



China National Accord Medicines Corporation Ltd.

Annual Report 2018

April 2019

Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of China National Accord Medicines Corporation Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Lin Zhaoxiong, Principal of the Company, Wei Pingxiao, person in charge of accounting works and Wang Ying, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2018 Annual Report is authentic, accurate and complete.

Other directors attending the Meeting for annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
Li Zhiming	director	Official business	Liu Yong
Jiang Xiuchang	director	Official business	Liu Yong

Affected by various risk factors, the company's business operations are facing risks in terms of changes in industry policies and intensified market competition. The company has made a specific statement on the "Future Development Prospects" of the fourth section "Discussion and Analysis of the Operation" in this annual report, and all investors should pay attention to it.

The profit distribution plan that deliberated and approved by the Board is: based on total stock issued 428,126,983 shares, distributed 4.00 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.

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Paraphrase

Items	Refers to	Contents
Listed Company, Company, the Company, Sinopharm Accord, the Group	Refers to	China National Accord Medicines Corporation Ltd.
SINOPHARM	Refers to	China National Pharmaceutical Group Corporation
Sinopharm Holding	Refers to	Sinopharm Group Co., Ltd, Controlling shareholder of the Company
<i>Company Law</i>	Refers to	<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>	Refers to	<i>Securities Law of the People's Republic of China</i>
Yuan, 10 thousand Yuan, 100 million Yuan	Refers to	RMB, RMB 10 thousand, RMB 100 million
Terminology:	Refers to	
Two Invoices System	Refers to	The first invoice refers to the invoice from the manufacturer to the distributor, and the second invoice refers to the invoice from the distributor to the medical service provider. By this way, circulation links have been greatly reduced and the number of distributors for each medicine category shall not exceed two.
Pharmacy Trust	Refers to	It is a kind of operation activity that the medical organization has medicine enterprise with strong management ability and larger risk appetites to operate and manage their drugstores in the form of contracts with payment, which has clearly stated the relationship of right and duty between hospitals and pharmacy owners and operators, ensuring preservation and appreciation of hospital and pharmacy property and creating a kind of management activity with considerable social benefit and economic benefit, under the condition that there is no change in the ownership of drugstores
GPO	Refers to	Group purchasing organizations
Direct selling	Refers to	A sales method of selling drug to the hospital directly
GSP authentication	Refers to	Certification of quality management standards for pharmaceutical trading
Supply Chain	Refers to	The CMS, an information system for processing work flow and

Management System		purchasing, inventory and sales documents
Abbreviation:	Refers to	
Sinopharm Holding Guangzhou	Refers to	Sinopharm Holding Guangzhou Co., Ltd.
Guoda Drugstore	Refers to	Sinopharm Holding Guoda Drugstore Co., Ltd.
Sinopharm Holding Guangxi	Refers to	Sinopharm Holding Guangxi Co., Ltd.
Foshan Nanhai	Refers to	Foshan Nanhai Pharmaceutical Group Co., Ltd.
Nanfang Pharmaceutical Foreign Trade	Refers to	Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.
China National Zhijun, Zhijun Pharmaceutical	Refers to	China National Zhijun (Shenzhen) Pharmaceutical Co., Ltd.
Zhijun Pharmacy Trade	Refers to	Shenzhen Zhijun Pharmacy Trade Co., Ltd.
Zhijun Pingshan, Pingshan Pharmaceutical	Refers to	China National Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.
Main Luck Pharmaceuticals	Refers to	Shenzhen Main Luck Pharmaceuticals Inc.

Section II Company Profile and Main Financial Indexes

I. Company profile

Short form of the stock	Sinopharm Accord ; Accord B	Stock code	000028, 200028
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	国药集团一致药业股份有限公司		
Short form of the Company (in Chinese)	国药一致		
Foreign name of the Company (if applicable)	China National Accord Medicines Corporation Ltd.		
Short form of foreign name of the Company (if applicable)	Sinopharm Accord		
Legal representative	Lin Zhaoxiong		
Registrations add.	Accord Pharm. Bldg , No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Code for registrations add	518029		
Offices add.	Accord Pharm. Bldg, No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province		
Codes for office add.	518029		
Company's Internet Web Site	http://www.szaccord.com.cn		
E-mail	gyyz0028@sinopharm.com		

II. Person/Way to contact

	Secretary of the Board	Securities affairs representative
Name	Chen Changbing	Wang Zhaoyu
Contact add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province
Tel.	+(86)755 25875195	+(86)755 25875222
Fax.	+(86)755 25195435	+(86)755 25195435
E-mail	gyyzinvestor@sinopharm.com	gyyz0028@sinopharm.com

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times; China Securities Journal; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	http://www.szse.cn ; http://www.cninfo.com.cn
Preparation place for annual report	Secretariat of the Board of Directors

IV. Registration changes of the Company

Organization code	19218626-7
Changes of main business since listing (if applicable)	No change.

Previous changes for controlling shareholders (if applicable)	No change.
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V. Other relevant information

CPA engaged by the Company

Name of CPA	Ernst & Young CPA (Special General partnership)
Offices add. for CPA	21/F, China Resources Building, No. 5001, Shennan East Road, Luohu District, Shenzhen

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Name of the financial consultant	Offices add. for the financial consultant	Financial adviser	Continuous supervision period
China International Capital Corporation Limited	27/F-28/F, Building 2, International Trade Mansion, No.1 Jianguomen Outer Street, Beijing	Zhang Lei, Chen Chao	2017-2018

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data

Yes No

	2018	2017	Changes over last year	2016
Operating income (RMB)	43,122,385,521.23	41,263,393,427.41	4.51%	41,248,341,665.46
Net profit attributable to shareholders of the listed company (RMB)	1,210,742,435.78	1,057,791,930.67	14.46%	1,186,539,201.93
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	1,175,971,967.39	1,035,461,581.00	13.57%	834,359,349.80
Net cash flow arising from operating activities (RMB)	1,322,606,352.27	1,285,291,911.82	2.90%	1,472,342,476.16
Basic earnings per share (RMB/Share)	2.83	2.47	14.57%	2.80
Diluted earnings per share (RMB/Share)	2.83	2.47	14.57%	2.80
Weighted ROE	11.56%	11.91%	-0.35%	15.05%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets (RMB)	28,930,300,519.97	22,343,643,527.77	29.48%	21,316,548,247.95
Net assets attributable to shareholder of listed company (RMB)	11,618,432,603.28	9,396,572,345.88	23.65%	8,452,426,863.52

VII. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	10,256,566,731.51	10,522,599,968.16	10,987,540,368.77	11,355,678,452.79
Net profit attributable to shareholders of the listed company	292,731,685.33	348,995,349.60	285,244,535.54	283,770,865.31
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	284,982,162.39	338,314,176.95	282,319,350.57	270,356,277.48
Net cash flow arising from operating activities	-864,716,289.96	1,090,073,999.16	338,633,586.16	758,615,056.91

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes No

IX. Items and amounts of extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

Item	2018	2017	2016	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	7,048,337.10	-203,279.86	11,931,729.24	The gains from fixed assets disposal .
Governmental subsidy reckoned into current gains/losses (not including the subsidy	30,098,383.86	26,854,027.03	34,000,702.25	Mainly for receiving of all kinds of special

enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)				subsidies and fiscal interest discount in the period.
Investment costs while acquiring subsidiaries, joint ventures and associated enterprise, less than fair value of the identifiable net assets from invested enterprise which should be enjoined	729.29	58,022.12		Negative goodwill from subsidiary acquisition.
Current net gain/losses of the subsidiary merger under the same control from beginning of the period to combination date		-1,096.00	260,423,077.82	
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	Not applicable	1,642,360.26	5,952,565.52	
Switch back of provision for depreciation of account receivable and contract assets which were singly taken depreciation test	5,301,091.66	Not applicable	Not applicable	
Gains and losses on foreign entrusted loans	3,246,925.69	1,907,519.89	2,880,583.33	The gains obtained from offering entrust loans to China National Zhijun (Suzhou).
Consigning fee received for consigned operation	516,929.44		393,081.77	
Other non-operating income and expenditure except for the aforementioned items	5,069,438.37	377,281.07	6,300,281.94	
Other gains/losses satisfy a definition of extraordinary gains/losses	1,445,926.01	134,740.70	121,754,182.26	
Less: Impact on income tax	12,137,071.11	6,690,220.38	28,392,824.03	
Impact on minority shareholders' equity (post-tax)	5,820,221.92	1,749,005.16	63,063,527.97	
Total	34,770,468.39	22,330,349.67	352,179,852.13	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

Reference disclosure

Retailing industry

The Company complies with the disclosure requirement of *Information Disclosure Guidelines for the Shenzhen Stock Exchange No. 8- Listing Company Engaged in Retailing Industry*

In the reporting period, the main business of Sinopharm Accord includes pharmaceutical distribution and pharmaceutical retail, specifically as follows:

(i) In the pharmaceutical distribution field, the company continues to integrate the distribution and logistics business, deeply penetrates into the end markets, improves the stepped distribution network, creates intelligent supply chain, and devotes to become a provider for pharmaceutical and health care products and services with the strongest influence, the highest share, the most complete variety, the best service, and the fastest delivery in south district of China.

1. The Company's pharmaceutical distribution business is established in Guangdong and Guangxi, the company has completed the network construction of Guangdong and Guangxi in 2013, and the business has extended to the county-level regions; in 2014, we accelerating the integration of three-tier companies and the Company achieved an operation all over the network in 2015; moreover, the distribution network has further expansion in 2018 and main development direction is retail terminals, including: 982 secondary and tertiary medical institutions, 4996 primary medical customers and 1947 retail terminal customers (chain drugstores and single store).

2. The Company's pharmaceutical distribution business has achieved the first scale in Guangdong and Guangxi and the leading position in market segment of Guangdong and Guangxi, and has obtained the relatively leading position in vaccine, instrument, and e-commerce industries.

(ii) In the pharmaceutical retail field, Guoda Drugstore is a pharmaceutical retail enterprise that ranks the first in the sales volume throughout the country, and is one of the few enterprises in China with national direct sales drug retail network. The retail chain network of Guoda Drugstore spreads over 19 provinces, autonomous regions and municipalities, covers nearly 70 large and medium-sized cities,.

By the end of 2018, Guoda Drugstore has operated 4275 stores, covering 19 provinces, autonomous regions and municipalities, entering nearly 70 large and medium sized cities, which has formed a drugstore networks covering eastern and northern China, southern coastal cities, and gradually expanded into northeast, central plains and inland cities, the sales scale of which has exceeded 10 billions, ranking the first within industry. Guoda drugstore, the business of which were mainly relying on modern retail drugstores, has been putting great attention on the development of professional service system with medical resources as core competitiveness, building a group of stores with professional commercial activities, which are able to provide retails and therapy services that integrating medical service and health-care products sales and cooperate with hospitals; at the same time, the

Company has been vigorously developing new business, exploring and expanding new sales channels, improving professional services, being dedicated to transit from a traditional medical retail into an innovative service enterprise. By means of conventional products retail management, improving major brands and exploring business cooperation with supplier, accelerating the establishment of DTP business and continuous health care service system, Guoda has built industry-leading professional service ability. Besides, the leading scale of Guoda is regarded as one of the core competitiveness, for the reason that the advantage in scale has reduced its procurement cost and enhanced its negotiation advantages.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	Increased 223.1634 million Yuan over that of period-begin with 13.81% rate of change, mainly because the investment income from joint ventures increased in the period.
Fixed assets	Increased 56.2234 million Yuan over that of period-begin with 10.19% rate of change, mainly because office building purchased by subsidiary and office & machinery equipment purchased for medical cooperation projects
Intangible assets	Decreased 6.5443 million Yuan over that of period-begin with 2.01% rate of change, no major changes in reporting period.
Construction in progress	Increased 13.4654 million Yuan over that of period-begin with 58.68% rate of change, mainly because more investment in ERP system construction and supply chain extension project
Monetary fund	Increased 3898.1259 million Yuan over that of period-begin with 93.00% rate of change, mainly because received an addition funds investment from strategic investors to subsidiary in the period
Other non-current financial assets	Increased 140 million Yuan over that of period-begin with 100% rate of change, mainly due to the investment of China National Zhongjin Medical Industry Fund
Other non current assets	Decreased 69.6566 million Yuan over that of period-begin with 49.05% rate of change, mainly because the account paid in advance for investment and engineering and equipment declined

2. Main overseas assets

Applicable Not applicable

III. Core competitiveness analysis

Whether the company needs to comply with the disclosure requirements of the particular industry

Yes

Retailing industry

1. Strong network coverage and layout

Do a good job in resource sharing of wholesale and retail integration by relying on the perfect distribution network and variety resources:

Establish the leading and perfect distribution networks in Guangdong and Guangxi: The company has complete pharmaceutical distribution networks in Guangdong and Guangxi provinces, comprehensively covering the Grade-III and Grade-II medical institutions and retail chain terminals in Guangdong and Guangxi. In recent years, it has seized the opportunity to develop retail customers, and has vigorously expanded its distribution retail pharmacies and small social medicals and other related businesses, of which the sales has achieved rapid growth.

Take the lead in scale and cover the countrywide retail network: Guoda Drugstore is a pharmaceutical retail enterprise with sales volume ranking first throughout the country, established 28 regional chain enterprises, with retail network spreading over 19 provinces and municipalities and autonomous regions and covering nearly 70 cities.

2. Abundant variety resources

In the pharmaceutical distribution, the company has established extensive cooperative relations with thousands of domestic manufacturers and commercial enterprises and established stable business relationships with hundreds of import and joint venture manufacturers, and has rich variety resources.

Guoda Drugstore operates nearly 120,000 merchandises. With its relatively comprehensive purchasing network and years of experience in commodity management, Guoda Drug Store has established a merchandise system with wide coverage, high professionalization, and rich varieties.

3. Complete logistics and distribution system

Accord distribution adopts supply chain management and warehouse management solutions system, it has built large-scale first-grade logistics centers in Guangzhou, Nanning, Shenzhen and other places and established distribution centers in Guangdong and Guangxi which has formed ladder logistics and distribution networks, it is the first enterprise in Guangdong and Guangxi that has achieved the third-party logistics qualification and has the professional pharmaceutical logistics capabilities with the largest scale, the most extensive network, and the most complete modes in southern China.

Guoda Drugstore has a nationwide modern logistics and distribution system, and has established the logistics and distribution network covering all the stores throughout the country, including Shanghai National Logistics Center and 23 provincial and municipal distribution centers.

4. The advantages of medical insurance resources

Regarding medicine retails, the subsidiaries of Guoda Drugstore have featured generally higher medical insurance acquiring ability, with higher medical insurance sales ratio and steady operation.

5. The advantages of Compliance: the Company had a big lead under an increasingly stringent regulatory environment for the reason that it has kept emphasizing legalization and compliance in the process of operation and management.

6. Unique-influence Sinopharm brand

Brand of the Company and distribution, industry child-brand and controlling shareholder and actual controller's brand come down in one continuous line, depending on powerful force of central enterprises, the Company's

popularity and influence are prominent day by day in the industry.

Section IV. Discussion and Analysis of Business

1. Introduction

In 2018, Sinopharm Accord sought breakthroughs in development and change. With the implementation of medical reform, Sinopharm Accord took the initiative to meet the changes, and conscientiously implemented the working policy of “breaking the situation, saving the strength, and financing” of Sinopharm Group, fully cooperated with the implementation of the government’s medical reform policy, and actively grasped the market and policy opportunities, and focused on the objectives made at the beginning of the year to further promote development through transformation and upgrading, resolved various unfavorable factors, and seized opportunities. In 2018, the company took the pace of internationalization and achieved better and smoother development on the basis of consolidating business advantages and improving service capabilities.

(i) The business condition of the Company in 2018

As of end of 2018, Sinopharm Accord achieved an operation revenue of 43,122 million Yuan, with year-on-year growth of 4.51 percent; operation profits amounted as 1,671 million Yuan, a 14.15 percent from a year earlier; the net profit attributable to shareholder of listed company amounted as 1,211 million Yuan, a 14.46 percent up on a y-o-y basis.

Ended as 2018, the distribution business of Sinopharm Accord has gained revenue of 32,757 million Yuan in operation, with year-on-year growth of 3.92 percent; net profit amounted as 716 million Yuan, a 11.89 percent up from a year earlier; Guoda Drugstore achieved an operation revenue of 108.78 million Yuan, a 8.45 percent growth on a y-o-y basis; net profit gains 302 million Yuan, with y-o-y growth of 15.1 percent.

(II) Overview of the main work of the company in 2018

1. Continue to promote the “wholesale and retail integration” strategy

After the completion of major asset restructuring, the company actively promoted the “wholesale and retail integration” strategy, made full use of the commercial platform with mature distribution and the terminal advantageous network with wide retail sales to extend the commodity to the retail terminal through effective resource integration means and give play to the scale effect so as to achieve the synergistic interaction between distribution and retail, enhance the competitive advantage of brand, service and profitability, and establish an integrated business model. It integrated resources through the implementation of wholesale and retail procurement synergy, investment and M&A integration, prescription complementation, membership management sharing, brand image classification, logistics integration systemization, information system integration and other means, after two years of development, wholesale and retail synergy has achieved initial success, and the retail scale and synergy continued to break through, in 2018, the sales revenue of wholesale and retail synergy was 590 million yuan, a year-on-year increase of 75%, at the same time, it created the new model of distribution-Guoda wholesale

and retail “member store”, and gave play to the advantages of commercial distribution center in variety, background connection, and delivery, combined with Guangdong Guoda retail network, developed member stores in Guangdong and Guangxi, and the members increased to 86 stores throughout the year. We also integrated the distribution and retail strategy varieties, carried out category planning and resource sharing, and already have had more than 100 cooperative manufacturers in the catalogue of wholesale and retail integration varieties, and over 600 cooperative product specifications, and promoted more than 1,000 prescription drugs to open retail channels.

2. Invest in mergers and acquisitions and self-open stores, and expand network layout

The company has formed strong business networks in the southern area of China, its business has covered more than 4,000 medical institutions in Guangdong and Guangxi provinces, which basically achieved full coverage in Guangdong and Guangxi. On this basis, in 2018, the distribution business layout continued, through investment in mergers and acquisitions and new establishments, Sinopharm Holding Guangxi Hezhou Co., Ltd., Sinopharm Holding Guangxi Qinzhou Co., Ltd., Sinopharm Holding Guangxi Hechi Co., Ltd., Sinopharm Holding Guorun Medical Supply Chain Service (Guangxi) Co., Ltd., and Sinopharm Holding Baiyi Pharmacy Guangxi Co., Ltd. have been established.

Based on the retail business developed in nearly 70 cities in 19 provinces and autonomous regions, Guoda Drugstore expanded their retail scale advantage with the “self-opening + M&A” model, at the end of 2018, the total number reached 4,275 stores, including a net increase of 441 stores, meanwhile, it completed the investment in newly establishing Fujian Guoda Medicine Co., Ltd., newly establishing Shanghai Guoda Ruijing Pharmacy Co., Ltd., newly establishing Sinopharm Holding Guoda Drugstore Zhengzhou Chain Co., Ltd., newly establishing Inner Mongolia Guoda Drugstore Pharmaceutical Co., Ltd., and the acquisition of 100% equity of Shanxi Zhongao Pharmaceutical Co., Ltd., the acquisition of relevant retail business and assets of Inner Mongolia Tongren Pharmacy Chain Co., Ltd., and the acquisition of 100% equity of Shanxi Yixintang Pharmacy Co., Ltd.

3. The transformation and innovation of distribution business strongly develop in four directions

Promoted the transformation of traditional distribution business, explored advanced supply chain management mode and informatization means, realized the traceable management of hospital medical materials circulation, improved the drug supply chain management efficiency and reduced operating costs. At the same time, relied on the network layout of distribution, and accelerated the optimization of terminal network construction. In 2018, according to changes in the market environment, the company actively expanded its business development areas, clearly focused on the development of four business directions including retail direct sales, equipment consumables, retail diagnosis and treatment, and primary care, and achieved effective breakthroughs: retail direct sales increased by 34% on a year-on-year basis, and equipment consumables increased by 29% on a year-on-year basis, retail diagnosis and treatment increased by 49% on a year-on-year basis, and primary care increased by 17% on a year-on-year basis.

(1) Solidly completed the traditional business. Quickly adjusted strategies for changes in industry rules such as bidding, GPO, two-vote system, and anti-cancer drug tax reform, pooled the resources, and completed the variety development and strategy response.

Sinopharm Guangzhou was awarded the centralized bargaining qualification of the pharmaceutical business enterprises commissioned by Guangzhou GPO Medical Institutions; supported the GPO multi-platform operation

mode in other regions of Guangdong, and signed strategic cooperation framework agreements with prefecture-level municipal governments such as Heyuan and Maoming.

After promoting the implementation of 131 key cooperation projects of two vote system, the income of Guangdong's pure sales business increased by 958 million yuan. At the same time, improved the efficiency of the supply chain through the establishment of invoice management system, the optimization of purchase tax refund process, the inventory management of multi-warehouse operation and other means, and further improved the operation process specifications of prepayment and cash deposit, and ensured fast switching of the two-vote system.

Integrated the upstream resources and expanded the primary care networks. Explored the overall solution of direct delivery for community service for home care of elderly community health care pharmacy and the model of "community health care + Guoda

Drugstore", created a health archive information platform, provided community service for home care of elderly and family doctors door-to-door service, promoted health consultation with integrated traditional Chinese and Western medicine, and provided nearby medicine taking and door-to-door delivery services.

(2) Increased retail direct sales coverage. By expanding the terminal network, platform construction and background driving, accelerated the sinking of network and enhanced the competitiveness of business, and operated 49 top one hundred chain stores. Completed the B2B background upgrade, the Hengxing station APP has been online, and achieved 1425 terminal customers through online marketing.

