–
Pledged bank deposits	141,950	169,227
Notes receivable (Note 27)	59,051	110,276
Trade receivable (Note 27)	3,437,124	615,446
	<b>3,728,791</b>	907,796

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Group (continued)

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

	Carrying amount		Fair value	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Bank borrowings	221,697	90,900	216,774	89,472
Bond	4,960,656	–	5,037,308	–

#### The Company

	As at 31 December	
	2011	2010
<b>Non-current</b>		
Bond	4,960,656	–
	4,960,656	–
<b>Current</b>		
Secured bank borrowings	940,000	–
Unsecured bank borrowings	120,000	1,130,000
	1,060,000	1,130,000
<b>Total borrowings</b>	<b>6,020,656</b>	<b>1,130,000</b>

The borrowings were denominated in RMB.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 32 BORROWINGS (continued)

#### The Company (continued)

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

	Bank borrowings		Bond	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Within 1 year	1,060,000	1,130,000	-	-
Between 1 to 2 years	-	-	-	-
Between 2 to 5 years	-	-	4,960,656	-
Over 5 years	-	-	-	-
	1,060,000	1,130,000	4,960,656	-

All of the Company's bank borrowings are on floating rates. The weighted average effective interest rates at respective balance sheet dates are as follows:

	As at 31 December	
	2011	2010
Weighted average effective interest rate (per annum)	5.23%	4.82%

The collaterals for the Company's secured bank borrowings are as follows:

	As at 31 December	
	2011	2010
Accounts receivable	1,327,313	-

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 33 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.

	As at 31 December	
	2011	2010
Balance sheet obligations for post-employment benefit	435,451	368,712

	Year ended 31 December	
	2011	2010
Charge to income statement for post-employment benefit (Note 10)	46,869	31,862
Remeasurement recognised in the statement of other comprehensive income in the period	32,210	–
Cumulative remeasurement recognised in the statement of other comprehensive income	32,210	–

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

	As at 31 December	
	2011	2010
Present value of funded obligations	14,977	–
Fair value of plan assets	–	–
Deficit of funded plans	14,977	–
Present value of unfunded post-employment benefit obligations	420,474	372,711
Unrecognised past service cost	–	(3,999)
Liability in the balance sheet	435,451	368,712

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 33 POST-EMPLOYMENT BENEFIT OBLIGATIONS – GROUP (continued)

Movement of the post-employment benefit obligations is as follows:

	As at 31 December	
	2011	2010
At 1 January	368,712	403,008
Acquisition of subsidiaries (Note 41)	18,806	–
Curtailement of benefit	–	(30,462)
Total expenses, included in staff costs as shown below	46,869	31,862
Remeasurement recognised in other comprehensive income	32,210	–
Benefits paid	(31,146)	(35,696)
At 31 December	435,451	368,712

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

	Year ended 31 December	
	2011	2010
Current service cost	3,941	4,332
Past service cost	38,463	3,875
Interest cost	16,062	15,477
Remeasurement	–	8,178
Gain on curtailment	(11,597)	–
Total expenses, included in staff costs	46,869	31,862

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	
	2011	2010
Discount rate	3.75%	4.25%
Future pension increases	0-5%	0-4%
Future medical cost increases	5%	2-5%

Mortality: Average life expectancy of residents in the Mainland China.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 34 OTHER NON-CURRENT LIABILITIES

### The Group

	As at 31 December	
	2011	2010
Medical reserve funds (i)		
– general	336,972	297,983
– for H1N1 vaccines	273,272	424,584
Office relocation funds (ii)	47,548	30,262
Government grants for construction of logistic centers (iii)	43,107	14,058
Government grants for products development	27,710	10,000
Others	84,242	39,174
	<b>812,851</b>	816,061

#### Notes

- (i) 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 have to sell pharmaceutical products to specific customers at cost when there is any major disaster, epidemic and other emergency, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. No fund was used to offset trade receivables during the year ended 31 December 2011 (2010: RMB26,000 thousands). The Group is required to maintain certain 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.

- (ii) Certain of the Group's subsidiaries received funds from local governments as compensation for losses arising from office relocation upon requests from local governments. 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 2011, 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.
- (iii) Certain of the Group's subsidiaries received funds from local governments as a subsidy for construction of logistic centers. As at 31 December 2011, the directors expect that such constructions will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 34 OTHER NON-CURRENT LIABILITIES (continued)

#### The Company

	As at 31 December	
	2011	2010
Medical reserve funds – general	205,853	205,853
Others	20,270	57,379
	<b>226,123</b>	263,232

### 35 TRADE PAYABLES

#### The Group

	As at 31 December	
	2011	2010
Trade payables	20,224,416	13,725,945
Notes payable	6,829,579	6,105,260
	<b>27,053,995</b>	19,831,205

The fair values of trade payables approximate their carrying amounts.

Purchases are made on credit terms ranging from 45 to 210 days.

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2011	2010
Below 3 months	23,076,124	17,862,983
3 to 6 months	1,886,778	965,105
6 months to 1 year	1,656,735	569,968
1 to 2 years	230,915	174,166
Over 2 years	203,443	258,983
	<b>27,053,995</b>	19,831,205



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 35 TRADE PAYABLES (continued)

#### The Group (continued)

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

	As at 31 December	
	2011	2010
RMB	26,120,652	19,211,979
USD	687,195	619,226
HKD	235,697	–
EUR	10,451	–
	<b>27,053,995</b>	19,831,205

#### The Company

	As at 31 December	
	2011	2010
Trade payables	2,003,595	1,936,189
Notes payable	518,525	1,633,647
	<b>2,522,120</b>	3,569,836

The fair values of trade payables approximate their carrying amounts.

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

	As at 31 December	
	2011	2010
Below 3 months	2,366,279	3,486,788
3 to 6 months	136,882	48,834
6 months to 1 year	13,737	27,694
1 to 2 years	2,970	3,087
Over 2 years	2,252	3,433
	<b>2,522,120</b>	3,569,836

The Company's trade payables are denominated in RMB.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 36 ACCRUALS AND OTHER PAYABLES

#### The Group

	As at 31 December	
	2011	2010
Accrual of operating expenses	317,784	291,321
Collection of accounts receivables on behalf of banks under factoring programs (Note 27)	457,440	277,264
Salary and welfare payables	479,173	349,471
Advances from customers	680,312	498,665
Other deposits	143,525	82,439
Taxes payable	260,820	104,315
Interest payable	136,643	5,095
Amounts due to related parties	60,564	101,209
Payables arising from acquisition of subsidiaries and contingent consideration	596,124	215,111
Others	1,137,256	407,619
	<b>4,269,641</b>	2,332,509

The fair values of accruals and other payables approximate their carrying amounts.

The Group's other payables are denominated in RMB.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 36 ACCRUALS AND OTHER PAYABLES (continued)

#### The Company

	As at 31 December	
	2011	2010
Amounts due to subsidiaries	5,125,544	3,238,902
Amounts due to other related parties	5,775	3,080
Salary and welfare payables	31,595	39,963
Accrual of operating expenses	8,624	15,881
Accounts receivables collection on behalf of banks for factoring business	345,046	139,247
Taxes payable other than income tax and value added tax	10,751	2,684
Interest payable	121,973	440
Advances from customers	9,478	302,195
Other deposits	157	514
Payables arising from acquisition of subsidiaries	287,263	123,653
Others	79,559	37,209
	<b>6,025,765</b>	3,903,768

The fair values of accruals and other payables approximate their carrying amounts.

The Company's other payables are denominated in RMB.

### 37 DIVIDENDS

The dividends paid in 2011 were RMB363,082 thousands (RMB0.16 per ordinary share). A dividend in respect of the year ended 31 December 2011 of RMB0.19 per ordinary share, amounting to a total dividend of RMB456,499 thousands is to be proposed at the upcoming Annual General Meeting according to the resolution of the Board of Directors on 22 March 2012. These financial statements have not reflected the payable of this dividend.

	Year ended 31 December	
	2011	2010
Proposed final dividend	456,499	363,082

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 38 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2011	2010
Profit before income tax	<b>3,127,600</b>	2,397,952
<b>Adjustments for:</b>		
– Share of profit from associates (Note 21)	<b>(107,402)</b>	(90,008)
– Asset impairment	<b>64,675</b>	39,478
– Depreciation	<b>323,257</b>	230,927
– Amortisation	<b>136,888</b>	69,588
– Gain on disposal of land use right and plant and equipment (Note 8)	<b>(57,039)</b>	24,124
– Write-back of certain liabilities (Note 8)	<b>(32,608)</b>	(47,949)
– Gain on disposal of available-for-sale financial assets	<b>(4,133)</b>	(38,356)
– Finance cost	<b>846,872</b>	311,809
– Gain on fair value re-measurement of existing stake in connection with acquisitions (Note 8)	<b>(393)</b>	(29,341)
– Gain on disposal of subsidiaries (Note 8)	<b>(123,557)</b>	(3,879)
– Gain on fair value re-measurement of retained interest in connection with disposal of controlling interest in a subsidiary (Note 8)	<b>–</b>	(41,687)
	<b>4,174,160</b>	2,822,658
<b>Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)</b>		
– Inventories	<b>(3,014,393)</b>	(1,562,188)
– Trade receivables	<b>(5,550,043)</b>	(3,483,600)
– Prepayments and other receivables	<b>(1,702,853)</b>	(373,025)
– Trade payables	<b>4,766,711</b>	3,917,207
– Accruals and other payables	<b>3,173,564</b>	454,068
Cash generated from operations	<b>1,847,146</b>	1,775,120

