深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

Semi-Annual Financial Report 2007

August, 2007

Financial Report (Un-audited)

Balance sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items	Notes	June 30, 2007		Dec.31, 2006	
		Consolidation	Parent Company	Consolidation	Parent Company
Current assets:					
Monetary funds	1	225,930,920.32	72,816,683.39	205,341,835.52	51,149,747.14
Transaction finance asset					
Notes receivable	2	222,651,818.05	1,502,239.17	207,461,757.47	27,417,436.43
Accounts receivable	3	1,288,394,900.43	330,270,308.04	1,134,397,089.98	232,925,656.56
Accounts in advance	4	51,171,531.49	13,146,958.33	31,281,294.12	3,932,363.78
Interest receivable					
Dividend receivable			143,625.21		
Other receivables	5	48,419,415.74	125,962,347.26	37,937,661.49	155,515,089.60
Inventories	6	490,621,267.47	74,285,874.47	489,402,122.53	72,299,571.82
Non-current asset due within one year					
Other current assets					
Total current assets		2,327,189,853.50	618,128,035.87	2,105,821,761.11	543,239,865.33
Non-current assets:					
Finance asset available sales					
Held-to-maturity securities					
Long-term account receivable					
Long-term equity investment	7	53,704,855.37	340,502,635.76	53,916,718.03	440,707,272.12
Investment property	8	5,880,648.61	2,366,336.60	39,005,516.50	2,441,664.20
Fixed assets:	9	253,754,481.67	46,881,854.69	220,586,376.34	50,064,596.27
Construction in progress	10	170,086,845.79	253,886.24	150,990,967.55	253,886.24
Engineering material					
Disposal of fixed asset					
Consumable biological asset					

Intangible assets		31,117,793.10	29,793,977.63	32,031,022.36	30,444,684.41
Expense on Research and Development					
Goodwill					
Long-term expenses to be apportioned		7,617,844.03	35,774.30	6,155,684.69	122,397.20
Deferred income tax asset		6,735,849.28		8,074,635.35	
Other non-current asset		15,327,470.79		15,545,846.91	
Total non-current asset		544,225,788.64	419,834,465.22	526,306,767.73	524,034,500.44
Total assets		2,871,415,642.14	1,037,962,501.09	2,632,128,528.84	1,067,274,365.77

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao

Person in charge of accounting institutes: Chi Guoguang

Balance sheet (Con)

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Item	Notes	June 30, 2007		Dec.31, 2006	
		Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:					
Short-term loans	16	301,026,688.66	30,000,000.00	296,986,007.95	37,417,436.43
Transaction financial liabilities					
Notes payable	17	498,102,779.46	119,323,463.90	419,175,924.81	110,205,719.50
Accounts payable	18	1,032,299,458.11	283,232,523.30	956,987,248.04	261,167,008.52
Accounts received in advance	19	28,299,878.35	54,016.37	30,835,803.43	26,057.63
Wage payable	20	52,739,513.01	16,181,458.63	81,661,118.72	18,263,253.67
Taxes payable	21	9,468,024.55	-675,735.46	3,220,047.64	3,682,359.72
Dividend payable		3,879,531.44			
Other accounts payable	22	339,897,425.03	139,210,785.08	293,812,654.03	184,807,048.45
Non-recurrent liabilities due within 1 year					
Other current liabilities		31,065.93			
Total current liabilities		2,265,744,364.54	587,326,511.82	2,082,678,804.62	615,568,883.92
Non-current liabilities:					
Long-term loans	23	97,720,000.00		97,720,000.00	
Bonds payable					
Long-term account payable	24	827,713.46		1,054,352.56	

Special accounts payable	25	1,800,000.00	800,000.00	1,800,000.00	800,000.00
Projected liabilities					
Deferred income tax liabilities					
Other non-current liabilities	26	23,085,874.07		23,085,874.07	
Total non-current liabilities		123,433,587.53	800,000.00	123,660,226.63	800,000.00
Total liabilities		2,389,177,952.07	588,126,511.82	2,206,339,031.25	616,368,883.92
Shareholders' equity:					
Share capital	27	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital public reserve	28	18,044,074.54	17,902,522.48	18,044,074.54	17,902,522.48
Less: Inventory shares					
Surplus public reserve	29	83,424,785.89	57,416,316.59	83,419,602.89	57,416,316.59
Retained profit	30	69,250,952.09	86,367,750.20	12,267,063.66	87,437,242.78
Balance difference of foreign currency translation					
Total owner's equity attributable to parent company		458,869,212.52	449,835,989.27	401,880,141.09	450,905,481.85
Minority interests		23,368,477.55		23,909,356.50	
Total shareholder's equity		482,237,690.07	449,835,989.27	425,789,497.59	450,905,481.85
Total liabilities and shareholder's equity		2,871,415,642.14	1,037,962,501.09	2,632,128,528.84	1,067,274,365.77

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao

Person in charge of accounting institutes: Chi Guoguang

Profit statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items	Notes	Jan.-Jun., 2007		Jan.-Jun., 2006	
		Consolidation	Parent Company	Consolidation	Parent Company
I. Income from business	31	3,242,231,954.54	629,282,243.83	2,660,531,476.03	590,920,648.68
Less: Operating expense	31	2,922,084,357.97	596,659,071.80	2,342,556,212.63	561,027,133.29
Taxes and extras of core business	32	4,555,039.69	370,981.70	3,831,363.32	116,744.71

Sales expense		146,516,669.73	13,976,183.90	165,966,915.12	10,899,685.73
Administrative expense		80,343,406.30	19,760,113.36	83,427,114.14	20,327,898.31
Financial expense	33	12,403,841.35	-299,753.90	9,972,804.54	587,928.99
Losses of devaluation of asset	34	-1,788,392.52	-837,009.74	-4,863,790.90	1,385,784.11
Add: Changing income of fair value					
Investment income	35	2,981,251.37	-791,562.52	3,980,998.89	355,512.11
Including: Investment income on affiliated company and joint venture		2,981,250.72	-791,563.17	3,980,998.89	355,512.11
II. Operating profit		81,098,283.39	-1,138,905.81	63,621,856.07	-3,069,014.35
Add: Non-operating income	36	203,238.91	75,799.33	470,581.38	42,168.79
Less: Non-operating expense	36	1,129,601.24	6,386.10	732,590.80	3,042.66
Including: Disposal loss of non-current asset					
III Total Profit		80,171,921.06	-1,069,492.58	63,359,846.65	-3,029,888.22
Less: Income tax	37	17,068,083.94		17,521,389.98	
IV. Net profit		63,103,837.12	-1,069,492.58	45,838,456.67	-3,029,888.22
V. Earnings per share		59,898,446.02		43,043,716.68	
i. Basic earnings per share		3,205,391.10		2,794,739.99	
ii. Diluted earnings per share					

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao

Person in charge of accounting institutes: Chi Guoguang

Consolidated Statement on Changes of Shareholders' Equity

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Jan.-Jun., 2007 Unit: RMB

Item	Owners' equity belonged to the parent company					Minority interest	Total owners' equity
	Share capital	Capital reserves	Surplus reserves	Retained profit	Others		
I. Balance at the end of the last year	288,149,400.00	18,044,074.54	83,419,602.89	12,267,063.66		23,909,356.50	425,789,497.59
Add: Changes of accounting policy							
Error correction of the last period							
II. Balance at the beginning of this year	288,149,400.00	18,044,074.54	83,419,602.89	12,267,063.66		23,909,356.50	425,789,497.59
III. Increase/ Decrease in this year			5,183.00	59,898,446.02	-2,914,557.59	-540,878.95	56,448,192.48
(I) Net profit				59,898,446.02		3,205,391.10	63,103,837.12
(II) Profits and losses calculating into owners' equity			5,183.00		-2,914,557.59		-2,909,374.59
1. Net changing amount of fair value of financial assets available for sale							
2. Effect of changes of other owners' equity of invested units under equity method							
3.Effect of income tax related to owners' equity							
4. Others			5,183.00		-2,914,557.59		-2,909,374.59
Total of (I)and (II)			5,183.00	59,898,446.02	-2,914,557.59	3,205,391.10	60,194,462.53
(III) Owners' devotion and decreased capital							
1. Owners' devotion capital							
2. Amount calculated into owners' equity paid in shares							
3. Others							
(IV) Profit distribution						-3,746,270.05	-3,746,270.05
1. Withdrawal of surplus reserves							
2． Distribution for owners (shareholders)						-3,746,270.05	-3,746,270.05
3． Others							
(V) Carrying forward internal owners' equity							

1.Capital reserves conversed to capital (share capital)							
2. Surplus reserves conversed to capital (share capital)							
3.Remedying loss with profit surplus							
4.Others							
IV. Balance at the end of this year	288,149,400.00	18,044,074.54	83,424,785.89	72,165,509.68	-2,914,557.59	23,368,477.55	482,237,690.07

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao Person in charge of accounting institutes: Chi Guoguang

Consolidated Statement on Changes of Shareholders' Equity

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Jan.-Jun., 2006 Unit: RMB

Item	Owners' equity belonged to the parent company					Minority interest	Total owners' equity
	Share capital	Capital reserves	Surplus reserves	Retained profit	Others		
I. Balance at the end of the last year	288,149,400.00	17,741,872.48	71,732,731.22	-5,477,227.21			372,146,776.49
Add: Changes of accounting policy							
Error correction of the last period							
II. Balance at the beginning of this year	288,149,400.00	17,741,872.48	71,732,731.22	-5,477,227.21			372,146,776.49
III. Increase/ Decrease in this year				-6,279,610.90	-6,423,829.25	31,181,638.35	18,478,198.20
(I) Net profit				43,043,716.68		2,794,739.99	45,838,456.67
(II) Profits and losses calculating into owners' equity				-38,373,650.38	-6,423,829.25		-44,797,479.63
1. Net changing amount of fair value of financial assets available for sale							
2. Effect of changes of other owners' equity of invested units under equity method							
3.Effect of income tax related to owners' equity							
4. Others				-38,373,650.38	-6,423,829.25		-44,797,479.63

Total of (I)and (II)				4,670,066.30	-6,423,829.25	2,794,739.99	1,040,977.04
(III) Owners' devotion and decreased capital						28,386,898.36	28,386,898.36
1. Owners' devotion capital						28,386,898.36	28,386,898.36
2. Amount calculated into owners' equity paid in shares							
3. Others							
(IV) Profit distribution				-10,949,677.20			-10,949,677.20
1. Withdrawal of surplus reserves							
2． Distribution for owners (shareholders)				-10,949,677.20			-10,949,677.20
3． Others							
(V) Carrying forward internal owners' equity							
1.Capital reserves conversed to capital (share capital)							
2. Surplus reserves conversed to capital (share capital)							
3.Remedying loss with profit surplus							
4.Others							
IV. Balance at the end of this year	288,149,400.00	17,741,872.48	71,732,731.22	-11,756,838.11	-6,423,829.25	31,181,638.35	390,624,974.69

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao Person in charge of accounting institutes: Chi Guoguang

Cash Flow Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Jan.-Jun., 2007 Unit: RMB

Items	Notes	Consolidation	Parent Company
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		3,312,324,743.58	621,640,842.61
Write-back of tax received		2,681,642.99	50,687.45
Other cash received concerning operating activities	39	59,370,007.17	8,130,887.36
Subtotal of cash inflow arising from operating activities		3,374,376,393.74	629,822,417.42
Cash paid for purchasing commodities and receiving labor service		2,950,550,927.04	646,873,843.63
Cash paid to/for staff and workers		128,905,120.83	15,114,919.52
Taxes paid		88,591,541.36	15,420,594.11
Other cash paid concerning operating activities	39	147,183,221.99	17,723,074.51
Subtotal of cash outflow arising from operating activities		3,315,230,811.22	695,132,431.77
Net cash flows arising from operating activities		59,145,582.52	-65,310,014.35
II. Cash flows arising from investing activities:			
Cash received from recovering investment			0.65
Cash received from investment income		3,326,375.42	63,830,816.50
Net cash received from disposal of fixed, intangible and other long-term assets		282,960.00	4,120.00
Net cash received from disposal of subsidiaries and other units			
Other cash received concerning investing activities			
Subtotal of cash inflow from investing activities		3,609,335.42	63,834,937.15
Cash paid for purchasing fixed, intangible and other long-term assets		35,516,746.85	2,076,623.00
Cash paid for investment			
Net increase of mortgaged loans			
Net cash received from subsidiaries and other units			
Other cash paid concerning investing activities			
Subtotal of cash outflow from investing activities		35,516,746.85	2,076,623.00
Net cash flows arising from investing activities		-31,907,411.43	61,758,314.15
III. Cash flows arising from financing activities			
Cash received from absorbing investment			
Cash received from loans		110,000,000.00	20,000,000.00
Cash received from issuing bonds			
Other cash received concerning financing activities		37,048,121.19	77,125,593.92

Subtotal of cash inflow from financing activities		147,048,121.19	97,125,593.92
Cash paid for settling debts		124,000,000.00	
Cash paid for dividend and profit distributing or interest paying		9,537,906.70	-681,902.56
Other cash paid concerning financing activities		20,159,250.50	72,588,809.75
Subtotal of cash outflow from financing activities		153,697,157.20	71,906,907.19
Net cash flows arising from financing activities		-6,649,036.01	25,218,686.73
IV. Influence on cash due to fluctuation in exchange rate		-50.28	-50.28
V. Net increase of cash and cash equivalents		20,589,084.80	21,666,936.25
Add: Balance of cash and cash equivalents at the period -begin		205,341,835.52	51,149,747.14
VI. Balance of cash and cash equivalents at the period -end		225,930,920.32	72,816,683.39

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao
Person in charge of accounting institutes: Chi Guoguang

Cash Flow Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Jan.-Jun., 2006 Unit: RMB

