SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.
(Incorporated in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.

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FOR THE YEAR ENDED 31 DECEMBER 2006

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shenzhen Accord Pharmaceutical Co., Ltd.(the "Company") and its subsidiaries (the "Group") set out on pages 3 to 39 which comprise the consolidated balance sheets as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

(Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

28 March 2007

Chan Kam Wing, Clement
Practising Certificate number P02038

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

(Expressed in Renminbi thousands)

	Notes	2006 RMB'000	2005 RMB'000
Turnover	6	**5,667,612**	**1,635,569**
Cost of sales		**(5,094,199)**	**(1,264,585)**
Gross profit		**573,413**	**370,984**
Other operating revenue	7	**39,970**	**25,403**
Selling and distribution costs		**(302,044)**	**(248,325)**
Administrative expenses		**(180,542)**	**(105,648)**
Other operating expenses		**(4,454)**	**(552)**
Profit from operations	8	**126,343**	**41,862**
Finance costs	9	**(25,486)**	**(401)**
Share of results of associates		**6,462**	**6,707**
Goodwill written off		**(42,658)**	**-**
Gain on liquidation of subsidiaries		**1,406**	**-**
Gain/(Loss) on disposal of an associate		**293**	**(673)**
Profit before taxation		**66,360**	**47,495**
Taxation	10(a)	**(22,489)**	**(6,096)**
Profit for the year		**43,871**	**41,399**
Attributable to:			
Equity holders of the parent		**38,665**	**41,399**
Minority interests		**5,206**	**-**
Profit attributable to shareholders		**43,871**	**41,399**
Earnings per share	11	**RMB0.152**	**RMB0.144**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

(Expressed in Renminbi thousands)

	Notes	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment	12	262,122	118,840
Construction in progress	13	150,991	76,568
Intangible assets	14	29,562	-
Interests in associates	15	53,933	53,373
Goodwill	16	19,317	19,348
Other investments		1,284	284
Deferred tax assets	10(c)	7,411	-
		524,620	**268,413**
Current assets			
Inventories	17	489,402	209,692
Other current assets	18	15,347	-
Accounts receivable and other receivables		1,287,399	370,772
Amounts due from related companies	26(b)	85,832	16,729
Prepayments		32,426	28,216
Cash and bank balances		205,342	169,288
		2,115,748	**794,697**
Current liabilities			
Bank loans - due within one year	19	296,986	10,000
Accounts payable, other payables and accruals		1,559,990	616,947
Receipts in advance		30,836	25,804
Amounts due to related companies	26(b)	103,237	19,760
Amounts due to ultimate holding company	26(b)	78,988	-
Tax payable		6,621	588
Other current liabilities	20	23,086	-
		2,099,744	**673,099**
Net current assets		**16,004**	**121,598**
Assets less current liabilities		**540,624**	**390,011**

CONSOLIDATED BALANCE SHEET(continued)
AS AT 31 DECEMBER 2006

(Expressed in Renminbi thousands)

	Notes	2006 RMB'000	2005 RMB'000
Assets less current liabilities		**540,624**	**390,011**
Non-current liabilities			
Bank loans	19	**(97,720)**	**-**
Net assets		**442,904**	**390,011**
Representing:			
Share capital	21	**288,149**	**288,149**
Reserves	22	**129,585**	**101,862**
Equity holders of the parents		**417,734**	**390,011**
Minority interests		**25,170**	**-**
Total equity		**442,904**	**390,011**

The financial statements were approved and authorised for issue by the board of directors on 28 March 2007.

Shi Jinming	Wu Aimin
Director	Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

(Expressed in Renminbi thousands)

	Share capital RMB'000 (Note 21)	Capital reserve RMB'000	Statutory and discretionary surplus reserve fund RMB'000 (Note 22)	Retained earnings /(loss) RMB'000	Attributable to equity holders of the parent RMB'000	Minority interest RMB'000	Total equity RMB'000
At 1 January 2005	288,149	18,891	66,526	(24,954)	348,612	-	348,612
Profit for the year	-	-	-	41,399	41,399	-	41,399
Transfer on reorganization of a subsidiary	-	-	(692)	692	-	-	-
Profit appropriations	-	-	5,898	(5,898)	-	-	-
At 31 December 2005	288,149	18,891	71,732	11,239	390,011	-	390,011
Profit for the year	-	-	-	38,665	38,665	5,206	43,871
Acquisition of subsidiaries	-	-	-	-	-	29,796	29,796
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(8,629)	(8,629)
Dividend declared	-	-	-	(10,942)	(10,942)	(1,203)	(12,145)
Profit appropriations	-	-	11,689	(11,689)	-	-	-
At 31 December 2006	288,149	18,891	83,421	27,273	417,734	25,170	442,904