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 39 COMMITMENTS

### (a) Capital commitments

Capital expenditures at balance sheet date are as follows:

#### The Group

	As at 31 December	
	2011	2010
Property, plant and equipment:		
– contracted but not provided for	239,994	293,516
– authorised but not contracted for	1,458,268	868,825
Acquisition of equity interests		
– contracted but not provided for	427,100	451,275
– authorised but not contracted for	–	1,400
	2,125,362	1,615,016

### (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	
	2011	2010
Within 1 year	243,538	328,949
Later than 1 year and not later than 5 years	428,037	327,184
Later than 5 years	166,597	74,401
	838,172	730,534

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 number of years.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 39 COMMITMENTS (continued)

#### (b) Operating lease commitments (continued)

##### (ii) The Group is the lessor:

The Group leases out certain investment properties under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	As at 31 December	
	2011	2010
Within 1 year	49,061	34,610
Later than 1 year and not later than 5 years	101,595	90,670
Later than 5 years	43,604	30,267
	<b>194,260</b>	155,547

### 40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

#### (a) Acquisition of additional interest in subsidiaries

During the year, the Group acquired following additional interests in subsidiaries from non-controlling interests:

Subsidiaries	Acquired interests Acquired %	Cash consideration
Zhejiang Intlmedicine Drugstore Co. Ltd.	10%	1,378
Sinopharm Holding Yunnan Co. Ltd.	10%	7,933
Sinopharm Holding Taizhou Co. Ltd.	25%	12,075
Huzhou Muhanzhuai Pharmacy Chain Store Co. Ltd.	8%	378
Sinopharm Holding Lishui Co. Ltd.	9%	2,520
		24,284

The effect of changes in the ownership interest of the these subsidiaries on the total equity of the Group during the year is summarised as follows:

	Effect on the total equity
Carrying amount of non-controlling interests acquired	19,575
Consideration paid to non-controlling interests	24,284
Excess of consideration paid	4,709

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

#### (b) Disposal of interest in subsidiaries without loss of control

In August 2011, the Group's 80% equity interests in Sinopharm Holding Hainan Co. Ltd., was diluted to 68% by non-controlling interests.

In December 2011, the Group disposed 40% equity interests in Sinopharm Logistics Shanxi Co. Ltd. to a third party.

The effect of changes in the ownership interest of these two entities on the equity of the Group during the year is summarized as follows:

	<b>Effect on the total equity</b>
Carrying amount of non-controlling interests disposed	4,623
Consideration received from non-controlling interests	8,353
Gain on disposal within equity	(3,730)

#### (c) Effects of transactions with non-controlling interests on the total equity for the year ended 31 December 2011

	<b>Effect on the total equity</b>
Changes in total equity arising from:	
– acquisition of additional interest in a subsidiary	4,709
– disposal of interest in a subsidiary without loss of control	(3,730)
Net effect for transactions with non-controlling interests on total equity	979

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 41 BUSINESS COMBINATIONS

Acquisitions during the year comprise:

The Group acquired equity interests from third parties in certain subsidiaries which are mainly engaged in distributions of medicines and pharmaceutical products and operations of pharmaceutical chain stores to extend the market share of the Group, during the year as follows:

<b>Subsidiaries acquired</b>	<b>Acquisition date</b>	<b>Acquired interests %</b>
Foshan City Nanhai Pharmaceutical Group Co. Ltd.	January, 2011	100%
Sinopharm Holding Sanming Co. Ltd.	May, 2011	60%
Sinopharm Holding Anshun Co. Ltd.	July, 2011	70%
Henan Guoda Pharmacy Chain Store Co. Ltd.	May, 2011	51%
Hunan Guoda Minshengtang Pharmacy Chain Store Co. Ltd.	April, 2011	51%
Sinopharm Nutraceuticals (Shanghai) Co. Ltd.	January, 2011	70%
Shanxi Wanmin Pharmacy Chain Store Co. Ltd.	March, 2011	51%
Sinopharm Holding Wuxi Co. Ltd.	January, 2011	70%
Sinopharm Holding Lingyun Biological Medicine Co. Ltd.	January, 2011	55%
Sinopharm Holding Changzhou Co. Ltd.	January, 2011	65%
Sinopharm Holding Heilongjiang Co. Ltd.	March, 2011	65%
Sinopharm Holding Le Ren Tang Pharmaceutical Co. Ltd.	May, 2011	60%
Sinopharm Holding Tangshan (Xintiandi) Co. Ltd.	May, 2011	70%
Sinopharm Holding Pingdingshan Co. Ltd.	May, 2011	60%
Sinopharm Holding Lishui Co. Ltd.	January, 2011	89%
Sinopharm Holding Taizhou Co. Ltd.	January, 2011	75%
Sinopharm Holding Jinhua Co. Ltd.	May, 2011	90%
Sinopharm Suzhou Boai Pharmaceutical Co. Ltd.	February, 2011	70%
Sinopharm Holding Tianjin North Pharmaceutical Co. Ltd.	January, 2011	51%
Sinopharm Holding Handan Co. Ltd.	May, 2011	70%
Sinopharm Holding Putian Co. Ltd.	January, 2011	60%
Sinopharm Holding Longyan Co. Ltd.	April, 2011	60%
Sinopharm Holding Zhangzhou Co. Ltd.	June, 2011	60%
Sinopharm Holding Qingdao Co. Ltd.	January, 2011	100%
Sinopharm Holding Zaozhuang Co. Ltd.	September, 2011	70%
Sinopharm Holding Hainan Hongyi Co. Ltd.	August, 2011	100%
Sinopharm Holding Nanping Co. Ltd.	July, 2011	60%
Sinopharm Holding Ningde Co. Ltd.	August, 2011	60%
Sinopharm Holding Qinghai Co. Ltd.	November, 2011	70%
Sinopharm Holding Hunan Deyuan Pharmaceutical Co. Ltd.	November, 2011	70%
Sinopharm Holding Jinzhou Co. Ltd.	May, 2011	70%
Lerentang Shijiazhuang Pharmacy Chain Store Co. Ltd.	November, 2011	60%
Liyang Guoda People Pharmacy Store Co. Ltd.	May, 2011	80%
Quanzhou Guoda Pharmacy Chain Store Co. Ltd.	March, 2011	51%
Neimenggu Guoda Jiuling Pharmacy Chain Store Co. Ltd.	July, 2011	70%



# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 41 BUSINESS COMBINATIONS (continued)

The acquisition date is also the date on which the Group effectively obtains the right to control these entities.

The Group also acquired additional equity interests in certain entities, which became the subsidiaries of the Group afterwards, during the year, as follows:

In February 2011, the Group acquired an additional 68.7% equity interests in Sinopharm Holding Xinjiang Xinte Shenrong Pharmaceutical Co. Ltd. ("**Xinjiang Shenrong**"), a then existing 31.3% owned associate, from a third party. After the acquisition, the Group holds 100% equity interests in Xinjiang Shenrong which became a subsidiary of the Group (Note 21).

In September 2011, the Group acquired 68.6% equity interests in Sinopharm Holding Huzhou Co. Ltd. from the Group's related party Shanghai Fosun Pharmaceuticals Investment Co. Ltd. The total consideration of the acquisition is RMB36,666 thousands.

In addition, the Group also acquired the medicine distribution business from a third party in June 2011.

The effect of the above acquisitions is summarised as follow:

	<b>2011</b>
Purchase consideration	
– Cash paid (note (i))	2,755,561
– Consideration payable	8,000
– Contingent consideration (note (ii))	517,954
Total purchase consideration	3,281,515
Fair value of previous stake at the dates of acquisitions	5,728
	<b>3,287,243</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 41 BUSINESS COMBINATIONS (continued)

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

	<b>Fair values at acquisition date</b>	<b>Acquirees' carrying amounts at acquisition date</b>
Cash and cash equivalents	1,073,365	1,073,365
Property, plant and equipment	477,458	400,712
Intangible assets		
– sales network	948,496	–
– software and trademarks	485	485
Land use rights	193,455	101,978
Investment properties	4,574	4,574
Deferred income tax assets	22,450	22,450
Inventories	1,723,710	1,723,710
Other non-current assets	7,200	7,200
Trade and other receivables	3,857,545	3,857,545
Trade and other payables	(5,074,187)	(5,074,549)
Deferred income tax liabilities	(283,345)	(269)
Post-employment benefit obligations	(18,806)	(18,806)
Other non-current liabilities	(5,176)	(5,176)
Borrowings	(1,154,411)	(1,154,411)
Net assets	1,772,813	938,808
Non-controlling interests (Note (iii))	(677,041)	
Goodwill (Note 19)	2,191,471	
	3,287,243	
Purchase consideration settled in cash	2,755,561	
Cash and cash equivalents in subsidiaries acquired	(1,073,365)	
Prepayments for the acquisition in 2010 (Note 25)	(296,063)	
Cash outflow on acquisition	1,386,133	

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 41 BUSINESS COMBINATIONS (continued)

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and above subsidiaries acquired not under common control combination.

Notes:

### (i) Cash paid for acquisition

Cash paid for acquisition comprises the cash payment for these acquired entities in both 2010 and 2011.

### (ii) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB517,954 thousands.

Based on the projected profit performance of the acquires, the fair value of the contingent consideration arrangement was estimated to be RMB517,954 thousands. As at 31 December 2011, there was no adjustment to the contingent consideration arrangement.