Items	Notes	Consolidation	Parent Company
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		2,748,716,301.17	628,421,533.45
Write-back of tax received		324,991.19	
Other cash received concerning operating activities	39	46,800,248.94	6,999,033.66
Subtotal of cash inflow arising from operating activities		2,795,841,541.30	635,420,567.11
Cash paid for purchasing commodities and receiving labor service		2,337,618,657.96	572,776,168.74
Cash paid to/for staff and workers		110,664,295.04	14,111,723.31
Taxes paid		81,564,946.12	3,397,371.61
Other cash paid concerning operating activities	39	137,121,361.37	16,383,512.93
Subtotal of cash outflow arising from operating activities		2,666,969,260.49	606,668,776.59
Net cash flows arising from operating activities		128,872,280.81	28,751,790.52
II. Cash flows arising from investing activities:			
Cash received from recovering investment			
Cash received from investment income		2,822,107.65	49,220,671.96
Net cash received from disposal of fixed,		115,280.45	76,630.00

intangible and other long-term assets			
Net cash received from disposal of subsidiaries and other units			
Other cash received concerning investing activities			
Subtotal of cash inflow from investing activities		2,937,388.10	49,297,301.96
Cash paid for purchasing fixed, intangible and other long-term assets		60,369,492.76	397,098.70
Cash paid for investment		62,020,565.95	106,731,100.00
Net increase of mortgaged loans			
Net cash received from subsidiaries and other units			
Other cash paid concerning investing activities			
Subtotal of cash outflow from investing activities		122,390,058.71	107,128,198.70
Net cash flows arising from investing activities		-119,452,670.61	-57,830,896.74
III. Cash flows arising from financing activities			
Cash received from absorbing investment			
Cash received from loans		104,000,000.00	
Cash received from issuing bonds		73,878,148.43	
Other cash received concerning financing activities			79,478,957.93
Subtotal of cash inflow from financing activities		177,878,148.43	79,478,957.93
Cash paid for settling debts		108,800,000.00	
Cash paid for dividend and profit distributing or interest paying		21,648,710.89	152,582.55
Other cash paid concerning financing activities		2,678,170.80	86,480,080.76
Subtotal of cash outflow from financing activities		133,126,881.69	86,632,663.31
Net cash flows arising from financing activities		44,751,266.74	-7,153,705.38
IV. Influence on cash due to fluctuation in exchange rate		-4,660.48	
V. Net increase of cash and cash equivalents		54,166,216.46	-36,232,811.60
Add: Balance of cash and cash equivalents at the period -begin		169,288,045.66	75,509,035.69
VI. Balance of cash and cash equivalents at the period -end		223,454,262.12	39,276,224.09

Legal representative of the Company: Chen Weigang Person in charge of accounting works: Wei Pingxiao

Person in charge of accounting institutes: Chi Guoguang

Financial Report

Shenzhen Accord Pharmaceutical Co., Ltd.
The Annotation to Financial Report
Jan.1, 2007—Jun.30, 2007
Except special explanations, we state with RMB

Annotation1. Brief Introduction

Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as "the Company"), the former Shenzhen Health Mineral Water Co., Ltd., is a limited company that approved by People's Government of Shenzhen Municipality SFBF (1993) No.356 document, and established through reorganization of share holding system on Feb.1, 1993. In Mar.1993, approved by The People's Bank of China Shenzhen Branch, the Company issued A-shares amounting to 30,000,000 (including public shares amounting to 16,500,000, internal staff shares amounting to 3,500,000 and raised legal person shares amounting to 10,000,000), B-shares amounting to 20,000,000, after issuing, the capitalization was RMB 105,000,000. Afterward, through capital reserve transferring into capitalization and shares splitting in past years, ended Dec.31, 2004, the capitalization increased to RMB 288,149,400. The internal staff shares, the internal and oversea social public shares are all listed in Shenzhen Stock Exchange.

In Nov.2000, the Company and the former general shareholder Shenzhen Investing & Management Co. signed the Assets Replacement Agreement, take Aug.31, 2000 as the benchmark date, made an equivalent replacement of the net assets of the Company with 100% equity of 11 pharmaceutical enterprises and partial properties owned by Shenzhen Investing & Management Co., and 51% equity of Shenzhen Tefa Modern Computer Co., Ltd.. The Assets Replacement Protocol was voted and approved by the Company's 2nd extraordinary shareholders' general meeting 2000 on Dec.29, 2000. The prompt day of the assets replacement is Jan.8, 2001. On Jun.18, 2001, the Company changed its name into Shenzhen Accord Pharmaceutical Co., Ltd., belonged to manufacture industry of medicines.

On Feb.18, 2004, the former general shareholder of the Company Shenzhen Investing & Management Co., Ltd. and Sinopharm Medicine Holding Co., Ltd. (the former Sinopharm Group Medicine Holding Co., Ltd.) signed the Equity Transfer Agreement, completely transferred 43.33% equity of the Company it owned to Sinopharm Medicine Holding Co., Ltd., procedures in law of relevant equity alteration have been finished by Dec.9, 2004. According to the official reply of GZCQ (2004) No.525 document by State-owned Assets Supervision & Administration Commission of the State Council and ZJGS Zi (2004) No.94 by China Securities Regulatory Supervision, the character of this part of shares is alternated from state-owned shares into state-owned legal-person shares, and the Sinopharm Medicine Holding Co., Ltd. alternated into the 1st largest shareholders of the Company.

The Company registered at Shenzhen Administration of Industry and Commerce, obtained registration number 4403011001677, and the license number is SSZi

No.24657 Business License of Enterprise Legal Person. Registered capital: RMB 288,149,400; legal representative: Chen Weigang; business term: from Aug.2, 2986 to Aug.2, 2036. Business scope: the wholesale of Chinese patent medicines, chemical material, a chemical agent, antibiotics, biochemical, diagnosis drug, therapy and diagnosis biological products; R&D and consultation service of drug wrapper and medicine industry products; investing and establishing industries (specific items will be declared in addition); domestic business, material supply and marketing (excluding the reserved, the control, the monopoly merchandise); three types of one-off aseptic medical treatment appliance, equipment and apparatus of operating room, first aid room and diagnosis and treatment room, medical polymeric material and products, clinical examination and analysis apparatus and diagnosis reagent, medical suture material and bond, nonnasality material, medical assay and basic equipment and apparatus; the 2nd level medical electronic apparatus and equipment, medical X-ray affiliated equipment and components, medical ultrasonic apparatus and relevant equipments, disinfect and sterilize equipments and apparatus, medical sanitation material and dressing.

Annotation2. Declaration in accordance with the Accounting Standards for Business Enterprises

The financial report of the Company that compiled based on the aforesaid compile basis accord with the requirement of Accounting Standards for Business Enterprises, it truly and completely reflects relevant information of the Company such as the financial status, operation results and cash flows amounts etc.

Annotation3. Preparation basis of the financial report

This financial report is compiled on the assumption of Company’s durative operation as basis, according to the transactions and items that actually occurred, in accordance with relevant regulations of Accounting Standards for Business Enterprises promulgated by Ministry of Finance on Feb.15, 2006 and Questions and Answers No.7 regarding the Criterion on Information Disclosure for Companies Publicly Issuing Securities—Compile and Disclosure of the Comparative Financial Accounting Information in the Transition Period from old to new Accounting Standards promulgated by China Securities Regulatory Commission on Feb.15, 2007, and on the basis of following significant accounting policy, accounting estimation.

Annotation4. Holding subsidiaries and joint enterprises

Status of all subsidiaries held by the Company and joint enterprises, and there consolidation scope (Unit: RMB’0000):

Sequence number	Full name of the invested company	Business character	Registered capital	Business scope	Actual investing amount of the mother company	Holding proportion of the mother company (%)	Holding proportion in consolidation scope(%)	Consolidated or not	Remark

Sequence number	Full name of the invested company	Business character	Registered capital	Business scope	Actual investing amount of the mother company	Holding proportion of the mother company (%)	Holding proportion in consolidation scope(%)	Consolidated or not	Remark
1	Shenzhen Zhijun Pharmaceutical Co., Ltd.	Industry	6,900	Original chemical medicine manufacture, Chinese patent medicine processing, chemical raw material of medicine, the imports and exports business which transacted according to examined and approved certificate	10,606.17	100	100	Yes	Note1
2	Shenzhen Zhijun Medicine Trade Co., Ltd.	Commerce	189	Purchase and sale of Chinese traditional medicinal materials, Chinese patent medicine, chemical raw material for medical treatment, antibiotic preparation, chemical medicine preparation etc.	171.52	47.09	100	Yes	Note2
3	Shenzhen Accord Pharmaceutical Logistics Co., Ltd.	Service industry	100	Storage service, convey, cargo outer packaging pack up, road common freight	90	90	100	Yes	Note3
4	Shenzhen Accord Medicine Materials Co., Ltd.	Commerce	600	Chinese patent medicine, western medicine, medicine treatment apparatus	711.65	90	100	Yes	Note4
5	Shenzhen Medicine Co.	Commerce	125	Western medicine, chemical preparation, Chinese traditional medicinal materials, Chinese patent medicine, medicine treatment apparatus etc.	5,348.29	100	100	Yes	
6	Sinopharm Medicine Holding Guangzhou Co., Ltd.	Commerce	5,000	Chinese patent medicine, chemical medicine preparation, antibiotics, biochemical medicine, biological products, diagnosis medicine, treatment diagnosis biological products, finalized packing food, chemical products, self-support and surrogate the imports and exports of various merchandise and skills.	10,673.11	90	90	Yes	Note 5
7	Guangdong Accord Drugstore Co., Ltd.	Commerce	5,000	Chinese patent medicine, chemical raw material medicine, chemical medicine preparation, antibiotics, biochemical medicine, diagnosis drugs, biological products of treatment and diagnosis.	4,515.70	90	100	Yes	Note 6

Sequence number	Full name of the invested company	Business character	Registered capital	Business scope	Actual investing amount of the mother company	Holding proportion of the mother company (%)	Holding proportion in consolidation scope(%)	Consolidated or not	Remark
8	Shenzhen Accord Medicine Chain Co., Ltd.	Commerce	1,080	Chinese patent medicine, western medicine, medical treatment equipments etc.	802.86	10	100	Yes	Note 7
9	Sinopharm Medicine Holding Xinlong (Guangdong) Co., Ltd.	Commerce	2,000	Drugs, medical apparatus sales	980	49	100	Yes	Note 8
10	Sinopharm Medicine Holding Liuzhou Co., Ltd.	Commerce	2,053.06	Chinese traditional medicinal materials, Chinese patent medicine, Chinese traditional medicine in pieces, chemical raw material, chemical medicine preparation, antibiotics, biochemical drugs, psychotropic drugs, chemical raw material drug and its preparation. (that involving specific examination and approve should be operated based on the scope that checked and ratified by the license)	0.00	0.00	51	Yes	Note 9
11	Guangxi Accord Drugstore Chain Co., Ltd.	Commerce	200	Sales of Chinese patent medicine, western medicine, medical equipment, daily general merchandise, alcohol, beverage, costume etc.	0.00	0.00	100	Yes	Note 10
12	Guangxi Accord Chinese Herbal Pieces Co., Ltd.	Industry	200	Chinese herbal pieces	0.00	0.00	100	Yes	Note 10
13	China National Pharmaceutical (Group) Guangzhou Company	Commerce	5,000	Property leasing and management	0.00	0.00	100	Yes	Note 11
14	Guangzhou Nanfang Medicine Corporation	Commerce	200	Drugs sales	0.00	0.00	100	Yes	Note12
15	Guangzhou Uptodate &	Commerce	50	Drugs sales	0.00	0.00	100	Yes	Note12

Sequence number	Full name of the invested company	Business character	Registered capital	Business scope	Actual investing amount of the mother company	Holding proportion of the mother company (%)	Holding proportion in consolidation scope(%)	Consolidated or not	Remark
	Special Medicines Co.								
16	Guangzhou Nanfang Medical Treatment Equipment Company	Commerce	200	Sales of medical treatment apparatus	0.00	0.00	100	Yes	Note12
17	Guangdong Nanfang Storage & Transportation Co., Ltd.	Service Industry	54	Storage, load and unload	0.00	0.00	100	Yes	Note12
18	Guangdong Yuexing Medicine Co., Ltd.	Commerce	300	Sales of medicine and medical treatment apparatus	0.00	0.00	100	Yes	Note12
19	Guangzhou Accord Drugstore Chain Co., Ltd.	Commerce	200	Drugs retail and medicine information consultation	0.00	0.00	100	Yes	Note12
20	Guangdong Dong Enterprise Development Co., Ltd.	Commerce	50	Property leasing and management	0.00	0.00	100	Yes	Note12
21	Guangzhou Qingyun Hotel Co., Ltd.	Service industry	30	Service, retail	0.00	0.00	100	Yes	Note12

Note1: The company was previously a subordinate enterprise of the Company that owned by the whole people, whose former name was Shenzhen Pharmaceutical Plant， in Oct.2006, the company changed its system into individual proprietorship limited company, and in Dec.2006, it changed its name into Shenzhen Zhijun Pharmaceutical Co., Ltd., the registered capital alternated into RMB32,190,000. In June 2007, the company transferred capital public reserve into capital, after alternated; the registered capital is RMB 69,000,000.

Note2: The company changed its name into Shenzhen Zhijun Medicine Trade Co., Ltd. in Jun.2007. The Company held its 47.09% shares and subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co. Ltd. held 52.91% respectively.

Note3: 90% shares of the company are held by the Company and 10% shares are held by subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd. respectively.

Note4: The company was formerly a wholly owned subsidiary of the Company, in Dec.2005, it changed its system into limited company, with registered capital alternated into RMB 6,000,000, its 90% shares are held by the Company and 10% shares are held by subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd.

Note5: On Jun.21, 2005, the board of the Company purchased the company with SYZDZi (2005) No.23 resolution passed, on the same day, signed Equity Transfer Agreement with Sinopharm Medicine Holding Co., Ltd. On Nov.4, 2005, China Securities Regulatory Commission issued opinion which agreed this significant asset purchase event. On Dec.20, 2005, the extraordinary shareholders' general meeting of the Company examined and approved the aforesaid purchase event. On Jan.17, 2006, the administrative alteration registration procedure of purchasing 90% equity of Sinopharm Medicine Holding Guangzhou Co., Ltd. has finally been completed.

Note6: The register capital of the company was amounting to RMB 500,000, with 75% shares held by subordinate subsidiary of the Company Shenzhen Medicine Co., Ltd. and 25% shares held by subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd. respectively. In Oct.2006, the shareholders and holding proportion alternated to 90% shares held by the Company and 10% shares held by subordinate subsidiary Sinopharm Medicine Guangzhou Co., Ltd. In Nov.2006, the company increased capital to RMB 50,000,000, of which the Company invested RMB 45,000,000 and accounting for 90%, Sinopharm Medicine Holding Guangzhou Co., Ltd. invested RMB 5,000,000 and accounting for 10%. The company was the formerly Shenzhen Accord Medicine Co., Ltd., on Jan.31, 2007, it changed name into Guangdong Accord Drugstore Co., Ltd.

Note7: The company is respectively held by the Company with 75% shares and subordinate subsidiary Shenzhen Zhijun Pharmaceutical Co., Ltd. with 25% shares. In May 2007, the shareholders of the company alternated to 10% shares are held by the Company and 90% shares are held by subordinate subsidiary Guangdong Accord Drugstore Co., Ltd.