(3) Built the core competitiveness of retail diagnosis and treatment. Accelerated the stationing of distribution and retail, there were 61 open drugstores throughout the year, including 23 drugstores newly opened in 2018 (12 cooperative drugstores in the hospitals, 6 drugstores near the hospitals, and 5 DTP pharmacies), the quality of the drugstores was gradually improved, and the sales revenue increased by 36% on a year-on-year basis. Built distinctive service models, brand recognition and industry influence were promoted, Foyi Drugstore has obtained the qualification of medical insurance for major illnesses, Foshan Drugstore and Foyi Drugstore have obtained the qualifications of the designated pharmacies for out-patient outsourcing medicine for special diseases, and 2 pharmacies in Huizhou have become the national negotiation drug agreement pharmacies; introduced the health testing all-in-one machine, drug-seeking robots, and other intelligent devices to create smart professional pharmacies. Undertook prescription outflows and explore new models, created a prescription transfer docking system, linked the cloud hospital, the provincial internet hospital and other platforms to explore prescriptions undertaking.

(4) Fully developed the equipment consumables business. Vigorously developed SPD equipment consumables business, assisted hospitals to improve consumables management level and reduce hospital costs. A number of hospitals have launched SPD and 'smart chain' (ISC) integrated management solutions, and have become "Top Ten Pharmaceutical Supply Chain Service Innovation Cases" and "Excellent Cases of Pharmaceutical Supply Chains" in the pharmaceutical distribution industry in 2018. The reagent business has established a model of the top three hospitals, the equipment maintenance business has established a medical treatment alliance mode in Haizhu District of Guangzhou, and the disinfection supply business has been officially put into operation. The company is driving a transformation of services centering on consumers and end patients.

4. Open up the process of internationalization and build a “new Guoda”

In July 2018, Guoda Drugstore completed the introduction of Walgreens Boots Alliance, the world’s largest drugstore chain, and became a Sino-foreign joint venture after the equity transfer. Through the cooperation with Walgreens Boots Alliance, the company will introduce internationally advanced management concepts, information technology, and product supply chain management to bring about all-round improvement for Guoda Drugstore in operational efficiency, pharmaceutical service capabilities and diversified category management capabilities, hoping to lead the development of China’s pharmaceutical retail industry, to meet the differentiated needs of customers, and to create new features for China’s pharmaceutical retail. The new session of board of directors of Guoda Drugstore has defined the strategic plan for the retail business for the next 3-5 years and has formed specific strategic measures, and it has launched multiple projects for strategic measures, such as development strategies and paths, merger and acquisition strategies, retail terminal operational capacity enhancement, organizational structure design, and new store model pilot, digital innovation and new channels, category optimization, private brand strategy, centralized procurement, information technology and so on.

By the end of 2018, Guoda Drugstore has a total number of 4275 drugstores, with a year-on-year increase of 441 stores compared with 2017. Among them, there are 361 hospital-side stores, increased 58 new ones; 1213 national chronic disease stores, a year-on-year increase of 33%; 2670 medical insurance stores of direct sales.

(1) Optimized and improved basic management, and promoted the front-desk marketing management. Established a retail price control system by strengthening management, teaching methods, and grasping promotions, and carried out the loss management through project system management. In 2018, the sales revenue of direct comparable stores was 6.23 billion yuan, a year-on-year increase of 3.7%; the loss management was improved, and 121 stores stopped losses in 2018.

(2) Integrated the wholesale and retail integration resources, effectively managed the commodity procurement and category planning, and centralized purchasing and sales has a year-on-year growth of 20%; strengthened the capacity improvement of pharmaceutical service, and continued to optimize in member management, pharmacist training, job skills training, and commissioner’s business capabilities, the total number of members for the year reached 19.76 million;

(3) Continued to advance the innovative business. Built and promoted the OTO self-operated platform, third-party OTO (Meituan, Jingdong Daojia, etc.), the instant distribution reached a total sales of 14.04 million, a year-on-year increase of 167%; commercial insurance card business increased by 17%; the stored value card business increased by 16%; the electronic prescription platform had a total prescription of more than 500,000 orders.

5. Build new organizational capabilities

To match strategy and control needs, the company improved organizational effectiveness by optimizing corporate governance, ownership structure, and organizational structure. Sinopharm Accord headquarters took “defining strategy, controlling risks, and allocating resources” as its core positioning, optimized management and control mechanism, improved organizational platform and service efficiency; optimized the financial control system by improving investment platform and matching investment with resources, operated full-process management, controlled risk and fully supervised, and built assets, safety, legal system, and platform management; took business-oriented, strengthened the construction of talent team, built a diversified human resource management

system and incentive mechanism, and stimulated organizational vitality; took special governance as the starting point, optimized resource allocation, focused on operational improvement, improved organizational efficiency, strengthened integrated operational management capabilities, and improved strategic development execution efficiency and business operation efficiency.

6. Promote technological transformation, and promote business informationization and intelligent logistics

The company strengthened the construction of scientific and technological talents, strengthened the advantages of information technology, optimized basic management, built a financial sharing platform, and the integrated first marketing platform, cloud platform, intelligent logistics platform, and integrated new technologies promoted the implementation of four major businesses of distribution. Introduced AI intelligence, launched the AGV robot project in Dongguan, and launched 20 automatic drug sales machines in Shenzhen and Inner Mongolia, and promoted intelligent unmanned drug sales projects.

7. Prevent risks all round, and ensure compliance

The company formed a comprehensive risk prevention and control system by improving the compliance system, fostering the employees' compliance awareness, strengthening risk supervision, and giving full play to the supervisory role of discipline inspection + finance + risk operation + legal + internal audit. On the one hand, we improved risk prevention and control system, and strengthened risk supervision; on the other hand, we took measures to strengthen pressure control to "receivables and de-stocking" and internal audit, supervised the whole process of major projects, strictly abided by the quality bottom line, Sinopharm Accord and its subordinate enterprises passed the Good Supply Practice Certification for Pharmaceutical Products, and passed 2008 review of ISO9001 with zero defect, and no major quality accidents occurred.

8. Grasp the grassroots and consolidate the party building

Sinopharm Accord has consistently adhered to political responsibility, after the headquarters took the lead in completing the work of party building into the charter, in 2018, the general requirements for party building into the charter have been fully completed at the subsidiary level. By consolidating the grassroots foundation, we carried out the specific action of "party building strengthening foundation", strictly implemented the inner-party system, established templates and guidelines, and enhanced grassroots organizational strength; highlighted political leadership, and organized various inner-party learning and training to temper party spirit and firm ideals and beliefs; implemented "two responsibilities", strengthened annual inspections, and played the role of "swords"; deepened the construction of incorruptible culture, and provided discipline guarantee for the company's compliance operations and high-quality development.

The Company complies with the disclosure requirement of "Information Disclosure Guidelines for the Shenzhen Stock Exchange No. 8- Listing Company Engaged in Retailing Industry"

1. The business activities of entity management and business condition of stores during the reporting period

By the end of 2018, Guoda Drugstore has opened up 3202 direct-sale stores, with total revenue up to 10.02 billion Yuan, increased by 9.87 percent from a year earlier, it also has 1073 franchised stores, which has earned 1.183 billion Yuan of distribution revenue, with year-on-year growth of 6.25 percent.

Region	Direct-sale store			Franchised outlet		
	Numbers of the store	Sales income (in 10 thousand Yuan)	Y-o-y changes	Numbers of the store	Dispatching income (10 thousand Yuan)	Y-o-y changes
North	1,510	523,851.89	12.28%	322	47,602.24	13.66%
East China	793	233,009.72	5.40%	578	56,150.58	-0.42%
South China	409	139,736.67	8.06%	67	9,021.40	14.71%
Central China	267	52,345.43	12.10%	106	5,477.87	6.10%
Northwest	223	53,174.48	9.76%	-	-	0.00%
Total	3,202	1,002,118.21	9.87%	1,073	118,252.09	6.25%

Note: North: Liaoning, Shanxi, Inner Mongolia, Beijing, Tianjin, Hebei

East China: Shanghai, Jiangsu, Anhui, Shandong, Fujian, Zhejiang

South China: Guangdong, Guangxi

Central China: Henan, Hunan

Northwest: Ningxia Xinjiang

(1) Details of top ten sales stores

Serial	Region	Store name	Opening year	Operating mode	Business format	Actual operating area(M ²)	Property ownership
1	Shanxi	Zhongli Branch in Yiyuan	2002	Direct-sale	5+X	820.00	Property rental
2	Inner Mongolian	Headquarter	2003	Direct-sale	5+X	1,689.26	Property rental
3	Guangdong	Exhibition hall branch of Guoda Drugstore	2006	Direct-sale	Modern Pharmacy	260.00	Property rental
4	Shanxi	Eryuan Branch in Yiyuan	2011	Direct-sale	5+X	600.00	Property rental
5	Beijing	Xidan Jinxiang	1997	Direct-sale	Modern Pharmacy	773.16	Property rental
6	Jiangsu	Pharmaceutical market in Yangzhou Baiyulan	1991	Direct-sale	Modern Pharmacy	620.00	Property rental
7	Hebei	Le Ren Tang Headquarter	2010	Direct-sale	Traditional Chinese Medicine outpatient store	1,206.00	Property rental
8	Fujian	Xiamen New Special Medicine	2005	Direct-sale	Modern Pharmacy	132.90	Property rental
9	Hebei	Kangning store of Le Ren Tang	2000	Direct-sale	Traditional Chinese Medicine outpatient store	280.00	Property rental
10	Guangdong	Zhenxing Branch of Guoda Drugstore	2002	Direct-sale	Modern Pharmacy	200.00	Property rental

(2) In 2018, the Company has opened 474 new direct-sale stores and closed 75 stores, with a net increase of 399 stores

Region	Direct-sale store			Franchised outlet	
	Number of store increased	Total area	Number of stores shut down	Number of store increased	Number of stores shut down
North	263	33,151.88	-31	46	-9

East China	80	8,774.95	-20	25	-41
South China	55	5,732.05	-12	15	-7
Central China	39	4,452.47	-6	25	-14
Northwest	37	4,606.04	-6	-	-
Total	474	56,717.39	-75	111	-71

2. In 2018, the online sales were steadily carried out, and overall e-commerce revenue growth slowed down, and O2O platform sales totaled 255 million yuan, an increase of 3.1% on a year-on-year basis; among them, Daojia services grew rapidly and achieved sales of 14.04 million yuan in 2018, an increase of 167% on a year-on-year basis. Details were as follows:

Cooperation platform	Operation revenue
China National Health On-line	20,174.84
800FANG.CN (www.800pharm.com)	247.14
Yaofangwang (www.yaofangwang.com)	1,457.40
Yiyaowang (www.111.com.cn)	157.99
Other B2C online retailers	1,304.43
JD daojia (http://daojia.jd.com)	673.18
Ali Health	73.94
Yao Dao Jia	1.20
Wanda Online Retailer	2.49
Baidu Takeaway	18.26
ele.me (www.ele.me/home)	906.18
Meituan Waimai (waimai.meituan.com)	254.80
Baheal Pharmaceutical	49.19
Wechat Mall	212.03
Total	25,533.06

3. Purchasing inventory and suppliers:

Top 5 suppliers for year of 2018:

Suppliers	Purchase amount (tax included)	Procurement ratio
No.1	20,352	13%
No.2	15,756	10%
No.3	11,778	8%
No.4	9,499	6%
No.5	9,364	6%

4. The status of warehousing logistics:

In 2018, Guoda Drugstore has 27 large and small sized logistic warehouses in total, covering more than 120,000 square meters, spreading out across 17 provinces.

Province	Region	Warehouse area (M ²)	Management ownership	Logistic charge (in 10 thousand)	Rate
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				Yuan)	
Liaoning	Shenyang	18,821	Self-management	1449.37	1.00%
Guangdong	Guangzhou	6,950	Guangzhou Hengchang Logistic entrusted	684.70	0.87%
	Shenzhen				
	Jiangmen	5,072	Self-management	486.24	1.73%
Shanxi	Shanxi Wanmin	10,919	Self-management	1020.74	1.09%
	Shanxi Yiyuan	8,860	Self-management	752.91	0.70%
Jiangsu	Dadesheng	4,869	Self-management	275.31	0.92%
	Nanjing	2,200	Self-management	225.79	2.02%
	Liyang	1,920	Self-management	147.95	0.86%
Fujian	Fujian	2,395	Self-management	253.71	0.93%
	Quanzhou	1,096	Self-management	54.91	0.83%
Hebei	Hebei	4,300	Self-management	391.82	0.83%
Shandong	Shandong	5,800	Self-management	418.72	1.19%
Ningxia	Ningxia	3,300	Self-management	291.54	1.33%
Hunan	Hunan	3,600	Self-management	334.03	1.32%
Henan	Henan	3,610	Self-management	340.76	1.35%
Inner Mongolia	Inner Mongolia	2,314	Self-management	421.33	0.98%
Guangxi	Guangxi	1,950	Self-management	233.65	1.17%
Beijing	Beijing Guoda	4,389	Self-management	795.40	1.59%
	Beijing Jinxiang				
Tianjin	Tianjin	1,200	Self-management	158.00	1.78%
Anhui	Anhui	1,000	Self-management	91.30	2.12%
Xinjiang	Xinjiang	3,517	Self-management	297.69	1.23%
Shanghai	Shanghai Fumei	20,000	Self-management	2671.88	1.49%
	Shanghai Guoda				
	Hangzhou	974	Self-management	105.49	2.68%
Guoda Headquarter	Headquarter	8,000	Sinopharm Logistic entrusted	1291.27	1.03%
Total		127,055		13,194.52	1.27%

5. Most of commodity suppliers of Guoda Drugstore are from external, with some relative enterprises and private own brand of Sinopharm Group as auxiliary. The sales of 2018 were as below:

In 10 thousand Yuan

Own brand	Nature	Category	Sales amount (tax included)	Ratio
a	Group-buying OEM	Health food	3,368	0.336%
b	Group-buying OEM	Children	46	0.005%
c	Group-buying OEM	Gynaecology	33	0.003%
d	Group-buying OEM	Cold	47	0.005%
e	Group-buying OEM	Personal care	12	0.001%

f	Group-buying OEM	Family health	3,096	0.309%
g	Group-buying OEM	Anti-infection	175	0.018%
h	Group-buying OEM	Anti-allergy & anti-vertigo	68	0.007%
i	Group-buying OEM	Clearing heat & toxic material	259	0.026%
j	Group-buying OEM	Drugs for external use	270	0.027%
k	Group-buying OEM	Otorhinolaryngology	295	0.029%
l	Group-buying OEM	TCM decoction pieces	3,459	0.345%
Total	-	-	11,129.07	1.11%

II. Main business analysis

1. Overview

Found more in I. Introduction in Discussion and Analysis of Business

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2018		2017		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	43,122,385,521.23	100%	41,263,393,427.41	100%	4.51%
According to industries					
Medicine wholesale	31,866,749,848.53	73.90%	31,022,967,423.15	75.18%	2.72%
Medicine retail	10,873,162,895.62	25.21%	9,892,835,784.75	23.97%	9.91%
Logistic & storage service	26,109,809.27	0.06%	29,568,712.15	0.07%	-11.70%
Lease and other	356,362,967.81	0.83%	318,021,507.36	0.78%	12.06%
According to products					
Medicine	41,115,048,626.41	95.35%	39,683,832,010.20	96.17%	3.61%
Apparatus	1,340,837,068.09	3.11%	1,125,368,079.05	2.73%	19.15%
Other	666,499,826.73	1.54%	454,193,338.16	1.10%	46.74%
According to region					
Domestic revenue	43,122,385,521.23	100.00%	41,263,393,427.41	100.00%	4.51%
Foreign revenue	0	0	0	0	0

(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

Applicable Not applicable

Whether the company needs to comply with the disclosure requirements of the particular industry

Yes

Retailing industry

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Medicine wholesale	31,866,749,848.53	29,606,073,176.14	7.09%	2.72%	0.99%	1.58%
Medicine retail	10,873,162,895.62	8,368,907,348.19	23.03%	9.91%	12.23%	-1.59%
According to products						
Medicine	41,115,048,626.41	36,456,947,511.65	11.33%	3.61%	2.32%	1.11%
According to region						
Domestic revenue	43,122,385,521.23	38,024,108,631.15	11.82%	4.51%	3.27%	1.05%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

(3) Income from physical sales larger than income from labors

Yes

(4) Fulfillment of the company's signed significant sales contracts up to this reporting period

Applicable Not applicable

(5) Constitute of operation cost

In RMB

Industries	Item	2018		2017		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Medicine wholesale	Sales cost	29,606,073,176.14	77.87%	29,315,028,286.33	79.62%	0.99%
Medicine retail	Sales cost	8,368,907,348.19	22.01%	7,457,091,704.13	20.25%	12.23%
Logistic & storage service	Transportation & storage cost	13,025,190.40	0.03%	11,065,889.25	0.03%	17.71%
Lease and other	Service cost	36,102,916.42	0.09%	36,367,036.09	0.10%	-0.73%

(6) Whether the changes in the scope of consolidation in Reporting Period

Yes No

Details of the changes in the scope of consolidation in reporting Period can be seen in Note VI of Financial Report.

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	2,461,206,643.89
Proportion in total annual sales volume for top five clients	5.75%
Ratio of related parties in annual total sales among the top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales amount (RMB)	Proportion in total annual sales
1	No. 1	653,110,735.98	1.53%
2	No. 2	495,339,192.61	1.16%
3	No. 3	484,534,000.41	1.13%
4	No. 4	415,202,332.84	0.97%
5	No. 5	413,020,382.05	0.97%
Total	--	2,461,206,643.89	5.75%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	5,079,663,728.26
Proportion in total annual purchase amount for top five suppliers	16.24%
Ratio of related parties in annual total sales among the top five suppliers	2.94%

Information of top five suppliers of the Company

Serial	Suppliers	Purchase amount (RMB)	Proportion in total annual purchases
1	No. 1	2,315,361,149.80	7.40%
2	No. 2	918,094,680.06	2.94%
3	No. 3	724,064,793.44	2.32%
4	No. 4	565,948,629.46	1.81%
5	No. 5	556,194,475.50	1.78%
Total	--	5,079,663,728.26	16.24%

Other notes of main suppliers of the Company

Applicable Not applicable

3. Expenses

In RMB

	2018	2017	Increase/decrease y-o-y	Note of major changes
Sales expense	2,762,789,885.77	2,305,909,071.71	19.81%	No major changes occurred
Management expense	783,338,308.19	735,953,967.13	6.44%	No major changes occurred

Financial expense	112,862,739.12	110,360,539.56	2.27%	No major changes occurred
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4. R&D expenses

Applicable Not applicable

5. Cash flow

In RMB

Item	2018	2017	Y-o-y changes
Subtotal of cash in-flow from operation activity	47,475,381,467.60	46,751,355,521.20	1.55%
Subtotal of cash out-flow from operation activity	46,152,775,115.33	45,466,063,609.38	1.51%
Net cash flow from operation activity	1,322,606,352.27	1,285,291,911.82	2.90%
Subtotal of cash in-flow from investment activity	238,641,593.44	138,275,319.85	72.58%
Subtotal of cash out-flow from investment activity	461,099,860.32	424,456,513.79	8.63%
Net cash flow from investment activity	-222,458,266.88	-286,181,193.94	-22.27%
Subtotal of cash in-flow from financing activity	3,363,461,854.03	514,921,208.46	553.20%
Subtotal of cash out-flow from financing activity	504,680,787.88	991,944,325.18	-49.12%
Net cash flow from financing activity	2,858,781,066.15	-477,023,116.72	-699.30%
Net increased amount of cash and cash equivalent	3,958,618,329.29	522,583,265.99	657.51%

Main reasons for y-o-y major changes in aspect of relevant data

Applicable Not applicable

- (1) Subtotal of cash in-flow from investment activity: has 72.58% up from a year earlier, mainly because bonus received from associated enterprise increased on a y-o-y growth in the period;
- (2) Subtotal of cash in-flow from financing activity: has 553.20% up from a year earlier, mainly because received a capital increase for subsidiary Guoda Drugstore in the period from strategic investor;
- (3) Subtotal of cash out-flow from financing activity: has 49.12% down from a year earlier, mainly because the cash paid for debts are declined on a y-o-y basis due to the change of documentary bill from the bank in the period;
- (4) Net cash flow from financing activity: has 699.30% down from a year earlier, mainly because received a capital increase for subsidiary Guoda Drugstore in the period from strategic investor;
- (5) Net increased amount of cash and cash equivalent : has 657.51% up from a year earlier, mainly because received a capital increase for subsidiary Guoda Drugstore in the period from strategic investor;

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable Not applicable

III. Analysis of the non-main business

Applicable Not applicable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	Year-end of 2018		Year-begin of 2018		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	8,089,781,304.56	27.96%	4,191,655,438.51	18.76%	9.20%	Mainly because received a capital increase for subsidiary Guoda Drugstore in the period from strategic investor
Account receivable	9,336,861,647.92	32.27%	7,589,412,679.88	33.97%	-1.70%	No major changes occurred .
Inventory	4,389,335,942.19	15.17%	3,781,858,238.12	16.93%	-1.76%	No major changes occurred .
Investment real estate	144,894,495.97	0.50%	153,678,339.11	0.69%	-0.19%	No major changes occurred .
Long-term equity investment	1,880,393,786.10	6.50%	1,650,619,373.09	7.39%	-0.89%	No major changes occurred .
Fix assets	607,933,827.67	2.10%	551,710,434.02	2.47%	-0.37%	No major changes occurred .
Construction in progress	36,412,614.61	0.13%	22,947,258.99	0.10%	0.03%	Mainly because more investment in ERP system construction and supply chain extension project
Short-term loans	2,597,652,702.43	8.98%	1,561,354,521.64	6.99%	1.99%	Affected by the more financing for supply chain
Long-term loans	31,600,000.00	0.11%	31,600,000.00	0.14%	-0.03%	No major changes occurred .