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Expressed in Renminbi thousands)

	Notes	2006 RMB'000	2005 RMB'000
Operating activities			
Profit before taxation		66,360	47,495
Adjustments for:			
Interest income		(4,458)	(2,041)
Interest expenses		24,101	308
Depreciation		30,961	23,389
Loss on disposal of property, plant and equipment		100	34
Goodwill written off		42,689	718
Amortisation of intangible assets		458	-
(Write back of)/Provision for impairment on revaluation of property, plant and equipment and construction in progress		(4,462)	228
Share of results of associates		(6,462)	(6,707)
Gain on disposal of an associate		(293)	(45)
Cash flow from operations before changes in working capital		148,994	63,379
Increase in inventories		(68,693)	(52,658)
Increase in accounts receivables, other receivables and amounts due from related parties		(258,222)	(51,065)
Decrease/(Increase) in prepayments		9,609	(17,345)
Increase in accounts payable, other payables and accruals receipts in advance and amounts due to related companies		274,262	231,246
Cash generated from operating activities		105,950	173,557
Interest paid		(24,101)	(308)
Income taxes paid		(23,867)	(6,958)
Net cash generated from operating activities		**57,982**	**166,291**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

(Expressed in Renminbi thousands)

	Notes	2006 RMB'000	2005 RMB'000
Investing activities			
Interest received		7,280	2,041
Dividend received		-	2,669
Purchase of property, plant and equipment		(22,501)	(9,073)
Proceeds from disposal of property, plant and equipment		1,929	206
Payment for construction in progress		(69,638)	(35,638)
Payment for intangible assets		(30,020)	-
Cash outflow on acquisition of subsidiaries	23	(6,291)	-
Proceeds from disposal of an associate		686	2,251
Cash outflow on change of status of a consolidated subsidiary to an associate		-	(37,826)
Net cash used in investing activities		**(118,555)**	**(75,370)**
Financing activities			
New bank loans raised		587,506	10,000
Repayment of bank loans		(470,105)	(12,500)
Capital withdrawal by minority shareholders		(8,629)	-
Dividends paid to minority shareholders		(1,203)	-
Dividend paid		(10,942)	-
Net cash generated from/(used in) financing activities		**96,627**	**(2,500)**
Net increase in cash and cash equivalents		**36,054**	**88,421**
Cash and cash equivalents, at beginning of year		**169,288**	**80,867**
Cash and cash equivalents, at end of year		**205,342**	**169,288**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi thousands)

1. ORGANISATION AND OPERATIONS

Shenzhen Accord Pharmaceutical Co., Ltd. (the "Company") was established as a joint stock company with limited liability through the reorganisation for the joint stock system on 1 February 1993 with the approval from the Shenzhen Municipal People's Government under the document: Shenzhen Government-Office Reply (1993) No.356.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are manufacture and trading of Chinese medical materials, Chinese patent drugs and western patent drugs.

The registered office of the Company is located at Accord Pharmaceutical Building, No.15 Ba Gua Si Road, Futian District, Shenzhen, Guangdong, the People's Republic of China (the "PRC"). The Group principally operates in the PRC.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

Investments classified as at fair value through profit or loss

Following amendments to IAS 39 Financial Instruments: Recognition and Measurements in June 2005, the ability of entities to designate any financial asset or financial liability as 'at fair value through profit or loss' (FVTPL) has been limited.

Financial assets that can no longer be designated as at FVTPL are now classified as either loans and receivables, held-to-maturity or available-for-sale financial assets, as appropriate, and measured at amortized cost, or at fair value with changes in fair value recognized in equity, according to their classification. Financial liabilities that can no longer be designated as at FVTPL are classified as 'other' financial liabilities and measured at amortized cost.