Note8: 51% shares of the company are held by Sinopharm Medicine Holding Guangzhou Co., Ltd. and 49% shares are held by Sinopharm Medicine Holding Xinlong (Hubei) Co., Ltd. On Jun.29, 2006, the Company signed Equity Transfer Agreement with Sinopharm Medicine Holding Xinlong (Hubei) Co., Ltd., and purchased 49% equity of Xinlong (Guangdong) Co., Ltd. with RMB 9,800,000.

Note9: 51% shares of the company are held by Sinopharm Medicine Holding Guangdong Co., Ltd., while the other 49% are held by other non-related parties.

Note10: These two companies are both subordinate wholly-owned subsidiaries of Sinopharm Medicine Holding (Liuzhou) Co., Ltd. On May 30, 2007, Liuzhou Huikang Chain Co, Ltd. changed its name into Guangxi Accord Drugstore Chain Co., Ltd., with registered capital increased from RMB 500,000 to RMB 2,000,000; on Jun.12, 2007, Liuzhou Chinese Herbal Pieces Plant changed its name into Guangxi Accord Chinese Herbal Pieces Co., Ltd., with registered capital increased from RMB 40,000 to RMB 2,000,000.

Note11: The company is a subordinate wholly-owned subsidiary of Sinopharm Medicine Holding Guangzhou Co., Ltd.

Note12: These companies are all subordinate subsidiaries of China National Pharmaceutical (Group) Guangzhou Company.

Annotation5. Preparation method of main accounting policy, accounting estimate and consolidated accounting statement

I. The Company implemented Accounting Standards for Business Enterprises.

II. Account year:

The Company takes the Gregorian calendar year as account year, that is, from Jan.1 to Dec.31 each year is an account year.

III. Standard currency for keeping accounts:

The Company takes Renminbi as the standard currency for keeping accounts.

IV. Calculation method of foreign currency business

When original confirming, the foreign currency transaction should convert foreign currency sum into standard currency for keeping accounts according to spot exchange rate (middle price) of the transaction occurred date. On the balance sheet day, the monetary item of foreign currency should convert according to spot exchange rate (middle price) of balance sheet day, the exchange balance that resulting from the differences between spot exchange rate and original confirmed exchange rate on balance sheet day should be calculated into profit and loss in current period. And the non-monetary items of foreign currency that calculated with historical cost should still convert according to spot exchange rate on transaction occurred date, not change its standard currency amount for keeping accounts.

V. The confirmation standard for cash equivalents:

When compiling the cash flow statement, the short-term investment that acquired following characters at the same time could be confirmed as cash equivalent: short term (within three months at term since purchase), strong fluidity, easy to convert into known amount of cash, very little risk of changeable value.

VI. Receivable account and calculation on bad debt reserve:

(I) Receivable account means the receivable account and other receivables. Receivable accounts keep accounts according to actually occurred amount.

(II)The Company adopted the allowance calculation method for bad debt losses that possibly occur.

1. If the withdrawal possibility of certain receivable account has significant difference with other receivable accounts (for example: the specific area of debt parties, the financial and operational status of debtor, the dispute and dissension with debtors etc.), which made the receivable account would not truly reflect its reclaimable amount when appropriating bad debt reserve with the same method as the other receivable accounts, adopted specific identification method to appropriate bad debt reserve, that is, according to operational status, cash flow amount status, and previous credit record etc. of the debtors, analyses in detail to fix on appropriation proportion of bad debt reserve of each receivable account.

2. Besides this, the Company appropriate bad debt reserve with aging analysis method according to relevant information such as actual financial status and debt repaying capability etc.

Age of receivable account	Appropriation proportion
Within 1 year	---

1 year to 2 years	5%
2 years to 3 years	10%
More than 3 years	20%

3. The standards of the Company for confirming bad debts are: i. As the debtor withdraw, bankrupt, or die, after liquidating with its bankrupt property or heritage, we still can’t reclaim, the cash flow amount is still insufficient severely etc.. ii. As the debtor hasn’t performed the repaying obligation, also there’s distinctive character shows that can’t be reclaimed. The receivable account indicated by authentic evidence that can’t be reclaimed for sure is confirmed as bad debt loss, and cancel after verification according to management jurisdiction of the Company.

VII. Inventory:

(I) Inventory classification

Raw material, wrappage, low-value consumption goods, merchandise inventory, finished goods, sent out merchandise and consigned processing material etc..

(II) The pricing method of acquiring and sending

1. Inventories of industry enterprises are valued in accordance with actual cost of acquisition. When sending out, the pricing is according to the one-off weighted average method at the end of the month.
2. Inventories of commercial wholesale enterprises are valued according to actual cost of acquisition. When sending out, the pricing is according to the one-off weighted average method at the end of the month.
3. Inventories of commercial retail enterprises are valued according to selling price method when acquired, when sending out, reckon differences between purchasing & selling price of merchandise that should be amortized, calculate the cost that should be carried forward.
4. Inventories that acquired in debt reorganization from debtor repaying debt enter in the account with its fair value, the margin of book balance of debt reorganization and fair value of accepted inventory reckon in profit and loss in current period. The inventory that exchanged from non-monetary assets reckon in account with its fair value and relevant tax expense that should be paid, and the margin of fair value and book value of the assets that exchanged out reckon in profit and loss in current period.

(III) The amortization method of low value consumption goods and wrappage

The low value consumption goods and wrappage adopt the one-off amortization method.

(IV) Inventory system of inventories

The industry enterprises adopt perpetual inventory system, and commercial enterprises adopt physical inventory system.

(V) The appropriation method of provision for inventory depreciation

At the end of medium period and the year, after overall check of the inventory, draw or adjust provision for inventory depreciation according to which is lower between the cost changeable net realizable values of inventory.

Provision for inventory depreciation is appropriated according to single inventory item. If resulted from the inventory damage, all or partial run out of time, or the sales price is lower than cost etc., the inventory cost is higher than net realizable value, then should draw provision for inventory depreciation according to the margin that net realizable value less than the cost. The net realizable value is confirmed according to the estimated selling price minus the estimated expense value the cost and sales needed till completed in normal operation process. For the inventory hold for implement sales contract or work contract, its net realizable value is calculated on the basis of contract price. For the balance of inventory beyond spoken for amount of the sales contract, its net realizable value is calculated on the basis of general selling price. For inventory that has large quantity and low unit price, the provision for inventory depreciation is appropriated according to sort of the inventory.

When the factors that influence the decreased bookkeeping of inventory value has already disappeared, switch back from the provision for inventory depreciation amount that previously appropriated, the amount that switched back reckon in profit and loss of current period.

VIII. Long-term equity investment:

(I) Pricing method of acquisition

The long-term equity investments resulted from consolidation of enterprises under the same control qua original investment cost of long-term equity investment according to the quotient of the book value of owner’s right acquired from the consolidated party on the consolidation date. Direct relevant expenses resulted from enterprise consolidation reckon in profit and loss of current period.

For long-term equity investments resulted from consolidation of enterprises not under the same control, its consolidation cost are asset paid out to acquire control right toward purchased party on purchase date, debt occurred or charged and fair value of issued equity securities. Direct relevant expenses resulted from enterprises consolidation reckon in consolidation cost.

Long-term equity investment acquired from debt reorganization calculates according to fair value of taken equity. The margin between book balance of reorganized debt and fair value of equity acquired from the debt given up reckon in profit and loss of current period after offsetting the provision for depreciation that already appropriated.

(II) Calculation method of long-term equity investment

The long-term equity investment that the Company can actualize control on the invested parties, and that haven’t together control or significant influence with the invested parties, also haven’t quoted price on active market so the fair value can’t be calculated reliably adopt cost calculation method.

The long-term equity investment that the Company has together control or significant influence on invested companies adopts equity calculation method. Except those taken additional obligation for loss by the Company, the confirmation of net losses occurred in invested companies is in the limit of book value of long-term equity investment and virtually formed long-term equity of net investment of invested companies decreased to zero at most.

The original investment cost of long-term equity investment doesn’t adjust when it’s more than the fair value quotient of identifiable net asset of invested companies that supposed to take while investing; and when original investment cost of long-term equity investment is less than the fair value quotient of identifiable net asset of invested companies that supposed to take while investing, its balance should calculate into profit and loss of current period, at the same time adjust the cost of long-term equity investment.

When confirming the net profit and loss quotient of invested companies which ought to be owned, on the basis of fair value of various identifiable asset etc. of invested companies when investing, we confirm the net profit of invested companies after adjustment.

(III) Provision for long-term equity investment depreciation

At the end of metaphase and a year, check long-term investment one by one, if result from the continuously decreased market price or worsen operational statuses of invested companies etc., its reclaimable amount is lower than the book value of investment, then draw depreciation provision for single item according to balance of reclaimable amount and the book value. The reclaimable amount confirmation is in accordance with the higher one of the net amount result from asset fair value minus disposal expense and asset present value of estimated future cash flow amount. Once the asset depreciation loss is confirmed, it can’t be switched back in future accounting periods.

IX. Fixed assets and accumulated depreciation:

(I) Standards of fixed assets

The Company confirms the tangible assets that are held for producing merchandise, providing labor service, leasing or operational management, which have above 2 years lifetime and above RMB 2,000 value per unit as fixed assets.

(II) Pricing method when acquiring

The fixed assets originally calculated according to cost. For fixed assets that will produce relatively large expense when be discarded, estimate discarding expense and record its present value into fixed assets cost. For those the price of fixed assets deferred paid exceed normal credit condition so substantively has financing character, the cost of fixed assets is confirmed on the basis of present value of purchasing price. The balance between actually paid price and present value of purchasing price should be calculated into profit and loss of current period during credit period except those should be capitalized according to regulations.

(III) Withdrawal method of fixed assets depreciation

The fixed assets depreciation adopt straight-line calculation method, and confirm depreciation rate according to original value of various fixed assets and estimated lifetime minus estimated net residual value, classified depreciation rate are as follows:

Sort of assets	Estimated lifetime	Estimated rate of net residual value	Annual depreciation rate
Houses and constructions	20-35 years	5%	2.71%-4.75%
Machinery equipment	10-14 years	5%	6.79%-9.5%

Transportation equipment	5-10 years	5%	9.5%-19%
Other equipments	5-10 years	5%	9.5%-19%
Fixed assets fitment	Within 5 years	---	Above 20%

(IV) Provision for fixed assets depreciation

At the end of metaphase and the year, check estimated lifetime and rate of net residual value one by one, and adjust while there's any difference with original estimation. For those fixed assets that have a lower reclaimable amount than book value due to continuously decreased market price or skills that drop behind, dated, broken, left unused for a long-term equipments etc., estimate their reclaimable amount according to single or group asset, and withdraw provision for depreciation according to the balance with its book value. Once the asset depreciation loss is confirmed, then can't be switched back in future accounting periods. If the fixed assets are being disposing, and can't produce economic interest through usage or disposal, then stop depreciation and withdrawing depreciation provision, meanwhile adjust the estimated net residual value.

X. Construction in process:

The construction in process calculates and reflects construction cost according to direct cost of construction and installation of the engineering, and the interest expense, exchange profit and loss of borrowed fund that actually undertook. Take the fixed assets in process reaching the estimated workable status as the time point of construction in process carrying forward to fixed assets.

At the end of metaphase and the year, overall check the construction in process, withdraw provision for depreciation according to the balance of reclaimable amounts lower than the book value, and calculated into profit and loss of current period. Once the assets depreciation loss is confirmed, it can't be switched back in future accounting period.

XI. Investing real estate:

(I) Standards of investing real estate

The Company confirm the real estate that holding for gaining rent or capital appreciation, or the concurrently for both the two and can be solely calculated and sold as investing real estate, including the leased land use right, the land use right held and prepared to transfer after its appreciation, and leased constructions.

(II) The original and afterward calculation of investing real estate

Investing real estate originally calculate according to the cost, those relevant economic interest of afterward expenses related with investing real estate that probably flow into enterprise and its cost can be reliably calculated should calculate into the cost of investing real estate. The Company adopt cost mode for investing real estate afterward calculation.

(III) The depreciation withdrawal or amortization method of investing real estate

The constructions that adopting cost mode adopt straight-line method averagely calculate depreciation, and confirm its depreciation rate according to estimated economic lifetime and estimated residual value rate.

Sort of the assets	Estimated lifetime	Estimated annual depreciation rate
Housing constructions	20-35 years	2.71%-4.75%

(IV) Provision for depreciation of investing real estate

At the end of metaphase and the year, implement overall check on investing real estate that adopting cost calculation mode one by one, draw provision for depreciation of balance the reclaimable amount lowered than its book value, and calculate into profit and loss of current period. Once the asset depreciation loss is confirmed, it can't be switched back in future accounting period no matter what the value is rising back or not.

XII. Loans and its expenses:

The loans enter into the account according to cost when originally acquired, and adopt actual interest rate method after acquired, calculate with amortized cost. The loans expenses should allowing capitalization only when meet the following conditions at the same time: the assets payout have already occurred, the loans expenses have already occurred, and the purchase and construction activities that necessary for the assets reaching workable status have already been started. Except the aforesaid event, the loans expenses are confirmed as expense of current period.

For those borrowing specific loans for purchasing & constructing or producing assets that meet the capitalization conditions, should take the amount of actual occurred interest expense in current period of the loans minus the interest income acquired from the unused loans saved in bank or investing income acquired from temporary investments as expenses that should be capitalized.

For those occupied general loans to purchase & construct or produce assets that meeting the capitalization condition, according to the weighted average of the part that accumulated assets expense oversteps the specific loan plus capitalization rate of the occupied general loans, calculate the interest amount of general loans that should be capitalized. The capitalization rate should be confirmed according to weighted average interest rate of general loans. Implement in accordance with the result of weighted average of accumulated expenses from purchasing & constructing assets that meeting capitalization conditions by the end of current period plus capitalization rate and within actual interest rate.

XIII. Intangible assets and R&D expenses:

(I) Pricing method of intangible assets when acquiring

The intangible assets enter into account according to actually paid account or confirmed value. For those the price of intangible assets deferred paid exceed normal credit condition so substantively has financing character, the cost of intangible assets is confirmed on the basis of present value of purchasing price. The balance between actually paid price and present value of purchasing price should be calculated into profit and loss of current period during credit period except those should be capitalized according to regulations.

(II) Amortization of intangible assets

For the intangible assets that has a limited lifetime, the sum after its cost deducting estimated residual value adopt straight-line method to amortize during its estimated lifetime.

The lifetime of intangible assets confirmation is in accordance with following programs:

1. The lifetime of intangible assets that resulted from contracted right or other legal rights shouldn't exceed the time limit of contracted right or other legal rights.