2. Assets and liability measured by fair value

Applicable Not applicable

1. Assets and liability measured by fair value

Year of 2018

	Input value used for fair value measurement			Total
	Active market quotation	Important observable input value	Important un-observable input value	
	(1 st Level)	(2 nd Level)	(3 rd Level)	
Continuous fair value measurement				
Note receivable	-	567,775,275.40	-	567,775,275.40
Other equity instrument investment	--	13,685,760.00	-	13,685,760.00
Other non-current financial	-	-	140,000,000.00	140,000,000.00

assets

-	581,461,035.40	140,000,000.00	721,461,035.40
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Year of 2017

	Input value used for fair value measurement			Total
	Active market quotation	Important observable input value	Important un-observable input value	
	(1 st Level)	(2 nd Level)	(3 rd Level)	
Continuous fair value measurement financial assets available for sale	-	13,685,760.00	-	13,685,760.00

2. Assets and liability released by fair value

Year of 2018

	Input value used for fair value measurement			Total
	Active market quotation	Important observable input value	Important un-observable input value	
	(1 st Level)	(2 nd Level)	(3 rd Level)	
Long-term loans	-	31,600,000.00	-	31,600,000.00

Year of 2017

	Input value used for fair value measurement			Total
	Active market quotation	Important observable input value	Important un-observable input value	
	(1 st Level)	(2 nd Level)	(3 rd Level)	
Long-term loans	-	31,600,000.00	-	31,600,000.00

3. Assets right restriction till end of reporting period

Nil

V. Investment

1. Overall situation

During the reporting period, the Company achieved an enterprise combined under the different control for the follow three enterprises by cash acquisition of Taiyuan Tongxinli Guoda Drugstore Co., Ltd (100%), Shanxi Zhongao Pharmaceutical Co., Ltd (100%) and Sinopharm Holding Guangzhou Huadu Co., Ltd (70%). The new subsidiaries established in the period including: Sinopharm Holding Foshan Medical Supplies Supply Chain Co., Ltd.(70%), Sinopharm Holding Medicine Supply Chain Service (Guangxi)Co., Ltd. (30.6%), Sinopharm Holding

Baiyi Pharmacy Guangxi Co., Ltd(51%), Sinopharm Holding Hezhou Co., Ltd(100%), Sinopharm Holding Guoda Drugstore Zhengzhou Chain Co., Ltd(60%), Fujian Guoda Medicine Co., Ltd(100%), Sinopharm Holding Qinzhou Co., Ltd (100%), Sinopharm Holding Hechi Co., Ltd (100%), China National Shanghai Guoda Ruijing Pharmacy Co., Ltd(55%) and Shanghai Guoda Haohai Pharmacy Co., Ltd.(51%) . Meanwhile, the Company has 2.53% equity participated in Shanghai Dingqun Enterprise Management Consulting Co., Ltd. For more investment details, see the Note (vi) and Note (vii) in Financial Report

2. The major equity investment obtained in the reporting period

Applicable Not applicable

3. The major non-equity investment doing in the reporting period

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The company had no securities investment in the reporting period.

(2) Derivative investment

Applicable Not applicable

The company had no derivative investment in the reporting period.

5. Application of raised proceeds

Applicable Not applicable

(1) Overall application of raised proceeds

Applicable Not applicable

In 10 thousand Yuan

Year	Way	Total raised capitals	Total raised capital used in Period	Total accumulative raised capitals used	Total raised capital has purpose of uses changed in Period	Cumulative raised capitals has purpose of uses changed in total	Ratio of cumulative raised capitals has purpose of uses changed	Total accumulative raised capitals unused	Usage of the retained raised capitals and what is expected to invested with those capitals	Raised capitals idle for more than two years
2016	Non-public offering of shares	27,361.49	5,472.4	22,469.34	0	0	0.00%	4,892.15	Deposit bank	0

Total	--	27,361.49	5,472.4	22,469.34	0	0	0.00%	4,892.15	--	0
Explanation on General usage of raised capital										
More details of the use of raised capitals can be seen in <i>Special report on the storage and the actual use of raised capitals of Sinopharm Accord in 2018</i> disclosed on 25 April 2019										

(2) Situation of committed project of raised proceeds

√Applicable □ Not applicable

In 10 thousand Yuan

Committed investment projects and capital invested in areas with fund raising out of the plan	Projects changed or not (including changed partially)	Total committed investment of raised capitals	Total investment after adjustment (1)	Amount invested in report period	Amount of accumulated investment till the period-end (2)	Investment program till the period-end (3)=(2)/(1)	Predicted useable date of project	Realized interests in Period	Reach the predicted interest or not	Project feasibility was changed hugely or not
Committed investment projects										
Cash consideration of 49% equity of Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd. paid	N	26,781.67	26,781.67	5,472.4	21,889.52	81.73%		0	Not applicable	N
Payment of issuance cost	N	579.82	579.82	0	579.82	100.00%		0	Not applicable	N
Subtotal of committed investment projects	--	27,361.49	27,361.49	5,472.4	22,469.34	--	--	0	--	--
Capital invested in areas with fund raising out of the plan										
Not applicable										
Total	--	27,361.49	27,361.49	5,472.4	22,469.34	--	--	0	--	--
Situation about not coming up to schemed progress or expected revenue and the reason(In specific project)	Not applicable									
Explanation on major changes on project feasibility	Not applicable									

Amount, usage and progress of using for fund raising out of the plan	Not applicable
Change of implementation place of investment project of raised capitals	Not applicable
Regulation of implementation ways of investment project of raised capitals	Not applicable
Preliminary investment and replacement of investment project of raised capitals	Not applicable
Temporarily supplement for the current capitals with idle raised capitals	Not applicable
Amount and reason for surplus of raised capitals when implementing projects	Not applicable
Usage of the retained raised fund and what is expected to invested with those fund	Not applicable
Issues or other conditions found in use of fund raised and disclosure	Use of the fund raised are strictly execute in line with the <i>tri-party supervision agreement for fund raised</i> , and no related issues or other conditions been found

(3) The changed project of raised proceeds

Applicable Not applicable

The Company has no project of raised proceeds changed in the Period.

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

The Company has no sales of major assets in the Period.

2. Sales of major equity

Applicable Not applicable

VII. Analysis of main holding company and stock-jointly companies

Applicable Not applicable

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Sinopharm Holding Guoda Drugstore Co., Ltd.	Subsidiary	Chinese traditional patent medicine, chemical preparations, antibiotics, bio-chemical medicine, biological medicine, diagnosis medicine, biological medicine with features of treatment and diagnosis, shaped packing food, chemical products, and various commodity and technique hold by self-support and agency as well as import & export of technology	1,683,333,333.00	9,035,418,275.87	4,976,217,259.05	10,878,025,717.94	407,069,332.31	301,751,569.69
Sinopharm Holding Guangzhou Co., Ltd.	Subsidiary	Sales of drugs, medical apparatus and instruments, freight transportation, storage, loading and unloading, glass wares, cosmetics and daily merchandise; other business services, other professional consultation, various goods agency and for self-operation, import & export of technology, houses leasing	3,553,249,393.17	12,614,084,814.56	4,250,640,106.09	23,650,912,944.66	635,435,707.43	472,276,993.77
Sinopharm Holding Guangxi Co., Ltd.	Subsidiary	Retail and distribution in respect of pharmaceutical products and medical apparatus and instruments, wholesale and retails of health products	521,407,965.79	3,483,436,284.46	1,035,466,026.91	5,232,538,175.11	194,700,860.16	169,313,898.63

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Company Name	The method of obtaining and handling subsidiaries during the report period	The influence to the whole production and performance
Sinopharm Holding Foshan Medical Supplies Supply Chain Co., Ltd.	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Medical Supply Chain Service Co., Ltd.	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Shanghai Guoda Haohai Pharmacy Co., Ltd.	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Holding Baiyi Pharmacy Guangxi Co., Ltd	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Holding Hezhou Co., Ltd	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Guoda Drugstore Zhengzhou Chain Co., Ltd	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Shanghai Guoda Ruijing Pharmacy Co., Ltd	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Fujian Guoda Medicine Co., Ltd	Establishment	Expand local medicine retail business layout, and without major influence on performance of the Company
Sinopharm Holding Qinzhou Co., Ltd	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Hechi Co., Ltd	Establishment	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Sinopharm Holding Guangzhou Huadu Co., Ltd	Acquisition	Further consolidated the pharmaceutical distribution business in Guangxi & Guangdong and without major influence on performance of the Company
Shanxi Zhongao Pharmaceutical Co., Ltd	Acquisition	Expand local medicine retail business layout, and without major influence on performance of the Company
Taiyuan Tongxinli Guoda Drugstore Co., Ltd	Acquisition	Expand local medicine retail business layout, and without major influence on performance of the Company

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Future Development Prospects

(i) The analysis on industry environment

The overall scale of China's pharmaceutical market continues to grow, but due to the impacts of slowdown in growth in macroeconomic and medical insurance expenditure, medical insurance control fees and other industrial policies, the growth rate of the pharmaceutical industry is slowing down, and the growth rate of the pharmaceutical circulation industry also slows down together with the overall pharmaceutical industry. In recent years, the policies for various links of the pharmaceutical industry have been frequently issued, which profoundly affected the industry pattern and promoted the industrial transformation and upgrading, and the pattern of China's pharmaceutical circulation industry and the upstream and downstream environment has been undergoing far-reaching structural changes. Under the guidance of policies and social capital, the medical and health industry continues to flourish, the penetration and influence of the accelerated iteration of new technologies and the Internet + and multi-dimensional cross-border development on traditional drug circulation industry is far-reaching, and competition is intensifying.

Market opportunities come out while the growth rate of the pharmaceutical industry is slowing down. First, in the next few years, medical insurance control fees are still the main trend in the development of pharmaceutical industry, so the commercial leaders with fund strength are expected to maintain their core advantages. Second, the pharmaceutical circulation cycle will continue to bear pressure, and the market concentration brought about by the two-vote system will continue to be promoted, the channel networks of commercial leaders accelerate to put together, and the market share is expected to further increase. Third, with the advancement of separation of hospitals and medicine, the outflow of prescriptions is expected to accelerate, and the value of retail terminal networks will increase, under the influence of policies such as "4+7" procurement, the growth of retail market is expected to accelerate, and the concentration of chain pharmacies is expected to continue to increase. From the perspective of medical insurance support, the "Guiding Opinions on the Pilot Classification Management of Retail Pharmacies (public comment draft)" proposes that "the local medical insurance management department can refer to the grading results of retail pharmacy in terms of medical insurance designated pharmacy settings, medical insurance fund management, etc.", "Priority is given to policy support". From the perspective of manufacturer cooperation, the channel value of retail pharmacies has been valued by upstream industrial enterprises, foreign companies and domestic first-line leaders have begun to switch from natural sales to establishing pharmacy sales teams. Fourth, with the promotion of policies such as grading diagnosis and treatment, the grassroots have made expansion, and the primary medical market will become a fast-growing market. Fifth, the medical apparatus and instruments (consumables) industry is developing rapidly, and the industry concentration is low and has large market potential, or it will become important market growth points. Sixth, with the rapid development of new technologies such as big data, Internet of Things, cloud computing, etc., new opportunities for innovating business models and upgrading service models have been brought about for traditional pharmaceutical businesses.

(ii) Key work in 2019:

Sinopharm Accord is committed to "building a leading international medicine and health service platform to enable people to enjoy a happy and healthy life". Under the impetus of the industry environment and new

technologies and new applications, Sinopharm Accord has proposed the development direction of “taking wholesale and retail integration as the core, upgrading service model through technology empowerment and customer value driving, providing full-service solutions for upstream and downstream industry chains, and transforming from a pharmaceutical distributor to a pharmaceutical business service solution provider”.

In 2019, the company will continue to promote the strategic direction of taking wholesale and retail integration as the core, grasp the three themes of “consolidating foundation, making transformation and innovation, and ensuring development”, and focus on the following work:

1. Deepen the strategy of wholesale and retail integration

Through technology empowerment, form the all-channel service networks for wholesale and retail integration, create a three-dimensional retail system with reform of medicine, medical treatment and medical insurance and high integration of online and offline. By getting through the “three links” platform (retail channels and medical treatment channels, retail business and wholesale business, online business and offline business) between distribution and retail, increase the variety introduction of distribution and retail products, promote the sharing of wholesale and retail logistics, and enhance the admittance to hospital of retail grafting distribution and the professional service capabilities to achieve the integration of distribution and retail terminal services.

2. Distribution business: focus on the four business directions for transformation and innovation

Focus on the four business directions of retail direct sales, equipment consumables, retail diagnosis and treatment, and primary care, consolidate the integrated operation foundation, give play to the integrated benefits, improve the efficiency of logistics operations, and rapidly develop with transformation and innovation to build new competitive advantages. Deeply develop and upgrade the traditional businesses, sink channels, integrate professional marketing platforms, thoroughly boost the primary care business, help to solve the current situation of lack of doctors and medicines at the grassroots level; give play to the advantages of wholesale and retail integration, build a retail direct sales network, promote the regional distribution sinking; accelerate the network layout of retail diagnosis and treatment, build DTP professional pharmacy brand image; grasp the development trend of equipment industry, and take value-added services of hospitals as the starting point to accelerate business layout.

Improve efficiency and promote supply chain upgrade: comprehensively promote institutional process optimization projects; optimize and improve the integrated management and control; promote information and logistics service levels through technology empowerment, center on the performance improvement of supply chain, accelerate the development and optimization of system functions, and enhance the internal and external supply chain efficiency such as quality, operation, order processing, bill processing, financial processing, etc., revolve around the distribution business structure, replan the logistics centers, highlight the four capacity buildings of the logistics center, and comprehensively improve the service efficiency of the logistics supply chain.

3. Guoda Drugstore: create a professional pharmaceutical retail ecosystem

Promote the implementation of key strategic projects, including retail terminal operational capacity improvement, store new model pilot, digital innovation and new channels, information technology and so on, create a “New Guoda”, deeply dig professional capabilities, create a new professional pharmaceutical retail ecosystem, increase the expansion of terminal stores, continue to promote wholesale and retail integration, strengthen the management

and service functions of the headquarters, promote the construction of provincial platforms, integrate regional resources, and strengthen regional advantages.

Reform the IT architecture and upgrade the big data system to empower the business assurance technology; remodel the organizational structure and optimize the human resources system to empower the echelon construction; improve the pharmaceutical affairs service capabilities to empower the professionalization pharmacy services; accelerate the investment project and regional expansion, it's targeted to expand 600 stores, develop advantageous business circle, focus on breaking through the stores near the hospitals, develop urban and rural integration stores, set up franchise management team, open franchise channels, break through franchise bottleneck; break through the new business model of e-commerce members; upgrade the brand, enrich resources, quickly deploy the blank areas of the country, emphasize the standardization management, create model areas, and empower the scale development.

4. Continue to advance the internationalization process

By virtue of the cooperation opportunity with Walgreens Boots Alliance, strengthen the construction of the company's management and control platform and information platform, promote the company's management internationalization and talent internationalization, and actively search for global high-quality resources, and promote the product internationalization through investment and shareholding; track the global industry's leading trends, continue to expand international horizons, and enhance international cooperation capabilities.

5. Production and financing double drive, enhance scale advantages

In the face of fierce competition, actively grasp the opportunities of organic growth and cooperative mergers and acquisitions, further accelerate the integration of industry resources around the main business, and carry out multi-capital cooperation methods by taking mergers and acquisitions as the principle, and taking share holding, alliances and strategic cooperation as the auxiliary, continue to deepen the network coverage, increase the mergers and acquisitions, and enhance scale advantages. At the same time, control risks, ensure compliance, operate steadily, strengthen risk prevention, concentrate efforts on solid foundation, ensure compliance operations, and comprehensively prevent and control operational risks.

6. Technology leads and reinforces service upgrades and model innovation

The company will continue to explore new technologies such as the application internet, big data, and cloud computing, and explore and build a intelligent pharmaceutical business service system by customer-oriented and value-driven. Strengthen the overall planning and technology investment of information technology, implant informatization thinking, explore advanced informatization operation and management mode, ensure information investment, and optimize the architecture system; build hospital supply chain management information platform and retail professional supply chain management information platform, integrate WBA technical resources, optimize Guoda IT architecture, upgrade big data systems, and accelerate the construction of information technology talent teams.

(iii) Possible risks

1. The management risks in sustainable expansion of marketing network of Guoda Drugstore

The marketing network of Guoda Drugstore has maintained stable growth trend in recent years through newly opened stores and extended mergers. The expansion of sales area and increase of stores have brought pressure on the site selection, distribution, cash management, marketing and human resource management of the stores of Guoda Drugstore. The company will strengthen the management and construction in merchandise procurement, logistics and distribution, marketing and other links and establish corresponding management methods for each link so as to ensure the unified standards and management quality for store expansion.

2. Risks of intensifying market competition

At present, the market concentration ratio of domestic pharmaceutical retail market industry is relatively low, and the national and regional pharmaceutical retail enterprises have fierce market competition. As the country continues to introduce corresponding policies to encourage the integration of pharmaceutical retail industry, the major pharmaceutical retail enterprises in the industry have accelerated the pace of mergers and acquisitions, and continued to expand the marketing networks, improve the logistics center constructions, and innovate the business and profit models so that the sales scale and comprehensive strength continuously strengthen. At the same time, with the upgrading of consumption and the gradual opening of market, the foreign pharmaceutical distribution enterprises with powerful strength are entering the domestic pharmaceutical distribution markets through a variety of ways, so the industry competition is further intensifying. Sinopharm Accord will integrate the existing resources, create a two-wheel drive development model with integration of both wholesale and retail, deeply give full play to synergistic effect, directly face the end patients and consumers by varieties complementation, capital cooperation, supply chain collaboration, internationalization promotion and other measures, and achieve brand globalization through capital operation.

3. Risks of changes in industry policy

The development of pharmaceutical retail industry is regulated and influenced by the relevant national policies. The state has promulgated a series of documents such as *Good Supply Practice for Prescription Products* and *Some Opinions on Further Reform and Improvement of Drug Production, Circulation and Use Policy*, which put forward specific requirements to the industry operation. Along with the gradual increase of management standards for management standard, the regulations are constantly being revised and improved and put forward higher requirements to the business operations. In addition, with the promotion and implementation of the new medical reform, the state has implemented the essential medicine system, public hospital reform, drug centralized procurement bidding system and tax reduction policy for anticancer drugs throughout the country, and repeatedly introduced policies to reduce the drug retail price ceiling in order to reduce the burden of drug use. If the policies introduced in the process of implementing new medical reform impose restrictions on the industrial development and the product price of retail drug stores, the operation and profitability of Guoda Drugstore may have to face some challenges.

4. Risks of facing the horizontal competition

In the pharmaceutical retail field, Sinopharm Holding's affiliated distribution subsidiaries have also opened some social retail pharmacies, which constitute a certain degree of horizontal competition with the subordinate Guoda

Drugstore. Sinopharm Holding and SINOPHARM have pledged to take effective measures to resolve the possible horizontal competition.