These changes have had no material effect on the financial statements of the Group.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Accounting for financial guarantee contracts

The IASB has also amended IAS 39 Financial Instruments: Recognition and Measurement to require certain financial guarantee contracts issued by the Group to be accounted for in accordance with that Standard. Financial guarantee contracts that are accounted for in accordance with IAS 39 are measured initially at their fair values, and subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provision, Contingent Liabilities and Contingent Assets; and

- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out in note 3 below.

These changes have had no material impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 10 Interim Financial Reporting and Impairment	1 November 2006

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a historical cost basis, except for other investments, as further explained below. The Group also prepares consolidated financial statements which comply with accounting regulations in the PRC. A reconciliation of the Group's results and shareholders' equity under IFRS and PRC accounting regulations is presented in Note 30. The principal accounting policies adopted by the Group are as follows:

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all operating subsidiaries that are controlled by the Company. Where an entity either began or ceased to be controlled by the Company during the year, the results are included only from the date control commenced or up to the date control ceased.

All material intra-group transactions and balances are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IRFS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

A subsidiary is a company in which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. Details of the Company's subsidiaries as of 31 December 2006 are set out in Note 28 to the consolidated financial statements.

(d) Interests in associates

An associate is a company, not being a subsidiary or a joint venture, in which the Company has significant influence. Significant influence exists when the Company has the power to participate in, but not control, the financial and operating decisions of the associate. Investments in associates are accounted for using the equity method of accounting.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Interests in associates" above.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment and depreciation (continued)

Depreciation is provided to write off the costs or valuation of other fixed assets, after taking into account their estimated residual value, over their anticipated useful lives using the straight line method. The rates of depreciation used are based on the following estimated useful lives:

Land use rights	Over the lease terms
Buildings	20 - 35 years
Motor vehicles	5 - 10 years
Electronic equipment, office equipment and software	5 - 14 years
Leasehold improvements	10 years

The useful lives of assets and depreciation method are reviewed periodically.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the consolidated financial statements and any gain or loss resulting from their disposal is included in the income statement

(g) Construction in progress

Construction in progress represents factory buildings, plant and machinery and other fixed assets under construction and is stated at cost. Cost comprises direct costs of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Capitalisation of interest charges ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Construction in progress is transferred to property, plant and equipment when it is completed and ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the appropriate PRC authorities.

No depreciation is provided on construction in progress until the asset is completed and is ready for its intended use.

(h) Intangible assets

Land use rights are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over the life of the land use rights.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduce to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Inventories

Inventories comprise raw materials, work-in-progress and finished goods. Inventories are stated at the lower of cost and net realisable value. Cost includes direct materials, direct labour costs and overheads that have been incurred in bringing the inventories and work in progress to their present location and condition and is calculated using the weighted average method. Net realisable value is estimated by management and is determined by reference to the selling price less all costs to completion and costs to be incurred in selling and distribution.

Spare parts and consumables are stated at cost less any provision for obsolescence.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debts securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(ii) Investments (continued)

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulate gain or loss previously recognised in equity is included in the profit or loss for the period. For investment in an equity instrument that does not have a quoted market price in active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, the instrument would be measured at cost, subject to review of impairment. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and net of bank overdrafts. In the consolidated balance sheet, bank overdrafts are included in borrowings in current liabilities.

(iv) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs (see below).

(v) Trade payables

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Operating leases

Leases are classified as operating leases whenever substantially all the risks and rewards incidental to the ownership of the leased assets remain with the lessor.

Lease payments under operating leases are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Aggregate benefit of incentives on operating leases is recognised as a reduction of rental expense over the lease term on a straight line basis.

(m) Provisions

A provision is recognised when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(n) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(i) In relation to the sale of goods, revenue is recognised upon delivery of goods to customers, and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

(ii) Service income is recognised when services are rendered.

(iii) Interest income is accrued on a time proportion basis on the principal outstanding and at the applicable rate.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to be ready for their intended use or sale are capitalised as part of the assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions during the year are translated into RMB at the rates of exchange prevailing at the transaction dates as quoted by the People's Bank of China ("PBOC").

Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the rates prevailing at the balance sheet date as quoted by the PBOC. Non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange differences other than those capitalised as a component of borrowing costs, are recognised in the income statement in the period in which they arise.

(r) Pension obligations

As a statutory requirement, the Company and its subsidiaries have to contribute 25.5% of total salaries as retirement benefits for employees to a government agency. All contributions are dealt with in the consolidated income statement.