### (iii) Non-controlling interest

The Group has elected to recognise non-controlling interest measured at the non-controlling interest in the acquiree's net assets excluding goodwill.

(iv) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2011 are summarised as follows:

	<b>From acquisition date to 31 December 2011</b>
Revenue	<b>15,572,311</b>
Net profit	<b>370,725</b>

(v) The related acquisition cost is immaterial.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 42 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 PRC government, indirectly, owns 100% of CNPGC which is the ultimate holding company of the Company. The Group's significant transactions with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its sales of goods, purchase of goods, purchase of fixed assets, interest expenses on bank borrowings and interest income from bank deposits. The Group's significant balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its trade receivables, prepayments and other receivables, trade payables and other payables, bank borrowings, restricted bank deposits, cash and cash equivalents.

Besides other PRC government-related entities, the Company's directors and the Group's management consider the following entities are related parties of the Group.

<b>Name of related party</b>	<b>Nature of relationship</b>
CNPGC	The ultimate holding company of the Company
Beijing Crown Pharmaceutical Industry Co. Ltd.	Controlled by CNPGC
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	Controlled by CNPGC
Beijing Tiantan Biological Products Co. Ltd.	Controlled by CNPGC
Beijing Valley Biomedical Co. Ltd.	Controlled by CNPGC
Bode Jilin Medical Immune Products Co. Ltd.	Controlled by CNPGC
Changchun Brother Biotech Co. Ltd.	Controlled by CNPGC
Changchun Institute of Biological Products Co. Ltd.	Controlled by CNPGC
Changchun Keygen Biological Products Co. Ltd.	Controlled by CNPGC
Chengdu Institute of Biological Products	Controlled by CNPGC
Chengdu Rongsheng Pharmaceutical Co. Ltd.	Controlled by CNPGC
China Biotechnology Co. Ltd.	Controlled by CNPGC
China Medical Appliance Industry Corporation	Controlled by CNPGC
China National Baida Pharmaceutical Co. Ltd.	Controlled by CNPGC
China National Group Corporation of Traditional & Herbal Medicine	Controlled by CNPGC
China National Group Corporation of Traditional & Herbal Medicine Chengde Co. Ltd.	Controlled by CNPGC
China National Medical Equipment and Supplies Import & Export Shenzhen Corporation	Controlled by CNPGC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
China National Pharmaceutical Group	Controlled by CNPGC
Beijing Medical Equipment Co. Ltd.	
China National Pharmaceutical Group	Controlled by CNPGC
Shanghai Medical Equipment Co. Ltd.	
China National Pharmaceutical Industry Co. Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Corporation	Controlled by CNPGC
China National Scientific Instruments and Materials Corporation	Controlled by CNPGC
China National Scientific Instruments and	Controlled by CNPGC
Materials Corporation Import & Export Shenzhen Corporation	
China Pharmaceutical Group Wuhan Institute of Chinese Medicine	Controlled by CNPGC
Chinese Journal of New Drugs Co. Ltd.	Controlled by CNPGC
Gansu Lansheng Biological Pharmaceutical Industry Co. Ltd.	Controlled by CNPGC
Guangdong Southern Pharmaceutical Foreign Trade Co. Ltd.	Controlled by CNPGC
Guangdong Zhongyue United Company	Controlled by CNPGC
Guilin Hua Guiguo medicine Associates	Controlled by CNPGC
Hainan Personnel Abroad Service Center	Controlled by CNPGC
Heilongjiang Sinopharm Herbs Co. Ltd.	Controlled by CNPGC
Heilongjiang Traditional & Herbal Corporation	Controlled by CNPGC
Lanzhou Bio-technology development Co. Ltd.	Controlled by CNPGC
Lanzhou Institute of Bio-products Co. Ltd.	Controlled by CNPGC
Shanghai Institute of Bio-products Co. Ltd.	Controlled by CNPGC
Shanghai Medicine Hospital Medical Co. Ltd.	Controlled by CNPGC
Shanghai Modern Hasen Shangqiu Pharmaceutical Co. Ltd.	Controlled by CNPGC
Shanghai Modern Pharmaceutical Co. Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co. Ltd.	Controlled by CNPGC
Shanghai Traditional & Herbal Co. Ltd.	Controlled by CNPGC
Shanghai Xin Shengyuan Pharmaceutical Co. Ltd.	Controlled by CNPGC
Shanxi Weiqida Pharmaceutical Co. Ltd.	Controlled by CNPGC
Shifang Rongsheng Plasmapheresis Co. Ltd.	Controlled by CNPGC
Sichuan Industrial Institute of Antibiotic Co. Ltd.	Controlled by CNPGC
Sichuan Jiangyou Zhongba Aconite Scientific and	Controlled by CNPGC
Technological Development Co. Ltd.	
Sichuan Traditional & Herbal Co. Ltd.	Controlled by CNPGC
Sinopharm Chuankang Pharmaceutical Co. Ltd.	Controlled by CNPGC
Sinopharm Group Combined Instrument Co. Ltd.	Controlled by CNPGC
Sinopharm Group Xinjiang Pharmaceutical Co. Ltd.	Controlled by CNPGC
Sinopharm TBS (Beijing) Clinical Engineering Technology Co. Ltd.	Controlled by CNPGC
Sinopharm United Engineering Corporation	Controlled by CNPGC
Wuhan Institute of Biological Products	Controlled by CNPGC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of related party	Nature of relationship
Yichun Shangsheng Plasmapheresis Co. Ltd.	Controlled by CNPGC
Yunnan Medicine Co. Ltd.	Controlled by CNPGC
Zk Medical Equipment Corporation Ltd.	Controlled by CNPGC
Reed Sinopharm Exhibitions Co. Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Changchun Institute of Biological Products Import & Export Co. Ltd.	Controlled by CNPGC
Shanghai Techwell Biopharmaceutical Co. Ltd.	Controlled by CNPGC
Sinopharm Medicine Co. Ltd.	Controlled by CNPGC
Shanghai Modern Pharmaceutical Preparations Engineering Research Center Co. Ltd.	Controlled by CNPGC
Shanghai Polymer Pharmaceutical & Excipient Co. Ltd.	Controlled by CNPGC
Binhai County Health apheresis plasma Co. Ltd.	Controlled by CNPGC
Huizhou MELS Medical Instrument Co. Ltd.	Controlled by CNPGC
Qinghai Pharmaceutical (Group) Co. Ltd.	Subsidiary of associate
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	Associate of CNPGC
China Otsuka Pharmaceutical Co. Ltd.	Associate of CNPGC
Shanghai Salem Biological Technology Co. Ltd.	Associate of CNPGC
Sino-Swed Pharmaceutical Corporation Ltd.	Associate of CNPGC
Guangzhou Traditional & Herbal Qingping Co. Ltd.	Associate of CNPGC
Shanghai National Center for New Drug Safety Evaluation	Associate of CNPGC
Shanghai Qiao Yuan Pharmaceutical Company Limited	Associate of CNPGC
Shanghai Shen Suo Youfu Medical Supplies Company Limited	Associate of CNPGC
Hubei Yuan Kang Medicine Co. Ltd.	Associate
Shanghai Beiyi Guoda Traditional & Herbal Pharmaceutical Co. Ltd.	Associate
Shanghai Donghong Pharmaceutical Co. Ltd.	Associate
Shenzhen Main Luck Pharmaceutical Co. Ltd.	Associate
Sinopharm Prospect Dentech (Beijing) Co. Ltd.	Associate
Yichang Humanwell Pharmaceutical Co. Ltd.	Associate
Shanghai Fosun Pharmaceutical (Group) Co. Ltd. ("Fosun Pharmaceutical")	Non-controlling shareholders with significant influence to the company
Anhui Jimin Tumor Hospital	Subsidiary of Fosun Pharmaceutical
Beijing Jingxiang Fosun Pharmacy Chain Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Chongqing Haisiman Pharmaceuticals Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Chongqing Yaoyou Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Fenghuang Jiangshan Technology Development Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Guilin Pharmaceuticals Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Guilin South Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

<u>Name of related party</u>	<u>Nature of relationship</u>
Hainan Peng Kang Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Limited	Subsidiary of Fosun Pharmaceutical
Jinzhou Aohong Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Mount Handan Luo Dan Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Cloning biological high-tech Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Long March Medical Science Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pharmaceuticals Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pingyao Investment Management Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Zhaohui Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shenyang Hongqi Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Sichuan Hexin Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Chemo WangBang Biopharma Co. Ltd	Subsidiary of Fosun Pharmaceutical
Shanghai Henlius Biotech Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Biolog Biotech Co. Ltd	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Medical Technology Development Co. Ltd	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun PuShi Medical Technology Co. Ltd	Subsidiary of Fosun Pharmaceutical
Shanghai Transfusion Technology Co. Ltd	Subsidiary of Fosun Pharmaceutical
Xuzhou Wanbang Jinqiao Pharmaceutical Co. Ltd.	Subsidiary of Fosun Pharmaceutical
ChongQing Pharmaceutical Research Institute	Subsidiary of Fosun Pharmaceutical
Chongqing Fochon Pharmaceutical Research Company Limited	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pharmaceuticals Investment Co. Ltd.	Subsidiary of Fosun Pharmaceutical
Kai Lin Chongqing Pharmaceutical Company Limited	Subsidiary of Fosun Pharmaceutical
Asia Energy Biotechnology (Shenzhen) Company Limited	Subsidiary of Fosun Pharmaceutical

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, excluding other state-owned enterprises, and balances arising from related party transaction, except that have been disclosed in Note 34 and Note 41.