2. If the contracted right or other legal rights continue due to contract extension etc. and has evidence showing the enterprise needn't pay large amount of cost for contract extension when they're at term, their extension period should calculate into lifetime. The Company comprehensively judge various factors to confirm the time limit of the intangible assets can bring economic interest to the enterprise while the contract or law haven't regulate the lifetime.

Those intangible assets that still can't reasonably confirm the time limit of it bringing economic interest for the enterprise following the aforesaid programs should be the intangible assets which has uncertain lifetime. The intangible assets that has uncertain lifetime don't amortize.

(III) The confirmation and calculation of internal R&D expenses

Before commercial production or use, the expenses of applying research fruit or other knowledge on certain plan or design to produce new or essentially improved material, settings, products etc. are development phase expenses. Except the development phase expenses meet following conditions are confirmed as intangible assets, the others are confirmed as expenses:

1. Completing the intangible assets to make it can be used or sold has technical feasibility;

2. Have intention of completing the intangible assets and use or sell.

3. The manners of intangible assets producing economic interest including it can be verified that the products produced with the intangible assets have market or the intangible assets itself has market, for the intangible assets that for internal using, should verify its feasibility;

4. Have essential technique, financial resource and other resources to support completing the development of intangible assets, and have ability to use or sell the intangible assets.

5. The expense that belongs to development phase of the intangible assets can be dependably calculated.

The expense in research phase calculates into expense of current period when occurred.

(IV) Provision for depreciation of intangible assets

At the end of metaphase and the year, check intangible assets one by one, estimate the reclaimable amount in single item of the intangible assets that have already been replaced by other new technique which made the economic interest it creates for the enterprise is worse influenced or its market value dropped sharply and won't reverse in left amortization period, and withdraw provision for depreciation according to its balance with book value. Once the assets depreciation loss is confirmed, it can't be

switched back in future accounting periods.
XIV. Long-term unamortized expense:
(I) Write-off method of organization expense
One-off calculated into profit and loss in current month of starting production and operation.
(II) Amortization method of other long-term unamortized expense
Averagely amortized in benefit period, including: the rent prepaid for leasing the fixed assets averagely amortized according to the time limit regulated in the leasing contract.
XV. Payable employee salaries:
In each accounting period, confirm payable employee salaries as debt, and separately calculate into products or labor cost, expense of current period, or fixed assets or intangible assets cost according to benefit object. According to relevant regulations, the Company draws insurance expense and public reserve in accordance with certain proportion of monthly wages, and hand in monthly to labor and social security organization, relevant expenses calculate into cost or expense of current period.
XVI. Confirmation of estimated debt:
The Company confirms obligations that meet the following conditions at the same time or related with relevant events as estimated debt: The obligation is a current obligation of the enterprise; performing the obligation may probably result in the economic interest out flowing from the enterprise; the sum of the obligation can be calculated dependably.
For the executory contract that turn into contract at a loss, confirm it as estimated debt while the obligation resulted from the contract meet the aforesaid conditions.
Confirm the other obligations undertaken by the Company (such as undertake excess loss, reorganization obligation, disposal expense etc.) that meet the aforesaid conditions as the estimated debt.
XVII. Confirmation of revenue:
(I) Confirmation of revenue from merchandise sales
The enterprise has already transferred main risk and reward of merchandise ownership to goods purchaser; neither retain continuous management right that generally related with ownership, nor implement efficient control on sold merchandise; the amount of revenue can be dependably calculated; relevant economic interest may probably flows in the Enterprise; relevant cost that occurred or going to occur can be dependably calculated.
The Company confirm amount of merchandise sales according to contract or agreement price receivable or receivable from goods purchaser, but except those received or receivable contract or agreement price isn’t evenhanded. For those the receiving of contract or agreement price amount adopt deferred manner, and virtually has financing character, confirm revenue amount of merchandise selling according to the fair value of receivable price of contract or agreement. The balance between receivable contract or agreement price with its fair value adopt actual interest rate method to amortize in contract or agreement period, and calculate into profit or loss of

current period.

(II) Confirmation of income from providing labor service

The amount of income can be calculated dependably; relevant economic interest may probably flows in the enterprise; completion schedule of the transaction can be confirmed dependably; the cost occurred or going to occur during transaction can be dependably calculated.

At the end of the period (year), while the result of labor transaction providing can be dependably estimated, adopt percentage of completion method to confirm the income from providing labor service. The Company selects the measurement on finished work to confirm completion schedule.

(III) Confirmation of income from releasing assets use right

Relevant economic interest may probably flow into the enterprise; the amount of income can be calculated dependably.

The Company confirm income amount from releasing assets use right respectively according to following conditions:

1. The interest income amount is confirmed according to the time and actual interest rate of others using monetary fund of the Enterprise.

2. The income amount of usage charge is confirmed according to charging time and method calculation that relevant contract or agreement regulated.

XVIII. The accounting processing method of income tax:

The income tax of the Company adopts debt method of balance sheet as accounting processing method.

XIX. The compile basis of consolidated accounting statement:

The Company brings all subsidiaries that can actually control into consolidation scope. When the accounting policy the subsidiary takes is different from the Company, it already has been consolidated after adjusted according to the Company's accounting policy. And those subsidiaries have different accounting periods with the Company have already adjusted their financial statements according to the parent company's accounting period.

The Company purchasing subsidiary under the same control adopt rights and interests integration method to process, bring income, expense and profit occurred from beginning of the year to consolidation date into consolidated income statement, take the book value of assets and debts of the consolidated party on consolidate date as the calculating attribute of assets and debts acquired. Purchasing subsidiaries under different control, adopt purchase method to implement accounting processing, consolidate the accounting statement of the subsidiary since has controlled it, calculate the identifiable assets and debts of subsidiaries purchased according to fair value.

On the basis of totally offsetting the unrealized profit and loss of investments, internal come-and-go, internal transaction etc. between controlling subsidiaries of the Company and its actually controlling affiliated companies, consolidate one by one, and calculate minority shareholders' equity. The minority shareholders' equity is namely the profit that should acquire (or loss that should undertake) of subsidiaries of the Company by the Company and the third party excluding its subsidiaries. The subordinate affiliated companies adopt equity calculation method.

Annotation6. Taxes

The main taxes the Company suited including: value added tax, business tax, urban maintenance and construction tax, additional education fees, enterprise income tax etc.

Taxable items or tax basis	The sort of tax	The tax rate
Sales revenue of the products	Value added tax	17%，13%，6%，0%
Leasing income, storage income etc.	Business tax	5%
Transportation and conveyance incomes	Business tax	3%
Amount of turnover tax	Urban maintenance and construction tax	1% or 7%
Amount of turnover tax	Additional education fees	3% or 4%

The enterprise income tax rate of the Company is 15% or 33%.

Annotation7. Notes of main items of financial statements (unless special explanations, the following data are consolidated number)

Note1. Monetary capital

Kind	Jun.30, 2007	Dec.31, 2006
Cash	593,102.18	375,132.99
Bank deposit	202,613,291.55	180,315,508.34
Other monetary capitals	22,724,526.59	24,651,194.19
Total	225,930,920.32	205,341,835.52

Details of other monetary capital are as follows:

Kind	Jun.30, 2007	Dec.31, 2006
Security deposit of letter of credit	---	749,830.00
Security for bank acceptance	22,381,215.54	23,901,364.19
Credit car deposit	97,259.05	---
Performance security deposit	246,052.00	---
Total	22,724,526.59	24,651,194.19

Note2. Receivable notes

Kind	Jun.30, 2007	Dec.31, 2006
Bank acceptance	50,094,069.70	83,413,102.27
Trade acceptance	172,557,748.35	124,048,655.20
Total	222,651,818.05	207,461,757.47

*The amount of discounted trade acceptance amounted to RMB 162,350,352.65.

** The amount of discounted bank acceptance amounted to RMB 28,676,336.01.

Note3. Receivable account

Account age	Jun.30, 2007 Amount	Jun.30, 2007 Proportion in total amount	Jun.30, 2007 Provision for bad debt	Dec.31, 2006 Amount	Dec.31, 2006 Proportion total amount	Dec.31, 2006 Provision for bad debt
Within a year	1,285,843,357.05	99.36%	879,135.51	1,129,833,174.55	99.12%	1,197,258.95
1 year to 2 years	4,795,201.75	0.37%	1,982,457.05	7,386,989.23	0.65%	1,800,640.79
2 years to 3 years	1,489,115.26	0.12%	882,479.97	1,347,665.84	0.12%	1,243,088.43
More than 3 years	1,957,142.73	0.15%	1,945,843.83	1,317,697.10	0.11%	1,247,448.57
Total	1,294,084,816.79	100%	5,689,916.36	1,139,885,526.72	100%	5,488,436.74

* The amount in arrear of the top five customers of receivable account in period-end amounted to RMB 102,450,893.74, which accounting for 7.92% of total receivable account in period-end.

** The balance of receivable account in period-end including receivable account of shareholders that held above 5% (containing 5%) shares of the Company amounting to RMB 894,796.56.

*** Due to the receivable units operates not well, the capital status is not good, the possibility of reclaiming the account is slight, so we should draw special provision for bad debt for period-end balance of the receivable account amounting to RMB 3,967,983.33, the details are as follows:

Account age	Amount of receivable account	Withdrawal proportion of special bad debt	Special provision for bad debt
Within a year	110,660.20	100%	110,660.20
1 year to 2 years	1,038,897.00	100%	1,038,897.00
2 years to 3 years	872,582.30	100%	872,582.30
More than 3 years	1,945,843.83	100%	1,945,843.83
Total	3,967,983.33	100%	3,967,983.33

Amount of parent company:

Account age	Jun.30, 2007 Amount	Jun.30, 2007 Proportion in total amount	Jun.30, 2007 Provision for bad debts	Dec.31, 2006 Amount	Dec.31, 2006 Proportion in total amount	Dec.31, 2006 Provision for bad debts
Within one year	329,746,442.01	99.26%	---	232,046,803.98	98.71%	---
From one year to two	63,788.92	0.02%	60,112.08	1,599,399.70	0.68%	791,708.94

years						
From two year to three years	1,389,201.38	0.42%	879,446.42	887,513.59	0.38%	880,288.93
Three years above	1,007,855.30	0.30%	997,421.07	541,317.78	0.23%	477,380.62
Total	332,207,287.61	100%	1,936,979.57	235,075,035.05	100%	2,149,378.49

*The amount in arrear of the top five customers of accounts receivable at period-end totaled to RMB 88,930,292.03, accounting for 26.77% of total amount of accounts receivable at period-end.

**There was no accounts receivable from shareholders whose share holding was over 5% (including 5%) of the Company in the balance of accounts receivable at period-end.

***For the poor operation of accounts receivable units and poor funds status, it is less likely to receive the accounts, so provision for withdrawal of special bad debts from accounts receivable amounts to RMB 1,901,716.78, and details are as follows:

Account age	Amount of accounts receivable	Proportion of withdrawal of special bad debts	Provision for peculiar bad debts
Within one year	---	100%	---
From one year to two years	59,918.56	100%	59,918.56
From two year to three years	844,377.15	100%	844,377.15
Three years above	997,421.07	100%	997,421.07
Total	1,901,716.78	100%	1,901,716.78

Note4. Accounts payable in advance

Account age	Jun.30, 2007		Dec.31, 2006	
	Amount	Proportion in total amount	Amount	Proportion in total amount
Within one year	51,171,531.49	100%	31,281,294.12	100%

*There were not shareholder accounts whose share holding was over 5% (including 5%) of the Company in the balance of accounts payable in advance at period-end.

Note5. Other accounts receivable

Type	Jun.30, 2007			Dec.31, 2006		
	Amount	Proportion in total amount	Provision for bad debts	Amount	Proportion in total amount	Provision for bad debts
Within one year	21,563,315.91	34.20%	352,422.00	25,173,874.54	46.38%	519,308.28
From one year to two years	29,497,801.00	46.78%	2,883,620.29	15,390,136.32	28.36%	3,374,429.62
From two year to three years	369,893.78	0.59%	128,418.86	1,889,279.81	3.48%	1,209,124.47

Three years above	11,618,409.37	18.43%	11,265,543.17	11,822,156.52	21.78%	11,234,923.33
Total	63,049,420.06	100%	14,630,004.32	54,275,447.19	100.00%	16,337,785.70

*The amount in arrear of the five top customers of other accounts receivable at period-end totaled to RMB 26,250,493.87, accounting for 41.63% of total amount of other accounts receivable at period-end.

**There was no accounts receivable from shareholders whose share holding was over 5% (including 5%) of the Company in the balance of other accounts receivable at period-end.

***For the poor operation of accounts receivable units and poor funds status, it is less likely to receive the accounts, so the amount of provision for withdrawal of special bad debts from other accounts receivable totaled RMB 9,609,436.59, and details are as follows:

Account age	Amount of other accounts receivable	Proportion of withdrawal of special bad debts	Provision for peculiar bad debts
Within one year	80,660.42	100%	80,660.42
From one year to two years	315.00	100%	315.00
From two year to three years	---	100%	---
Three years above	9,528,461.17	100%	9,528,461.17
Total	9,609,436.59	100%	9,609,436.59

Amount of parent company:

Type	Jun.30, 2007			Dec.31, 2006		
	Amount	Proportion in total amount	Provision for bad debts	Amount	Proportion in total amount	Provision for bad debts
Within one year	100,112,678.60	72.17%	---	85,520,577.13	50.82%	---
From one year to two years	28,520,898.59	20.56%	2,793,315.93	72,568,898.59	43.12%	2,765,715.94
From two year to three years	24,540.00	0.02%	2,454.00	134,810.91	0.08%	13,481.09
Three years above	10,060,031.98	7.25%	9,960,031.98	10,059,781.98	5.98%	9,989,781.98
Total	138,718,149.17	100%	12,755,801.91	168,284,068.61	100%	12,768,979.01

*The amount in arrear of the five top customers of other accounts receivable at period-end totaled to RMB 118,234,579.90, accounting for 85.23% of total amount of other accounts receivable at period-end.

**There was not accounts receivable from shareholders whose share holding was over 5% (including 5%) of the Company in the balance of other accounts receivable at period-end.