(s) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(t) Use of estimate

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience 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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. SEGMENT INFORMATION

(a) Primary reporting format - business segments

In 2006, the major products of the Group are Chinese medical materials, Chinese patent drugs and western patent drugs.

(b) Secondary reporting format - geographical segments

In 2006, the revenue of the Group mainly arises from the operations in the PRC and the related operating assets are located in the PRC.

6. TURNOVER

Turnover represents the gross value of goods, net of value-added tax and allowances for discounts and returns.

7. OTHER OPERATING REVENUE

	2006 RMB'000	2005 RMB'000
Commission income	18,163	18,043
Conference income	8,364	-
Others	5,033	2,475
Interest income	4,458	2,041
Rental income	3,763	2,793
Government subsidies	189	-
Sale of sundry materials	-	51
	39,970	25,403

8. PROFIT FROM OPERATIONS

	2006 RMB'000	2005 RMB'000
Profit from operations is arrived at after charging:-		
Provision for obsolete inventories	1,738	3,232
Depreciation on property, plant and equipment	30,961	23,389
Amortisation of intangible assets	458	-
Loss on disposal of property, plant and equipment	100	34
(Write back of)/Provision for impairment loss on property, plant and equipment	(4,462)	228
Provision for bad debts	5,488	929
Staff costs	154,812	123,253
Staff benefit costs	14,465	9,792

9. FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest expenses	24,101	308
Bank charges	1,738	541
Net exchange gain	(353)	(448)
	25,486	401

10. TAXATION

(a) Taxation in the consolidated income statement represents:

	2006 RMB'000	2005 RMB'000
Current year taxation	29,900	6,096
Deferred taxation	(7,411)	-
	22,489	6,096

Provision for PRC income taxes is calculated based on the estimated assessable profits for the year determined in accordance with the relevant tax rules and regulations applicable in the PRC. The Company is subject to income tax at the rate of 15%. The income tax rates applicable to subsidiary companies range from 15% to 33%. (2005: 7.5% to 15%).

(b) The reconciliation between taxation charge and the accounting profit as shown in these financial statements multiplied by the tax rate of 15% is follows

	2006 RMB'000	2005 RMB'000
Profit before taxation	66,360	47,495
Income tax calculated at the tax rate of 15%	9,954	7,124
Tax effect of share of results of associates	6,788	(1,006)
Effect of different tax rates or tax exemption for certain subsidiaries and joint ventures	9,597	(5,249)
Tax effect of expenses that are not deductible in determining taxable profit	(23)	89
Under-provision in prior year	2,319	8
Deferred taxation	(7,411)	-
Non-taxable item	(1,092)	-
Tax refund	(750)	-
Effect of unrecognised tax losses and temporary differences	3,107	5,130
Tax expense for the year	22,489	6,096

10. TAXATION (CONTINUED)

(c) Deferred taxation

	2006 RMB'000	2005 RMB'000
Balance at 1 January	-	-
Charge to profit and loss account	7,411	-
Balance at 31 December	7,411	-

The major deferred tax assets recognised by the Group are as follows:

	2006 RMB'000	2005 RMB'000
Provision for bad debts and diminution of inventory	874	-
Prepaid tax on accrued expenses	3,550	-
Recognised tax losses	2,987	-
Deferred tax assets	7,411	-

11. EARNINGS PER SHARE

The calculation of the basic profit per share is based on the profit for the year of RMB 43,871,000 (2005: RMB41,399,000) and the number of shares outstanding during the year of 288,149,400 (2005: 288,149,400).