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions

##### (i) Significant transactions with related parties except for other PRC government-related entities

	Year ended 31 December	
	2011	2010
<b>Sales of goods</b>		
Shanghai Donghong Pharmaceutical Co. Ltd.	85,065	169,824
Chongqing Yaoyou Pharmaceutical Co. Ltd.	81,307	79,126
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd	48,732	55,770
Beijing Jingxiang Fosun Pharmacy Chain Co. Ltd.	22,740	18,853
Hubei Yuan Kang Medicine Co. Ltd.	17,621	–
Lanzhou Institute of Bio-products Co. Ltd.	15,071	–
Guangdong Southern Pharmaceutical Foreign Trade Co. Ltd.	14,844	4,572
Shanghai Fosun Pharmaceuticals Co. Ltd.	11,200	12,929
Shanghai Institute of Bio-products Co. Ltd.	5,572	–
Shenzhen Main Luck Pharmaceutical Co. Ltd.	5,163	–
Wuhan Institute of Biological Products	5,039	–
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	4,241	4,855
China National Group Corporation of Traditional & Herbal Medicine	3,920	5,423
China National Group Corporation of Traditional & Herbal Medicine Chengde Co. Ltd.	2,590	1,095
Sichuan Hexin Pharmaceutical Co. Ltd.	2,493	3,174
Chengdu Institute of Biological Products	2,465	–
Shanghai Fosun Long March Medical Science Co. Ltd.	2,227	270
Shanghai Zhaohui Pharmaceutical Co. Ltd.	1,588	698
Shanghai Institute of Pharmaceutical Industry	1,553	–
Changchun Institute of Biological Products Import & Export Co. Ltd.	1,415	–
Shanghai Chemo WangBang Biopharma Co. Ltd	1,152	219
China National Pharmaceutical Industry Corporation	1,118	548
China National Pharmaceutical Foreign Trade Corporation	–	6,290
Others	6,828	1,577
	<b>343,944</b>	<b>365,223</b>



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

##### (i) Significant transactions with related parties except for other PRC government-related entities (continued)

	Year ended 31 December	
	2011	2010
<b>Provision of logistic service</b>		
Shanghai Donghong Pharmaceutical Co. Ltd.	1,438	–
Others	421	1,135
	<b>1,859</b>	1,135

	Year ended 31 December	
	2011	2010
<b>Purchases of goods</b>		
Yichang Humanwell Pharmaceutical Co. Ltd.	736,164	500,553
Sino-Swed Pharmaceutical Corporation Ltd.	331,888	368,185
Jiangsu Wanbang Pharmaceutical Marketing Limited	150,479	2,692
Shenzhen Main Luck Pharmaceutical Co. Ltd.	101,291	112,767
China National Pharmaceutical Foreign Trade Corporation	95,576	124,580
Chongqing Yaoyou Pharmaceutical Co. Ltd.	75,895	42,063
China Otsuka Pharmaceutical Co. Ltd.	75,789	–
Chengdu Rongsheng Pharmaceutical Co. Ltd.	72,907	20,150
Lanzhou Institute of Bio-products Co. Ltd.	46,227	–
Shanghai Modern Pharmaceutical Co. Ltd.	42,362	–
Qinghai Pharmaceutical (Group) Co. Ltd.	30,500	11,082
Shanghai Salem Biological Technology Co. Ltd.	28,446	–
Gansu Lansheng Biological Pharmaceutical Industry Co. Ltd.	27,629	–
Guangdong Southern Pharmaceutical Foreign Trade Co. Ltd.	26,850	41,580
Shanghai Zhaohui Pharmaceutical Co. Ltd.	22,525	16,259
Mount Handan Luo Dan Pharmaceutical Co. Ltd.	17,377	643
Shanghai Fosun Pharmaceuticals Co. Ltd.	17,237	16,944
Sinopharm Group Xinjiang Pharmaceutical Co. Ltd.	15,994	–
Shanghai Donghong Pharmaceutical Co. Ltd.	14,969	20,353
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	12,366	–
Changchun Keygen Biological Products Co. Ltd.	12,142	–

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

#### (i) Significant transactions with related parties except for other PRC government-related entities (continued)

	Year ended 31 December	
	2011	2010
China National Group Corporation of Traditional & Herbal Medicine	10,291	18,370
China Pharmaceutical Group Wuhan Institute of Chinese Medicine	9,807	–
Shanghai Shangsheng Biological Products Co. Ltd.	9,758	–
Beijing Tiantan Biological Products Co. Ltd.	9,549	7,473
Lanzhou Bio-technology development Co. Ltd.	9,119	8,153
Chongqing Haisiman Pharmaceuticals Co. Ltd.	7,861	11,303
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	6,972	–
Sinopharm Group Combined Instrument Co. Ltd.	6,776	–
Guilin South Pharmaceutical Co. Ltd.	5,314	1,170
Shanghai Institute of Bio-products Co. Ltd.	4,694	15,569
Shenyang Hongqi Pharmaceutical Co. Ltd.	3,777	429
Sinopharm Prospect Dentech (Beijing) Co. Ltd.	3,661	2,558
Changchun Institute of Biological Products	3,564	1,179
China National Pharmaceutical Industry Co. Ltd.	2,917	1,500
Shanghai Modern Hasen Shangqiu Pharmaceutical Co. Ltd.	2,446	–
Shanxi Weiqida Pharmaceutical Co. Ltd.	1,307	–
China National Pharmaceutical Industry Corporation	1,123	16,250
Huizhou MELS Medical Instrument Co. Ltd.	1,033	–
Jiangsu Wanbang Biochemical Pharmaceuticals Joint Stock Co. Ltd.	–	91,523
Shanghai Traditional & Herbal Co. Ltd.	–	3,230
Union China National Medical Equipment Corporation	–	2,041
Others	4,160	2,950
	<b>2,058,742</b>	<b>1,461,549</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (a) Significant related party transactions (continued)

##### (ii) key management compensation

	Year ended 31 December	
	2011	2010
Salaries and other short-term employee benefits	20,114	14,475
Termination benefits	–	–
Post-employment benefits	–	–
Other long-term benefits	–	–
	<b>20,114</b>	14,475

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.

#### (b) Balances with related parties

##### (i) Significant balances with related parties except for other PRC government-related entities

	As at 31 December	
	2011	2010
<b>Trade receivables due from</b>		
Chongqing Yaoyou Pharmaceutical Co. Ltd.	41,328	–
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd	10,876	10,810
Beijing Jingxiang Fosun Pharmacy Chain Co. Ltd.	5,494	–
Guangdong Southern Pharmaceutical Foreign Trade Co. Ltd.	1,581	1,352
Others	3,837	1,690
	<b>63,116</b>	13,852

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2011	2010
<b>Other receivables due from</b>		
Yichang Humanwell Pharmaceutical Co. Ltd.	25,830	–
China Biotechnology Co. Ltd.	1,000	–
China National Pharmaceutical Foreign Trade Corporation	–	3,154
CNPGC	1	1
	<b>26,831</b>	3,155

	As at 31 December	
	2011	2010
<b>Prepayments due from</b>		
China National Pharmaceutical Foreign Trade Corporation	34,544	51,596
Qinghai Pharmaceutical (Group) Co. Ltd.	3,054	–
Sinopharm Group Xinjiang Pharmaceutical Co. Ltd.	1,486	–
Hainan Peng Kang Pharmaceutical Co. Ltd.	1,226	–
Sinopharm Prospect Dentech (Beijing) Co. Ltd.	–	3,679
Union China National Medical Equipment Corporation	–	2,686
Guangdong Southern Pharmaceutical Foreign Trade Co. Ltd.	–	2,617
Others	2,768	366
	<b>43,078</b>	60,944

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2011	2010
<b>Trade payables due to</b>		
Yichang Humanwell Pharmaceutical Co. Ltd.	266,232	93,496
Lanzhou Institute of Bio-products Co. Ltd.	14,301	–
Jiangsu Wanbang Pharmaceutical Marketing Limited	13,912	–
Shenzhen Main Luck Pharmaceutical Co. Ltd.	13,289	6,483
Sino-Swed Pharmaceutical Corporation Ltd.	12,263	–
Chongqing Yaoyou Pharmaceutical Co. Ltd.	10,562	–
Changchun Keygen Biological Products Co. Ltd.	7,382	–
Shanghai Modern Pharmaceutical Co. Ltd.	6,714	–
Shanxi Weiqida Pharmaceutical Co. Ltd.	4,638	–
Sinopharm Group Xinjiang Pharmaceutical Co. Ltd.	4,503	–
Shanghai Fosun Pharmaceuticals Co. Ltd.	4,097	–
Chongqing Haisiman Pharmaceuticals Co. Ltd.	3,679	–
Beijing Zhonglian Pharmaceutical Chemical Industry Corporation	3,217	–
China National Group Corporation of Traditional & Herbal Medicine	2,680	14,334
Guangdong Southern Pharmaceutical Foreign Trade Co. Ltd.	2,523	10,316
China Otsuka Pharmaceutical Co. Ltd.	2,058	–
Lanzhou Bio-technology development Co. Ltd.	1,808	1,863
Mount Handan Luo Dan Pharmaceutical Co. Ltd.	1,272	–
Beijing Tiantan Biological Products Co. Ltd.	1,234	7,470
China National Pharmaceutical Industry Corporation	763	2,166
Changchun Institute of Biological Products	335	1,179
Shanghai Institute of Bio-products Co. Ltd.	–	16,509
Qinghai Pharmaceutical Co. Ltd.	–	5,935
Others	4,453	2,519
	<b>381,915</b>	<b>162,270</b>

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 42 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties (continued)

##### (i) Significant balances with related parties except for other PRC government-related entities (continued)

	As at 31 December	
	2011	2010
<b>Other payables due to</b>		
CNPGC	44,701	6,804
China National Group Corporation of Traditional & Herbal Medicine	13,198	–
Sichuan Industrial Institute of Antibiotic Co. Ltd.	1,300	7
China National Pharmaceutical Foreign Trade Corporation	–	69,827
China National Pharmaceutical Industry Corporation	–	14,523
Qinghai Pharmaceutical Co. Ltd.	–	8,000
Sinopharm Chuankang Pharmaceutical Co. Ltd.	–	1,300
Others	1,365	748
	<b>60,564</b>	101,209

The other payables to related parties were unsecured and non-interest bearing.