5. The risk of goodwill impairments

On 31 December 2018, the book value of goodwill in consolidate financial statement listed as 833,547,800.60 Yuan, and distributed to the assets group of distribution business and retail business. In accordance with the Accounting Standards for Business Enterprises, the Company carried out annual impairment test for the goodwill. Impairment of goodwill will released on the Note V.-16 and Note III-20 & 30 listed under the Financial Statement

X. Reception of research, communication and interview

1. In the report period, reception of research, communication and interview

Applicable Not applicable

Time	Way	Type	Basic situation index of investigation
17 Apr. 2018	Field research	Institute	Notice of Resolution of AGM 2017
Reception (times)		1	
Number of hospitality		80	
Number of individual reception		5	
Number of other reception		0	
Disclosed, released or let out major undisclosed information		No disclosed, released or let out major undisclosed information	

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

√Applicable □ Not applicable

On 17 April 2018, the profit distribution plan for year of 2017 was deliberated and approved by annual general meeting of 2017, that is taking total 428,126,983 shares as base, distributed RMB 3.00 (tax included) for each 10 shares in cash. The announcement of 2017 interest distribution implementation was released on 6 June 2018 by the Board (published in *Securities Times*, *China Securities Journal*, *Hong Kong Commercial Daily* and Juchao Website <http://www.cninfo.com.cn>), the profit distribution plan for year of 2017 was completed, and dividend for public shares was distributed to the account of shareholders dated 13 June 2018 (A-share) and 15 June 2018 (B-share) respectively.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Y/N):	Y
Well-defined and clearly dividend standards and proportion (Y/N):	Y
Completed relevant decision-making process and mechanism (Y/N):	Y
Independent directors perform duties completely and play a proper role (Y/N):	Y
Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N):	Y
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N):	N

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

(1) Profit distribution plan for year of 2016

Taking the total 428,126,983 shares as base, cash bonus of RMB 3.30 (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

(2) Profit distribution plan for year of 2017

Taking the total 428,126,983 shares as base, cash bonus of RMB 3.00 (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

(3) Profit distribution plan for year of 2018

Taking the total 428,126,983 shares as base, cash bonus of RMB 4.00 (before tax) each 10 shares will be distributed to the whole shareholders. This profit distribution did not convert capital reserve into share capital.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	171,250,793.20	1,210,742,435.78	14.14%	0.00	0.00%	171,250,793.20	14.14%
2017	128,438,094.90	1,057,791,930.67	12.14%	0.00	0.00%	128,438,094.90	12.14%
2016	141,281,904.39	1,186,539,201.93	11.91%	0.00	0.00%	141,281,904.39	11.91%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	4.00
Equity base of distribution plan (Share)	428,126,983
Cash dividend(RMB) (Tax included)	171,250,793.20
Proportion for cash bonus by other ways(i.e. share buy-backs)	0.00
Total cash bonus (including other ways)	171,250,793.20
Distributable profits (RMB)	3,956,556,754.02
Ratio of cash dividend in total profit distribution	100%
Cash dividend policy:	
If the company's development is at the growth stage with significant capital expenditures, the minimum proportion of cash dividend in the profit distribution should reach 40%.	
Detail explanation on profit distribution or capitalization from capital public reserve	

III. Implementation of commitment

1. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

√Applicable □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform						
Commitments in report of acquisition or equity change	Sinopharm Holding	Commitment of shareholders	"As a large pharmaceutical commercial enterprise whose business involves pharmaceutical wholesale and retail, Sinopharm Holding may overlap with the Company in geographical segmentation during its future business development. To avoid the potential peer competition brought by such geographical overlap, Sinopharm Holding undertakes that, upon the transfer of shares of Sinopharm Holding Guangzhou it held to Sinopharm Accord, "1. it will not newly-establish or broaden within Guangdong any business operation that actually compete with that of Sinopharm Accord, or set up any new subsidiaries or subordinate enterprises who engage in such business. 2. It will enter into business delineation with Sinopharm Accord and Sinopharm Holding Guangzhou, thereby giving the three parties clear geographical areas to carry out pharmaceutical wholesale and retail businesses, so as to avoid potential peer competition. Apart from above, Sinopharm Holding will no longer newly-establish any enterprise that may compete with Sinopharm Accord in the production and R&D of pharmaceutical products."	21 June 2005	Long-term effective	Normally implementing
Commitments in assets reorganization	Sinopharm Group Co., Ltd; China National Pharmaceutical Foreign Trade Corporation	Commitment on restricted shares	"Sinopharm Holding and Sinopharm Foreign Trade made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the non-public offering of shares of Sinopharm Accord obtained from this transaction shall not be transferred within 36 months since the finish date of issuance and shall be unlocked after 36 months since the date of listing. Within 6 months after the completion of this transaction, if the closing price of the stock of Sinopharm Accord is less than the issue price in continuous 20 trading days, or the closing price at the end of 6 months after the completion of this transaction is less than the issue price, the lockup period of the stock of Sinopharm Group and Sinopharm Foreign	31 May 2016	36 months	Normally implementing

			Trade obtained from Sinopharm Accord by this transaction will automatically prolong at least 6 months. The shares derived from stock dividends allocation and capital reserve increase transferring of Sinopharm Accord based on the non-public offering of shares of Sinopharm Accord obtained by this transaction should also abide by the above stock restricted arrangements.”			
	Ping'an Assets Management Co., Ltd.	Commitment on restricted shares	"Ping An Asset Management Co., Ltd. made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the non-public offering of shares of Sinopharm Accord obtained from this transaction shall not be transferred within 36 months since the finish date of issuance and shall be unlocked after 36 months since the date of listing. After placement completed, the shares of the listed company increased due to bonus shares and turning to increase capital should pursuit to the restriction arrangement the above mentioned.	31 May 2016	36 months	Normally implementing
	Sinopharm Group Co., Ltd	Performance commitment and compensation	“Sinopharm Holding made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the 2016 annual net profits of Foshan Nanhai, Guangdong Uptodate & Special Medicines and Guoda Drugstore should respectively be no less than RMB 47,385,600.00, RMB 19,167,000.00, and RMB 98,466,100.00, while the 2017 annual net profits should respectively be no less than RMB 49,394,500.00, RMB 20,209,700.00, and RMB 110,998,90.00, and the 2018 annual net profits should respectively be no less than RMB 51,148,200.00, RMB 21,330,100.00, and RMB 131,275,500.00. Net profit refers to the lower one between the after-tax net profit attributable to the owners of parent company planning to invest in the target company and the net profit attributable to the owners of parent company after deducting the non-recurring gains and losses. If the actual net profit of the target company doesn't reach the committed net profit, Sinopharm Group will need to compensate according to the stipulations of the "Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase.”	31 May 2016	2018-12-31	Completed
	China National Pharmaceutical Foreign Trade Corporation	Performance commitment and compensation arrangement	"Sinopharm Foreign Trade made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the 2016 annual net profits of Nanfang Pharmaceutical Foreign Trade should be no less than RMB 39,880,700, while the 2017 annual net profits should be no less than RMB 47,323,200, and should not less than RMB 55,364,600 in 2018. Net profit refers to the lower one between the	31 May 2016	2018-12-31	Completed

			after-tax net profit attributable to the owners of parent company planning to invest in the target company and the net profit attributable to the owners of parent company after deducting the non-recurring gains and losses. If the actual net profit of the Nanfang Pharmaceutical Foreign Trade doesn't reach the committed net profit, Sinopharm Foreign Trade will need to compensate according to the stipulations of the "Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase."			
	Fu Jiancheng; Fu Yuequn Gu Chaoqun; Guo Shu'er; Huang Qiufang; Li Hongbing; Liao Zhi; Lin Wanqun; SunWei; Zhang Zhaohua; Zhang Zhaotang	Performance commitment and compensation arrangement	"Fu Yuequn and other 10 natural person made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the 2016 annual net profits of Nanfang Pharmaceutical Foreign Trade should be no less than RMB 39,880,700, while the 2017 annual net profits should be no less than RMB 47,323,200, and should not less than RMB 55,364,600 in 2018. Net profit refers to the lower one between the after-tax net profit attributable to the owners of parent company planning to invest in the target company and the net profit attributable to the owners of parent company after deducting the non-recurring gains and losses. If the actual net profit of the Nanfang Pharmaceutical Foreign Trade doesn't reach the committed net profit, Fu Yuequn and other 10 natural person will need to compensate according to the stipulations of the "Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase."	31 May 2016	2018-12-31	Completed
	China National Accord Medicines Corporation Ltd.	Performance commitment and compensation arrangement	"Sinopharm Accord made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the net profits attributable to the owners of parent company after deducting the non-recurring gains and losses committed by Zhijun Pharmaceutical in 2016, 2017 and 2018 should be respectively no less than RMB 222,671,700.00, RMB 232,561,600.00, and RMB 241,878,700.00; the net profits attributable to the owners of parent company after deducting the non-recurring gains and losses committed by Zhijun Pharmacy Trade in 2016, 2017 and 2018 should be respectively no less than RMB 2,379,600.00, RMB 2,335,100.00, and RMB 2,345,600.00; the net profits attributable to the owners of parent company after deducting the non-recurring gains and losses committed by Pingshan Pharmaceutical in 2016, 2017 and 2018 should be respectively no less than RMB 39,716,300.00, RMB 43,033,500.00, and RMB 50,325,500.00. If the actual net profits attributable to the owners of	31 May 2016	2018-12-31	Implementing

		parent company after deducting the non-recurring gains and losses of Zhijun Pharmaceutical / Zhijun Pharmacy Trade / Pingshan Pharmaceutical don't reach the committed net profits attributable to the owners of parent company after deducting the non-recurring gains and losses, Sinopharm Accord should compensate in accordance with the stipulations of the Profit Forecast Compensation Agreement for the Stock Issuance and Assets Purchase.”			
China National Accord Medicines Corporation Ltd.; Sinopharm Group Co., Ltd; SINOPHARM	Other commitments	“The listed company, controlling shareholders, the actual controllers made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall not violate the relevant regulations of Article 16 in Securities Issuance and Underwriting Management Approach, and directly or indirectly providing financial assistance or compensation for the subscription objects and its shareholders / partners / clients (if any) of this non-public offering does not exist and will not occur in the future.”	31 May 2016	Long-term effective	Normally implementing
Ping'an Assets Management Co., Ltd.	Other commitments	“Ping An Asset Management Co., Ltd. Promises that the unit intends to utilize Ping An Asset Xinxiang No.3 asset management product and Ping An Asset Xinxiang No.7 asset management product to fund and subscribe some non-public offering of shares of Sinopharm Accord in this major asset restructuring process, and has the ability to subscribe the shares, the relevant capital sources are legitimate, there is no hierarchical income and other structured arrangements, and there is no use of leveraged funds. The unit does not receive financial assistance or compensation from Sinopharm Accord and its controlling shareholders, or the actual controllers. The investors' structure of above - mentioned products do not change from the issue date of the commitment letter to the end date of the lockup period of the stock that the unit subscribes from Sinopharm Accord.”	24 March 2016	Long-term effective	Normally implementing
SINOPHARM	Increase holding commitment	“Sinopharm made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that 1. if the stock intraday price of Sinopharm Accord on any trading day of the 30 trading days after the listing of newly increased shares in this transaction is less than the issue price of newly increased shares in this transaction, Sinopharm will accumulatively invest no more than RMB 150 million in these 30 trading days to increase the holding by the stock trading system of the Shenzhen Stock Exchange (this increase of holding) until the earlier one of below two situations occurs: (1) the above-mentioned funds are use up; (2) the intraday price of Sinopharm Accord is no less than	6 Jan. 2017	Three years from the end of increase holding (if applicable)	There is no need for actual controllers to increase holdings

			the issue price of newly increased shares in this transaction. 2. Sinopharm shall not sell the shares obtained from this increase of holding within 3 years after the end of this increase of holding.”			
	Sinopharm Group Co., Ltd	Commitments on horizontal competition, relation transaction and capital occupation	<p>“Sinopharm Holding made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall be the controlling shareholder of China National Accord Medicines Corporation Ltd. (hereinafter referred to as Sinopharm Accord) up to the issue date of this commitment letter, after the completion of this major assets reorganization (hereinafter referred to as “this reorganization”), Sinopharm Accord shall no longer hold shares or operate relevant businesses of pharmaceutical industry, the main business will become the national pharmaceutical retail and pharmaceutical distribution business in Guangdong and Guangxi. In order to support the business development of Sinopharm Accord and avoid horizontal competition with Sinopharm Accord and its controlling enterprises, the Company made following irrevocable commitments and promises:1, after the completion of this reorganization, as for the social retail drugstore assets except for Sinopharm Holding Guoda Drugstore Co., Ltd. and its subsidiaries and branches owned or controlled by the Company, the Company promised to take appropriate measures to solve the horizontal competition problem in the pharmaceutical retail business between the Company and Sinopharm Accord within 5 years since the completion date of this reorganization. 2. The Company's way of resolving horizontal competition problems includes and is not limited to purchasing the social retail drugstore assets subordinated to the Company by Sinopharm Accord, taking the entrusted operation, leasing or contracting operation by Sinopharm Accord and its controlling enterprises in accordance with the methods permitted to national laws to hold or control the social retail drugstore assets, or transferring the controlling stake of the social retail drugstore assets by the Company. 3. If the shareholders of the social retail drugstore assets (hereinafter referred to as "the third party") of the Company or the enterprises controlled by the Company have or are going to perform the preemptive rights under the same conditions in accordance with relevant laws and corresponding Articles of Association, then the above commitment will not be applicable, but in this case, the Company should try its utmost to urge the third party to waive its preemptive rights. If the Company is unable to urge the third party to give up the preemptive rights, the Company will urge the enterprises controlled by the Company to transfer the social retail drugstore assets to the third party to solve the horizontal competition</p>	28 Dec. 2016	Long-term effective	Normally implementing

		<p>problem. 4. The pharmaceutical distribution assets currently owned or controlled by the Company are distributed outside Guangdong and Guangxi regions, there is no horizontal competition with Sinopharm Accord, the Company will not engage in the same or similar operation businesses to Sinopharm Accord in Guangdong and Guangxi in the future, if the Company and its holding enterprises obtain the new business opportunities constituting substantial horizontal competition (hereinafter referred to as competitive new business) within the pharmaceutical distribution business scope of Sinopharm Accord in Guangdong and Guangxi, the Company will send written notice to Sinopharm Accord and try its utmost to firstly provide the new business opportunities to Sinopharm Accord or its holding enterprises according to the reasonable and fair terms and conditions so as to avoid the horizontal competition with Sinopharm Accord and its holding enterprises. 5. Since the issue date of this commitment letter, the Company promises to indemnify Sinopharm Accord for all actual losses, damages and expenses caused by the Company in violation of any commitments under this commitment letter. 6. This commitment letter terminates when following circumstances occur (subject to the earlier one): (1) the Company is no longer the controlling shareholder of Sinopharm Accord; or (2) the shares of Sinopharm Accord terminate the listing at the stock exchange.”</p>			
SINOPHARM	Commitments on horizontal competition, relation transaction and capital occupation	<p>“SINOPHARM made commitments in the Report about China National Accord Medicines Corporation Ltd. Purchasing Assets and Raising Supporting Funds and Related Transactions by Asset Sale, Stock Issuance and Cash Payment that the Company shall be the actual controller of China National Accord Medicines Corporation Ltd. (hereinafter referred to as Sinopharm Accord) up to the issue date of this commitment letter, after the completion of this major assets reorganization (hereinafter referred to as “this reorganization”), Sinopharm Accord shall no longer hold shares or operate relevant businesses of pharmaceutical industry, the main business will become the national pharmaceutical retail and pharmaceutical distribution business in Guangdong and Guangxi. In order to support the business development of Sinopharm Accord and avoid horizontal competition with Sinopharm Accord and its controlling enterprises, the Company made following irrevocable commitments and promises:1, after the completion of this reorganization, as for the social retail drugstore assets except for Sinopharm Group Guoda Drugstore Co., Ltd. and its subsidiaries and branches owned or controlled by the Company, the Company promised to take appropriate measures to solve the horizontal competition problem in the pharmaceutical retail business between the Company and Sinopharm Accord within 5 years since</p>	28 Dec. 2016	Long-term effective	Normally implementing

			<p>the completion date of this reorganization. 2. The Company's way of resolving horizontal competition problems includes and is not limited to purchasing the social retail drugstore assets subordinated to the Company by Sinopharm Accord, taking the entrusted operation, leasing or contracting operation by Sinopharm Accord and its controlling enterprises in accordance with the methods permitted to national laws to hold or control the social retail drugstore assets, or transferring the controlling stake of the social retail drugstore assets by the Company. 3. If the shareholders of the social retail drugstore assets (hereinafter referred to as "the third party") of the Company or the enterprises controlled by the Company have or are going to perform the preemptive rights under the same conditions in accordance with relevant laws and corresponding Articles of Association, then the above commitment will not be applicable, but in this case, the Company should try its utmost to urge the third party to waive its preemptive rights. If the Company is unable to urge the third party to give up the preemptive rights, the Company will urge the enterprises controlled by the Company to transfer the social retail drugstore assets to the third party to solve the horizontal competition problem. 4. The pharmaceutical distribution assets currently owned or controlled by the Company are distributed outside Guangdong and Guangxi regions, there is no horizontal competition with Sinopharm Accord, the Company will not engage in the same or similar operation businesses to Sinopharm Accord in Guangdong and Guangxi in the future, if the Company and its holding enterprises obtain the new business opportunities constituting substantial horizontal competition (hereinafter referred to as competitive new business) within the pharmaceutical distribution business scope of Sinopharm Accord in Guangdong and Guangxi, the Company will send written notice to Sinopharm Accord and try its utmost to firstly provide the new business opportunities to Sinopharm Accord or its holding enterprises according to the reasonable and fair terms and conditions so as to avoid the horizontal competition with Sinopharm Accord and its holding enterprises. 5. This commitment letter terminates when following circumstances occur (subject to the earlier one): (1) the Company is no longer the actual controller of Sinopharm Accord; or (2) the shares of Sinopharm Accord terminate the listing at the stock exchange.”</p>			
Commitments make in initial public offering or re-	Sinopharm Holding	Commitment of shareholders	<p>Sinopharm Holding made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Avoid Horizontal Competition: “First, the Company and the Company’s wholly-owned, controlling or other enterprises with actual control (in addition to Sinopharm Accord and its controlling enterprises, hereinafter the same) don’t have businesses and operations constituting the substantial horizontal</p>	5 Sept. 2013	Long-term effective	Controlling shareholder is implement in real

financing			competition to Sinopharm Accord and its controlling enterprises. Second, the Company and the Company's wholly-owned, controlling or other enterprises with actual control shall not engage, participate in or do businesses and activities in Guangdong and Guangxi which constitute substantial competition to Sinopharm Accord and pharmaceutical business services. Third, the Company and the Company's wholly-owned, controlling or other enterprises with actual control shall not engage, participate in or do businesses and activities which constitute substantial competition to Sinopharm Accord and pharmaceutical industry businesses. Fourth, the Company shall not take advantage of the control to Sinopharm Accord to damage the legitimate rights and interests of Sinopharm Accord and other shareholders (especially medium and small shareholders). This commitment letter takes effect from the issue date, and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord. Within the effective period of the commitment, if the Company violates this commitment and causes a loss to Sinopharm Accord, the Company will timely make full compensation for Sinopharm Accord.”			earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments
	Sinopharm Holding	Commitment of shareholders	Sinopharm Holding made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Regulate the Related Transactions with China National Accord Medicines Corporation Ltd.: “First, when the Company is controlling Sinopharm Accord, the Company and the companies and enterprises directly and indirectly controlled by the Company (“related party” for short) will strictly regulate the related transactions with Sinopharm Accord and its controlling enterprises. Second, for the related transactions that can not be avoided nor have reasonable reasons to occur, the Company and related party shall sign normative related transaction agreement in accordance with relevant laws with Sinopharm Accord. Sinopharm Accord implements the approval procedures and fulfills the information disclosure obligations of the related transactions according to relevant laws, regulations, rules, other normative documents and the constitutions of Sinopharm Accord. Third, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall abide by the open, fair and just market principles and confirm the price of related transactions in accordance with the price that the independent third party without association sets for the same and similar transactions, and ensure the fairness of the price of the related transactions. Fourth, when the board of directors and the general meeting of stockholders of Sinopharm Accord vote on the related transactions involving the Company and other enterprises controlled by the Company, the Company shall fulfill the necessary obligations that the associated	5 Sept. 2013	Long-term effective	Controlling shareholder is implement in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments

			directors and associated shareholders abstain from voting in accordance with the relevant provisions, and abide by the legal procedures for approving related transactions and the information disclosure obligations. Fifth, the Company guarantees to participate in the shareholders' general meeting, equally exercise the corresponding rights and take the corresponding obligations in accordance with the constitutions of Sinopharm Accord, not to take advantage of controlling shareholder status to seek improper benefits or utilize related transactions to illegally transfer the funds and profits of Sinopharm Accord, and not to damage the legitimate rights and interests of other shareholders (especially the medium and small shareholders) of Sinopharm Accord. Sixth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord. Within the effective period of the commitment, if the Company violates this commitment and causes a loss to Sinopharm Accord, the Company will timely make full compensation for Sinopharm Accord.”			
SINOPHARM	Commitment of actual controller	"SINOPHARM made commitments in the Commitment Letter About China National Pharmaceutical Group Corporation to Avoid Horizontal Competition with China National Accord Medicines Corporation Ltd.: “First, in the next five years, Sinopharm plans to take appropriate measures (including assets replacement or acquisition, equity reorganization, etc.) to resolve the horizontal competition between Sinopharm Weiqida and Sinopharm Accord. Second, in addition to the past matters and matters disclosed in this commitment letter, the Company and the Company’s wholly-owned, controlling or other enterprises with actual control rights (except for Sinopharm Accord and its controlling enterprises, the same as below) shall not directly engaged in, participate in or do the businesses and activities constituting actual competition to the production and operation of Sinopharm Accord in China. The relevant commitments about avoiding horizontal competition that the Company made in the past still remain in effect. Third, the Company shall not take advantage of the control relationship to Sinopharm Accord to damage the legitimate rights and interests of Sinopharm Accord and its shareholders (especially the medium and small shareholders). Fourth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the controlling shareholder or its related party of Sinopharm Accord.”	16 Oct. 2013	Long-term effective	Actual Controller is implemented in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments	
SINOPHARM	Commitment of actual controller	"SINOPHARM made commitments in the Commitment Letter About Sinopharm Group Co., Ltd. to Regulate the Related Transactions with China National Accord Medicines Corporation Ltd.: “First, when the Company is controlling Sinopharm Accord, the Company and the	22 Sept. 2013	Long-term effective	Actual Controller is implemented	

			<p>companies and enterprises directly and indirectly controlled by the Company (“related party” for short) will strictly regulate the related transactions with Sinopharm Accord and its controlling enterprises. Second, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall sign normative related transaction agreement in accordance with relevant laws with Sinopharm Accord. Sinopharm Accord implements the approval procedures and fulfills the information disclosure obligations of the related transactions according to relevant laws, regulations, rules, other normative documents and the constitutions of Sinopharm Accord. Third, for the related transactions that can not be avoided or have reasonable reasons to occur, the Company and related party shall abide by the open, fair and just market principles and confirm the price of related transactions in accordance with the price that the independent third party without association sets for the same and similar transactions, and ensure the fairness of the price of the related transactions. Fourth, when the board of directors and the general meeting of stockholders of Sinopharm Accord vote on the related transactions involving the Company and other enterprises controlled by the Company, the Company shall fulfill the necessary obligations that the associated directors and associated shareholders abstain from voting in accordance with the relevant provisions, and abide by the legal procedures for approving related transactions and the information disclosure obligations. Fifth, the Company guarantees not to take advantage of actual controller status to seek improper benefits or utilize related transactions to illegally transfer the funds and profits of Sinopharm Accord, and not to damage the legitimate rights and interests of other shareholders (especially the medium and small shareholders) of Sinopharm Accord. Sixth, this commitment letter comes into force from the issue date and remains in effect for the entire period when the Company acts as the actual controller or its related party of Sinopharm Accord.</p>			<p>t in real earnest, Sinopharm Accord will actively urged the controlling shareholder and actual controller to fulfill commitments</p>
Equity incentive commitment						
Other commitments for medium and small shareholders						
Completed	Y					

on time (Y/N)	
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2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

√Applicable □ Not applicable

Assets or project with profit forecast	Starting time	Terminal time	Current forecast performance (in 10 thousand Yuan)	Current actually performance (in 10 thousand Yuan)	Reasons of fails to achieved the forecast number (if applicable)	Disclosure date for former prediction	Index
Foshan Nanhai	2016-01-01	2018-12-31	5,114.82	5,390.17	Not applicable	31 May 2016	"Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement" on Juchao website
Guangdong Uptodate & Special Medicines	2016-01-01	2018-12-31	2,133.01	2,146.93	Not applicable	31 May 2016	"Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement" on Juchao website
Guoda Drugstore	2016-01-01	2018-12-31	13,127.55	21,683.72	Not applicable	31 May 2016	"Sinopharm Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement" on Juchao website
Nanfang	2016-01-01	2018-12-31	5,536.46	5,866.83	Not applicable	31 May 2016	"Sinopharm

Pharmaceutical Foreign Trade							Accord: Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Zhijun Pharmaceutical	2016-01-01	2018-12-31	24,187.87	22,991.98	Major changes in policy, operation environment and market	31 May 2016	”Sinopharm Accord: Shanghai Shyndec Pharmaceutical Co., Ltd.. and the Company of Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Pingshan Pharmaceutical	2016-01-01	2018-12-31	5,032.55	5,195.56	Not applicable	31 May 2016	”Sinopharm Accord: Shanghai Shyndec Pharmaceutical Co., Ltd.. and the Company of Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
Zhijun Pharmacy Trade	2016-01-01	2018-12-31	234.56	322.54	Not applicable	31 May 2016	”Sinopharm Accord: Shanghai Shyndec Pharmaceutical

							Co., Ltd.. and the Company of Acquiring Assets by Offering Shares and Profit Forecast Compensation Agreement” on Juchao website
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Commitment made by shareholders of the Company and counter party in annual operation performance

Applicable Not applicable

Completion of the performance commitment and influence on impairment test of goodwill

IV. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable Not applicable

On July 5, 2017, the Ministry of Finance issued the revised “Accounting Standards for Business Enterprises No. 14 – Income”, enterprises listed at home and abroad at the same time should implement the new income standards from January 1, 2018, and other listed enterprises in China should implement from January 1, 2020. The company has implemented the new standards on January 1, 2018. According to the stipulation of converting and linking the new and old standards, the enterprise should adjust the retained earnings at the beginning of the period and the amount of other related items in the financial statements according to the cumulative impact of the first implementation of the standard, and the information for the comparable period will not be adjusted. The implementation of the standard will not lead to major changes in the company’s income recognition method, nor have a significant impact on the company’s current and prior period net profit, total assets and net assets.