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment, office equipment and software RMB'000	Leasehold improve-ments RMB'000	Total RMB'000
Cost:						
At 1 January 2005	120,271	69,061	23,575	40,718	27,543	281,168
Additions	1,421	1,053	2,656	3,148	795	9,073
Disposals	-	(1,179)	(408)	(607)	-	(2,194)
Other decrease	(9,760)	(9,142)	(1,417)	(1,587)	(3,110)	(25,016)
Reclassification	-	(113)	(107)	220	-	-
At 31 December 2005	111,932	59,680	24,299	41,892	25,228	263,031
Additions	1,074	1,971	2,946	8,659	7,851	22,501
Other addition - new subsidiaries	158,674	25,497	9,695	11,445	5,585	210,896
Transfer from construction in progress	-	3,727	-	-	-	3,727
Disposal	(1,783)	(858)	(3,908)	(5,673)	-	(12,222)
At 31 December 2006	269,897	90,017	33,032	56,323	38,664	487,933
Accumulated depreciation and impairment loss:						
At 1 January 2005	35,396	43,838	13,155	23,918	21,317	137,624
Charge for the year	6,569	3,586	2,355	6,247	4,632	23,389
Written back on disposal	-	(1,036)	(330)	(588)	-	(1,954)
Impairment loss	-	228	-	-	-	228
Other decrease	(3,363)	(6,724)	(893)	(1,155)	(2,961)	(15,096)
Reclassification	(350)	(51)	350	51	-	-
At 31 December 2005	38,252	39,841	14,637	28,473	22,988	144,191
Charge for the year	11,642	4,363	3,524	9,598	1,834	30,961
Other addition - new subsidiaries	29,382	21,029	5,291	6,176	1,586	63,464
Reversal of impairment loss	(1,675)	-	-	(937)	-	(2,612)
Written back on disposal	(721)	(668)	(3,251)	(5,553)	-	(10,193)
At 31 December 2006	76,880	64,565	20,201	37,757	26,408	225,811
Net book value:						
At 31 December 2006	193,017	25,452	12,831	18,566	12,256	262,122
At 31 December 2005	73,680	19,839	9,662	13,419	2,240	118,840

As of 31 December 2006, properties with a net book value of RMB84,033,000 (2005 : Nil) were pledged as collateral for the Group's bank loans (Note 19).

13. CONSTRUCTION IN PROGRESS

	2006 RMB'000	2005 RMB'000
At 1 January	76,568	40,963
Additions	103,382	35,638
Other addition - new subsidiaries	6,662	-
Write back on provision for impairment	1,850	-
Transfer to property, plant and equipment	(3,727)	-
Transfer to intangible assets	(30,020)	-
Written off	(3,724)	-
Other decrease	-	(33)
At 31 December	150,991	76,568

As of 31 December 2006, interest expenses of RMB1,933,000 (2005: Nil) have been capitalized during the year.

14. INTANGIBLE ASSETS

	Land use rights RMB'000
Cost：	
At 1 January and 31 December 2005	-
Transfer from construction in process	30,020
At 31 December 2006	30,020
Accumulated amortisation:	
At 1 January and 31 December 2005	-
Charge for the year	458
At 31 December 2006	458
Net book value:	
At 31 December 2006	29,562
At 31 December 2005	-

15. INTERESTS IN ASSOCIATES

	2006 RMB'000	2005 RMB'000
Cost of investment in associates	42,538	42,838
Share of post-acquisition profits, net of dividend received	13,703	10,157
	56,241	52,995
Amounts due from associates	-	1,239
Amounts due to associates	(2,308)	(861)
	53,933	53,373

Details of the associates, all of which were incorporated and operated in the PRC, at 31 December 2006 are as follows:-

Name of associate	Registered capital	Percentage of equity interest held by the Group	Principal activity
Shenzhen Wanle Pharmaceutical Co., Ltd. (深圳萬樂藥業有限公司)	USD5,000,000	35.19%	Research and development, manufacture of anticancer drugs, antivirus injection and α interferon powder
Dongyuan & Accord Pharm Chain Store Co.,Ltd. (東源一致醫藥連鎖有限公司)	RMB5,000,000	45%	Retailing of Chinese patent drugs and western drugs
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd. (國藥控股深圳中藥有限公司)	RMB50,000,000	47.39%	Manufacture and trading of oral liquid, tablets and external lotion

The names of the above companies are directly translated from their registered names in Chinese and may not represent their legal names.

15. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information in respect of the Group's associates is set out below:

	2006 RMB'000	2005 RMB'000
Total assets	256,241	255,131
Total liabilities	(126,212)	(135,283)
Net assets	130,029	119,848
Group's share of associates' net assets	56,241	52,995
Revenue	377,006	979,488
Profit for the year	21,287	21,617
Group's share of associates' profit for the year	6,462	6,707

16. GOODWILL

	2006 RMB'000	2005 RMB'000
Net carrying amount:		
At 1 January	19,348	23,476
Written off	(31)	(718)
Other decrease	-	(3,410)
At 31 December	19,317	19,348

17. INVENTORIES

	2006 RMB'000	2005 RMB'000
Raw materials	36,978	28,840
Finished goods	452,424	180,852
	489,402	209,692

18. OTHER CURRENT ASSETS

	2006 RMB'000	2005 RMB'000
Reserves of special drugs and medicines	15,347	-

The balances represent reserve of drugs and medicines for the State which are only permitted to use in situation of significant disaster, epidemic and first aid, and military strategy.