***For the poor operation of accounts receivable units and poor funds status, it is less likely to receive the accounts, so the amount of provision for withdrawal of special bad debts from other accounts receivable totaled RMB 9,315,727.69, and details are as follows:

Accout age	Amount of other accounts receivable	Proportion of withdrawal of special bad debts	Provision for peculiar bad debts
Three years above	9,315,727.69	100%	9,315,727.69

Note 6. Inventory and provision for inventory impairment

(1) Details are listed as follows:

Item	Jun.30, 2007		Dec.31, 2006	
	Book amount	Book value	Book amount	Book value
1. Raw materials	51,987,575.42	51,987,575.42	30,780,306.15	30,780,306.15
2. Goods in process	88,747.62	88,747.62	---	---
3. Manufactured goods	51,718,196.47	51,255,297.63	36,060,299.36	35,597,400.52
4. Inventory goods	366,124,483.91	363,326,046.75	394,004,472.16	390,539,940.49
5. Low value and easily worn-out artilces	819,709.09	819,709.09	932,571.36	932,571.36
6. Goods shipped on instalment sales	15,553,627.40	15,320,406.65	26,520,009.07	26,286,788.32
7. Wrappage	5,073,361.87	5,073,361.87	3,032,110.07	3,032,110.07
8. Others	2,750,122.44	2,750,122.44	2,233,005.62	2,233,005.62
Total	494,115,824.22	490,621,267.47	493,562,773.79	489,402,122.53

(2) Provision for inventory impairment

Provision for inventory impairment	Jan1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
1. Manufactured goods	462,898.84	---	---	462,898.84
2. Inventory goods	3,464,531.67	600,000.50	1,266,095.01	2,798,437.16
3. Goods shipped on instalment sales	233,220.75	---	---	233,220.75
Total	4,160,651.26	600,000.50	1,266,095.01	3,494,556.75

Note 7. Long-term share equity investment

Details are listed as follows:

Items	Jun.30, 2007			Dec.31, 2006		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value

Investment in associated enterprises	51,678,707.22	954,173.26	50,724,533.96	51,890,569.88	954,173.26	50,936,396.62
Other share equity investment	3,501,348.77	521,027.36	2,980,321.41	3,501,348.77	521,027.36	2,980,321.41
Total	55,180,055.99	1,475,200.62	53,704,855.37	55,391,918.65	1,475,200.62	53,916,718.03

(1) Long-term share equity investment calculated based on equity method

Name of invested units	Begin and end date of investment	Proportion in registered capital of invested units	Balance at year-begin	Increase or decrease in equity in this period	Balance at period-end		
					Initial investment	Accumulated increase or decrease	Total
SinoPharm Holdings Shenzhen Chinese Medicine Co., Ltd.	Jul., 1990 -Dec., 2055	47.39%	23,306,507.22	-791,563.17	21,167,251.43	1,347,692.62	22,514,944.05
Dongyuan & Accord Pharm Chain Store Co., Ltd.		45.00%	396,638.32	---	2,250,000.00	-1,853,361.68	396,638.32
Shenzhen Mainluck Pharmaceutical Co., Ltd.	Mar., 1990 - Mar., 2010	35.19%	27,233,251.08	579,700.51	4,457,400.00	23,355,551.59	27,812,951.59
Guangzhou Sinipharm Medicines Xinli Information and Technology Co., Ltd.		20.65%	954,173.26	---	2,065,000.00	-1,110,826.74	954,173.26
Total			51,890,569.88	-211,862.66	29,939,651.43	21,739,055.79	51,678,707.22

(2) Other share equity investment calculated based on cost method

Name of invested units	Proportion in registered capital of invested units	Jan.1, 2007	Increase or decrease in investment in this period	Jun.30, 2007
Shenzhen Zhonglian Guangshen Medicine Co., Ltd.	< 5%	284,173.70	---	284,173.70
Medical Association of National Central Cities		50,000.00	---	50,000.00
Shenzhen Futian Medicine Co., Ltd.	40%	471,027.36	---	471,027.36
Liaoning Accordance Pharm. Chain Store Co., Ltd.	30%	1,894,900.00	---	1,894,900.00
China National Medicines Corporation Ltd.	0.49%	801,247.71	---	801,247.71

Total	3,501,348.77	---	3,501,348.77

(3) Change of provision for depreciation

Name of invested units	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
Guangzhou National Medicines Xinli Information and Technology Co., Ltd.	954,173.26	---	---	954,173.26
Shenzhen Futian Medicine Co., Ltd.	471,027.36	---	---	471,027.36
Medical Association of National Central Cities	50,000.00	---	---	50,000.00
Total	1,475,200.62	---	---	1,475,200.62

Amount of parent company:
Details are listed as follows:

Items	Jun.30, 2007			Dec.31, 2006		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Investment in associated enterprises	22,514,944.05	---	22,514,944.05	23,306,507.22	---	23,306,507.22
Investment in subsidiaries	316,092,791.71		316,092,791.71	415,505,864.90		415,505,864.90
Other share equity investment	1,894,900.00	---	1,894,900.00	1,894,900.00	---	1,894,900.00
Total	340,502,635.76	---	340,502,635.76	440,707,272.12	---	440,707,272.12

(1) Long-term share equity investment calculated based on equity method

Name of invested units	Begin and end date of investment	Proportion in registered capital of invested units	Balance at year-begin	Increase or decrease in equity in this period	Balance at period-end		
					Initial investment	Accumulated increase or decrease	Total
Sinopharm Holdings Shenzhen Chinese Medicine Co., Ltd.	Jul., 1990 -Dec., 2055	47.39%	23,306,507.22	-791,563.17	21,167,251.43	1,347,692.62	22,514,944.05

(3) Share equity investment in subsidiaries calculated based on cost method

Name of invested units	Term of investment	Proportion in registered capital of invested units	Initial investment cost	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
Shenzhen Zhijun	Apr., 1990	100%	73,903,284.87	163,353,207.26	---	60,625,715.86	102,727,491.40

Pharmaceutical Co., Ltd.	-Dec., 2010						
Shenzhen Pharmaceutical Company	Mar., 1982 -Jun., 2007	100%	45,054,911.04	59,767,166.54	---	3,727,825.19	56,039,341.35
Shenzhen Accord Medicine Materials Co., Ltd.	Sep., 1981 -Jun., 2007	90%	4,685,,072.82	7,074,442.83	---	1,199,352.49	5,875,090.34
Shenzhen Zhijun Medicine Trade Co., Ltd.	Mar., 1985 - Mar., 2015	47.09%	988,035.31	1,484,976.41	---	143,625.21	1,341,351.20
Shenzhen Accord Logistic Co., Ltd.	Sep., 2005 - Sep., 2055	90%	900,000.00	900,123.96	---	123.96	900,000.00
SinoPharm Holdings Guangzhou Co., Ltd.	No fixed term	90%	106,731,100.00	129,348,567.60	---	33,716,430.48	95,632,137.12
SinoPharm Holdings Guangdong New Dragon Co., Ltd.	No fixed term	49%	9,800,000.00	8,434,648.15	---	---	8,434,648.15
Shenzhen Accord Pharm Co., Ltd.	Jul., 2004 - Jul., 2024	90%	45,156,960.00	45,142,732.15	---	---	45,142,732.15
Shenzhen Accord Pharm Chain Store Co., Ltd.	Jul., 1985 - Jul., 2015	10%	3,842,340.66	---	---	---	---
Subtotal			286,376,631.88	415,505,864.90	---	99,413,073.19	316,092,791.71

(3) Other share equity investment calculated based on cost method

Name of invested units	Term of investment	Proportion in registered capital of invested units	Initial investment cost	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
Liaoning Accordance Pharm. Chain Store Co., Ltd.		30%		1,894,900.00	---	---	1,894,900.00

Note 8. Investment real estate

Particulars about investment real estate calculated by adopting the cost mode follow-up measurement:

Items	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
I. Total of original price				
1. Building and construction	49,038,498.10	---	39,604,737.20	9,433,760.90
II. Total of accumulative depreciation or accumulative amortization				
1. Building and construction	10,032,981.60	171,299.94	6,651,169.25	3,553,112.29

III. Total accumulative amount of provision for depreciation				
1. Building and construction	---	---	---	---
IV. Total book value of investment real estate				
1. Building and construction	39,005,516.50			5,880,648.61

Note 9. Fixed assets and accumulative depreciation

Original value of fixed assets	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
Building and construction	222,921,489.17	39,787,580.64	---	262,709,069.81
Machinery equipment	87,076,878.49	10,092,227.00	75,643.43	97,093,462.06
Transportation equipment	33,487,442.29	2,426,403.00	2,432,802.03	33,481,043.26
Other equipments	69,254,194.37	3,532,601.16	1,673,137.62	71,113,657.91
Total	452,344,741.52	16,234,074.60	4,181,583.08	464,397,233.04

Accumulative depreciation	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
Building and construction	67,610,208.32	13,440,275.90	---	81,050,484.22
Machinery equipment	63,427,248.12	2,200,843.07	36,085.90	65,592,005.29
Transportation equipment	20,415,556.71	1,770,616.10	2,081,076.73	20,105,096.08
Other equipments	39,159,924.09	4,255,261.90	1,060,710.95	42,354,475.04
Total	197,264,106.49	15,015,827.72	3,177,873.58	209,102,060.63

Provision for depreciation	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
Building and construction	1,300,000.00	---	---	1,300,000.00
Machinery equipment	---	---	---	---
Transportation equipment	240,690.74	---	---	240,690.74
Other equipments	---	---	---	---
Total	1,540,690.74	---	---	1,540,690.74

Book value	Jan.1, 2007			Jun.30, 2007
Building and construction	154,011,280.85			180,358,585.59
Machinery equipment	23,649,630.37			31,501,456.77
Transportation equipment	12,831,194.84			13,135,256.44
Other equipments	30,094,270.28			28,759,182.87
Total	220,586,376.34			253,754,481.67

*The increase in this period of fixed assets included transfer-in of project under construction of RMB 9,295,547.01.

** Original value of fixed assets sold and discarded as useless in the period was RMB 4,181,583.08.
***Ended Jun.30, 2007, China National Medicines Guangzhou Company, subsidiary of the Company, provided liability mortgage guarantee for short-term loan from bank of RMB 54,000,000 for Sinopharm Medicine Holding Guangzhou Co., Ltd. subsidiary of the Company, with book fixed assets---original value of building and construction of RMB 100,574,924.87.

Note 10. Project under construction
(1) Details about project under construction are as follows:

Name of Projects	Budget amount	Fund resources	Proportion of project input in budget
Planting Project of Cinnamomum cassia Presl. var. macrophyllum Chu and Wild Honeysuckle Flower		Fiscal appropriation	---
Medicine R&D Base Project	236.63 million	Own funds and loan from financial institutions	74.35%
Che Pi Project		Own funds	
Yu Feng and Gu Bu Building		Own funds	

(2) Change of project under construction in this period is as follows:

Name of Projects	Jan.1, 2007	Increase in this period	Transfer-in of fixed asset amount in this period	Other decrease in this period	Jun.30, 2007
Planting Project of Cinnamomum cassia Presl. var. macrophyllum Chu and Wild Honeysuckle Flower	253,886.24	---	---	---	253,886.24
Medicine R&D Base Project	143,913,487.67	28,391,425.25	9,112,703.57	---	163,192,209.35
Che Pi Project	6,640,750.20	---	---	---	6,640,750.20
Yu Feng and Gu Bu Building	182,843.44	---	182,843.44	---	---
Total	150,990,967.55	28,391,425.25	9,295,547.01	---	170,086,845.79

(3) The amount of borrowing cost capitalization included in project under construction is as follows:

Name of Projects	Jan.1, 2007	Increase in this period	Transfer-in of fixed asset amount in this period	Other decrease in this period	Jun.30, 2007

Project of Medicine R&D bases	1,933,268.05	2,956,762.90	---	---	4,890,030.95

*The capitalization ratio of the amount of borrowing cost capitalization is 5.985%

Note 11. Intangible assets

(1) Details about intangible assets are as follows:

Items	Way of acquiring	Original value	Remained amortization term
Land use right	Remising	30,020,106.63	510 months
Trademark use right	Self-producting	115,250.00	62 months
Software	Purchasing	6,883,960.19	3-52 months
Total		37,019,316.82	

(2) Change of intangible assets in this period is as follows:

Name of Projects	Jan.1, 2007	Increase in this period	Transfer-out in this period	Amortization in this period	Jun.30, 2007
Land use right	29,561,784.39	---	---	343,741.68	29,218,042.71
Trademark use right	71,062.52	---	---	6,339.28	64,723.24
Software	2,398,175.45	36,014.71	---	599,163.01	1,835,027.15
Total	32,031,022.36	36,014.71	---	949,243.97	31,117,793.10

Note 12. Long-term unamortized expenses

(1) Details about long-term unamortized expenses are as follows:

Items	Preestimate Amortization term	Original occurred amount	Remained amortization term
Decoration fees	5 year	2,698,768.70	54-60 months
Compensation fund for retirees	5 year	7,187,974.40	40-43 months
Green conservation fees	3 year	114,700.00	36 months
Management consultation fees	3 year	1,325,273.60	27 months
Others	5 year	911,229.00	8-24 months
Total		12,237,945.70	

(2) Change of long-term unamortized expenses in this period is as follows:

Name of Projects	Jan.1, 2007	Increase in this period	Transfer-out in this period	Amortization in this period	Jun.30, 2007
Decoration fees	9,942.38	2,670,903.66	---	151,410.52	2,529,435.52
Compensation fund for retirees	4,877,632.98	---	---	718,797.42	4,158,835.56
Green conservation fees	114,700.00	---	---	22,800.00	91,900.00
Management consultation fees	1,031,012.13	---	---	229,113.48	801,898.65
Others	122,397.20	---	---	86,622.90	35,774.30
Total	6,155,684.69	2,670,903.66	---	1,208,744.32	7,617,844.03

Note 13. Deferred income tax assets

Items	Jun.30, 2007	Dec.31, 2006
Provision for bad debts of accounts receivable	607,484.28	725,014.15
Provision for inventory impairment	440,092.92	501,948.85
Reparable loss of previous year	2,138,014.58	3,297,414.85
Sales expenses	3,550,257.50	3,550,257.50
Total	6,735,849.28	8,074,635.35

Note 14. Provision for assets depreciation

Items	Jan.1, 2007	Withdrawal amount in this period	Decrease in this period		Jun.30, 2007
			Switching back	Writing off	
1. Provision for bad debts	21,826,222.44	272,674.69	1,778,976.45	---	20,319,920.68
Including: Accounts receivable	5,488,436.74	272,547.19	71,067.57	---	5,689,916.36
Other accounts receivable	16,337,785.70	127.50	1,707,908.88	---	14,630,004.32
2. Provision for inventory impairment	4,160,651.26	600,000.50	1,266,095.01	---	3,494,556.75
3. Provision for depreciation of long-term investment	1,475,200.62	---	---	---	1,475,200.62
4. Provision for depreciation of fixed assets	1,540,690.74	---	---	---	1,540,690.74
Total	29,002,765.06	872,675.19	3,045,071.46	---	26,830,368.79

Note 15. Other non-current assets

Items	Jun.30, 2007	Dec.31, 2006
Physical assets reserve specifically authorized	15,128,718.50	15,347,094.62

Circulation right of share merger	198,752.29	198,752.29
Total	15,327,470.79	15,545,846.91

Note 16. Short-term loans

Type of loans	Jun.30, 2007	Dec.31, 2006
Credit loan	30,000,000.00	---
mortgage loan	30,000,000.00	54,000,000.00
Guarantee loan	50,000,000.00	70,000,000.00
Bank acceptance discount	28,676,336.01	48,937,352.75
Trade acceptance discount	162,350,352.65	124,048,655.20
Total	301,026,688.66	296,986,007.95

*For particulars about mortgage and pledge, see Annotation 11. Contingent issues

Note 17. Notes payable

Type of loans	Jun.30, 2007	Dec.31, 2006
Bank acceptance	247,720,213.92	240,959,390.29
Trade acceptance	250,382,565.54	178,216,534.52
Total	498,102,779.46	419,175,924.81

Note 18. Accounts payable

	2007.6.30	2006.12.31
Accounts payable	1,032,299,458.11	956,987,248.04

*The balance of accounts payable at period-end included the 5% (including 5% above) shareholders unit accounts of RMB 9,489.07 owed to the Company.