On March 31, 2017, the Ministry of Finance issued the revised “Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets” and “Accounting Standards for Business Enterprises No. 24 - Hedge Accounting”, on May 2, the Ministry of Finance issued the revised “Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments” (collectively referred to as “New Financial

Instruments Series Standards”), enterprises listed at home and abroad at the same time should implement from January 1, 2018, and other listed enterprises in China should implement from January 1, 2019. (1) Sinopharm Holding Guoda Drugstore Co., Ltd., a subsidiary of the Company, holds a stake in Shanghai Guoda Shuguang Drugstore Co., Ltd., Shanghai Guoren Drugstore Co., Ltd., Sinopharm Holding Hubei Guoda Drugstore Co., Ltd., Hunan Zhongbai Pharmaceutical Investment Co., Ltd. and China National Health Online Co., Ltd., with voting rights ratio of 25%, 10%, 10%, 6.31% and 8.06% respectively, but the directors and key management personnel of the above five companies are not appointed by the Group, and the Group has not participated in or affected the finance and operational decisions or daily business activities of the above companies in other ways, so that the Group does not have significant influence on the above five companies, and it is originally accounted for as an available-for-sale equity instrument and its business accounting is based on book value. After adopting the newly revised financial instrument standards, the company decides to designate it as a financial asset measured at fair value and its changes are included in other comprehensive income after considering the characteristics of its contractual cash flow and its business model, which will be subsequently measured at fair value and its changes are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in retained earnings. There is also no need for retrospective adjustments. During the reporting period, “other equity instrument investments” increased by 13,685,760.00 yuan, and “available for sale financial assets” decreased by 13,685,760.00 yuan. The above-mentioned changes in accounting policies related to financial instruments have no significant impact on the Company’s retained earnings and other comprehensive income at the beginning of 2018. (2) The new financial instrument standards requires that the measurement of impairment of financial assets be changed from “Incurred Loss Model” to “Expected Credit Loss Model”. The company judges that the adoption of new financial instrument standards would not have a material impact on company’s financial report. .

On June 15, 2018, the Ministry of Finance revised and issued the “Notice of the Ministry of Finance on Revising and Issuing the Financial Statements Format for General Enterprises”, which revised the financial statements format of general enterprises and is applied to the financial statements for the year 2018 and beyond. The Group has implemented the requirements of the above-mentioned standards and has prepared the company’s financial statements in accordance with the financial statements format of general enterprises (Applicable for enterprises that have implemented new financial standards or new income standards), and the comparative data has been adjusted accordingly. The names and amounts of the affected statements items are as follows:

In balance sheet, the “Note receivable” and “Account receivable” are merger shown as “Note receivable and account receivable”, amount at period-end accounted as 9,336,861,647.92 yuan while 7,589,412,679.88 yuan at beginning of the period; “Interest receivable” and “Dividend receivable” are merger shown as “Other account receivable”, ending amount of “Other account receivable” adjusted and increased 8,223,327.64 yuan while 61,441.11 yuan at beginning of the period; the “Disposal of fixed assets” merge into “Fixed assets”, which has no impact on the amount of “fixed assets” at begging and ending of the period; “Engineering material” merge into “Construction in progress”, which has no impact on the amount of “Construction in progress” at begging and ending of the period; “Note payable” and “Account payable” are merger shown as “Note payable and account payable”, ending amount was 9,885,291,642.97 yuan while 8,876,658,828.52 yuan at beginning of the period; “Interest payable” and “Dividend payable” are merger shown as “Other account payable”, ending amount

of “Other account payable” adjusted and increased 28,295,981.59 yuan while 19,201,262.76 yuan at beginning of the period; ”Special account payable” merger into “Long-term account payable”, ending amount of “Long-term account payable” adjusted and increased 800,000.00 yuan while 800,000.00 yuan at beginning of the period.

Newly increase “R&D Expenses” item to the income statement, and reclassify the R&D expenses in the original “Management Expenses” into “R&D Expenses” for separate presentation, and the comparative data is adjusted accordingly, the Group has sorted out the relevant business, as no related business was involved in 2017 and 2018, this change had no significant impact on the Group’s operating results. Under the financial expenses in the income statement, the items “of which: interest expenses” and “interest income” are newly added, and the comparative data is adjusted accordingly.

In the statement of changes in owner’s equity, the item “variation of defined benefit plans carrying over to retained earnings” and “other comprehensive income carrying over to retained earnings” are newly added. The Group has sorted out related business, since it does not involve related business, the change has no significant impact on the Group’s operating results.

VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

Applicable Not applicable

Details of changes in consolidation statement’s scope can be seen in Note VI of Financial Report.

IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	Ernst & Young CPA (Special General partnership)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	332.78
Continuous life of auditing service for domestic accounting firm	3- year
Name of domestic CPA	Li Jianguang, Yan Ping
Continuous life of CPA from the domestic accounting firm for auditing service	3-year
Name of foreign accounting firm (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA (if applicable)	N/A
Continuous life of CPA from the foreign accounting firm for auditing service (if applicable)	N/A

Re-appointed accounting firms in this period

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable Not applicable

The Company engaged Ernst & Young CPA (Special General partnership) as the audit body for internal control, and auditing charge for internal control amounting as 826,000 yuan.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII. Significant lawsuits and arbitration of the Company

Applicable Not applicable

No significant lawsuits and arbitration occurred in the reporting period.

XIII. Penalty and rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers

Applicable Not applicable

In reporting period, controlling shareholder and actual controller of the Company has a sound integrity, and there are no cases of failure to implement the effective judgement of the court and the large amount of debt due and unliquidated

XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives

Applicable Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

XVI. Major related transaction

1. Related transaction with routine operation concerned

(1) Related transaction with routine operation concerned can be found in “X. Related party and related transaction” carried in Section XI. Financial Report;

(2) The related transactions are settled in cash and by notes, according to the *Proposal of Expected Routine Related Transactions with Subordinate Enterprise for Year of 2018* deliberated and approved by 30th session of 7th BOD held on 21 March 2018 and *Notice on Expected Routine Related Transaction for Year of 2018* (Notice No.: 2018-8) released on 23 March 2018, the related sales takes 48.39% in total expected amount for the whole year, and related procurement takes 80.45% in total expected amount for the whole year.

2. Related transactions by assets acquisition and sold

Applicable Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period.

3. Main related transactions of mutual investment outside

Applicable Not applicable

No main related transactions of mutual investment outside for the Company in reporting period.

4. Contact of related credit and debt

Applicable Not applicable

Whether the Company had non-operating contact of related credit and debt

Yes No

The Company had no non-operating contact of related credit and debt in the reporting period.

5. Other related transactions

Applicable Not applicable

The Company had no other related transaction in the reporting period.

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

The Company had no trusteeship in the reporting period.

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period.

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period.

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company and the subsidiaries (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee between the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Sinopharm Holding Shenzhen Jianmin Co., Ltd.	22 Mar. 2018	500	15 Oct. 2018	379.11	Joint liability assurance	2018-10-15-2019-10-14	N	N
Sinopharm Holding Shenzhen Jianmin Co., Ltd.	19 Sept. 2018	1,000	24 Dec. 2018	540	Joint liability assurance	2018-12-24-2019-12-24	N	N

Sinopharm Holding Shenzhen Medicinal Materials Co., Ltd.	22 Mar. 2018	500	15 Oct. 2018	256.54	Joint liability assurance	2018-10-15-2019-10-14	N	N
China National Accord Medicines Corporation Ltd.	22 Mar. 2018	25,000	13 Jul. 2018	5,100	Joint liability assurance	2018-7-13-2018-9-30	N	N
China National Accord Medicines Corporation Ltd.	19 Sept. 2018	20,000	3 Dec. 2018	14,037.84	Joint liability assurance	2018-12-3-2019-11-27	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	35,000	20 May 2018	3,091.75	Joint liability assurance	2018.5.20-2019.5.20	N	N
Sinopharm Holding Guangzhou Co., Ltd.	19 Sept. 2018	30,000	28 Nov. 2018	30,000	Joint liability assurance	2018.11.28-2019.10.31	N	N
Sinopharm Holding Guangzhou Co., Ltd.	19 Sept. 2018	60,000	20 Dec. 2018	42,113.3	Joint liability assurance	2018.12.20-2019.12.19	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	15,000	7 Aug. 2018		Joint liability assurance	2018.8.7-2019.8.5	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	50,000	29 May 2018	45,452.03	Joint liability assurance	2018.5.29-2019.5.29	N	N
Sinopharm Holding Guangzhou Co., Ltd.	19 Sept. 2018	35,000	15 Oct. 2018		Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	40,000	5 Jun. 2018	39,986.77	Joint liability assurance	2018.6.5-2019.6.4	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	40,000	9 May 2018		Joint liability assurance	2018.5.9-2019.5.8	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	20,000	22 Jun. 2018	19,084.6	Joint liability assurance	2018.6.22-2019.6.21	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	20,000	5 Jul. 2018	4,718.14	Joint liability assurance	2018.7.5-2019.7.4	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	60,000	13 Jun. 2018	24,041.24	Joint liability assurance	2018.6.13-2019.6.12	N	N
Sinopharm Holding Guangzhou Co., Ltd.	22 Mar. 2018	80,000	19 Apr. 2018	1,509.28	Joint liability assurance	2018.4.19-2019.3.31	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd	22 Mar. 2018	5,000	20 May 2018	1,767.15	Joint liability assurance	2018.5.20-2019.5.20	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd	19 Sept. 2018	5,000	15 Oct. 2018	3,933.06	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd	19 Apr. 2017	5,000	5 Jan. 2018	3,293.97	Joint liability assurance	2018.1.5-2019.1.4	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd	22 Mar. 2018	5,000	22 Jun. 2018		Joint liability assurance	2018.6.22-2019.6.21	N	N
Sinopharm Holding Guangdong Yuexing Co., Ltd	22 Mar. 2018	5,000	12 Jul. 2018	4,938.49	Joint liability assurance	2018.7.12-2019.6.12	N	N
Sinopharm Holding Guangdong Hengxing Co., Ltd	19 Sept. 2018	3,000	9 Nov. 2018	2,381.56	Joint liability assurance	2018.11.16-2019.10.31	N	N

Sinopharm Holding Guangdong Hengxing Co., Ltd	22 Mar. 2018	5,000	6 Jun. 2018	792.14	Joint liability assurance	2018.6.6-2019.6.5	N	N
Guangdong Dongfang New Special Medicine Co., Ltd	22 Mar. 2018	4,000	20 Aug. 2018	3,992.38	Joint liability assurance	2018.08.20-2019.08.19	N	N
Sinopharm Holding Huizhou Co., Ltd	19 Sept. 2018	1,000	12 Oct. 2018	298.52	Joint liability assurance	2018.10.12-2019.10.11	N	N
Sinopharm Holding Huizhou Co., Ltd	22 Mar. 2018	3,000	18 Sept. 2018		Joint liability assurance	2018.09.18-2019.09.17	N	N
Sinopharm Holding Jiangmen Renren Co., Ltd.	19 Sept. 2018	1,000	15 Oct. 2018		Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Shantou Co., Ltd.	19 Sept. 2018	500	12 Oct. 2018	500	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Zhaoqing Co., Ltd.	19 Sept. 2018	2,000	15 Oct. 2018	883.02	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Zhongshan Co., Ltd.	19 Sept. 2018	1,000	15 Oct. 2018		Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Zhongshan Co., Ltd.	22 Mar. 2018	1,000	9 May 2018		Joint liability assurance	2018.06.14-2019.06.13	N	N
Sinopharm Holding Zhuhai Co., Ltd.	19 Sept. 2018	1,000	15 Oct. 2018	166.26	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Dongguan Co., Ltd.	19 Sept. 2018	2,000	15 Oct. 2018		Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Meizhou Co., Ltd.	19 Sept. 2018	1,000	15 Oct. 2018	500	Joint liability assurance	2018.10.15-2019.10.14	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	22 Mar. 2018	15,000	1 July 2018	11,268.74	Joint liability assurance	2018.7.1-2019.6.30	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	22 Mar. 2018	5,000	19 Jul. 2018	3,335.85	Joint liability assurance	2018.7.19-2019.10.31	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	22 Mar. 2018	10,000	2 Jul. 2018	2,479.14	Joint liability assurance	2018.7.2-2019.6.26	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	22 Mar. 2018	10,000	7 Sept. 2018	6,885.71	Joint liability assurance	2018.9.7-2019.9.6	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	19 Sept. 2018	3,000	15 Oct. 2018		Joint liability assurance	2018.10.15-2019.10.14	N	N
Guangdong Nanfang Pharmaceutical Foreign Trade Co., Ltd.	22 Mar. 2018	2,500	17 Apr. 2018	38.2	Joint liability assurance	2018.4.17-2018.12.31	N	N

Foshan Nanhai Medicine Co., Ltd.	22 Mar. 2018	5,000	31 Jul. 2018		Joint liability assurance	2018.7.31-2019.7.31	N	N
Foshan Nanhai Medicine Co., Ltd.	19 Sept. 2018	5,000	15 Oct. 2018	1,912.65	Joint liability assurance	2018.10.15-2019.10.14	N	N
Foshan Nanhai Medicine Co., Ltd.	19 Sept. 2018	5,000	20 Nov. 2018	3,987	Joint liability assurance	2018.11.20-2019.10.31	N	N
Foshan Nanhai Medicine Co., Ltd.	19 Sept. 2018	3,000	20 Nov. 2018	126.25	Joint liability assurance	2018.11.20-2019.11.19	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	22 Mar. 2018	5,000	23 May 2018		Joint liability assurance	2018.5.23-2019.5.22	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	22 Mar. 2018	5,000	31 Jul. 2018		Joint liability assurance	2018.7.31-2019.7.31	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	19 Sept. 2018	6,000	15 Oct. 2018	1,013.53	Joint liability assurance	2018.10.15-2019.10.14	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	19 Sept. 2018	5,000	16 Nov. 2018	4,235.47	Joint liability assurance	2018.11.16-2019.10.31	N	N
Foshan Nanhai Uptodate & Special Medicines Co. Ltd.	19 Sept. 2018	3,000	20 Nov. 2018	130.14	Joint liability assurance	2018.11.20-2019.11.19	N	N
Sinopharm Holding Foshan Co., Ltd	19 Sept. 2018	1,500	15 Oct. 2018	631.98	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Foshan Co., Ltd	19 Sept. 2018	1,000	20 Nov. 2018	543.42	Joint liability assurance	2018.11.20-2019.11.19	N	N
Sinopharm Holding Zhanjiang Co., Ltd	19 Sept. 2018	3,000	21 Nov. 2018		Joint liability assurance	2018.11.21-2019.11.20	N	N
Sinopharm Holding Zhanjiang Co., Ltd	19 Sept. 2018	1,000	15 Oct. 2018	1,000	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Guangxi Co., Ltd.	19 Sept. 2018	20,000	26 Nov. 2018	13,311.03	Joint liability assurance	2018.11.26-2019.11.26	N	N
Sinopharm Holding Guangxi Co., Ltd.	22 Mar. 2018	28,000	15 Oct. 2018	207.32	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Guangxi Co., Ltd.	19 Sept. 2018	25,000	15 Nov. 2018	12,740.59	Joint liability assurance	2018.11.15-2019.11.7	N	N
Sinopharm Holding Guangxi Co., Ltd.	19 Sept. 2018	15,000	13 Dec. 2018	11,992.28	Joint liability assurance	2018.12.13-2019.11.27	N	N
Sinopharm Holding Guangxi Co., Ltd.	22 Mar. 2018	10,000	20 Jun. 2018	1,708.2	Joint liability assurance	2018.6.20-2019.6.20	N	N
Sinopharm Holding Guangxi Co., Ltd.	22 Mar. 2018	5,000	5 Jun. 2018		Joint liability assurance	2018.6.5-2019.6.5	N	N
Sinopharm Holding Guangxi Co., Ltd.	22 Mar. 2018	5,000	5 Jun. 2018	2,989.87	Joint liability assurance	2018.6.5-2019.6.5	N	N
Sinopharm Holding Guangxi Co., Ltd.	22 Mar. 2018	5,000	22 Jun. 2018	4,967.52	Joint liability assurance	2018.6.22-2019.6.21	N	N

Sinopharm Holding Liuzhou Co., Ltd	19 Sept. 2018	9,000	15 Oct. 2018	2,935.26	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Liuzhou Co., Ltd	22 Mar. 2018	5,000	21 Jun. 2018	4,559.55	Joint liability assurance	2018.6.21-2019.6.20	N	N
Sinopharm Holding Liuzhou Co., Ltd	19 Apr. 2017	6,000	14 Mar. 2018	5,845.69	Joint liability assurance	2018.3.14-2019.1.2	N	N
Sinopharm Holding Liuzhou Co., Ltd	19 Sept. 2018	5,000	12 Nov. 2018	4,999.57	Joint liability assurance	2018.11.12-2019.4.18	N	N
Sinopharm Holding Liuzhou Co., Ltd	22 Mar. 2018	9,000	7 Sept. 2018		Joint liability assurance	2018.9.7-2019.9.5	N	N
Sinopharm Holding Shenzhen Yanfeng Co., Ltd	19 Sept. 2018	9,000	15 Oct. 2018	1,600	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Shenzhen Yanfeng Co., Ltd	19 Sept. 2018	5,000	3 Dec. 2018	2,700	Joint liability assurance	2018.12.03-2019.11.27	N	N
Sinopharm Holding Shenzhen Yanfeng Co., Ltd	22 Mar. 2018	7,000	13 Jun. 2018	4,500	Joint liability assurance	2018.06.13-2019.06.12	N	N
Total amount of approving guarantee for subsidiaries in report period (B1)			833,500	Total amount of actual occurred guarantee for subsidiaries in report period (B2)				1,110,735.72
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			844,500	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)				366,402.11
Guarantee between the subsidiaries and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Fujian Guoda Drugstore Chain Co., Ltd	22 Mar.2018	2,275	20 Apr. 2018	350.51	Joint liability assurance	2018.4.20-2019.4.19	N	N
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd	19 Sept.2018	8,000	10 Oct. 2018	6,541.44	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd	19 Sept.2018	2,400	20 Dec. 2018		Joint liability assurance	2018.12.20-2019.12.19	N	N
Sinopharm Holding Guoda Drugstore Guangxi Chain Co., Ltd	19 Sept. 2018	3,000	10 Oct. 2018	2,064.44	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Jiangmen Chain Co., Ltd	19 Sept. 2018	3,000	10 Oct. 2018	157.63	Joint liability assurance	2018.10.10-2019.10.9	N	N

Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd	22 Mar. 2018	3,000	3 Jul. 2018	1,189.94	Joint liability assurance	2018.7.3-2019.7.2	N	N
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd	22 Mar. 2018	3,000	25 Apr. 2018	12.00	Joint liability assurance	2018.4.25-2019.4.24	N	N
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd	19 Sept. 2018	8,000	10 Oct. 2018	6,699.92	Joint liability assurance	2018.10.10-2019.10.9	N	N
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	19 Sept. 2018	5,000	16 Oct. 2018	4,025.00	Joint liability assurance	2018.10.16-2019.10.15	N	N
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	22 Mar. 2018	5,000	16 May 2018	3,500.00	Joint liability assurance	2018.5.16-2019.5.15	N	N
Shanxi Guoda Wanmin Drugstore Chain Co.,Ltd	22 Mar. 2018	3,000	28 Jun. 2018		Joint liability assurance	2018.6.28-2019.6.27	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd	19 Sept. 2018	5,000	28 Nov. 2018	2,684.93	Joint liability assurance	2018.11.28-2019.11.27	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd	22 Mar. 2018	10,000	23 Apr. 2018	9,040.50	Joint liability assurance	2018.4.23-2019.4.22	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd	19 Sept. 2018	6,000	15 Oct. 2018	579.44	Joint liability assurance	2018.10.15-2019.10.14	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd	19 Sept. 2018	6,000	17 Oct. 2018	5,434.44	Joint liability assurance	2018.11.17-2019.11.16	N	N
Sinopharm Holding Guoda Drugstore Shenyang Chain Co., Ltd	19 Sept. 2018	15,000	10 Oct. 2018	12,942.75	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	22 Mar. 2018	6,000	21 May 2018	5,272.74	Joint liability assurance	2018.5.21-2019.5.20	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	19 Apr. 2017	4,000	30 Aug. 2017	471.8	Joint liability assurance	2017.8.30-2018.8.29	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	19 Sept. 2018	4,900	21 Nov. 2018	2,531.06	Joint liability assurance	2018.11.21-2019.11.20	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	19 Apr. 2017	2,800	5 Feb. 2018	2,161.57	Joint liability assurance	2018.2.5-2019.2.4	N	N

Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	22 Mar. 2018	4,000	28 Jun. 2018	3,995.20	Joint liability assurance	2018.6.28-2019.6.27	N	N
Hunan Guoda Minshengtang Drugstore Chain Co., Ltd	22 Mar. 2018	3,000	10 Oct. 2018	2,094.22	Joint liability assurance	2018.10.10-2019.10.9	N	N
Ningxia Guoda Drugstore Chain Co., Ltd	22 Mar. 2018	4,000	16 Oct. 2018	2,034.00	Joint liability assurance	2018.10.16-2019.10.16	N	N
Sinopharm Holding Guoda Drugstore Yangzhou Dadengsheng Chain Co., Ltd	19 Sept. 2018	2,000	10 Oct. 2018	1,897.96	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Jiangmen Chain Co., Ltd	22 Mar. 2018	2,000	1 Apr. 2018	1,671.88	Joint liability assurance	2018.4.1-2019.4.1	N	N
Sinopharm Holding Guoda Drugstore Shanghai Chain Co., Ltd	22 Mar. 2018	4,000	1 Apr. 2018	2,890.56	Joint liability assurance	2018.4.1-2019.4.1	N	N
Sinopharm Holding Guoda Drugstore Henan Chain Co., Ltd	22 Mar. 2018	3,000	11 May 2018	20.45	Joint liability assurance	2018.5.11-2019.5.10	N	N
Shanxi Guoda Wanmin Drugstore Chain Co., Ltd	22 Mar. 2018	5,000	28 Apr. 2018	3,650.40	Joint liability assurance	2018.4.28-2019.4.27	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	22 Mar. 2018	3,000	23 Apr. 2018	3,000.00	Joint liability assurance	2018.4.23-2019.4.22	N	N
Sinopharm Holding Guoda Drugstore Inner Mongolia Co., Ltd	22 Mar. 2018	2,000	24 Apr. 2018	1,041.84	Joint liability assurance	2018.4.24-2019.4.23	N	N
China National Hebei LeRenTang Medicine Chain Co., Ltd	19 Sept. 2018	3,000	10 Oct. 2018	1,969.11	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd	22 Mar. 2018	3,000	18 May 2018	2,376.80	Joint liability assurance	2018.5.18-2019.5.17	N	N
Fujian Guoda Drugstore Chain Co., Ltd	22 Mar. 2018	5,000	18 May 2018	1,724.30	Joint liability assurance	2018.5.18-2019.5.17	N	N
Fujian Guoda Drugstore Chain Co., Ltd	22 Mar. 2018	2,000	25 Jun. 2018	99.04	Joint liability assurance	2018.6.25-2019.6.24	N	N
Sinopharm Holding Guoda Drugstore Henan Chain Co., Ltd	22 Mar. 2018	3,000	24 Jun. 2018	443.56	Joint liability assurance	2018.6.24-2019.6.23	N	N
Sinopharm Holding Guoda Drugstore Xinjiang New Special Medicine Chain Co., Ltd	22 Mar. 2018	3,000	11 Oct. 2018	1,882.11	Joint liability assurance	2018.10.11-2019.10.10	N	N

Beijing Jinxiang Drugstore Medicine Chain Co., Ltd	22 Mar. 2018	4,000	28 Sept. 2018	2,623.48	Joint liability assurance	2018.9.28-2019.9.27	N	N
Sinopharm Holding Guoda Drugstore Nanjing Chain Co., Ltd	22 Mar. 2018	1,000	28 Sept. 2018	665.40	Joint liability assurance	2018.9.28-2019.9.27	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	19 Sept. 2018	5,000	10 Oct. 2018	5,000.00	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Shanghai Chain Co., Ltd	19 Sept. 2018	4,000	10 Oct. 2018	59.90	Joint liability assurance	2018.10.10-2019.10.9	N	N
Sinopharm Holding Guoda Drugstore Guangdong Co., Ltd	19 Sept. 2018	3,000	28 Sept. 2018	1,032.80	Joint liability assurance	2018.9.28-2019.9.27	N	N
Sinopharm Holding Guoda Drugstore Shandong Co., Ltd	19 Sept. 2018	4,000	28 Nov. 2018	1,480.06	Joint liability assurance	2018.11.28-2019.11.27	N	N
Sinopharm Holding Guoda Drugstore Shanxi Yiyuan Chain Co., Ltd	19 Sept. 2018	3,000	15 Nov. 2018	3,000.00	Joint liability assurance	2018.11.15-2019.11.14	N	N
Taishan China National Guoda Qunkang Drugstore Chain Co., Ltd	22 Mar. 2018	500	2 Jun. 2018	178.13	Joint liability assurance	2018.6.2-2019.6.1	N	N
Sinopharm Holding Guoda Drugstore Jiangmen Chain Co., Ltd	19 Sept. 2018	2,000	28 Sept. 2018	940.62	Joint liability assurance	2018.9.28-2019.9.27	N	N
Total amount of approving guarantee for subsidiaries in report period (C1)		176,075	Total amount of actual occurred guarantee for subsidiaries in report period (C2)					87,203.398
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		182,875	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)					111,431.93
Total amount of guarantee of the Company (total of three above mentioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		1,009,575	Total amount of actual occurred guarantee in report period (A2+B2+C2)					1,197,939.11
Total amount of approved guarantee at the end of report period (A3+B3+C3)		1,027,375	Total balance of actual guarantee at the end of report period (A4+B4+C4)					477,834.04
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+B4+C4)								41.13%

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

The Company had no trust financing in the reporting period.

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XVIII. Social responsibility

1. Execution of social responsibility

“Social Responsibility Report of Sinopharm Accord in 2018” can be seen in Juchao website released on the same date (<http://www.cninfo.com.cn>)

2. Execution of social responsibility of targeted poverty alleviation

The Company has not carried out targeted poverty alleviation in the reporting period and has no follow-up plan of targeted poverty alleviation

3. Environment protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department
Voluntary disclosure

Company/subsidiary	Name of Major Pollutants and Particular Pollutants	Emission Method	Quantity of Discharge Outlet	Distribution of Discharge Outlet	Emission Concentration	Executed Pollutant Discharge Standards	Total Emissions	Approved Total Emissions	Excessive Discharge
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China National Zhijun	COD	Tube Discharge	1	Discharge Outlet of Waste Water	19.3mg/l	DB44/26-2001 Level 1 standard for the second period	1.21 ton/year	6.64 ton/year	N
China National Zhijun	Ammonia Nitrogen	Tube Discharge	1	Discharge Outlet of Waste Water	1.43mg/l		0.09 ton/year	0.7 ton/year	N
China National Zhijun	Phosphate	Tube Discharge	1	Discharge Outlet of Waste Water	0.03mg/l		0.00188 ton/year	0.0369 ton/year	N
China National Zhijun	BOD	Tube Discharge	1	Discharge Outlet of Waste Water	3.01mg/l		0.19 ton/year	1.476 ton/year	N
China National Zhijun	SS	Tube Discharge	1	Discharge Outlet of Waste Water	2.24mg/l		0.14 ton/year	4.428 ton/year	N
Zhijun Pingshan	COD	Tube Discharge	1	Discharge Outlet of Waste Water	11.91mg/L	The Class IV water (Ammonia Nitrogen up to Class V) Standard in "Discharge standard of water pollutants in mixed pharmaceutical industry"(GB21908-2008) and "Standard of Surface water environmental quality"(GB3838-2002)	0.7657 ton/year	2.16 ton/year	N
Zhijun Pingshan	Ammonia Nitrogen	Tube Discharge	1	Discharge Outlet of Waste Water	0.13mg/L		0.008 ton/year	0.144 ton/year	N
Zhijun Pingshan	Total phosphorus	Tube Discharge	1	Discharge Outlet of Waste Water	0.08mg/L		0.005 ton/year	0.0216 ton/year	N
Zhijun Pingshan	BOD	Tube Discharge	1	Discharge Outlet of Waste Water	2.89mg/L		0.1858 ton/year	0.432 ton/year	N
Zhijun Pingshan	Suspended solids	Tube Discharge	1	Discharge Outlet of Waste Water	15.82mg/L		1.0171 ton/year	2.16 ton/year	N
Main Luck Pharmaceuticals	COD	Tube Discharge	1	Discharge Outlet of Waste Water	15mg/L	DB44/26-2001 Level 1 standard for the second period	0.015 ton/year	0.09 ton/year	N
Main Luck Pharmaceuticals	Ammonia Nitrogen	Tube Discharge	1	Discharge Outlet of Waste Water	1mg/L		0.001 ton/year	0.01 ton/year	N
Main Luck Pharmaceuticals	Phosphate	Tube Discharge	1	Discharge Outlet of Waste Water	0.05mg/l		0.00005 ton/year	0.0005 ton/year	N
Main Luck Pharmaceuticals	BOD	Tube Discharge	1	Discharge Outlet of Waste Water	5mg/L		0.005 ton/year	0.02 ton/year	N
Main Luck Pharmaceuticals	SS	Tube Discharge	1	Discharge Outlet of Waste Water	8mg/L		0.008 ton/year	0.06 ton/year	N

Construction and operation of pollution prevention and control facilities

At present, the above-mentioned environmental pollution key monitoring units in which the Company has a shareholding have established pollution prevention and control facilities for waste water. In the daily management process, enterprises establish management procedures and operating instructions for environmental protection facilities, and ensure the normal and compliant operation of anti-pollution facilities through system implementation and responsibility implementation. All enterprises are continuously investing funds and stepping up the transformation and improvement of pollution prevention and control facilities to ensure the stable operation of pollution prevention facilities and improve the disposal capacity of environmental protection facilities.

Environmental impact assessment of construction projects and other environmental protection administrative licenses

At present, the projects of all key monitoring units have carried out environmental impact assessments and obtained approvals. The projects to be built also carry out the relevant administrative review procedures according to the “three simultaneous” requirements of the environmental protection facilities of the construction project.

Emergency plan for environmental emergencies

At present, the above-mentioned environmental pollution key monitoring units in which the Company has a shareholding have formulated the Emergency Plan for Environmental Emergencies and reported them according to the regulatory requirements of the local regulatory authorities. According to the management requirements of the emergency plan, the key units regularly carry out emergency plan drills to further provide the enterprises’ emergency response capability.

Environmental self-monitoring scheme

At present, the above-mentioned environmental pollution key monitoring units in which the Company has a shareholding have established environmental self-detection scheme and plan, and implemented self-inspection, third-party detection and other monitoring methods according to the government requirements. Relevant monitoring data and reports have been archived and saved.

Other environmental information that should be disclosed

The above two companies are joint stock companies of the Company. The Company and its holding subsidiaries are not listed as key pollutant discharge units announced by the environmental protection department.

Relevant information on environment protection

Nil

XIX. Explanation on other significant events

Applicable Not applicable

The proposal on the wholly-owned subsidiary Sinopharm Holding Guoda Drugstore Co.,Ltd., Bringing in Strategic Investors by Means of Capital Increase and Share Expansion was deliberated and approved on the 25th meeting of the 7th session of Board of Directors On Sep. 4th, 2017, and the wholly-owned subsidiary Sinopharm Holding Guoda Drugstore Co., Ltd (hereinafter referred to as “Guoda Drugstore”) has got the approval of bringing in one strategic investor by means of capital increase and share expansion, taking assets assessment report as the reference of pricing. The Company was publicly listed on the Shanghai United Assets and Equity Exchange on September 20, 2017, and collected an intentional investor, Walgreens Boots Alliance (NASDAQ Code: WBA), as the actual controller, it subscribed for the equity of Guoda Drugstore by taking its wholly-owned subsidiary established in Hong Kong, Walgreens Boots Alliance (Hong Kong) Investments Limited (hereinafter referred to as “WBAHKIL”), as the capital increase entity to subscribe the equity of Guoda Drugstore with the capital increase amount of RMB 2,766,700,000. It holds 40% equity of Guoda Drugstore after the capital increase. At the beginning of December 2017, in accordance with the equity transaction rules, the Company, Guoda Drugstore and WBAHKIL jointly signed the Registration Capital Increase and Subscription Agreement.

On March 23, 2018, the Company received the Written Decision on Nonperformance of Further Review (SFLCSH [2018] No. 104) issued by the Ministry of Commerce of the People's Republic of China, which was transferred from Walgreens Boots Alliance Investment Luxembourg Co., Ltd.

At the end of June 2018, Guoda Drugstore obtained the registration receipt for the establishment of a foreign-invested enterprise from the Commerce Commission of Jing'an District, Shanghai Municipality, and completed the industrial and commercial registration on June 28, 2018.

XX. Significant event of subsidiary of the Company

Applicable Not applicable

See "XIX. Explanation on other significant events"

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	65,497,028	15.30%						65,497,028	15.30%
2. State-owned legal person's shares	60,380,743	14.10%						60,380,743	14.10%
3. Other domestic shareholding	5,116,285	1.20%						5,116,285	1.20%
Including: Domestic legal person's shares	5,114,297	1.19%						5,114,297	1.19%
Domestic nature person shares	1,988	0.00%						1,988	0.00%
II. Unrestricted shares	362,629,955	84.70%						362,629,955	84.70%
1. RMB Ordinary shares	307,744,355	71.88%						307,744,355	71.88%
2. Domestically listed foreign shares	54,885,600	12.82%						54,885,600	12.82%
III. Total shares	428,126,983	100.00%						428,126,983	100.00%

Reasons for share changed

Applicable Not applicable

Approval of share changed

Applicable Not applicable

Ownership transfer of share changed

Applicable Not applicable

Progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

II. Securities issuance and listing

1. Security offering (without preferred stock) in Reporting Period

Applicable Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

3. Current internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	18,101	Total common stock shareholders at end of last month before annual report disclosed	17,550	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of unrestricted shares held	Number of share pledged/frozen	
							State of share	Amount
Sinopharm Group Co., Ltd	State-owned Corporation	56.06%	239,999,991		55,057,700	184,942,291		
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign Corporation	2.68%	11,469,644		0	11,469,644		

China United Property Insurance Company Limited - Traditional insurance products	Domestic non state-owned Corporation	1.73%	7,400,422		0	7,400,422		
China National Pharmaceutical Foreign Trade Corp.	State-owned Corporation	1.24%	5,323,043		5,323,043	0		
China Life Insurance Co., Ltd. – tradition –general insurance products -005L-CT001 Shen	Domestic non state-owned Corporation	1.17%	5,013,800		0	5,013,800		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign Corporation	0.99%	4,245,498		0	4,245,498		
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	Domestic non state-owned Corporation	0.98%	4,199,772		0	4,199,772		
#Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund	Domestic nature person	0.96%	4,118,716		0	4,118,716		
Central Huijin Investment Ltd.	State-owned Corporation	0.89%	3,804,400		0	3,804,400		
Bank of China-Harvest Shanghai-H.K.-Shenzhen Selected Securities Investment Fund	Domestic non state-owned Corporation	0.83%	3,554,700		0	3,554,700		
Explanation on associated relationship among the aforesaid shareholders	Sinopharm Group Co., Ltd. and China National Pharmaceutical Foreign Trade Corporation have the same actual controller, which is China National Pharmaceutical Group Corporation. It is unknown that there exists no associated relationship or belongs to the consistent person acting in concert among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.							
Particular about top ten shareholders with un-restrict shares held								

Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares	
		Type	Amount
Sinopharm Group Co., Ltd	184,942,291	RMB ordinary shares	184,942,291
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	11,469,644	Domestic listed foreign shares	11,469,644
China United Property Insurance Company Limited - Traditional insurance products	7,400,422	RMB ordinary shares	7,400,422
China Life Insurance Co., Ltd. – tradition –general insurance products - 005L-CT001 Shen	5,013,800	RMB ordinary shares	5,013,800
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,245,498	Domestic listed foreign shares	4,245,498
New China Life Insurance Co., Ltd. – Bonus – Individual bonuses - -018L-FH002 Shen	4,199,772	RMB ordinary shares	4,199,772
#Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund	4,118,716	RMB ordinary shares	4,118,716
Central Huijin Investment Ltd.	3,804,400	RMB ordinary shares	3,804,400
Bank of China- Harvest Shanghai-H.K.-Shenzhen Selected Securities Investment Fund	3,554,700	RMB ordinary shares	3,554,700
Hong Kong Securities Clearing Company Ltd	3,416,987	RMB ordinary shares	3,416,987
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	It is unknown that there exists no associated relationship or belongs to the consistent person acting in concert among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.		
Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held (if applicable) (see note 4)	Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund holds shares of the Company through margin trading and negotiable securities account that is 4,118,716 shares in total.		

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

2. Controlling shareholder of the Company

Nature of controlling shareholders: central state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Sinopharm Group Co., Ltd	Li Zhiming	2003-01-08	74618434-4	Industrial investment holding; management and assets reorganization entrusted by pharmaceutical enterprise; Chinese medicine, Chinese medicine tablets, chemical medicine preparations, chemical raw materials, antibiotics, biochemical drugs, biological products, narcotic drugs, psychotropic substances, toxic drugs for medical use (compatible with the business scope), medicine IVD Reagents, vaccine, anabolic agents, Peptide hormone and medical equipment. III: injection puncture instruments, hygienic materials & dressings, medical polymer materials and products, categories II: medical X-ray ancillary equipment and components; food marketing management (non-physical way), and domestic trade (other than special licensing), logistics and other consulting services, cosmetics, stationeries and related consulting services, operating various types of goods and import and export of technology (not attached directory of import and export commodities), but excluded the import and export of goods and technology the State limits or prohibit the company. [In right of exequatur to run if refers to permission operation].
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	Sinopharm Group Co., Ltd. hold 55.29 percent equity of China National Medicines Corporation Ltd (Stock code: 600511) up to the end of Period.			

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period.