19. BANK LOANS

	2006		2005	
	Interest rate per annum	Amount RMB'000	Interest rate per annum	Amount RMB'000
Unsecured, guaranteed by related companies and non-related companies	4.698% to 6.12%	340,706	5.58%	10,000
Secured by properties (Note 12)	5.022%	54,000		-
		394,706		10,000

	2006 RMB'000	2005 RMB'000
The borrowings are repayable as follows:		
On demand or within one year	296,986	10,000
In the second year	97,720	-
	394,706	10,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	(296,986)	(10,000)
Amounts due for settlement after 12 months	97,720	-

20. OTHER CURRENT LIABILITIES

	2006 RMB'000	2005 RMB'000
Pharmaceutical reserve fund	23,086	-

The fund represents advance from the State for purchase of special drugs and medicines (note 18). The fund is unsecured, interest free and released upon use of relevant special drugs and medicines.

21. SHARE CAPITAL

As of 31 December 2006, outstanding share capital represented ordinary shares ("A Shares") and domestically listed foreign investment shares ("B Shares"). The B Shares ranked pari passu in all respects with the A Shares.

Issued and fully paid shares of RMB1 each:

	A share			B share	Total
	State-owned share RMB'000	Legal person shares RMB'000	Domestically listed ordinary share RMB'000	Domestically listed foreign share RMB'000	RMB'000
At 1 January 2005 and 31 December 2005	124,865	53,513	54,885	54,886	288,149
Restructure of shares (Note)	(12,079)	(4,387)	16,466	-	-
At 31 December 2006	112,786	49,126	71,351	54,886	288,149

Note: Pursuant to a Share Restructure Proposal was approved by holders of A shares at a meeting held on 14 April 2006, all holders of domestically listed A shares will be transferred 3 non-publicly trading shares for every 10 domestically listed A shares held free of charge in exchange for the public trading right of all the non-publicly trading shares. Change of share registration has been done on 27 April 2006. The proposal was fully implemented on 28 April 2006 and at the same date all shares of the Company became domestically listed A shares. Among the shares, 161,912,520 shares, being 56.19% of total number of shares, are restricted domestically listed A shares. The remaining shares are unrestricted domestically listed A shares.

22. RESERVES

Movements in reserves are set out in the consolidated statement of changes in shareholders' equity.

(a) Statutory surplus fund

In accordance with PRC Companies Law, the Company shall appropriate 10% of its annual statutory net profit (after offsetting any losses of prior years) to statutory surplus fund. When the balance of such reserve reaches 50% of the registered share capital of the Company, any further appropriation is optional. Statutory surplus fund can be utilised to offset losses of prior years or for the issuance of bonus shares. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

(b) Statutory public welfare fund

In prior years, the Company was required by PRC Companies Law to appropriate 5% to 10% of its annual statutory net profit to the statutory public collective welfare fund, which is restricted to capital expenditure for the collective welfare of their employees. According to the amendment on relevant financial regulations in the PRC, the Company and its subsidiaries are no longer required by law to appropriate their annual statutory net profit to the statutory public welfare fund with effect from 1 January 2006.

(c) Discretionary surplus reserve

Discretionary surplus reserve is appropriated based on resolution passed at the directors' meeting. The discretionary reserve can be used to make good previous years' losses, if any, and may be utilised for the issuance of bonus shares.

23. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of a subsidiary

During the year, the Group acquired 90% of the equity interest in SinoPharm Holdings Guangzhou Co., Ltd. ("SinoPharm Guangzhou") from its ultimate holding company for a total consideration of RMB106,731,000. SinoPharm Guangzhou became the Group's subsidiary. Details of the assets and liabilities of the company acquired, in aggregate, are as follows:

	RMB'000
Net assets:	
Property, plant and equipment	147,432
Construction in progress	6,662
Other investments	1,000
Other current assets	15,153
Inventories	211,017
Accounts receivable and other receivables	725,015
Prepayment	13,819
Cash and bank balance	100,440
Bank loan	(267,305)
Accruals, accounts payable and other payables	(854,580)
Receipts in advance	(4,784)
Minority interest	(29,796)
Group's share of equity	64,073
Consideration	106,731
Goodwill written off	42,658
Cash outflow on acquisition:	
Cash and bank balance	6,291

The acquired subsidiary contributed RMB 4,069,774,000 of revenue and RMB 54,936,000 of profit before tax for the period between the date of acquisition and the balance sheet date.