**The balance of accounts payable at period-end included the accounts of RMB 45,823,921.48 whose account ages were over three years; they were excessive accounts with little amount payable and would not be listed in details.

Note 19. Accounts received in advance

	June 30, 2007	Dec.31, 2006
Accounts received in advance	28,299,878.35	30,835,803.43

*There are no 5% (including 5% above) shareholders unit accounts owed to the Company in the ending balance of accounts received in advance.

**There are no large accounts whose account ages are over one year in the balance of accounts received in advance at the period end.

Note 20. Salary payables to emplpoyees

Items	Jan.1, 2007	Amount withdrawal in this period	Amount paid in this period	Jun.30, 2007
I. Salary,reward,allowance and subsidy	68,300,394.22	73,116,953.19	98,435,954.63	42,981,392.78
II. Welfarism for employees	9,293,326.86	1,090,044.86	6,481,075.38	3,902,296.34
III. Social insurance premiums	1,400.92	9,254,647.23	9,202,515.88	53,532.27
1. Medical insurance premiums	1,400.92	2,112,005.20	2,106,696.85	5,308.35
2. Basic old-age insurance premiums	---	5,698,860.77	5,653,043.17	47,218.52
3. Annuity payable	---	697,440.00	697,440.00	---
4. Unemployment insurance expenses	---	365,808.36	365,469.09	339.27
5. Industrial injury insurance premiums	---	258,562.66	257,896.53	666.13
6. Childbirth insurance premiums	---	121,970.24	121,970.24	---
IV. Housing accumulation fund	47,566.04	2,809,650.31	2,337,392.52	519,823.83
V. Trade union outlays and employee education outlays	4,018,430.68	3,252,658.11	1,988,621.00	5,282,467.79
VI. Nonmonetary welfare	---	---	---	---
VII. Compensation to employees for severing labor relations	---	---	---	---
VIII. Others	---	36,416.40	36,416.40	---
Total	81,661,118.72	89,560,370.10	118,481,975.81	52,739,513.01

Note 21. Fees and taxes payables

Taxes	Jun.30, 2007	Dec.31, 2006
Value added tax	-2,905,535.28	-5,213,971.42
Sales tax	554,114.12	577,883.38
Tax on city maintenance and construction	211,959.82	138,585.18
Enterprise income tax	8,763,796.09	6,621,478.89
House property tax	111,024.37	203,297.19
Personal income tax	1,292,277.94	582,556.20
Educational surtax	203,261.84	225,648.23
Other taxes	1,237,125.65	84,569.99
Total	9,468,024.55	3,220,047.64

Note 22. Other accounts payable

	Jun.30, 2007	Dec.31, 2006

Other accounts payable	339,897,425.03	293,812,654.03

*The amount of 5% (including 5% above) shareholders unit accounts payable of the Company in the ending balance of other accounts payable is RMB 110, 000,000.00.

** Other accounts payable with large ending balance:

Units in debt	Amount	Reason for no reimbursement
Sales expenses	154,458,907.27	Not paid yet
Research and development cost	21,952,347.61	Not paid yet
Risk deposit	12,934,988.16	Not paid yet
Sichuan Industrial Institute of Antibiotics Co. Ltd. (SIIA Co.Ltd.)	4,151,805.95	Not paid yet
Cash deposit for performance bond	2,599,360.00	Not paid yet
Total	196,097,408.99	

Note 23. Long-term loan

The balance of long-term loan at period-end is RMB 97,720,000.00, guaranteed loan, and the time limit is from Aug. 24, 2006 to Aug. 24, 2008.

Note 24. Long-term accounts payable

Items	Jun.30, 2007	Dec.31, 2006
Financial compensation for employees	827,713.46	1,054,352.56

Note 25. Special accounts payable

Items	Jun.30, 2007	Dec.31, 2006
Three items of funds appropriation for S&T	800,000.00	800,000.00
Special account for medicine R&D and manufacture base	1,000,000.00	1,000,000.00
Total	1,800,000.00	1,800,000.00

Note 26. Projected liabilities

	Jun.30, 2007	Dec.31, 2006
Projected liabilities	23,085,874.07	23,085,874.07

*ShenZhen Accordance Pharm.chain Store Inc., subsidiary company of the Company, will be punished accordingly for violating relevant provisions of Shenzhen Administration Center of Social Insurance Fund and in accordance with the punishment decision for violating rules of SSBF〔2006〕No.83 Notice released by the center, the Company will withdraw projected liabilities of RMB 1,300,000.00.

Note 27. Share capital

Items	Dec.31, 2006	Increase/decrease in this period (+, -)					Jun.30, 2007
		New shares offering	Bonus share	Capitalization of Public reserve	Others	Subtotal	
I. Restricted shares	161,912,520	---	---	---	-39,977,088	-39,977,088	121,935,432
1. State-owned shares	---	---	---	---	---	---	
2. State-owned legal person's shares	112,786,386	---	---	---	---	---	112,786,386
3. Other domestic shares	49,126,134	---	---	---	-39,977,088	-39,977,088	9,149,046
Including: Domestic non-state-owned legal person's shares	49,126,134	---	---	---	-39,977,088	-39,977,088	9,149,046
Domestic natural person's shares	---	---	---	---	---	---	---
4. Foreign shares	---	---	---	---	---	---	---
Including: Foreign legal person's shares	---	---	---	---	---	---	---
Foreign natural person's shares	---	---	---	---	---	---	---
II. Unrestricted shares	126,236,880	---	---	---	39,977,088	39,977,088	166,213,968
1. RMB Ordinary shares	71,351,280	---	---	---	39,977,088	39,977,088	111,328,368
2.Domestically listed foreign shares	54,885,600	---	---	---	---	---	54,885,600
3. Overseas listed foreign shares	---	---	---	---	---	---	---
4. Others	---	---	---	---	---	---	---
III. Total shares	288,149,400	---	---	---	---	---	288,149,400

*On April 14, 2006, the plan on Share Merger Reform of the Company was approved with April 27, 2006 as the share alteration registration date, and the consideration plan of 3 shares for each 10 shares was implemented for the circulation A share shareholders on April 28, 2006, consideration shares entering the marker on that day. The total share capital of the Company was altered into circulation shares simultaneously. Of the total, the amount of restricted circulation shares was 161,912,520, accounting for 56.19% of the total share capital of the Company, and the rest were unrestricted circulation shares.

Note 28. Capital reserve

Items	Dec.31, 2006	Increase in this period	Decrease in this period	Jun.30, 2007
Share capital premium	15,233,102.54	---	---	15,233,102.54
Equity investment reserve	1,408,676.00	---	---	1,408,676.00
Other capital reserve	1,402,296.00	---	---	1,402,296.00
Total	18,044,074.54	---	---	18,044,074.54

Note 29. Surplus reserve

Items	Dec.31, 2006	Increase in this period	Decrease in this period	Jun.30, 2007
Statutory surplus reserve	63,684,154.51	---	---	63,684,154.51

Discretionary surplus reserve	19,735,448.38	5,183.00	---	19,740,631.38
Total	83,419,602.89	5,183.00	---	83,424,785.89

Note 30. Undistributed profit

Items	Amount
Undistributed profit at year-begin	12,267,063.66
Add: Current term net profit	59,898,446.02
Gains and losses directly calculated into owners' equity	-2,914,557.59
Less: Withdrawal of statutory surplus reserve	---
Withdrawal of discretionary surplus reserve	---
Ordinary share dividend payable (Note)	---
Ordinary share dividends converted to shares	---
Undistributed profit at period-end	69,250,952.09

Note 31. Operating revenue

(1) Details about the operating revenue and operating cost as follows:

	Amount in this period		Amount in the last same period	
Items	Operating revenue	Operating cost	Operating revenue	Operating cost
1. Income from main operation	3,222,502,184.75	2,919,227,826.72	2,640,614,162.37	2,339,106,777.34
2. Income from other operations	19,729,769.79	2,856,531.25	19,917,313.66	3,449,435.29
Total	3,242,231,954.54	2,922,084,357.97	2,660,531,476.03	2,342,556,212.63

(2) Details about the proportion of total sales revenue of the top five customers in the total sales volume as follows:

	Amount in this period	Amount in the last same period
Total amount of the top five of sales revenue	263,578,454.21	169,591,816.09
Proportion in sales revenue	8.18%	6.42%

(3) Business distribution

Items	Income from main operation		Cost of main operation	
	Amount in this period	Amount in the last same period	Amount in this period	Amount in the last same period
Industry — medicine	314,453,247.53	285,362,898.15	205,992,447.49	147,809,471.69
Commerce — medicine wholesale	3,070,060,324.88	2,781,599,120.63	2,929,303,401.60	2,651,027,172.67

Commerce — medicine retail	172,203,070.29	139,060,800.09	129,962,045.53	108,790,584.83
Non-medicine trade	9,226,214.18	1,404,345.49	---	---
Leasehold	6,725,231.92	3,438,871.21	2,557,262.79	2,161,612.92
sub-total	3,572,668,088.80	3,210,866,035.57	3,267,815,157.41	2,909,788,842.11
Reducing:mutual counterbalance between internal professions	350,165,904.05	570,251,873.20	348,587,330.69	570,682,064.77
Total	3,222,502,184.75	2,640,614,162.37	2,919,227,826.72	2,339,106,777.34

(4) Area distribution

Items	Sale in domestic market		Sale in overseas market		Total	
	Amount in this period	Amount in the last same period	Amount in this period	Amount in the last same period	Amount in this period	Amount in the last same period
Income from main operation	3,220,785,154.68	2,638,642,158.66	1,717,030.07	1,972,003.71	3,222,502,184,75	2,640,614,162.37
Cost of main operation	2,918,180,438.38	2,337,672,015.30	1,047,388.34	1,434,762.04	2,919,227,826.72	2,339,106,777.34

Amount of parent company:

(1) Details about the operating revenue and operating cost as follows:

Items	Amount in this period		Amount in the last same period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
1. Income from main operation	627,797,323.81	596,507,464.36	587,719,870.26	560,867,253.94
2. Income from other operations	1,484,920.02	151,607.44	3,200,778.42	159,879.35
Total	629,282,243.83	596,659,071.80	590,920,648.68	561,027,133.29

(2) Details about the proportion of total sales revenue of the top five customers in the total sales volume as follows:

	Amount in this period	Amount in the last same period
Total amount of the top five of sales revenue	84,748,315.29.	28,444,103.00
Proportion in sales revenue	13.50%	4.84%

(3) Business distribution

Items	Income from main operation		Cost of main operation	
	Amount in this period	Amount in the last same period	Amount in this period	Amount in the last same period
Commerce — medicine wholesale	627,797,323.81	587,719,870.26	596,507,464.36	560,867,253.94

(4) Area distribution

Items	Sale in domestic market		Sale in overseas market		Total	
	Amount in this period	Amount in the last same period	Amount in this period	Amount in the last same period	Amount in this period	Amount in the last same period
Income from main operation	627,797,323.81	587,719,870.26	---	---	627,797,323.81	587,719,870.26
Cost of main operation	596,507,464.36	560,867,253.94	---	---	596,507,464.36	560,867,253.94

Note 32. Sales tax and affixation

Tax category	Amount in this period	Amount in the last same period
Sales tax	962,664.20	654,482.99
Tax on city maintenance and construction	1,968,025.05	1,549,021.82
Educational surtax	1,618,000.30	1,611,190.56
Other taxes	6,350.14	16,667.95
Total	4,555,039.69	3,831,363.32

Note 33. Financial expenses

Items	Amount in this period	Amount in the last same period
Interest expenses	13,623,117.25	12,150,629.69
Less: Interest income	1,977,098.94	2,767,554.12
Exchange gains and losses	-497,199.07	---
Others	1,255,022.11	589,728.97
Total	12,403,841.35	9,972,804.54

Note 34. Assets depreciation losses

Items	Amount in this period	Amount in the last same period
1. Loss on bad debts	-995,793.70	-4,576,126.60
2. Loss on inventory depreciation	-792,598.82	-287,664.30
Total	-1,788,392.52	-4,863,790.90

Note 35. Gains on investments

Invested units	Amount in this period	Amount in the last same period
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	-791,563.17	355,512.11
Shenzhen Main Luck Pharmaceuticals Inc.	3,772,814.54	3,625,486.78
Total	2,981,251.37	3,980,998.89

Amount of parent company:

Invested units	Amount in this period	Amount in the last same period
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	-791,563.17	355,512.11
SHENZHEN ACCORDANCE PHARMACY CHAIN STORE CO., LTD	0.65	---
Total	-791,562.52	355,512.11

Note 36. Nonoperating revenues and expenses

(1) Nonoperating revenues

Items	Amount in this period	Amount in the last same period
Material surplus	---	11.80
Net income on disposal of fixed assets	125,404.59	351,810.12
Net amercement income	32,800.60	18,723.00
Others	45,033.72	100,036.46
Total	203,238.91	470,581.38

(2) Nonoperating expenses

Items	Amount in this period	Amount in the last same period
Net losses on disposal of fixed assets	307,756.30	106,802.41
Amercement expense	488,840.47	54,309.41
Donation expense	200,000.00	---
Others	133,004.47	571,479.38
Total	1,129,601.24	732,590.80