3. Actual controller of the Company and persons acting in concert

Nature of actual controller: central state-owned assets management

Type of actual controller: legal person

Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business																
China National Pharmaceutical Group Corporation	She Lulin	1987-03-26	10000588-8	Chinese patent drug, traditional Chinese medicines prepared in ready-to-use forms, traditional Chinese medicinal materials, chemical API, chemical medicine preparation, antibiotics, biochemical drug and biologic pharmacy (License for pharmaceutical trading runs until 12 May 2020); mandatory for pharmaceutical enterprise, asset reorganization; consulting service of medicine industrial investment; exhibition of medical devices; consulting services with main business concerned. (the enterprise has independent choices on operation items for business; in right of exequatur to run if refers to permission operation ; operation activity that prohibited or restricted by the City Government are not allowed)																
Equity of domestic/oversea listed company control by actual controller in report period	<table border="1"> <thead> <tr> <th>Name</th> <th>Name of listed company with shares held</th> <th>Total shareholders held (10 thousand shares)</th> <th>Proportion of shares held</th> </tr> </thead> <tbody> <tr> <td>SINOPHARM</td> <td>Jianmin Group</td> <td>132.35</td> <td>0.86%</td> </tr> <tr> <td>SINOPHARM</td> <td>Sinopharm Holding</td> <td>20,728.95</td> <td>6.98%</td> </tr> <tr> <td>Sinopharm Holding Industrial Investment Co., Ltd.</td> <td>Sinopharm Holding</td> <td>157,155.60</td> <td>52.88%</td> </tr> </tbody> </table>				Name	Name of listed company with shares held	Total shareholders held (10 thousand shares)	Proportion of shares held	SINOPHARM	Jianmin Group	132.35	0.86%	SINOPHARM	Sinopharm Holding	20,728.95	6.98%	Sinopharm Holding Industrial Investment Co., Ltd.	Sinopharm Holding	157,155.60	52.88%
Name	Name of listed company with shares held	Total shareholders held (10 thousand shares)	Proportion of shares held																	
SINOPHARM	Jianmin Group	132.35	0.86%																	
SINOPHARM	Sinopharm Holding	20,728.95	6.98%																	
Sinopharm Holding Industrial Investment Co., Ltd.	Sinopharm Holding	157,155.60	52.88%																	

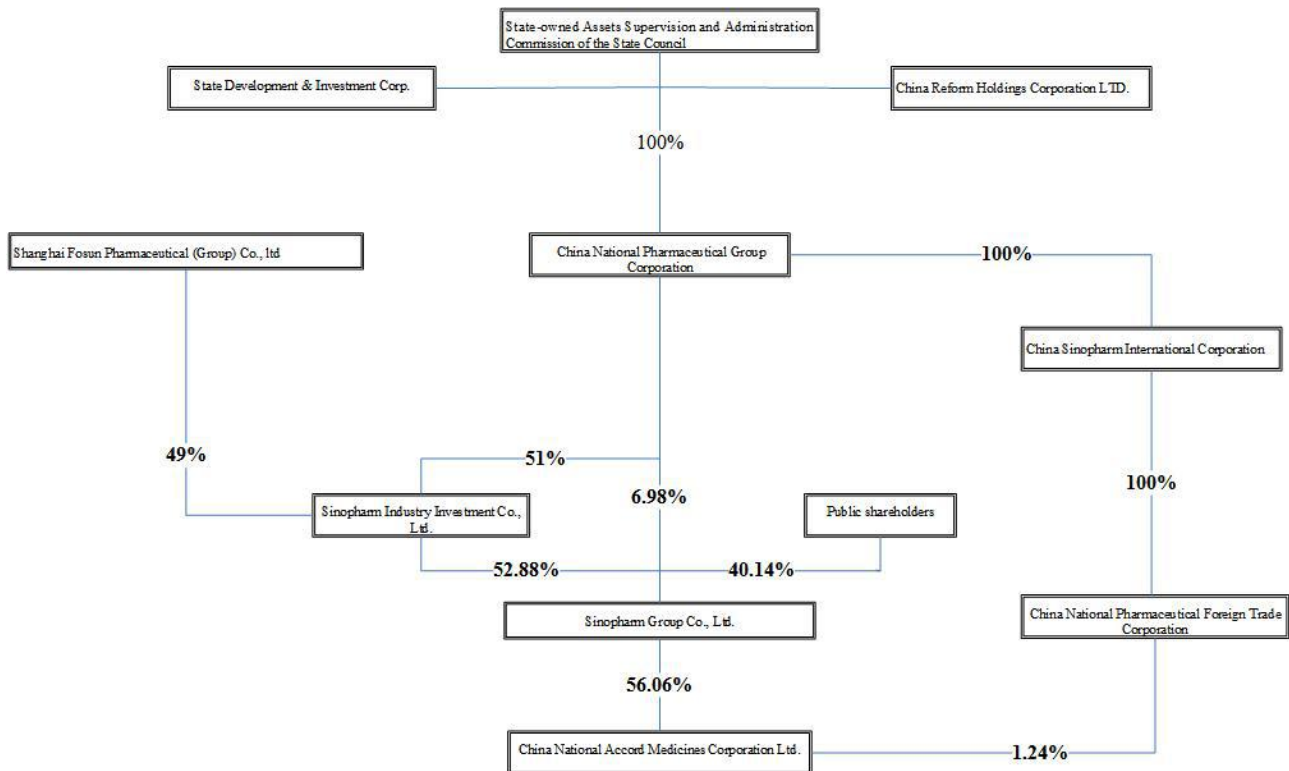
	Sinopharm Holding	Sinopharm Holding	42,261.77	55.29%
	Sinopharm Holding	Sinopharm Accord	24,000.00	56.06%
	Sinopharm Holding	Lianhuan Pharmaceutical	375.21	1.31%
	SIPS	Shyndec Pharmaceutical	23,951.26	22.68%
	China National Pharmaceutical Investment Co., Ltd.	Hengrui Medicine	16,310.11	4.43%
	China National Biotec Group Co., Ltd.	BTBP	43,523.36	49.96%
	SINOPHARM H.K. Co., Ltd.	China TCM	161,431.36	32.06%

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

I. Changes of shares held by directors, supervisors and senior executives

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Chen Changbin	Deputy GM, Secretary of the Board	Currently in office	M	51	13 Jan. 2015		2,651	0	0		2,651
Total	--	--	--	--	--	--	2,651	0	0		2,651

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Xiong Chuxiong	Independent Director	Office leaving while term is due	17 Apr. 2018	Expiration of term of 7 th BOD
Xiao Shengfang	Independent Director	Office leaving while term is due	17 Apr. 2018	Expiration of term of 7 th BOD
Wang Huaiqin	Staff supervisor	Office leaving while term is due	17 Apr. 2018	Expiration of term of 7 th Supervisory Committee
Lian Wanyong	Director	Appointment and removal	17 Apr. 2018	New Director of 8 th BOD
Li Dongjiu	Director	Appointment and removal	17 Apr. 2018	New Director of 8 th BOD
Ou Yongliang	Independent Director	Appointment and removal	17 Apr. 2018	New Independent Director of 8 th BOD
Chen Shengqun	Independent Director	Appointment and removal	17 Apr. 2018	New Independent Director of 8 th BOD
Lang Baochun	Staff supervisor	Appointment and removal	17 Apr. 2018	New Staff supervisor of 8 th Supervisory Committee
Lang Baochun	Staff supervisor	Office	8 Aug. 2018	Resign from staff supervisor for job arrangement

		leaving		
Lang Baochun	General counsel	Appointment and removal	22 Aug. 2018	New General counsel
Chen Guojing	Staff supervisor	Appointment and removal	8 Aug. 2018	New Staff supervisor of 8 th Supervisory Committee
Liu Tianrao	Deputy GM	Appointment and removal	11 Jan. 2019	New Deputy GM
Ma Zhanjun	Director	Appointment and removal	24 Jan.2019	New Director of 8 th BOD
Ma Zhanjun	Deputy Chairman	Appointment and removal	31 Jan.2019	New Deputy Chairman of 8 th BOD
Su Weiwei	Independent Director	Appointment and removal	24 Jan.2019	New Independent Director of 8 th BOD

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive at the present

1. Members of the Board

Mr. Liu Yong, joined Sinopharm Group Co., Ltd in January 2003 and serves as executive director and president of Sinopharm Holding since November 2017 and acts as deputy party secretary of Sinopharm Holding since January 2018; Mr. Liu own over 26 years of working experience, among which, over 23 years are related to management experience in medicine and health care products industry. He is a pharmacist-in-charge and licensed pharmacist. During the period from July 1992 to July 1999, Mr. Liu worked in the Shanghai Pharma, and successively served as deputy general manager of the marketing department of Shanghai Branch of China National Pharmaceutical Group Corporation and Shanghai Guoda Drugstore Chain Company Limited from July 1999 to April 2003. Mr. Liu served as GM and party secretary of the Sinopharm Holding Shenyang Co., Ltd from April 2003 to November 2009; a deputy president of Sinopharm Holding from January 2009 to November 2017; the Secretary of the Board of Sinopharm Holding from October 2016 to November 2017 and General Counsel of Sinopharm Holding from January 2014 to December 2017. Currently, he also acts as the Director of SINOPHARM, Sinopharm Holding Guoda Drugstore Co., Ltd., China National Scientific Instruments & Materials Co., Ltd and China National Medical Equipment Co., Ltd.; and Director and GM of Sinopharm Holding H.K. Co., Ltd. Mr. Liu serves as Director of the 7th BOD of the Company since January 2017 and Chairman of the 7th and 8th BOD of the Company since October 2017.

Mr. Ma Zhanjun served as president of Wuhan Ruipu Pharmaceutical Co., Ltd. from December 2000 to December 2003, from January 2004 to April 2005, he served as general manager of Sinopharm Group Pharmaceutical Holding Wuhan Co., Ltd., from April 2005 to December 2005, he served as executive deputy general manager of Sinopharm Holding Hubei Co., Ltd., and he served as general manager of Sinopharm Group Hubei Co., Ltd. from January 2006 to December 2014, from January 2015 to October 2018, he served as president of Sinopharm

Holding Hubei Co., Ltd., since November 2018, he has concurrently been serving as vice president of Sinopharm Holding Hubei Co., Ltd. Since January 2019, he has been serving as vice president of the eighth board of directors of the Company.

Mr. Li Zhiming, chairman of the board and the deputy Party Secretary of Sinopharm Group Co., Ltd, he joined the Sinopharm Holding in May 2010 as deputy president, served as executive director and president of Sinopharm Holding from November 2013 to March 2017; He serves as chairman of Sinopharm Holding since November 2017 and he is the deputy party secretary of Sinopharm Holding since November 2018. Mr. Li held the position of General counsel, Secretary of Committee for Discipline Inspection, chairman of the labor union, deputy Party Secretary and party secretary of Sinopharm Holding from October 2012 to March 2017. He owns more than 36 years of working experience, among which, 32 years are related to management experience in medicine and health care products industry. He is a senior economist and pharmacist-in-charge. During the period from July 1985 to July 1996, Mr. Li successively served as deputy director of the financing department of Xinjiang Xinte Nationality Pharmacy Company Limited, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trading Corporation, deputy general manager and chief accountant of Xinjiang Xinte Nationality Pharmacy Corporation, and deputy director of the preparation office of Xinjiang Autonomous Region Medicine Administration Bureau. From July 1996 to February 2016, Mr. Li worked in Xinjiang Xinte Nationality Pharmacy Corporation as general manager, chairman of the board and party secretary, and worked in Xinjiang Pharmaceutical Group Corporation (currently known as Sinopharm Group (Xinjiang) Co., Ltd.) as its general manager, Deputy Chairman of the board, chairman of the board and party secretary. Currently, he also serves as Director of China National Xinjiang Medicine Co., Ltd, Sinopharm Holding Senyi Tech. (Shanghai) Co., Ltd, China National Pharmaceutical Co., Ltd and Sinopharm Holding Guoda Drugstore Co., Ltd.; the deputy chairman of Shanghai Shyndec Pharmaceutical Co., Ltd and Chairman of Sinopharm Holding H.K. Co., Ltd, Sinopharm Holding (China) Finance Leasing Co., Ltd, China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd and Sinopharm Holding Medicine Investment Co., Ltd; He served as Chairman of the Company from February 2014 to August 2016 and acts as Director of the 7th and 8th BOD of the Company since August 2016.

Mr. Jiang Xiuchang, entered into Sinopharm Holding as the CFO in May 2010, and he has also acted as vice president of Sinopharm Holding since July 2013. Mr. Jiang owns over 31 years of working experiences, among which, 20 years of management experiences are related to medicine and health-care industries. He is a senior economist and senior accountant. Mr. Jiang has worked as deputy director of information department, deputy director of restructuring office, deputy director of financial department as well as deputy director of pharmaceutical department in China National Pharmaceutical Group Corporation from July 1986 to March 2002; he has also served as deputy director, director of financial department and chief financial officer of China National Medicines Corporation Ltd. in succession from March 2002 to May 2010. Currently, Mr. Jiang serves as Chairman of Sinopharm Holding Jiangxi Co., Ltd, Sinopharm Holding Shanxi Co., Ltd, Sinopharm Holding Inner Mongolia Co., Ltd, Sinopharm Holding Tianjin Co., Ltd, SINOPHARM Shanxi Co., Ltd and China National

Medicines Corporation Ltd; Director of Sinopharm Holding H.K. Co., Ltd and China National Finance Corporation Ltd; and executive Director of Beijing Sinopharm Taiyuan Property Management Co., Ltd and SINOPHARM Shanghai Co., Ltd; he serves as Director of the 6th, 7th and 8th BOD of the Company since March 2011.

Mr. Lian Wanyong is vice president of Sinopharm Group Co., Ltd. He joined China National Pharmaceutical Group Corporation Guangzhou Company in 1996 and successively served as product director of Yuexing Pharmaceutical Co., Ltd. and senior product manager of Hong Kong Tianjian International Co., Ltd. From August 2002 to January 2004, he served as deputy manager of the financial department of Barr laboratories, Inc., USA. From January 2004 to April 2014, he was appointed as manager of operational audit department, deputy director of financial asset management department and director of investment management department of China Medicinal Materials Group Company. From December 2010 to February 2014, he served as deputy general manager of Beijing Sinopharm Asset Management Center, from April 2014 to January 2018, he served as deputy director of the Policy Research Office of China National Pharmaceutical Group Corporation. Since January 2018, he has been serving as vice president of Sinopharm Group Co., Ltd., and Mr. Lian is concurrently serving as director of China National Medicines Corporation Ltd., director of China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd, and director of West China Dental Co., Ltd. He serves as Director of 8th BOD of the Company since April 2018.

Mr. Li Dongjiu is vice president and general counsel of Sinopharm Group Co., Ltd. From April 1997 to January 2002, he served as deputy general manager of North China Pharmaceutical Huasheng Co., Ltd., from January 2002 to December 2009, he served as deputy general manager of North China Pharmaceutical Co., Ltd., and concurrently served as general manager of North China Pharmaceutical Group Sales Company, and property representative of North China Pharmaceutical Group Southern Company (concurrently), from December 2009 to June 2010, he served as executive president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., and from June 2010 to September 2011, he was appointed as vice president of Shanghai Fosun Pharmaceutical (Group) Limited and director of the Pharmaceutical Management Committee, and president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., from September 2011 to January 2018, he served as senior vice president of Shanghai Fosun Pharmaceutical (Group) Limited, and concurrently served as director of pharmaceutical business and consumer goods management committee and chairman, president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. and concurrently vice-president of pharmaceutical industry management committee, responsible for strategy, investment, operation and management of pharmaceutical business and consumer product. Since January 2018, he has been serving as vice president of Sinopharm Group Co., Ltd. Mr. Li is concurrently director of China National Medicines Corporation Ltd. and Sinopharm Chemical Reagent Co., Ltd., and president of Sinopharm Holding Fujian Co., Ltd., Sinopharm Holding Fuzhou Co., Ltd., Sinopharm Holding Guizhou Co., Ltd. Sinopharm Holding Yunnan Co., Ltd., Sinopharm Xingsha

Pharmaceuticals (Xiamen) Co., Ltd., Sinopharm Holding Hainan Co., Ltd., China National Health Online Co., Ltd., Sinopharm Chemical Reagent Co., Ltd. And Sinopharm Holding Hutchison Whampoa Medicine Co., Ltd. He serves as Director of 8th BOD of the Company since April 2018.

Mr. Lin Zhaoxiong: Director and GM of Sinopharm Accord. Has served as deputy manager and manger of pharmaceutical department, manger of Pharmaceutical corporations and director of operation and management department during his work in China Pharmaceutical (Group) Guangzhou Co.,Ltd from January 1999 to December 2003 in succession; He has acted as the deputy general manger of Sinopharm Holding Guangzhou Co.,Ltd; the general manager of Sinopharm Holding Guangzhou Co.,Ltd from December 2006 to December 2008; He has served as the deputy general manger of the Company from December 2008 to March 2016; Mr Lin serves as the chairman of Sinopharm Holding Guoda Drugstore Co.,Ltd since October 2017; and GM of the Company since March 2016, Director of the 7th and 8th BOD of the Company since April 2016.

Mr. Chen Honghui, professor of Lingnan (University) College of Sun Yat-Sen University, a doctoral supervisor of management. He worked in school of management, Wuhan University of Science & Technology from July 1993 to June 2003 and successively acted as a tutor and instructor; he works in Lingnan (University) College of Sun Yat-Sen University since July 2003 and also served as deputy professor and professor; vice president of the Lingnan (University) College of Sun Yat-Sen University from 2007 to 2012; the director of department of business administration in Lingnan College since 2008, currently Mr. Chen serves as deputy chairman of the GDISR, independent director of Cabbeen Fashion Co., Ltd and Guangzhou Grandbuy Co., Ltd. He serves as independent director of the 7th and 8th BOD of the Company since March 2017.

Mr. Ou Yongliang is a Chinese practicing lawyer, vice chairman of All China Lawyers Association, vice chairman of Guangdong Province Law Society, president of the 9th and 10th Session of Guangdong Lawyers Association, director of Guangdong Hopesun Law Firm, member of the 12th Session of Guangdong Provincial Committee of the CPPCC, expert advisor of the 11th Party Congress of Guangdong Provincial Party Committee of the Communist Party of China, legislative consultant of the 12th Session of Standing Committee of Guangdong Provincial People's Congress, specially invited member of the 11th Session of Guangdong Provincial Committee of the CPPCC, member of the Guangdong Provincial Judge and Prosecutor Selection Committee, legal adviser of Hunan Provincial Party Committee and Provincial Government, representative of the 9th Congress of Guangzhou Municipality of the Communist Party of China, legal adviser of Guangzhou Municipal People's Government, supervisory judicial behavior supervisor of Guangdong Provincial Procuratorate, supervisor of service window of Guangdong Higher People's Court, legal adviser of the Criminal Investigation Bureau of Guangdong Provincial Public Security Department, arbitrator of China International Economic and Trade Arbitration Commission, arbitrator of South China International Arbitration Commission, arbitrator of Shanghai International Arbitration Commission, and arbitrator of Guangzhou Arbitration Commission. He serves as independent director of the 8th BOD of the Company since April 2018.

Mr. Chen Shengqun is an associate researcher and senior accountant, he has been teaching at the Shanghai National Accounting Institute since 2013. Mr. Chen came out of the postdoctoral research station of Shanghai University of Finance and Economics in 1998 as the first postdoctoral fellow in management accounting. He was employed as a senior researcher at the CAFR Center of the Hong Kong Polytechnic University and is currently a visiting professor of EDP curriculum at the Xiamen University. Since 1998, Mr. Chen has served as director of the finance division of China Pacific Insurance Co., Ltd., in 2002, he was transferred to serve as deputy general manager of the financing plan department of China Pacific Insurance Co., Ltd. (presiding work), at the end of 2003, he joined China Reinsurance Group and successively served as general manager of the fund application department of China Continent Insurance (concurrently general manager of the strategic development department, and general manager assistant of China Re Asset Management Company. He serves as independent director of the 8th BOD of the Company since April 2018.

Ms. Su Weiwei: Doctor of pharmacy, professor of School of Life Sciences of Sun Yat-Sen University and a doctoral supervisor. She worked in Guangdong pharmaceutical University from July 1987 to April 2000, and successively served as a teaching assistant, lecturers, associate professor and professor, she serves as a professor in Sun Yat-Sen University since May 2000. Ms. Su Weiwei have devoted herself to the research and development of innovative drugs for many years, and achieved two chemical clinical permission for first-type new drugs and one clinical permission for the fifth-type new drugs of TCM (traditional Chinese medicine) which have independent intellectual property rights.

2. Members of supervisors:

Mr. Wu Yijian: Director and Secretary of the Board of Sinopharm Group Co., Ltd. He worked in Sanjiu Enterprise Group since July 1993, and successively served as the sales director of Sanjiu Medical Trading Co., Ltd., COO of Sanjiu Medical Chain Co., Ltd. and deputy GM of Shanghai Sanjiu Technology Development Co., Ltd. He also works in Fosun Pharma Group since June 2004 and successively took post of Gm of the Shanghai Fosun Pharmaceutical Investment Co., Ltd., GM of Shanghai Fosun Pharmaceutical Co., Ltd. and GM of Shanghai Fumei Drugstore Co., Ltd. Wu served as deputy president of the Shanghai Yuyuan Tourist Mart Co., Ltd. from 2014 to 2015. He served as non-executive director of Sinopharm Holding from June 2016 to September 2017; and serves as non-executive director of Sinopharm Holding again since March 2018; Acts as secretary of the Board of Sinopharm Holding since January 2019. Currently, Mr. Wu serves as the assistant president, director of Business Administration Committee and joint GM of human resources department of Fosun Pharma, and Director of Sinopharm Industry Investment Co., Ltd. He serves as Chairman of the 7th and 8th supervisory committee of the Company since September 2016.

Ms. Liu Jingyun, postgraduate background. Currently she serves as the director of financial and asset management and director of assets and credit management dept. in Sinopharm Group Co., Ltd. and he successively hold a teaching post in Nanjing Radio and Television University, works in Sinopharm Group Co., Ltd. since November 2003 and serves as deputy director of assets management department, director of the financial & assets

management dept. and Director of ministry of finance and credit management. She serves as supervisor of the 7th and 8th supervisory committee of the Company since September 2016.

Ms. Chen Guojing: she worked in Shenzhen Accord Medicinal Materials Company in December 1999, now she serves as the office director and director of security department in the Company. Ms. Chen served as the financial manager and deputy chief of Finance and Funds Department of the Company from June 2005 to December 2013, she is the member of trade union federations of the Company and chairman of the first trade union since March 2009; she served as chief (part-time) of the auditing department of the Company from January 2013 to August 2017, and chief (part-time) of the risk and operation management of the Company from January 2014 to May 2016. She serves as staff supervisor of the 8th supervisory committee of the Company since August 2018

3. Senior executive

Mr. Lin Zhaoxiong, found in aforesaid previous work experience

Mr. Lin Min: Deputy GM of the Company. worked in China Pharmaceutical (Group) Guangzhou Co.,Ltd with successively taking the posts of assistant to manager, deputy general manger of Pharmacy Department and deputy general manger of purchasing in Pharmaceutical Company from Jan. 2001 to Nov. 2003; the city medical sales director of Sinopharm Holding Guangzhou Co., Ltd. From November 2003 to January 2005; took deputy general manager of Sinopharm Holding Guangzhou Co., Ltd from Jan. 2005 to Dec. 2008; he also acting as the GM of distribution business dept. of the Sinopharm Accord and Sinopharm Holding Guangzhou Co., Ltd. he serves as deputy GM of the Company since December 2008.

Mr. Zhao Xiaochuan: Deputy GM of the Company. He has served as the general manager of Liaoning Accord Chain Co., Ltd from December 2001 to April 2008; served as the general manger of Sinopharm Holding Guoda Tian Yi Tang Drugstore Chain (Shenyang) Co., Ltd and Sinopharm Holding Guoda Shenyang Chain Co., Ltd from May 2008 to June 2015; he has acted as general manager of Sinopharm Holding Guoda Drugstore Co., Ltd since June 2015; He has worked as the deputy general mänge of the Company since July 2017.

Mr. Liu Tianyao is deputy general manager of the Company. From August 2002 to April 2009, he served as senior director of human resources department of China National Pharmaceutical Group Corporation. From April 2009 to May 2017, he successively served as deputy director of human resources department, director of talent development department, director of human resources department, and director of retail medical business development department of Sinopharm Group Co., Ltd., from December 2013 to July 2016, he concurrently served as general manager of Shanghai Management Consulting Branch, from July 2016 to May 2017, he concurrently served as general manager of Sinopharm Holding Medical Management (Shanghai) Co., Ltd., since May 2017, he has been serving as director of human resources and director of human resources department of Sinopharm Group Co., Ltd and he serves as Deputy GM of the Company since January 2019.