During the period between the date of acquisition and the balance sheet date, the acquired subsidiary used RMB 2,980,000, RMB 7,408,000 and RMB 10,717,000 in operating, investing and finance activities, respectively.

24. OPERATING LEASE COMMITMENTS

At 31 December 2006, the Group had minimum rental payments under irrevocable operation leases as follows:

	2006 RMB'000	2005 RMB'000
Within one year	25,659	13,948
Over one year but less than five years	33,681	11,941
Over five years	268	-
	59,608	25,889

25. CAPITAL COMMITMENTS

At 31 December 2006, capital expenditure commitments, which were not provided in financial statements, but for which contracts had been signed, were as follows:

	2006 RMB'000	2005 RMB'000
Property, plant and equipment	33,443	54,146

26. RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is SinoPharm Holdings Co., Ltd. (“SinoPharm”) (國藥控股有限公司) which was incorporated in the PRC.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Trading transactions

During the year, the Group had the following transactions with its related parties which, in the opinion of the Directors, were entered into in the normal course of business:

	2006 **RMB’000**	**2005** **RMB’000**
Sales to associated companies	4,697	6,979
Sales to related companies under common control	377,036	78,972
Sales to ultimate holding company	21,990	26,829
Purchases from associated companies	6,343	6,637
Purchases from related companies under common control	855,976	84,437

(b) Balances with related parties

Amounts due from/to related companies and ultimate holding company are unsecured, interest free and have no fixed repayment terms.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 **RMB’000**	**2005** **RMB’000**
Remuneration	14,557	8,153
Pension funds	624	387
Medical insurance and others	774	370
	15,955	8,910

27. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rates and terms of repayment of bank borrowings of the Group are disclosed in Note 19. Other financial assets and financial liabilities do not have material interest rate risk.

(b) Credit risk

Accounts receivable of the Group are spread among a number of customers in the PRC and cash is deposited with registered banks in the PRC.

The Directors are of the opinion that the Group has no significant concentrations of credit risk on financial assets.

(c) Foreign currency risk

Most of the transactions of the Group are settled in Renminbi. In the opinion of the Directors, the Group does not have significant foreign currency risk exposure.

(d) Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value: cash and bank balances, investments and trade receivables. Financial assets of the Group include bank balances, accounts receivable, bills receivable, other receivables and short and long term investments. Financial liabilities of the Group include short term bank and other loans, accounts payable, bills payable and other payables.

28. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2006, all of which were incorporated and are operated in the PRC, as follows:-

Name of company	Registered capital RMB'000	Percentage of ownership Directly	Indirectly	Principal activity
Shenzhen Zhijun Pharmaceutical Co., Ltd. (深圳致君制藥有限公司) (Formerly known as Shenzhen Pharmaceutical Plant)	32,190	100%	-	Manufacture of raw material for chemical medicine, processing of Chinese patent drugs and medical chemical raw materials
Shenzhen Baokang Pharmaceutical Co., Ltd. (深圳市保康醫藥有限公司)	1,890	47.1%	52.9%	Sale of Chinese medical materials, Chinese patent drugs, medical chemical materials, antibiotic preparations
Shenzhen Accord Pharm Materials Co., Ltd. (深圳市一致藥材有限公司)	6,000	90%	10%	Sale of Chinese patent drugs and western patent drugs
Shenzhen Pharmaceutical Company (深圳市醫藥公司)	1,250	100%	-	Sale of western medicine, chemical reagent, Chinese medical crop, Chinese patent drug
Shenzhen Accord Pharm Chain Store Co., Ltd. (深圳市一致醫藥連鎖有限公司)	10,800	75%	25%	Retailing of Chinese patent drugs and western medicine
Shenzhen Accord Pharm Co., Ltd. (深圳市一致醫藥有限公司)	50,000	90%	10%	Wholesale and retailing of Chinese patent drugs and western medicine
Shenzhen Accord Pharmaceutical Logistic Co., Ltd. (深圳一致藥業物流有限公司)	1,000	90%	10%	Provision of logistic and storage services
SinoPharm Holdings Guangzhou Co., Ltd. (國藥控股廣州有限公司)	50,000	90%	-	Sales of Chinese patent drugs and chemicals