Note 37. Income tax

Items	Amount in this period	Amount in the last same period

Current income tax expenses	15,729,297.87	15,685,955.79
Deferred income tax expenses	1,338,786.07	1,835,434.19
Total	17,068,083.94	17,521,389.98

Note 38. Other cash relating to operating activities

Items	Amount in this period	Amount in the last same period
Other cash received relating to operating activities		
Current accounts and other accounts	166,477.50	9,481,048.79
Receipt of Rent	1,405,350.10	2,214,777.55
Discounts received from suppliers	33,976,949.30	28,022,049.25
Receipt of deposit and cash deposit for performance bond	601,636.60	940,037.99
Amercement income	250.00	39,120.00
Interest income	418,684.19	238,380.12
Receipt of accounts borrowed and returned by employees	1,101,552.83	1,624,703.64
Leasing income	---	1,354,653.46
Others	21,699,106.65	2,885,478.14
Total	59,370,007.17	46,800,248.94

Other cash paid relating to operating activities		
Current accounts and other accounts	29,603,894.73	39,081,064.72
maintenance costs	1,231,925.09	1,302,045.93
Exhibition fees	10,161,059.13	4,390,817.90
Business expenses	8,045,089.42	9,033,116.05
Office expenses	5,216,392.21	5,801,307.18
Traffic and traveling expenses	5,108,149.97	5,023,482.51
Transportation expenses	6,252,072.73	6,601,992.00
Water and electricity expenses	4,807,320.82	4,933,016.33
Insurance premium	1,595,774.70	1,011,187.15
Advertising fees	4,628,719.33	3,517,917.62
Leasing expenses	22,009,646.77	17,963,578.61
Academic promotion expenses	---	5,322,866.26
Sales promotion expenses	581,277.94	358,798.42
Deposit	437,776.00	1,260,279.47
Amercement outlay	379,481.12	8,802.10
Research and development expenses	3,753,577.35	3,553,499.30
Paying special counter accounts	---	5,483,139.03
Other expenses	43,371,064.68	22,474,450.79
Total	147,183,221.99	137,121,361.37

Annotation 8. Supplement information about cash flow statement

Supplement information	Amount of consolidation	Amount of company
1. Adjusting net profit to cash flows for operating activities:		
Net profit	63,103,837.12	-1,069,492.58
Add: Provision for devaluation of assets	-1,837,381.32	-837,009.74
Depreciation of fixed assets, depletion of oil and gas asset, and depreciation of productive biological assets	14,427,435.44	3,797,388.39
Amortization of intangible assets	913,229.26	675,421.48
Amortization of long-term expenses to be apportioned	-1,462,159.34	86,622.90
Loss on disposal of fixed, intangible and other long-term assets	338,481.11	6,383.79
Loss on rejection of fixed assets	51,775.36	---
Loss on fair value alteration	---	---
Financial expenses	12,403,841.35	-299,753.90
Investment loss	-2,981,251.37	791,562.52
Decrease of deferred income tax assets	1,338,786.07	---
Increase of deferred income tax liabilities	---	---
Decrease of inventories	-1,219,144.94	-1,374,868.93
Decrease of receivables in operating	-199,559,862.65	-50,865,730.41
Increase of payables in operating	173,627,996.43	-16,220,537.87
Others	---	---
Net cash flows arising from operating activities	59,145,582.52	-65,310,014.35
2. Significant investment and financing activities with no cash incomings/outgoings involved		
Capital transferred from debts	---	---
Convertible company bonds due within one year	---	---
Fixed assets leasing for financing	---	---
3. Net alteration of cash and cash equivalents:		
Balance of cash at the period-end	225,930,920.32	72,816,683.39
Less: Balance of cash at the period -begin	205,341,835.52	51,149,747.14

Add: Balance of cash equivalents at the period -end	---	---
Less: Balance of cash equivalents at the period -begin	---	---
Net increase of cash and cash equivalents	20,589,084.80	21,666,936.25

Annotation 9. Relation and transactions of related parties

(I) Particulars about related parties with controlling relationship:

1. Related parties with controlling relationship

(1) Particulars about related parties controlling the Company:

Name of enterprise	Address of registration	Main operation	Relationship with the Company	Economic nature or type	Legal representative
Sinopharm Medicine Holding Co., Ltd.	No.66 Sichuan Middle Road, Shanghai	Industrial investment controlling shares, trusteeship and assets reorganization of medical enterprises, medicine wholesale like Chinese traditional patent medicine, chemical raw materials medicine, etc., domestic trade (except special permission) , and logistics deliveryas well as relevant consulting service, and so on.	Controlling shareholder of the Company	Company of limited liability (Domestic joint venture)	Zheng Hong

(2) For related parties controlled by the Company, see Annotation 3.

2. The registered capital and its change of related parties with controlling relationship (Unit of amount: RMB'0000):

	Name of enterprises	Jan.1, 2007	Increase in this period	Decrease in this period	Jun.30, 2007
1	Sinopharm Medicine Holding Co., Ltd.	163,704	---	---	163,704
2	Shenzhen Zhijun Pharmaceutical Co., Ltd.	3,219	3,681	---	6,900
3	Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	189	---	---	189
4	Shenzhen Accord Medicine Logistics Co., Ltd.	100	---	---	100
5	Shenzhen Accord Medical Materials Co., Ltd.	600	---	---	600
6	Shenzhen Pharmaceutical Corportaion	125	---	---	125
7	Sinopharm Medicine Holding Guangzhou Co., Ltd.	5,000	---	---	5,000
8	Shenzhen Accord Pharmaceutical Co., Ltd.	5,000	---	---	5,000
9	Shenzhen Accord Pharm Chain Store Co., Ltd.	1,080	---	---	1,080

10	Sinopharm Medicine Holding Jingzhou Xinlong Pharmaceutical Co., Ltd.	2,000	---	---	2,000
11	Sinopharm Medicine Holding Liuzhou Co., Ltd.	2,053.06	---	---	2,053.06
12	Guangxi Accord Drugstore Chains Co., Ltd	50	150	---	200
13	Guangxi Accord Traditional Medicine Tablets Co., Ltd.	4	196	---	200
14	China National Medicines Corporation Ltd. Guangzhou Company	5,000	---	---	5,000
15	Guangzhou South Pharmaceutical Coporation	200	---	---	200
16	Guangzhou Uptodate & Special Medicines Co. Ltd.	50	---	---	50
17	Guangzhou South Medical Equipment Co., Ltd.	200	---	---	200
18	Guangdong South Storage Corporation	54	---	---	54
19	Guangdong Yuexing Medicine Co., Ltd.	300	---	---	300
20	Guangzhou Accord Drugstore Chains Co., Ltd.	200	---	---	200
21	Guangdong Dongshi Enterprises Development Co., Ltd.	50	---	---	50
22	Guangzhou Qingyun Hotel Co., Ltd.	30	---	---	30

3. The shares held by related parties with controlling relationship and the change (Unit of amount: RMB’0000):

o.	Name of enterprises	Jan.1, 2007		Increase in this period		Decrease in this period		Jun.30, 2007	
		Amount	Proportion of shares held (%)	Amount	Proportion of shares held (%)	Amount	Proportion of shares held (%)	Amount	Proportion of shares held (%)
1	Sinopharm Medicine Holding Co., Ltd.	11,278.6386	39.14	---	---	---	---	11,278.6386	39.14
2	Shenzhen Zhijun Pharmaceutical Co., Ltd.	3,219.00	100	3,681	100	---	---	6,900	100
3	Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	189	100	---	---	---	---	189	100
4	Shenzhen Accord Medicine Logistics Co., Ltd.	100	100	---	---	---	---	100	100
5	Shenzhen Accord Medical Materials Co., Ltd.	600	100	---	---	---	---	600	100

6	Shenzhen Pharmaceutical Corportaion	1378.97	100	---	---	---	---	1378.97	100
7	Sinopharm Medicine Holding Guangzhou Co., Ltd.	4,500	90	---	---	---	---	4,500	90
8	Shenzhen Accord Pharmaceutical Co., Ltd.	5000	100	---	---	---	---	5000	100
9	Shenzhen Accord Pharm Chain Store Co., Ltd.	1080	100	---	---	---	---	1080	100
10	Sinopharm Medicine Holding Jingzhou Xinlong Pharmaceutical Co., Ltd.	2,000	100	---	---	---	---	2,000	100
11	Sinopharm Medicine Holding Liuzhou Co., Ltd.	1,047.0606	51	---	---	---	---	1,047.0606	51
12	Guangxi Accord Drugstore Chains Co., Ltd	50	100	150	---	---	---	200	100
13	Guangxi Accord Traditional Medicine Tablets Co., Ltd.	4	100	196	---	---	---	200	100
14	China National Medicines Corporation Ltd. Guangzhou Company	5000	100	---	---	---	---	5000	100
15	Guangzhou South Pharmaceutical Coporation	200	100	---	---	---	---	200	100
16	Guangzhou Uptodate & Special Medicines Co. Ltd.	50	100	---	---	---	---	50	100
17	Guangzhou South Medical Equipment Co., Ltd.	100	100	---	---	---	---	100	100
18	Guangdong South Storage Corporation	54	100	---	---	---	---	54	100
19	Guangdong Yuexing Medicine Co., Ltd.	300	100	---	---	---	---	300	100
20	Guangzhou Accord Drugstore Chains Co., Ltd.	200	100	---	---	---	---	200	100
21	Guangdong Dongshi Enterprises Development Co., Ltd.	50	100	---	---	---	---	50	100
22	Guangzhou Qingyun Hotel Co., Ltd.	30	100	---	---	---	---	30	100

(II) Particulars about related parties without controlling relationship:

Name of enterprises	Relationship with the Company
Beijing Zhongxin Medical Trading Company	Of the samel ultimate controlling shareholder
Dongyuan Accord Pharm Chain Store Co., Ltd.	Of affiliated company
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	Of the samel ultimate controlling shareholder
Guangdong South Pharmaceutical Foreign Trade Corporation	Of the samel ultimate controlling shareholder
Guangdong Renbo Medical Equipment Co., Ltd.	Of the samel ultimate controlling shareholder

Guangdong Tianliang Medicine Co., Ltd.	Of the samel ultimate controlling shareholder
Guangdong Zhongyue Medicine Materials Association Company	Of the samel ultimate controlling shareholder
Guangxi Guoda Pharmacy Chains Co., Ltd.	Of the samel ultimate controlling shareholder
Guangxi Wuzhou Huawu Medicinal Materials Co., Ltd.	Of the samel ultimate controlling shareholder
Nanning Medicine Wholesale Station of Guangxi Zhuang Autonomous Region	Of the samel ultimate controlling shareholder
Sinopharm Medicine Industrials Co., Ltd.	Of the samel ultimate controlling shareholder
Sinopharm Medicine Group Beijing Medical Equipment Co., Ltd.	Of the samel ultimate controlling shareholder
Sinopharm Medicine Group Guorui Medicine Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Group Chemical Reagent Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Group Shanghai Medical Equipment Co., Ltd.	Of the samel ultimate controlling shareholder
Sinopharm Medicine Group Northwest Medicine Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Group Southwest Medicine Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Group Medicines Corporation Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Hubei Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Shanghai Co., Ltd	Of the samel controlling shareholder
Sinopharm Group Medicine Holding Wuhan Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	Of the samel controlling shareholder
Sinopharm Medicine Holding Beijing Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Group Pharmaceutical Holdings Hubei Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Jiangsu Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Jingzhou Xinlong Medicine Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Nanning Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Shanxi Co., Ltd.	Of the samel controlling shareholder

Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	Of the samel controlling shareholder and affiliated enterprise
Sinopharm Medicine Holding Shenyang Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Tianjin Co., Ltd.	Of the samel controlling shareholder
Sinopharm Medicine Holding Zhejiang Co., Ltd.	Of the samel controlling shareholder
Huahe Pharmaceutical Holding Co., Ltd.	Of the samel ultimate controlling shareholder
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	Of the samel controlling shareholder
Shenzhen Main Luck Pharmaceutical Inc.	Of affiliated company
Suzhou Medicine Foreign Development Co., Ltd.	Of the samel controlling shareholder
Tianjin East Bokang Medical Trade Co., Ltd.	Of the samel controlling shareholder
Yunnan Medical Materials Co., Ltd.	Of the samel ultimate controlling shareholder
China National Medical Materials Group Company	Of the samel ultimate controlling shareholder
Sales Subdivision of China National Pharmaceutical Foreign Trade Corp.	Of the samel ultimate controlling shareholder

(III)Transaction of related companies

1. The mutual transactions among subdiadires which were with controlling relationship and was brought into the scope of consolidated accouting statement of the Company and the transaction between the parent and subdiadires has been offset.

2. Purchases of goods from related parties:

(1) Transaction scale

Name of enterprises	Amount in this period	Amount in the last same period
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	264,575,596.28	284,882,987.63
Sinopharm Medicine Holding Co., Ltd.	107,596,583.01	---
China National Medicines Corporation Ltd.	66,679,846.90	57,409,480.70
Guangdong South Pharmaceutical Foreign Trade Corporation	19,494,689.48	12,775,858.46
Sinopharm Medicine Holding Tianjin Co., Ltd.	6,265,716.10	3,936,585.35
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	3,942,987.82	2,820,398.69

Sales Subdivision of China National Pharmaceutical Foreign Trade Corp.	3,536,533.35	3,043,487.98
Sinopharm Medicine Holding Nanning Co., Ltd.	3,144,331.58	1,045,877.75
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	1,797,908.16	1,973,347.89
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	2,408,198.99	839,565.30
Shenzhen Main Luck Pharmaceutical Inc.	677,029.87	1,477,450.40
Suzhou Medicine Foreign Development Co., Ltd.	477,876.83	1,876,332.47
Sinopharm Medicine Group Chemical Reagent Co., Ltd.	57,264.96	35,982.91
Sinopharm Medicine Group Shanghai Medical Equipment Co., Ltd.	17,173.56	55,898.50
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	12,512.82	---
Sinopharm Medicine Group Beijing Medical Equipment Co., Ltd.	8,827.44	5,051.19
China National Pharmaceutical Group Company	5,283.30	106,060.00
Sinopharm Medicine Holding Beijing Co., Ltd.	3,978.36	---
Guangdong Renbo Medical Equipment Co., Ltd.	479.69	---
Sinopharm Medicine Holding Shanghai Co., Ltd	---	101,247,570.61
Beijing Zhongxin Medical Trading Company	---	21,783.11
Guangdong Tianliang Medicine Co., Ltd.	---	179,131.51
Huahe Pharmaceutical Holding Co., Ltd.	---	17,511.11
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	---	10,986,544.43
Total	480,702,818.50	484,736,905.99

(2) The price for purchasing was based on market price.