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

As at 31 December 2011, the Company has direct and indirect interests in the following subsidiaries:

### Principal subsidiaries:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hong Kong Co. Ltd. (國藥控股股份香港有限公司)	PRC, 14 August 2009	USD9.5 million HKD73.8 million	100	–	Investment; distribution of pharmaceutical, healthcare products; medicine chain store; and, provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Distribution Center Co. Ltd. (國藥控股分銷中心有限公司)	PRC, 30 January 2002	2,000,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shenyang Co. Ltd. (國藥控股瀋陽有限公司)	PRC, 27 November 2003	800,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents; provision of pharmaceutical logistics services in the PRC
Sinopharm Group Xinjiang Pharmaceutical Co. Ltd. (國藥集團新疆藥業有限公司)	PRC, 31 March 2009	780,637	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beijing Co. Ltd. (國藥控股北京有限公司)	PRC, 28 October 2003	550,000	96	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Tianjin Co. Ltd. (國藥控股天津有限公司)	PRC, 1 December 2004	500,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
National Medicines (國藥集團藥業股份有限公司)	PRC, 21 December 1999	478,800	44	–	Distribution of pharmaceutical products and laboratory supplies in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Chemical Reagent Co. Ltd. (國藥集團化學試劑有限公司)	PRC, 24 October 2003	450,000	90	10	Distribution of chemical reagents in the PRC
Sinopharm Holding GuoDa Drug Store Co. Ltd. (國藥控股國大藥房有限公司)	PRC, 23 March 2004	400,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Guangzhou Co. Ltd. (國藥控股廣州有限公司)	PRC, 1 September 2003	400,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Beijing Huahong Co. Ltd. (國藥控股北京華鴻有限公司)	PRC, 18 November 2003	350,000	51	–	Distribution of pharmaceutical and healthcare products in the PRC
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
Accord Medicines (國藥集團一致藥業股份有限公司)	PRC, 18 June 2001	288,149	38	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Fujian Co. Ltd. (國藥控股福建有限公司)	PRC, 20 January 2010	284,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shenzhen Zhijun Pharmaceutical Co. Ltd. (深圳致君製藥有限公司)	PRC, 22 December 1984	200,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Medical Instruments Co. Ltd. (國藥控股醫療器械有限公司)	PRC, 27 July 2006	200,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC



## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Yujia Medical Service Co. Ltd. (禦佳醫療服務有限公司)	PRC, 13 January 2011	200,000	51	–	Development, design, production, system integration of hospital management system software and supporting hardware
Sinopharm Holding Logistics Tianjing Co. Ltd. (國藥控股天津物流有限公司)	PRC, 29 September 2005	190,000	–	100	Provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Neimenggu Co. Ltd. (國藥控股內蒙古有限公司)	PRC, 14 May 2010	150,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Lerentang Pharmaceutical Co. Ltd. (國藥樂仁堂醫藥有限公司)	PRC, 09 March 2011	150,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Changzhou Co. Ltd. (國藥控股常州有限公司)	PRC, 17 December 2010	140,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Xinjiang Province New & Special National Pharmaceutical Co. Ltd. (國藥集團新疆新特藥業有限公司)	PRC, 30 June 2003	100,000	–	86	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Nanning Co. Ltd. (國藥控股南寧有限公司)	PRC, 15 March 2004	100,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding A-Think Pharmaceutical Co. Ltd. (國藥一心製藥有限公司)	PRC, 10 December 1997	100,000	75	–	Medicine manufacture, research and inspection of pharmaceutical products in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hubei Co. Ltd. (國藥控股湖北有限公司)	PRC, 1 December 2003	100,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Beijing Tianxinpuxin Bio-Medicine Co. Ltd. (國藥控股北京天星普信生物醫藥有限公司)	PRC, 1 April 2010	100,000	51	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Heilongjiang Co. Ltd. (國藥控股黑龍江有限公司)	PRC, 02 December 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Guorui Medicine Co. Ltd. (國藥集團國瑞藥業有限公司)	PRC, 31 March 2000	95,551	2	98	Medicine manufacture and trading in the PRC
China National Pharmaceutical Logistics Co. Ltd. (國藥物流有限責任公司)	PRC, 8 November 2002	90,620	–	56	Provision of pharmaceutical logistics services in the PRC
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	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Ningxia Co. Ltd. (國藥控股寧夏有限公司)	PRC, 28 December 2008	80,000	67	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Pingdingshan Co. Ltd. (國藥控股平頂山有限公司)	PRC, 25 April 2011	80,000	–	60	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
GuoDa Ningxia Pharmacy Chain Store Co. Ltd. (寧夏國大藥房連鎖有限公司)	PRC, 17 November 2008	70,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Hunan Co. Ltd. (國藥控股湖南有限公司)	PRC, 21 June 2001	70,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shandong Co. Ltd. (國藥控股山東有限公司)	PRC, 12 April 2006	70,000	67	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Shanxi Co. Ltd. (國藥控股山西有限公司)	PRC, 17 January 2004	60,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
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
Sinopharm Holding Hebei Pharmaceutical Co. Ltd. (國藥控股河北醫藥有限公司)	PRC, 4 June 2010	51,461	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shenzhen Chinese Herbal Co. Ltd. (國藥控股深圳中藥有限公司)	PRC, 28 May 1987	50,000	–	100	Medicine manufacture, research and inspection of pharmaceutical products in the PRC
Guangdong Oriental New&Special Medicines Co. Ltd. Tongren Drugstore (廣東東方新特藥有限公司)	PRC, 25 December 1993	50,000	100	–	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shanghai Wokai biotechnology Co. Ltd. (上海沃凱生物技術有限公司)	PRC, 19 September 2005	50,000	–	100	Research of bio-technology and consulting service in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
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	50,000	51	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
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
Sinopharm Holding Nanjing Co. Ltd. (國藥控股南京有限公司)	PRC, 12 October 2001	50,000	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jilin Co. Ltd. (國藥控股吉林有限公司)	PRC, 6 March 2008	50,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Merro Dalian Co. Ltd. (國藥控股美羅(大連)有限公司)	PRC, 9 April 2010	50,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Wenzhou Biomedicine-Appliances Supplies Co. Ltd. (溫州市生物藥械供應有限公司)	PRC, 31 March 1995	50,000	58	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Anhui Co. Ltd. (國藥控股安徽有限公司)	PRC, 5 January 2007	50,000	67	–	Distribution of pharmaceutical products in the PRC
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co. Ltd. (國藥控股凌雲生物醫藥(上海)有限公司)	PRC, 14 January 2011	50,000	55	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jiangsu Co. Ltd. (國藥控股江蘇有限公司)	PRC, 17 January 1991	41,489	65	–	Distribution of pharmaceutical and healthcare products in the PRC

# Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
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
Sinopharm Holding Zhejiang Co. Ltd. (國藥控股浙江有限公司)	PRC, 9 October 1995	40,000	70	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Guangdong Xinlong Co. Ltd. (廣東一致恒興醫藥有限公司)	PRC, 1 December 2004	40,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Fuzhou Co. Ltd. (國藥控股福州有限公司)	PRC, 15 September 1998	40,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Beijing Yujia Chengyue Investment Management Co. Ltd. (北京禦佳誠悅投資管理有限公司)	PRC, 02 August 2011	40,000	–	100	Investment management, asset management, and distribution of medical instruments
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 in the PRC
Sinopharm Holding Longyan Co. Ltd. (國藥控股龍岩有限公司)	PRC, 22 April 2011	36,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shijiazhuang Lerentang Pharmacy Chain Store Co. Ltd. (石家莊樂仁堂醫藥連鎖有限責任公司)	PRC, 03 November 2011	35,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
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
Shanghai HuYong Pharmaceutical Co. Ltd. (上海滬甬醫藥有限公司)	PRC, 23 September 1993	31,150	100	–	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Yunnan Co. Ltd. (國藥控股雲南有限公司)	PRC, 20 November 2000	31,000	70	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
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	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Guangdong Yuexing Pharmaceutical Co. Ltd. (廣東粵興醫藥有限公司)	PRC, 1 December 1993	30,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Gansu Co. Ltd. (國藥控股甘肅有限公司)	PRC, 14 January 2010	30,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chongqing Co. Ltd. (國藥控股重慶有限公司)	PRC, 8 May 2010	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Linyi Co. Ltd. (國藥控股臨沂有限公司)	PRC, 29 April 2007	30,000	–	65	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jiangxi Co. Ltd. (國藥控股江西有限公司)	PRC, 13 October 2009	30,000	67	–	Distribution of pharmaceutical products and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shenzhen Yanfeng Medicines Co. Ltd. (深圳市延風醫藥有限公司)	PRC, 6 April 2010	30,000	–	51	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Suzhou Co. Ltd. (國藥控股蘇州有限公司)	PRC, 3 January 1993	30,000	70	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Tianjin Orient Bookcom Pharmaceutical Trade Co. Ltd. (國藥控股(天津)東方博康醫藥有限公司)	PRC, 6 January 1994	30,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hainan Co. Ltd. (國藥控股海南有限公司)	PRC, 10 July 2000	30,000	68	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Tangshan Xintiandi Co. Ltd. (國藥控股唐山新天地有限公司)	PRC, 01 April 2011	30,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xuzhou Co. Ltd. (國藥控股徐州有限公司)	PRC, 17 December 2010	30,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Huzhou Co. Ltd. (國藥控股湖州有限公司)	PRC, 09 September 2011	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shangqiu Co. Ltd. (國藥控股商丘有限公司)	PRC, 03 March 2011	30,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shandong Guoda Renhetang Pharmacy Chain Store Co. Ltd. (山東國大仁和堂藥房連鎖有限公司)	PRC, 3 January 2001	29,000	–	55	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Changzhou Pharmacy Logistics Center Co. Ltd. (國藥控股常州醫藥物流中心有限公司)	PRC, 17 December 2010	25,078	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Liyang Guoda People Pharmacy Chain Store Co. Ltd. (溧陽國大人民藥房有限公司)	PRC, 11 May 2011	25,000	–	80	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Wuxi Co. Ltd. (國藥控股無錫有限公司)	PRC, 24 December 2010	21,400	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
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
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
Quanzhou GuoDa Pharmacy Chain Store Co. Ltd. (泉州市國大藥房連鎖有限公司)	PRC, 14 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shanxi Guoda Wanmin Pharmacy Chain Store Co. Ltd. (山西萬民藥房連鎖有限公司)	PRC, 09 March 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC



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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Hunan Guoda Minsheng Pharmacy Chain Store Co. Ltd. (湖南國大民生堂藥房連鎖有限公司)	PRC, 13 April 2011	20,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Neimenggu Guoda Jiuling Pharmacy Chain Store Co. Ltd. (內蒙古國大九齡藥房連鎖有限公司)	PRC, 13 July 2011	20,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Hainan Hongyi Co. Ltd. (國藥控股海南鴻益有限公司)	PRC, 27 July 2011	20,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Nutraceuticals (Shanghai) Co. Ltd. (國藥健康實業(上海)有限公司)	PRC, 04 January 2011	20,000	70	–	Enterprise management consulting, technology services and development in the field of biotechnology professional
Sinopharm Holding Yancheng Co. Ltd. (國藥控股鹽城有限公司)	PRC, 17 December 2010	20,000	–	52	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qinghai Co. Ltd. (國藥控股青海有限公司)	PRC, 01 November 2011	20,000	70	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Chengde Pharmaceutical Co. Ltd. (國藥樂仁堂承德醫藥有限公司)	PRC, 19 September 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Lerentang Qinhuangdao Pharmaceutical Co. Ltd. (國藥樂仁堂秦皇島醫藥有限公司)	PRC, 22 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Lerentang Zhangjiakou Pharmaceutical Co. Ltd. (國藥樂仁堂張家口醫藥有限公司)	PRC, 15 August 2011	20,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanghai Ourchem Chemical Reagent Co. Ltd. (上海沃凱藥業有限公司)	PRC, 11 August 1988	18,854	–	100	Property rental, distribution of laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Anqing Co. Ltd. (國藥控股安慶有限公司)	PRC, 25 February 2010	18,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Handan Co. Ltd. (國藥控股邯鄲有限公司)	PRC, 17 January 2011	18,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Yibao Co. Ltd. (國藥控股湖北怡保有限公司)	PRC, 6 August 2010	15,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
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	15,000	–	100	Distribution of chemical reagents and healthcare products in the PRC
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
Sinopharm Holding Wuhan Co. Ltd. (國藥控股武漢有限公司)	PRC, 30 September 2010	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Guizhou Co. Ltd. (國藥控股貴州有限公司)	PRC, 1 April 2010	15,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tongliao Co. Ltd. (國藥控股通遼有限公司)	PRC, 27 October 2010	15,000	–	90	Distribution of pharmaceutical products and chemical reagents in the PRC
Zhejiang Intlmedicine Drugstore Co. Ltd. (浙江英特藥房有限公司)	PRC, 13 March 2000	15,000	–	61	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Fujian Guoda Pharmacy Chain Store Co. Ltd. (福建國大藥房連鎖有限公司)	PRC, 28 November 2002	15,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Zhanjiang Co. Ltd. (國藥控股湛江有限公司)	PRC, 8 February 1985	15,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Tianjin North Pharmaceutical Co. Ltd. (國藥控股天津北方醫藥有限公司)	PRC, 28 December 2010	15,000	–	51	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hunan Deyuan Pharmaceutical Co. Ltd. (國藥控股湖南德源醫藥有限公司)	PRC, 25 November 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Wuwei Co. Ltd. (國藥控股武威有限公司)	PRC, 15 February 2011	15,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
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

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Suzhou Boai Pharmaceutical Co. Ltd. (國藥控股蘇州博愛醫藥有限公司)	PRC, 30 January 2011	13,000	–	70	Distribution of pharmaceutical products and laboratory supplies in the PRC
Xinjiang Hotan Regional Medical & Herbal Medicines Co. Ltd. (國藥控股新疆和田藥業有限公司)	PRC, 29 May 1989	12,092	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Kashi New&Special Drugs Co. Ltd. (喀什新特藥業有限責任公司)	PRC, 12 July 2007	11,797	–	99	Distribution of pharmaceutical products and chemical reagents in the PRC
Foshan Nanhai Medical Group Co. Ltd. (佛山市南海醫藥集團有限公司)	PRC, 30 December 2010	10,849	100	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Shenzhen Accord Pharmacy Chain Store Co. Ltd. (深圳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
Sinopharm Holding Nanping Co. Ltd. (國藥控股南平有限公司)	PRC, 06 July 2011	10,500	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Foshan Nanhai Medical Co. Ltd. (佛山市南海醫藥有限公司)	PRC, 30 December 2010	10,500	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Korla Pharmaceutical Co. Ltd. (國藥新疆庫爾勒醫藥有限責任公司)	PRC, 13 June 2002	10,156	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Foshan Nanhai Xinyaoteyao Co. Ltd. (佛山市南海新藥特藥有限公司)	PRC, 30 December 2010	10,050	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
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
Sinopharm Holding Shaanxi Co. Ltd. (國藥控股陝西有限公司)	PRC, 30 May 2001	10,000	60	–	Distribution of pharmaceutical and healthcare products, logistics services in the PRC
Xinjiang Province New & Special West Pharmaceutical Co. Ltd. (國藥控股新疆新特西部藥業有限公司)	PRC, 20 May 1993	10,000	–	90	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Kelamayi Province New & Special Pharmaceutical Co. Ltd. (國藥集團新疆新特克拉瑪依藥業有限公司)	PRC, 20 August 1972	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Foshan Co. Ltd. (國藥控股佛山有限公司)	PRC, 15 January 1986	10,000	–	100	Medicine chain store; distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Anyang Co. Ltd. (國藥控股安陽有限公司)	PRC, 11 December 2009	10,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Nanyang Co. Ltd. (國藥控股南陽有限公司)	PRC, 11 December 2009	10,000	–	70	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tianjin Binhai Pharmaceutical Co. Ltd. (國藥控股(天津濱海)醫藥有限公司)	PRC, 1 April 2010	10,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Kaifeng Co. Ltd. (國藥控股開封有限公司)	PRC, 21 May 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Puyang Co. Ltd. (國藥控股濮陽有限公司)	PRC, 11 August 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jiaozuo Co. Ltd. (國藥控股焦作有限公司)	PRC, 13 September 2010	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Bengbu Co. Ltd. (國藥控股蚌埠有限公司)	PRC, 29 September 2010	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Chenzhou Co. Ltd. (國藥控股郴州有限公司)	PRC, 1 September 2010	10,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Anhui Guoda Pharmacy Chain Store Co. Ltd. (安徽國大藥房有限公司)	PRC, 8 September 2010	10,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Guoda Shenyang Tianyitang Pharmacy Chain Store Co. Ltd. (瀋陽天益堂藥房連鎖有限公司)	PRC, 2 August 2002	10,000	–	70	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Jinan Co. Ltd. (國藥控股濟南有限公司)	PRC, 7 August 2000	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Shanghai Likang Co. Ltd. (國藥集團上海立康股份有限公司)	PRC, 27 July 1994	10,000	72	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Taicang Hushi Chemical Reagent Co. Ltd. (太倉滬試劑有限公司)	PRC, 24 June 2002	10,000	–	60	Chemical reagents manufacture and trading in the PRC
Dongguan Accord Pharmaceutical Co. Ltd. (東莞一致醫藥有限公司)	PRC, 12 September 2001	10,000	–	100	Distribution of pharmaceutical products in the PRC
Sinopharm Holding Jinzhou Co. Ltd. (國藥控股錦州有限公司)	PRC, 12 May 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Taizhou Co. Ltd. (國藥控股台州有限公司)	PRC, 14 March 2011	10,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Putian Co. Ltd. (國藥控股莆田有限公司)	PRC, 08 December 2010	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Sanming Co. Ltd. (國藥控股三明有限公司)	PRC, 02 April 2011	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Zhangzhou Co. Ltd. (國藥控股漳州有限公司)	PRC, 29 April 2011	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Ningde Co. Ltd. (國藥控股寧德有限公司)	PRC, 21 June 2011	10,000	–	60	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Anshun Co. Ltd. (國藥控股安順有限公司)	PRC, 20 March 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xinjiang Xinte Shenrong Medical Co. Ltd. (國藥控股新疆新特參茸藥業有限公司)	PRC, 10 March 2011	10,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Jiangsu Shitong Pharmaceutical Co. Ltd. (江蘇世通醫藥有限公司)	PRC, 17 December 2010	10,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Ankang Co. Ltd. (國藥控股安康有限公司)	PRC, 06 January 2011	10,000	–	70	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Shanxi Yangquan Co. Ltd. (國藥控股山西陽泉有限公司)	PRC, 19 May 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Sanmenxia Co. Ltd. (國藥控股三門峽有限公司)	PRC, 24 January 2011	10,000	–	67	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Huainan Co. Ltd. (國藥控股淮南有限公司)	PRC, 08 April 2011	10,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC



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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Fuyang Co. Ltd. (國藥控股阜陽有限公司)	PRC, 05 September 2011	10,000	–	55	Distribution of pharmaceutical products and chemical reagents in the PRC
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
Sinopharm Holding Tongchuan Co. Ltd. (國藥控股銅川有限公司)	PRC, 20 September 2010	8,000	–	70	Distribution of pharmaceutical and healthcare products in the PRC
Nanjing Guosheng Chain Drugstore Co. Ltd. (南京國大藥房連鎖有限公司)	PRC, 27 September 2002	8,000	–	60	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Liaoning Guoda Pharmacy Chain Store Co. Ltd. (遼寧國大一致藥店連鎖有限公司)	PRC, 19 September 2000	8,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Zaozhuang Co. Ltd. (國藥控股棗莊有限公司)	PRC, 17 February 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Tongren Co. Ltd. (國藥控股銅仁有限公司)	PRC, 14 December 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zunyi Co. Ltd. (國藥控股遵義有限公司)	PRC, 29 November 2011	8,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Baotou Co. Ltd. (國藥控股包頭有限公司)	PRC, 26 January 2011	8,000	–	88	Distribution of pharmaceutical products and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Guangxi Pharmaceutical Logistics Co. Ltd. (廣西國藥物流有限公司)	PRC, 22 August 1990	7,100	–	100	Investment in logistics and transportations, property rental and provide medical consulting service in the PRC
Sinopharm Holding Huizhou Co. Ltd. (國藥控股惠州有限公司)	PRC, 9 May 2004	7,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Pingliang Co. Ltd. (國藥控股平涼有限公司)	PRC, 11 February 2011	7,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Xinjiang Hami Region Medical & Herbal Medicines Co. Ltd. (國藥控股新疆哈密藥業有限公司)	PRC, 11 July 1956	6,234	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Datong Wanmin Pharmacy Chain Store Co. Ltd. (大同市萬民藥業有限公司)	PRC, 09 March 2011	6,150	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Boertala Mongol Autonomous Prefecture Traditional & Herbal Medicines Co. Ltd. (國藥控股新疆博州藥業有限公司)	PRC, 26 April 1989	6,099	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Yichang Co. Ltd. (國藥控股宜昌有限公司)	PRC, 24 May 2010	6,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Qujing Co. Ltd. (國藥控股曲靖有限公司)	PRC, 1 September 2010	6,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Xiangfan Co. Ltd. (國藥控股襄樊有限公司)	PRC, 11 October 2010	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Huangshi Co. Ltd. (國藥控股黃石有限公司)	PRC, 26 July 2010	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
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
Sinopharm Holding Zhoushan Co. Ltd. (國藥控股舟山有限公司)	PRC, 5 January 2006	6,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Henan Guoda Pharmacy Chain Store Co. Ltd. (河南國大藥房連鎖有限公司)	PRC, 25 April 2011	6,000	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Enshi Co. Ltd. (國藥控股恩施有限公司)	PRC, 22 November 2011	6,000	–	60	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Dali Co. Ltd. (國藥控股大理有限公司)	PRC, 24 January 2011	6,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Bayanzhuoer Co. Ltd. (國藥控股巴彥淖爾有限公司)	PRC, 30 May 2011	6,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jinhua Co. Ltd. (國藥控股金華有限公司)	PRC, 06 May 2011	5,300	–	90	Distribution of pharmaceutical products and chemical reagents in the PRC
Ili Tongde Medicines Co. Ltd. (國藥控股新疆伊犁同德藥業有限公司)	PRC, 21 September 1998	5,001	–	100	Distribution of pharmaceutical products in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
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
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
Guangdong Huixin Investment Co. Ltd. (廣東惠信投資有限公司)	PRC, 6 May 1985	5,000	–	100	Medicine trading; property rental in the PRC
Guangdong Hengchang Logistics Co. Ltd. (廣東恒暢物流有限公司)	PRC, 14 August 1993	5,000	–	100	Provision of pharmaceutical logistics services in the PRC
Xinjiang Kuitun Medical & Herbal Medicines Co. Ltd. (國藥控股新疆奎屯藥業有限公司)	PRC, 14 May 1982	5,000	–	100	Distribution of pharmaceutical products in the PRC
Xinjiang Chemical Reagent & Glassware Instruments Co. Ltd. (新疆化玻醫療器械有限責任公司)	PRC, 2 April 2004	5,000	–	97	Distribution of pharmaceutical products and chemical reagents in the PRC
Xinjiang Altay Region Medical & Herbal Medicines Co. Ltd. (國藥控股新疆阿勒泰藥業有限公司)	PRC, 22 December 1981	5,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC
Xinjiang Tacheng Pharmaceutical Co. Ltd. (國藥控股新疆塔城藥業有限公司)	PRC, 9 March 1955	5,000	–	100	Distribution of pharmaceutical products in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Tianjin Medical Instruments Co. Ltd. (國藥控股天津醫療器械有限公司)	PRC, 25 May 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shiyao Co. Ltd. (國藥控股十堰有限公司)	PRC, 17 August 2010	5,000	–	75	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Lvliang Co. Ltd. (國藥控股山西呂梁有限公司)	PRC, 26 October 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yueyang Co. Ltd. (國藥控股岳陽有限公司)	PRC, 25 August 2010	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yantai Co. Ltd. (國藥控股煙臺有限公司)	PRC, 23 April 2010	5,000	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jingzhou Co. Ltd. (國藥控股荊州有限公司)	PRC, 24 August 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Shanxi Changzhi Co. Ltd. (國藥控股山西長治有限公司)	PRC, 24 December 2010	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Beijing Airport International Trading Co. Ltd. (國藥空港(北京)國際貿易有限公司)	PRC, December 2010	5,000	–	100	Provision of pharmaceutical logistics services in the PRC
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

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
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
Shanxi Tongfeng Pharmacy Logistics Co. Ltd. (山西同豐醫藥物流有限公司)	PRC, 09 March 2011	5,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Suzhou Boai Instrument Co. Ltd. (蘇州市博愛醫療器械有限公司)	PRC, 30 January 2011	5,000	–	100	Distribution of medical instruments in the PRC
Sinopharm Lerentang Hebei Medical Co. Ltd. (國藥樂仁堂河北藥業有限公司)	PRC, 09 March 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Hefei Chemical Reagent Co. Ltd. (國藥集團化學試劑合肥有限公司)	PRC, 01 April 2011	5,000	–	60	Distribution of chemical reagents in the PRC
Ourchem Laboratory Systems Engineering (Suzhou) Co. Ltd. (沃凱實驗室系統工程(蘇州)有限公司)	PRC, 07 November 2011	5,000	–	60	Overall planning, design, research and development of the laboratory, production and supporting construction of the laboratory furniture
China National Pharmaceutical Group Southwest Medicine Zigong Co. Ltd. (國藥集團西南醫藥自貢有限公司)	PRC, 18 November 2011	5,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Southwest Medicine Luzhou Co. Ltd. (國藥集團西南醫藥瀘州有限公司)	PRC, 29 December 2011	5,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Linfen Co. Ltd. (國藥控股山西臨汾有限公司)	PRC, 13 May 2011	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangtan Co. Ltd. (國藥控股湘潭有限公司)	PRC, 07 January 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Xiangxi Co. Ltd. (國藥控股湘西有限公司)	PRC, 19 January 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yongzhou Co. Ltd. (國藥控股永州有限公司)	PRC, 03 November 2011	5,000	–	80	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Wulanchabu Co. Ltd. (國藥控股烏蘭察布有限公司)	PRC, 13 May 2011	5,000	–	51	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Yanbian Co. Ltd. (國藥控股延邊有限公司)	PRC, 25 February 2011	5,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
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
Xiamen Guanghua Medical Science & Technology Co. Ltd. (廈門光華醫藥科技有限公司)	PRC, 7 November 2005	4,000	–	100	Distribution of pharmaceutical and healthcare products in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Huzhou Muhanzhuai Pharmacy Chain Store Co. Ltd. (湖州慕韓齋醫藥連鎖有限公司)	PRC, 22 November 2011	4,000	–	98	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Jilin Medical Co. Ltd. (國藥控股吉林市醫藥有限公司)	PRC, 30 January 2011	4,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Qingdao Co. Ltd. (國藥控股青島有限公司)	PRC, 18 January 2011	3,500	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
Guangxi Wuzhou Huawu Traditional & Herbal pharmaceutical Co. Ltd. (廣西梧州華梧藥材有限公司)	PRC, 13 June 2000	3,300	–	100	Distribution of pharmaceutical products in the PRC
Changzhi Wanmin Pharmacy Chain Store Co. Ltd. (長治市萬民藥房有限公司)	PRC, 09 March 2011	3,200	–	51	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lerentang Hebei Medical Instrument Trade Co. Ltd. (國藥樂仁堂河北醫療器械貿易有限公司)	PRC, 09 March 2011	3,010	–	70	Distribution of medical instruments in the PRC
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
Xinjiang New & Special Medicines Chain Co. Ltd. (新疆新特藥業連鎖有限責任公司)	PRC, 4 November 2003	3,000	–	90	Medicine chain store; distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC



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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Xinjiang Medicines Holding West Tianshan Traditional & Herbal Co. Ltd. (新疆藥業集團西天山藥材有限責任公司)	PRC, 10 December 2003	3,000	–	80	Distribution of pharmaceutical and healthcare products in the PRC
China National Pharmaceutical Group Panzhihua Medicine Co. Ltd. (國藥集團攀枝花醫藥有限公司)	PRC, 22 December 2010	3,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Siping Co. Ltd. (國藥控股四平有限公司)	PRC, 25 February 2011	3,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
Jincheng Wanmin Pharmacy Chain Store Co. Ltd. (晉城市萬民藥房有限公司)	PRC, 09 March 2011	2,560	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Xinjiang Pharmaceutical Holding Shache Medicines Co. Ltd. (新疆藥業集團莎車醫藥有限責任公司)	PRC, 29 November 2001	2,111	–	69	Distribution of pharmaceutical products in the PRC
Xinjiang Pharmaceutical Holding Tianlu Co. Ltd. (新疆藥業集團天鹿有限責任公司)	PRC, 17 April 2003	2,080	–	77	Distribution of pharmaceutical products in the PRC
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
Hotan Region Ankang chain Drugstore Co. Ltd. (和田地區安康醫藥零售連鎖有限責任公司)	PRC, 23 December 2004	2,000	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
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
Guangxi Accord Pharmacy Chain Store Co. Ltd. (廣西一致藥店連鎖有限公司)	PRC, 1 December 2001	2,000	–	100	Medicine chain store; distribution of pharmaceutical, healthcare products and chemical reagents; property rental in the PRC
Sinopharm Holding Lishui Co. Ltd. (國藥控股麗水有限公司)	PRC, 14 March 2011	2,000	–	98	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Lerentang Shijiazhuang Pharmaceutical Co. Ltd. (國藥樂仁堂石家莊醫藥有限公司)	PRC, 09 March 2011	2,000	–	100	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Ningxia Xihai Co. Ltd. (國藥控股寧夏西海固有限公司)	PRC, 16 March 2011	2,000	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Baicheng Co. Ltd. (國藥控股白城有限公司)	PRC, 10 January 2011	2,000	–	70	Distribution of pharmaceutical products and chemical reagents in the PRC
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
Shenzhen Pharmaceutical Trading Co. Ltd. (深圳市醫藥貿易公司)	PRC, 10 February 1988	1,880	–	100	Distribution of pharmaceutical products in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Dalian Guoda-Accord Meiluo Chain Drugstore Co. Ltd. (大連國大一致美羅大藥房連鎖有限公司)	PRC, 12 August 1999	1,740	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Jinzhong Wanmin Pharmacy Chain Store Co. Ltd. (晉中市萬民藥房有限公司)	PRC, 09 March 2011	1,700	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Chemical Reagent Shaanxi Co. Ltd. (國藥集團化學試劑陝西有限公司)	PRC, 15 August 2000	1,500	–	100	Distribution of chemical reagents, etc. in the PRC
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
Sinopharm Holding Meizhou Co. Ltd. (國藥控股梅州有限公司)	PRC, 30 June 2010	1,200	–	100	Distribution of pharmaceutical products and chemical reagents in the PRC
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
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
Shanghai Guoda Pharmaceutical Co. Ltd. (寧夏國大藥品有限公司)	PRC, 9 April 2004	1,000	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC

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### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Shanghai Tongyu Information Technology Co. Ltd. (上海統禦信息科技有限公司)	PRC, 27 December 2005	1,000	100	–	Information technology development and medicine consulting in the PRC
Shaanxi Guoyi Drugstore Co. Ltd. (陝西國誼大藥房有限公司)	PRC, 19 April 2010	1,000	–	100	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Shenzhen Accord Pharmaceutical Logistics Co. Ltd. (深圳一致藥業物流有限公司)	PRC, 8 September 2005	1,000	–	100	Provision of pharmaceutical logistics services in the PRC
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
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	Medicine chain store in the PRC
Xinjiang Pharmaceutical Holding Beitun Medicine Co. Ltd. (新疆藥業集團北屯藥業有限責任公司)	PRC, 31 December 2002	848	–	57	Distribution of pharmaceutical and healthcare products in the PRC
Shaanxi Pharmaceutical Corporation. (陝西省醫藥公司)	PRC, 29 March 1994	628	–	100	Distribution of pharmaceutical and healthcare products in the PRC
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
Urumqi Pharmaceutical Building (烏魯木齊醫藥大廈)	PRC, 20 March 1998	500	–	100	Property rental in the PRC

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## 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### Principal subsidiaries: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Xinjiang Baitong Property Management Co. Ltd. (新疆百通物業管理有限責任公司)	PRC, 30 May 2006	500	–	100	Property rental in the PRC
Shanghai Guoda Dongsheng Drugstore Co. Ltd. (上海國大東盛大藥房有限公司)	PRC, 1 July 2003	500	–	100	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
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
Lanxi Conba Pharmacy Chain Store Co. Ltd. (蘭溪康恩貝大藥房連鎖有限公司)	PRC, 06 May 2011	500	–	90	Medicine chain store; distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lerentang Shijiazhuang Medicine Co. Ltd. (國藥樂仁堂石家莊藥材有限公司)	PRC, 15 July 2011	500	–	70	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Shanghai Guoda Dongxin Pharmacy Chain Store Co. Ltd. (上海國大東信藥房有限公司)	PRC, 27 September 1995	300	–	100	Medicine chain store in the PRC
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	Chemical reagents consultation in the PRC
Guangdong Accord Pharmaceutical Skill Training Centre (廣東一致醫藥職業技能培訓中心)	PRC, 8 April 2006	30	–	100	Pharmaceutical skill training in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

As at 31 December 2011, the Company has direct and indirect interests in the following associates:

#### Principal associates:

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Yichang Humanwell Pharmaceutical Co. Ltd. (宜昌人福藥業有限責任公司)	PRC, 1 August 2001	293,527	20	Medicine manufacture and trading in the PRC
Qinghai Pharmaceutical Group Co. Ltd. (青海製藥(集團)有限責任公司)	PRC, 17 January 2000	139,563	47	Medicine manufacture and trading in the PRC
Shenzhen Main Luck Pharmaceutical Co. Ltd. (深圳萬樂藥業有限公司)	PRC, 4 July 1990	USD19.5 million	35	Research and inspection of pharmaceutical products in the PRC
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co. Ltd. (國藥控股星鯨製藥(廈門)有限公司)	PRC, 20 Dec 1998	95,000	60	Medicine and healthcare products manufacture
China National Pharmaceutical Group Xinjiang Co. Ltd. (國藥集團新疆製藥有限公司)	PRC, 1958	90,964	45	Medicine manufacture
Shanghai Donghong Pharmaceutical Co. Ltd. (上海東虹醫藥有限公司)	PRC, 2000	12,000	35	Distribution of pharmaceutical and healthcare products in the PRC
Shanghai Beiyi Guoda Traditional & Herbal pharmaceutical Co. Ltd. (上海北翼國大藥材醫藥有限公司)	PRC, 26 July 1994	12,000	26	Distribution of pharmaceutical products and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

### 43 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

#### Principal associates: (continued)

Company name	Country and date of incorporation	Issued and paid up capital/ registered capital RMB'000	Effective interests held by the Group %	Principal activities and place of operations
Hubei Yuankang Pharmaceutical Co. Ltd. (湖北緣康醫藥有限公司)	PRC, 25 April 2011	10,000	30	Distribution of pharmaceutical and healthcare products in the PRC
Wuxi Huihua Pharmacy Chain Store Co. Ltd. (無錫匯華強盛醫藥連鎖有限公司)	PRC, 7 July 2003	7,150	21	Medicine chain store
Sinopharm Prospect Dentech (Beijing) Co. Ltd. (國藥前景口腔科技(北京)有限公司)	PRC, 04 August 2004	2,000	39	Oral healthcare products manufacture and trading in the PRC
Dongshi Pharmaceutical Information Co. Ltd. (東氏醫藥資訊有限公司)	PRC, 22 October 1999	1,000	46	Corporate management services in the PRC

Notes:

- (i) Except for Accord Medicines and National Medicines which are joint stock limited liability companies, China National Pharmaceutical Group Shanghai Corporation, China National Pharmaceutical Group Tianjin Corporation and Shaanxi Pharmaceutical Corporation which are enterprises owned by the whole people, Guangdong Accord Pharmaceutical Skill Training Centre which is private non-enterprise organisation, the other subsidiaries of the Group are limited liability entities.
- (ii) 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.

### 44 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2011, the Company acquired 8 subsidiaries and total considerations for these acquisitions amounted to RMB512,060 thousands.

[www.sinopharmgroup.com.cn](http://www.sinopharmgroup.com.cn)



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