28. SUBSIDIARIES (CONTINUED)

Name of company	Registered capital RMB'000	Percentage of ownership Directly	Indirectly	Principal activity
China Pharm (Group) Guangzhou Company (中國醫藥（集團）廣州公司)	50,000	-	100%	Property rental and management
SinoPharm Holdings Guangdong New Dragon Co., Ltd. (國藥控股廣東新龍有限公司)	20,000	49%	51%	Sales of medicine and medical machine
SinoPharm Holdings Liuzhou Co., Ltd. (國藥控股柳州有限公司)	20,530.6	-	51%	Sales of Chinese medical raw materials, Chinese patent drugs and chemicals
Guangzhou Southern Medical Machinery Company (廣州南方醫療器械公司)	2,000	-	100%	Sales of medical electric machine
Guangzhou New Pharmaceutical Company (廣州新特藥公司)	500	-	100%	Sales of Chinese patent drugs and biological drugs
Guangzhou Southern Pharmaceutical Company (廣州南方醫藥公司)	2,000	-	100%	Sales of Chinese patent drugs and healthy products
Guangdong Yuexing Pharmaceutical Co., Ltd. (廣東粵興醫藥有限公司)	3,000	-	100%	Wholesales of Chinese patent drugs and chemicals
Guangzhou Accord Pharm Chain Store Co., Ltd. (廣州一致藥店連鎖有限公司)	2,000	-	100%	Retails of Chinese medical raw material and Chinese patent drugs
Guangdong Southern Storage and Logistic Company (廣東南方儲運公司)	540	-	100%	Rendering storage, loading services
Guangzhou Qingyun Hotel Co., Ltd. (廣州市青雲酒店有限公司)	300	-	100%	Rendering rental services

28. SUBSIDIARIES (CONTINUED)

Name of company	Registered capital RMB'000	Percentage of ownership Directly	Percentage of ownership Indirectly	Principal activity
Guangdong Dongshi Enterprise Development Co., Ltd. (廣東東氏企業發展有限公司)	500	-	100%	Property rental management and sales of architecture material
Liuzhou Chinese Pharmacy Plant (柳州市中藥飲片廠)	40	-	100%	Sales of Chinese medicine
Liuzhou Huikang Pharm Chain Store Co., Ltd. (柳州市匯康醫藥連鎖有限公司)	500	-	100%	Sales of Chinese patent drugs, chemicals and medical machine

The names of the above companies are directly translated from their registered names in Chinese and may not represent their legal names.

29. RETIREMENT BENEFIT PLANS

As a statutory requirement, the Group has to contribute 25.5% of total salaries as retirement benefits for employees to a government agency. Upon retirement of the employees, the government agency will be responsible for the retirement benefits to the employees. During the year, total expenses charged to the consolidated income statement for the retirement benefits of the employees were as follows:

	2006 RMB'000	2005 RMB'000
Pension funds	11,473	8,985
Medical expenses	4,235	4,899
	15,708	13,884

30. IMPACT OF IFRS ADJUSTMENTS ON PROFIT FOR THE YEAR AND EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The statutory accounts of the Group are prepared in accordance with PRC accounting regulations applicable to joint stock limited companies. These accounting principles differ in certain significant respects from IFRS. The effects of these differences on the profit for the year ended 31 December 2006 and equity at that date attributable to equity holders of the parent are summarised as follows:

	Profit after taxation and minority interests RMB'000	Shareholders' funds RMB'000
As determined pursuant to PRC accounting regulations	72,555	447,732
Recognition of losses of subsidiaries in excess of the Company's investment costs in profit and loss account	(2,985)	-
Goodwill on acquisition of subsidiaries and amortization	(35,044)	(32,460)
Recognition of deferred taxation	7,411	7,411
Employee retirement payment written off	(4,878)	(4,878)
Others	1,606	(71)
As determined pursuant to IFRS	38,665	417,734

31. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the directors propose to pay a dividend of RMB0.9 per 10 shares held. The payment of this dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The estimated dividend to be paid is RMB 25,933,000.