3. Sales of goods to related parties:

(1) Transaction scale

Name of enterprises	Amount in this period	Amount in the last same period
Sinopharm Medicine Holding Shenyang Co., Ltd.	89,234,135.79	27,655,077.76
Sinopharm Medicine Holding Hubei Co., Ltd.	28,460,511.55	11,679,960.39

China National Pharmaceutical Group Southwest Medicine Co., Ltd.	25,106,557.18	15,329,563.78
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	24,081,540.29	22,066,062.90
Sinopharm Medicine Holding Nanning Co., Ltd.	21,401,182.54	7,369,379.12
Sinopharm Medicine Holding Beijing Co., Ltd.	7,498,238.40	5,415,624.60
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	3,185,043.46	21,941,852.57
Tianjin East Bokang Medical Trade Co., Ltd.	2,715,436.09	1,321,924.25
Sinopharm Medicine Holding Jiangsu Co., Ltd.	2,642,019.03	877,230.15
Sinopharm Medicine Holding Co., Ltd.	2,567,766.89	7,467,374.90
Guangdong South Pharmaceutical Foreign Trade Corporation	2,160,035.93	2,331,842.71
China National Medicines Corporation Ltd.	1,769,017.35	6,926,062.31
China National Pharmaceutical Group Medicine Logistic Co., Ltd. Guangzhou Company	1,324,659.83	-
Sinopharm Medicine Holding Shanxi Co., Ltd.	1,663,655.12	746,539.64
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	1,013,658.79	1,661,519.95
Suzhou Medicine Foreign Development Co., Ltd.	790,598.29	---
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	601,003.58	7,349,819.95
Sinopharm Group Medicine Holding Wuhan Co., Ltd.	469,572.64	9,161,300.82
Shenzhen Chinese and Western Pharmaceutical Company	---	2,540,343.83
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	330,153.84	401,066.67
China National Pharmaceutical Group Northwest Medicine Co., Ltd.	196,297.43	13,419.49
Guangxi Wuzhou Huawu Medicinal Materials Co., Ltd.	45,872.90	---
China National Pharmaceutical Group Hangzhou Xinya Co., Ltd.	39,864.11	137,976.77

Sinopharm Medicine Holding Jingzhou Xinlong Medicine Co., Ltd.	10,666.67	20,102.56
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	6,424.60	1,538.46
Sinopharm Medicine Holding Shanghai Co., Ltd.	---	9,930,769.23
Sinopharm Medicine Holding Tianjin Co., Ltd.	15,938,240.64	22,606,076.29
Guangdong Tianliang Medicine Co., Ltd.	---	9,323.08
Guangdong Zhongyue Medicine Materials Association Company	---	1,398.72
Nanning Medicine Wholesale Station of Guangxi Zhuang Autonomous Region	---	538,807.83
Total	233,252,152.94	185,501,958.73

(2) The price for sales was based on market price.

4. Balance of current accounts of related parties:

Items	Amount		Or: Proportion in balance of total accounts reveivable (payable)	
	Jun.30, 2007	Dec.31, 2006	Jun.30, 2007	Dec.31, 2006
Accounts receivable:				
Sinopharm Medicine Holding Shenyang Co., Ltd.	33,455,020.30	33,615,850.94	2.59%	2.95%
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	12,619,043.81	9,894,219.70	0.98%	0.87%
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	10,198,370.99	12,733,329.66	0.79%	1.12%
Sinopharm Medicine Holding Nanning Co., Ltd.	9,693,262.82	17,988,146.08	0.75%	1.58%
Sinopharm Medicine Holding Hubei Co., Ltd.	8,354,966.11	4,819,114.52	0.65%	0.42%
Sinopharm Medicine Holding Zhejiang Co., Ltd.	52,602.20	5,337.60	---	---
Sinopharm Medicine Holding Beijing Co., Ltd.	2,769,892.03	1,627,750.20	0.21%	0.14%
Sinopharm Medicine Holding Tianjin Co., Ltd.	2,717,951.05	-12,649.67	0.21%	---
Sinopharm Medicine Holding Tianjin Co., Ltd.	2,414,873.86	1,565,136.05	0.19%	0.14%
Sinopharm Medicine Guoda Pharmacy Co.,	1,374,778.32	823,639.00	0.11%	0.07%

Ltd.				
Tianjin East Bokang Medical Trade Co., Ltd.	1,007,596.50	649,343.75	0.08%	0.06%
Sinopharm Medicine Holding Co., Ltd.	894,796.56	1,018,211.36	0.07%	0.09%
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	891,030.25	4,198,456.40	0.07%	0.37%
Sinopharm Medicine Holding Shanxi Co., Ltd.	784,280.30	357,119.40	0.06%	0.03%
China National Medicines Corporation Ltd.	584,904.00	476,882.78	0.05%	0.04%
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	288,000.00	---	0.02%	---
Sinopharm Medicine Holding Jiangsu Co., Ltd.	236,555.84	532,592.36	0.02%	0.05%
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	227,576.54	164,135.00	0.02%	0.01%
Guangdong South Pharmaceutical Foreign Trade Corporation	3,760.00	881,504.47	---	0.08%
China National Pharmaceutical Group Northwest Medicine Co., Ltd.	667.20	667.20	---	---
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	---	11,200.00	---	---
Sinopharm Group Medicine Holding Wuhan Co., Ltd.	---	1,038,842.90	---	0.09%
Guangdong Renbo Medical Equipment Co., Ltd.	---	9,086.00	---	---
Guangxi Guoda Pharmacy Chains Co., Ltd.	---	2,110.00	---	---
Other accounts receivable:				
Sinopharm Group Group Medical Logistics Co., Ltd.	315,400.00	---	0.50%	---
Accounts payable:				
Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.	88,929,133.70	46,091,471.79	8.61%	4.82%
China National Medicines Corporation Ltd.	19,397,642.54	14,390,972.26	1.88%	1.50%
Sinopharm Medicine Holding Shanghai Co., Ltd.	5,913,799.92	40,016,352.02	0.57%	4.18%
Guangdong South Pharmaceutical Foreign Trade Corporation	3,988,970.40	1,259,667.97	0.39%	0.13%
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	2,609,779.81	441,336.00	0.25%	0.05%
Sales Subdivision of China National	1,085,513.83	903,327.15	0.11%	0.09%

Pharmaceutical Foreign Trade Corp.				
Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd.	944,499.19	1,415,046.15	0.09%	0.15%
Guangdong Dong Fang Uptodate & Special Medicines Co. Ltd.	901,056.49	1,526,622.47	0.09%	0.16%
Sinopharm Medicine Holding Tianjin Co., Ltd.	801,646.71	814,508.31	0.08%	0.09%
Shenzhen Main Luck Pharmaceutical Inc.	800,390.98	903,875.14	0.08%	0.09%
Beijing Zhongxin Medical Trading Company	279,831.70	279,831.70	0.03%	0.03%
Sinopharm Medicine Holding Nanning Co., Ltd.	77,090.73	979,908.47	0.01%	0.10%
Sinopharm Group Shanghai Medical Equipments Co., Ltd.	45,001.48	60,803.73	---	0.01%
Sinopharm Medicine Group Chemical Reagent Co., Ltd.	19,658.12	787.68	---	---
Shenzhen Chinese and Western Pharmaceutical Company	14,141.34	---	---	---
Sinopharm Medicine Holding Hunan Tianjian Co., Ltd.	12,512.82	---	---	---
Sinopharm Medicine Holding Hubei Co., Ltd.	11,495.66	11,495.66	---	---
Guangdong Renbo Medical Equipment Co., Ltd.	10,311.11	10,311.11	---	---
Sinopharm Medicine Holding Co., Ltd.	9,489.07	6,281.81	---	---
Sinopharm Medicine Group Beijing Medical Equipment Co., Ltd.	8,827.77	12,186.57	---	---
Guangdong Tianliang Medicine Co., Ltd.	7,575.22	7,575.22	---	---
China National Pharmaceutical Group Company	5,283.30	177,288.00	---	0.02%
Sinopharm Medicine Holding Beijing Co., Ltd.	3,978.36	3,978.36	---	---
Sinopharm Group Guorui Pharmaceutical Co., Ltd.	3,731.50	3,731.50	---	---
Guangxi Wuzhou Huawu Medicinal Materials Co., Ltd.	2,769.23	2,769.23	---	---
Nanning Medicine Wholesale Station of Guangxi Zhuang Autonomous Region	2,755.56	2,755.56	---	---
China National Pharmaceutical Group Shanghai Company	925.77	3,491.21	---	---
Sinopharm Medicine Holding Beijing Huahong Co., Ltd	857.44	857.44	---	---

Huahe Pharmaceutical Holding Co., Ltd.	---	4,456.56	---	---
Yunnan Chemical Materials Co., Ltd.	---	9,815.39	---	---
Sinopharm Medicine Industrials Co., Ltd.	---	1,107.69	---	---
China National Pharmaceutical Group Tianjin Company	---	6,031.20	---	---
Other accounts payable:				
Sinopharm Medicine Holding Co., Ltd.	110,000,000.00	80,000,000.00	32.49%	27.24%
Sinopharm Group Medical Logistics Co., Ltd.	350,000.00	---	0.10%	---

5. Other related transaction issues

(1) Sinopharm Medicine Holding Guangzhou Co., Ltd., subsidiary of the Company, assumed the buyer’s paying interest arising from discount on notes payable opened by the subsidiary in the following relared companies in the first half year of 2007: China National Medicines Corporation Ltd. of RMB 474,228.80, Sinopharm Medicine Holding Co., Ltd. (Shanghai Branch) of RMB 1,121,092.68, and Shanghai Sinopharm Wai Gaoqiao Medicine Co., Ltd.of RMB 1,261,729.48.

(2) Sinopharm Medicine Holding Guangzhou Co., Ltd., subsidiary of the Company, has borrowed funds from Sinopharm Medicine Holding Co., Ltd. since Year 2003, and assumed the current funds occupation fees of RMB 2,559,712.50 in all in the first half year of 2007.

Annotation 10. Contingent issues

(1)Contingent liability from unsettled lawsuit or arbitration:

ShenZhen Accordance Pharm.chain Store Inc., subsidiary company of the Company, will be punished accordingly for violating pertinent regulations of Shenzhen Administration Center of Social Insurance Fund and in accordance with the punishment decision for violating rules of SSBF〔2006〕No.83 Notice released by the center, the Company will withdraw projected liabilities of RMB 1,300,000.00.

(2) Ended Jun.30, 2007, the contingent liability of the Company from providing debt guarantee for related parties and other units:

Warrantor	Warrantee	Currency	Line of credit of guarantee (RMB’0000)	utilized parts (RMB’0000)	Term of Guarantee	Influnence on finance of the Company
Shenzhen Accord Pharmaceutical Co., Ltd.	Sinopharm Medicine Holding Guangzhou Co., Ltd.	RMB	31,000	23,081	2006.03.27-2007.12.31	No unfavorable influence
Shenzhen Accord	Shenzhen	RMB	10,000	9,772	2006.08.17-2008.08.17	No

Pharmaceutical Co., Ltd.	Zhijun Pharmaceutical Co., Ltd.					unfavorable influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	RMB	5,000	500	2006.09.15-2007.09.15	No adverse influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	RMB	5,000	---	2006.07.18-2007.07.18	No adverse influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	RMB	6,000	5,992	2006.11.14-2007.11.14	No adverse influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	RMB	1,000	---	2006.12.04-2007.12.04	No adverse influence
Shenzhen Zhijun Pharmaceutical Co., Ltd. And Sinopharm Medicine Holding Guangzhou Co., Ltd.	Shenzhen Accord Pharmaceutical Co., Ltd.	RMB	6,000	5,471	2006.10.08-2007.10.08	No adverse influence
Shenzhen Zhijun Pharmaceutical Co., Ltd.	Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	U.S.dollar	2,320	2,142	2007.03.05-2008.03.05	No adverse influence
China National Medicine Group Guangzhou Co., Ltd.	Sinopharm Medicine Holding Guangzhou Co., Ltd.	RMB	12,680	10,076	2005.06.15-2008.06.15	No adverse influence

Annotation 11. Other important issues

There are no other undisclosed important issues of the company that needed to be disclosed.

Annotation 12. Annotation information

(1) Comparing the adjustment process of profit statement

(2)

Adjustment items of profit statement
(January-June, 2006)

Items	Before adjustment	After adjustment
Gains from investment	-507,273.09	3,980,998.89
Income tax	15,685,955.79	17,521,389.98
Administrative expenses	78,563,323.24	83,427,114.14
Loss on asset depreciation	---	-4,863,790.90
Net profit	47,636,718.85	43,043,716.68

* The aforesaid was net profit deducting the gains and losses of minority shareholders.

(2) Reconciliation statement of differences between the net profit after the simulated implementation of New Accounting Standards during January-June, 2006 and the net profit disclosed in the 2006 Semi-annual Report as follows:

Adjustment statement of net profit difference of January-June, 2006

Items	Amount
Net profit of January-June, 2006 (Former Accounting Standards)	47,636,718.85
Tracing the total amount of influence of adjustment itens	-4,776,545.59
Including: Gains from investment	4,488,271.98
Income tax	-1,835,434.19
not-confirmed investment loss	-7,429,383.38
Reducing the Minority shareholder profit and loss of influence of adjustment itens	-183,543.42
Net profit of January-June, 2006 (New Accounting Standards)	43,043,716.68

(3) Adjusting the owner’s equity listed and reported according to former accounting system to the owner’s equity listed and reported according to enterprise accounting standards

1. Adjustment of owner’s equity on Jan.1, 2006

Items	Before adjustment	After adjustment
Share capital	288,149,400.00	288,149,400.00
Capital reserve	17,741,872.48	17,741,872.48
Surplus reserve	71,732,731.22	71,732,731.22

Undistributed profit	-30,015,108.42	---
Total	46,112,373.89	—5,477,227.21

2. Adjustment of owner's equity on Jun.30, 2006

Items	Before adjustment	After adjustment
Share capital	288,149,400.00	288,149,400.00
Capital reserve	17,741,872.48	17,741,872.48
Surplus reserve	71,732,731.22	71,732,731.22
Undistributed profit	-37,238,908.03	---
Owner's equity attributable to parent company	76,375,586.20	-18,180,667.36
Minority shareholders' equity	---	-6,423,829.25
Total	416,760,681.87	359,443,336.34

Annotation 13. Approval of accounting report

The financial statement of the Company has been approved by Board of Directors of the Company (or higher level administrative department) on 08/08/2007.