Mr. Lin Xinyang: Deputy GM of the Company.He took the turns of deputy GM of Nanfang Pharm. Co., deputy GM of China Pharmaceutical (Group) Guangzhou Company Yuexing Company, general supervisor of PD of

Sinopharm Holding Guangzhou Company successively since January 1996; took the post of deputy GM of Sinopharm Holding Guangzhou Company from Jan. to Dec. 2004; serves as deputy GM of the Company since January 2005.

Mr. Lang Baochun is deputy secretary of the party committee, secretary of the disciplinary committee, chairman of the labor union and general counsel of the Company. From September 2007 to March 2008, he served as deputy director of general office of Sinopharm Group Co., Ltd., from March 2008 to December 2009, he served as general manager of Shanghai Chuanghui Investment Co., Ltd., from January 2010 to May 2010, he served as director of the research office of Shanghai Shibe Hi-Tech (Group) Co., Ltd., from June 2010 to September 2011, he served as deputy director of the president's office of Sinopharm Group Co., Ltd., from October 2011 to December 2015, he served as director of the strategic planning department of Sinopharm Group Co., Ltd., from January 2016 to June 2017, he served as secretary of the party committee of Sinopharm Guoda Drugstore Co., Ltd., from March 2016 to February 2018, he served as deputy secretary of the party committee and secretary of the disciplinary committee of the Company. Since March 2018, he has been serving as deputy secretary of the party committee, secretary of the disciplinary committee, and chairman of the labor union of the Company. He serves as General Counsel of the Company since August 2018

Mr. Wei Pingxiao: CFO of the Company. He took the turns of deputy section chief of financial department of China Electronic Information Industry Group, financial director of AMOI, section chief of planning financial department of China Electronic Finance Leasing Company, Deputy GM of AMOI Beijing branch, financial charger of AMOI and director of its subsidiary since April 1993; and he hold the post of CFO of the Company since December 2004.

Mr. Chen Changbin: Deputy GM of the Company, and Secretary of the Board. He has served as secretary of board of directors of the Company since December 2000; he has also worked as the director of planning investment management department of the Company as well as assistant general manager, in charge of strategic planning, investment and mergers and acquisitions, capital operation and affairs related to three major meetings. He has acted as the deputy general manger of the Company since April 2017.

Post-holding in shareholder's unit

√ Applicable □ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit	Start dated of office term
Liu Yong	Sinopharm Group Co., Ltd	Executive Director , President	2017-11-21
Liu Yong	Sinopharm Group Co., Ltd	Deputy party secretary	2018-01-02
Li Zhiming	Sinopharm Group Co., Ltd	Chairman	2017-11-21
Li Zhiming	Sinopharm Group Co., Ltd	Deputy party secretary	2018-11-02
Jiang Xiuchang	Sinopharm Group Co., Ltd	CFO	2010-05-09
Jiang Xiuchang	Sinopharm Group Co., Ltd	Deputy President	2013-07-10
Lian Wanyong	Sinopharm Group Co., Ltd	Deputy President	2018-01-26

Li Dongjiu	Sinopharm Group Co., Ltd	Deputy President	2018-01-26
Li Dongjiu	Sinopharm Group Co., Ltd	General counsel	2018-01-26
Liu Jingyun	Sinopharm Group Co., Ltd	Director of ministry of finance and credit management, director of the financial & assets management dept.	2016-07-01

Post-holding in other unit

√ Applicable □ Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term
Liu Yong	China National Medicines Corporation Ltd	Director	3 Nov. 2017
Liu Yong	Sinopharm Holding Guoda Drugstore Co., Ltd.	Director	10 Oct. 2017
Liu Yong	China National Scientific Instruments & Materials Co., Ltd	Director	10 Dec. 2018
Liu Yong	China National Medical Equipment Co., Ltd.	Director	10 Dec. 2018
Liu Yong	Sinopharm Holding H.K. Co., ltd	Director, GM	10 May 2018
Li Zhiming	Sinopharm Holding Senyi Tech. (Shanghai) Co., Ltd	Director	
Li Zhiming	China National Xinjiang Medicine Co., Ltd	Director	5 Jun. 2017
Li Zhiming	China National Medicines Corporation Ltd	Director	1 May 2016
Li Zhiming	Sinopharm Holding Guoda Drugstore Co., Ltd.	Director	1 Jul. 2014
Li Zhiming	Shanghai Shyndec Pharmaceutical Co., Ltd	Deputy Chairman	1 Nov. 2016
Li Zhiming	Sinopharm Holding H.K. Co., ltd	Chairman	1 Apr. 2017
Li Zhiming	Sinopharm Holding (China) Finance Leasing Co., Ltd	Chairman	1 Nov. 2014
Li Zhiming	China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd	Chairman	1 Sept. 2016
Li Zhiming	Sinopharm Holding Medicine Investment Co., Ltd	Chairman	15 Oct. 2017
Jiang Xiuchang	Sinopharm Holding Jiangxi Co., Ltd	Chairman	1 Jun. 2013
Jiang Xiuchang	Sinopharm Holding Shanxi Co., ltd	Chairman	1 Dec. 2013
Jiang Xiuchang	Sinopharm Holding Inner Mongolia Co., ltd	Chairman	1 Dec. 2013
Jiang Xiuchang	Sinopharm Holding Tianjin Co., ltd	Chairman	1 Dec. 2013
Jiang Xiuchang	SINOPHARM Shanxi Co., ltd	Chairman	1 Jul. 2014
Jiang Xiuchang	China National Medicines Corporation Ltd	Chairman	1 Nov. 2017
Jiang Xiuchang	Sinopharm Holding H.K. Co., ltd	Director	1 Nov. 2011
Jiang Xiuchang	China National Finance Corporation Ltd	Director	1 Nov. 2011

Jiang Xiuchang	Beijing Sinopharm Taiyuan Property Management Co., Ltd	Executive Director	1 Dec. 2017
Jiang Xiuchang	SINOPHARM Shanghai Co., Ltd	Executive Director	1 Nov. 2017
Ma Zhanjun	Sinopharm Holding Hubei Co., Ltd.	Deputy Chairman	1 Nov. 2018
Lian Wanyong	China National Medicines Corporation Ltd	Director	1 Dec. 2017
Lian Wanyong	China National Zhongjin (Shanghai) Medical Health Investment Management Co., Ltd	Director	1 July 2018
Lian Wanyong	West China Dental Co., Ltd	Director	3 Jan. 2019
Li Dongjiu	China National Medicines Corporation Ltd	Director	5 Dec. 2016
Li Dongjiu	Sinopharm Holding Fujian Co., Ltd	Chairman	1 Feb. 2018
Li Dongjiu	Sinopharm Holding Fuzhou Co., Ltd	Chairman	1 Feb. 2018
Li Dongjiu	Sinopharm Holding Guizhou Co., Ltd	Chairman	1 Feb. 2018
Li Dongjiu	Sinopharm Holding Yuannan Co., Ltd	Chairman	1 Feb. 2018
Li Dongjiu	Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	Chairman	1 Feb. 2018
Li Dongjiu	Sinopharm Holding Hainan Co., Ltd.	Chairman	1 Feb. 2018
Li Dongjiu	China National Health Online Co., Ltd.	Chairman	1 Feb. 2018
Li Dongjiu	SINOPHARM Chemical Reagent Co., Ltd.	Chairman	1 Dec. 2018
Li Dongjiu	Sinopharm Holding Hutchison Whampoa Medicine Co., Ltd	Chairman	1 Dec. 2018

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable Not applicable

IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

(i) Remuneration decision procedure of directors, supervisors, senior management:

The Company implemented the annual salary system for senior executives based on the 2018 annual performance appraisal (scheme) on management staff, paid annual salary remuneration according to the appraisal results. Remuneration and appraisal committee of the company's board of directors is responsible for the formulation and examination of salary plan and program as well as formulation and examination of salary plan and assessment standards of directors (not including the independent directors), supervisors and senior executives. They also evaluate the performance assessment of directors, supervisors and senior officers in accordance with the assessment criteria, compensation scheme.

(ii) Remuneration determining basis

The main principles of making standard of compensation are: (1) the company's overall business and the profit level; (2) the overall salary level and dynamic index over past years; (3) difference in position and duty; (4)

relative importance and risks of position; (5) related post salary level in the same industry; (6) individual professional ability.

(iii) Actual payment

Executives get monthly basic salary and annual salary after the issuance of annual examination.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex (F/M)	Age	Post-holding status	Total remuneration before tax obtained from the Company	Received remuneration from related party of the Company (Y/N)
Liu Yong	Chairman	M	49	Currently in office		Y
Ma Zhanjun	Deputy Chairman	M	58	Currently in office	37.5	Y
Li Zhiming	Director	M	55	Currently in office		Y
Jiang Xiuchang	Director	M	55	Currently in office		Y
Lian Wanyong	Director	M	48	Currently in office		Y
Li Dongjiu	Director	M	53	Currently in office		Y
Lin Zhaoxiong	Director, GM	M	51	Currently in office	225	N
Chen Honghui	Independent Director	M	47	Currently in office	12	N
Ou Yongliang	Independent Director	M	49	Currently in office	8.46	N
Chen Shengqun	Independent Director	M	56	Currently in office	8.46	N
Su Weiwei	Independent Director	F	59	Currently in office		N
Xiong Chuxiong	Independent Director	M	63	Office leaving	3.55	N
Xiao Shengfang	Independent Director	M	49	Office leaving	3.55	N
Wu Yijian	Chairman of supervisory committee	M	48	Currently in office		Y
Liu Jingyun	Supervisor	F	42	Currently in office		Y
Chen Guojing	Staff supervisor	F	48	Currently in office	62.9	N
Wang Huaiqin	Staff supervisor	M	61	Office leaving	8.02	N
Lin Min	Party secretary, Deputy GM	M	54	Currently in office	202.5	N
Zhao Xiaochuan	Deputy GM	M	55	Currently in office	180	N
Liu Tianrao	Deputy GM	M	39	Currently in office		N
Lin Xinyang	Deputy GM	M	54	Currently in office	157.5	N
Lang Baochun	Deputy party secretary, Secretary of Committee for Discipline Inspection, General counsel	M	55	Currently in office	135	N
Wei Pingxiao	CFO	M	55	Currently in	157.5	N

				office		
Chen Changbin	Deputy GM, Secretary of the Board	M	51	Currently in office	135	N
Total	--	--	--	--	1,336.94	--

Delegated equity incentive for directors and senior executives in reporting period

Applicable Not applicable

V. Particulars of workforce

1. Number of staff, professional composition and education background

The number of current employees of parent company (people)	117
The number of current employees of main subsidiaries (people)	24,704
Total number of current employees (people)	24,821
The total number of employees in payroll (people)	24,821
The total number of retired staff and workers that the parent company and main subsidiaries need to bear the costs (people)	2,012
Professional composition	
Category of professional composition	Number of professional composition (people)
Production staff	35
Salesman	17,539
Technical staff	161
Financial staff	572
Administrative staff	156
Other	6,358
Total	24,821
Education background	
Category of education	Number (people)
Post-graduate qualification and above	155
Undergraduate	3,458
Junior college	9,153
Junior college below	12,055
Total	24,821

2. Remuneration policy

Sinopharm Accord and the subordinate enterprises provide perfect compensation and benefits for the staff, the compensation level is closely combined with organization (total amount of labor, compensation strategy, job value), staff (capacity development, performance results), and market (market level, talent competition). The company adjusts the remuneration for staff having abilities and contributions every year by the responsibility sorting, position evaluation, target remuneration range positioning, and the staff annual work performance and ability assessment; at the same time, performance bonuses and performance closely link together, and realize win-

win of the interests of company and the interests of employees. Pay attention to the income growth requirements of low-income groups, develop annual wage growth program, and implement after the deliberation and approval of the workers' congress.

3. Training programs

Sinopharm Accord and its subsidiaries have put great emphasis on the development and cultivation of employee's career, built and improved training management system of the Company so as to cultivate the employee in a more efficient way. The first, a training system has been built and the management system for employee training, employee continuing education, interns and intern trainers have been promoted and conducted. The second, the leadership of the Company has made a plan on the organization of training, and a specific position posted in human resources department was dedicated for assisting the management at all levels to conduct employee training. The third, regarding the category and curriculum of the training, the category included new employee training, employee on-post training and leadership development training; the curriculum consisted of management curriculum, generic competency curriculum as well as professional skills curriculum. In addition, one-to-one on-post coaching from the management to employee was also included. The fourth, As to the assessment of training, assessment methods at all levels were made to ensure the effects of employee training. By the end of 2018, the input in the training for the headquarter of Sinopharm Accord Corporation, distribution operation and Guoda Drugstore was seen at 1.93 million Yuan, by conducting various training on generic competency, professional quality and management, on-post skills and continuing education of vocational qualification. A total number of 22,394 person-times of training and continuing education have been conducted, covering the middle and senior management, junior management, specialty technical staffs as well as operators, with average learning time up to more than 50 hours.

4. Labor outsourcing

Applicable Not applicable

Total number of working hours of labor outsourcing (Hour)	540,792
Total remuneration paid of labor outsourcing (RMB)	26,521,871.34

Section IX. Corporate Governance

I. Corporate governance of the Company

Articles of Association are formulated at governance level. In compliance with requirements of Articles, rules of procedures for shareholders' meeting, board and board of supervisors, working system of strategy committee, nomination committee, internal risk control and audit committee, remuneration and evaluation committee, legal compliance committee, general manager and secretary of the board, corporate governance system regarding information disclosure, connected transactions, fund raising, performance of social responsibilities, inside information and informant management, investor relation management, engagement of accounting firm and prevention of occupation by major shareholders and connected parties of capital of listing companies are also established.

During the reporting period, the "Articles of Association" and "Rules of Procedures of the Board of Directors" were revised in accordance with regulatory requirements and governance needs. At the same time, in order to promote the company's legal construction and ensure the company's standard operation, the company newly established the Legal Compliance Committee of the Board of Directors and formulated the relevant working system in accordance with laws and regulations and the relevant provisions of the Articles of Association and combined with the actual situation of the company. The effective implementation of corporate governance system ensures the effective performance of duties and responsibilities of respective committees, thereby facilitating the board of supervisors to play a supervisory role and offering help for the board to make scientific decisions.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independence of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The Company totally separates from the controlling shareholders in business, personnel, assets, institutions, financial and other aspects, with independent and complete self-management ability.

1. The business: the Company was independent from controlling shareholders, having a complete business system and self-managing ability; the company has independent procurement and sales system thus all procurement and sales of drugs and raw materials is in charge of the purchasing department and subordinate subsidiary, branch and

production enterprises; production, supply, marketing and R & D separate from each other; the Company is a legal market person with independent operation.

2. Personnel: procedures of the controlling shareholder nominating directors and general and deputy general manager are legal; no intervene on the appointment and removal of personnel made by the board of directors and shareholders' meeting happened; the Company set up independent human resource department, responsible for assessment, training and salary review on staff, making rules and regulations and handbook the employees should abide by. Labor, personnel, wages and pension, medical insurance and other insurance are independently managed.

3. Institution: production and operation mechanism and administrative management is completely independent from the controlling shareholder or actual controller; offices and sites of business operation separate from the controlling shareholder; the Company established corporate governance structure where the board of directors, board of supervisors and managers carry out their duties and exercise their respective duties in accordance with relevant provisions of the articles of association.

4. Asset: property and rights relationship between the Company and the controlling shareholder is clear, with independent operations; the company has independent production system, auxiliary production system and supporting system; industrial property rights, trademarks, non-patented technology and other intangible assets owned by the Company and its subsidiary.

5. Financial aspects: the Company established independent financial departments and independent financial accounting system; the Company opened a bank account independently; the financial staff is independent without taking part-time and receiving remuneration in the controlling shareholder; the Company pays tax independently.

III. Horizontal competition

√ Applicable □ Not applicable

Type	Name of controlling shareholder	Nature of controlling shareholder	Reason	Solution measure	Work schedule and follow-up plan
Horizontal competition	Sinopharm Holding	SASAC	Distribution subsidiary of Sinopharm Holding established some social retail pharmacy, which might has horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	In March 2016, Sinopharm Holding issued a commitment letter of avoiding horizontal competition with Sinopharm Accord, and promise to solve the horizontal competition in respect of pharmaceutical retail business in an appropriate way within five years since the date when reorganization completed	Normally implementing
Horizontal competition	SINOPHARM	SASAC	Distribution subsidiary of Sinopharm Holding established some social retail pharmacy, which might has horizontal competition with the Guoda Drugstore, the subordinate enterprise of the listed company after restructuring	In March 2016, SINOPHARM issued a commitment letter of avoiding horizontal competition with Sinopharm Accord, and promise to solve the horizontal competition in respect of pharmaceutical retail business in an appropriate way within five years since the date when reorganization completed	Normally implementing

IV. AGM (Annual General Meeting) and extraordinary shareholders' general meeting held in the Period

1. AGM

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2017	AGM	63.00%	17 Apr. 2018	18 April 2018	Juchao Website—(http://www.cninfo.com.cn) “ Notice of Resolution of AGM of 2017” No.: 2018-22
First extraordinary general meeting of 2018	Extraordinary general meeting	62.98%	15 June 2018	16 June 2018	Juchao Website—(http://www.cninfo.com.cn) “ Notice of Resolution of First extraordinary general meeting of 2018” No.: 2018-29
Second extraordinary general meeting of 2018	Extraordinary general meeting	61.88%	19 Oct. 2018	20 Oct. 2018	Juchao Website—(http://www.cninfo.com.cn) “ Notice of Resolution of Second extraordinary general meeting of 2018” No.: 2018-45
Third extraordinary general meeting of 2018	Extraordinary general meeting	62.19%	26 Nov. 2018	27 Nov. 2018	Juchao Website—(http://www.cninfo.com.cn) “ Notice of Resolution of Third extraordinary general meeting of 2018” No.: 2018-49

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and shareholders general meeting

The attending of independent directors to Board Meeting & shareholders general meeting							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times attending the shareholders general meeting
Chen Honghui	11	1	10	0		N	1
Ou Yongliang	8	0	8	0		N	0
Chen Shengqun	8	1	7	0		N	1
Xiong Chuxiong	3	1	2	0		N	1
Xiao Shengfang	3	0	2	1		N	0

Explanation of absent the Board Meeting for the second time in a row

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

During the reporting period, the independent directors performed their duties in a careful, diligent, dedicated attitude in accordance with requirements of the "Working System of Independent Director", offered some useful suggestions and opinions on business decision-making, legal affairs, financial management and other aspects; carefully examined important matters those needed opinions of independent directors, made independent judgments and issued a written independent opinion on major related transactions, daily related transactions, accountancy hiring and other matters, playing a positive role in safeguarding the legitimate rights and interests of small shareholders. Besides, independent directors played an important role in operation of special committee. At the same time, the Company can guarantee independent directors and other directors of the same right to know. During the reporting period, the independent directors have no objection on the related issues of the Company.

VI. Duty performance of the special committees under the board during the reporting period

(i) Duties fulfillment of the board of directors and audit committee on internal control over risk

Internal control on risk and Audit Committee of the board of directors of the company comprises three independent directors and three directors, including the convener (professional accountant) is an independent director. In accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange and working system, Internal control on risk and Audit Committee of the board of directors seriously performed duties in a dedicated attitude. In the annual financial report audit, they acted as supervisors, maintained individuality of audit and issued a series of notices such as the Written Opinion on Financial Accounting Statements Issued by the Company before CPA of Annual Examination Entered, the Written Opinion on Financial Accounting Statements after Preliminary Audit Issued by CPA of Annual Examination, the Summary Report of Internal Risk Control and Audit Committee on the Annual Audit Work of CPA as well as the Resolution on Rehire the Audit Institution. Its main duties comprise the following:

1. Risk internal control and audit committee is responsible for determining the audit work schedule, negotiating with CPA who engages in audit;
2. Before CPA enters, audit committee should review the financial statements prepared by the Company and issue written opinions;

3. Strengthen communication with the CPA, and urge them to submit audit report within stipulated time with urgency letter;
4. Review again the financial statements after the CPA issues preliminary opinion, and issue written opinions;
5. The Committee held annual work conference 2018, approved proposal of financial accounting report, summary report of annual audit work of CPA and rehiring Ernst & Young CPA (Special General Partnership) as the audit institution, and then formed a resolution to submit to board of directors for approval.

(ii) Duties fulfillment of Remuneration and Appraisal Committee

As special working mechanism of the board of directors, the remuneration and appraisal committee is responsible for approving the assessment standard of directors and senior executives, formulating and reviewing compensation policies and programs of directors and executive. And they take charge in examining according to the standard and policies. The remuneration and appraisal committee is composed of three independent directors; convener is Chen Honghui, an independent director.

During the reporting period, remuneration and assessment committee actively performed duty; clearly defined their responsibilities; did serious research and appraisal on the remuneration and appraisal system, especially salary, assessment system and program over directors, supervisors and senior executive. According to working rules of the remuneration and appraisal committee, they have rights to check regular reports, meetings records, business planning and other materials by telephone, interviews and other methods to learn the performance of directors, executives. And they're required to submit problems existing in implementation of system to the Board of Directors and raise up suggestion on them. Their contents are as follows:

1. In 2018, the remuneration and appraisal committee carried out the performance evaluation of executives according to the 2017 Annual operation standard and performance.
2. It proposed the "2019 Evaluation Scheme of Operating Performance", and submitted it to the board of directors for approval.
3. The remuneration and appraisal committee approved salary of directors, supervisors and senior executives disclosed in 2018 annual report. And it issued the following opinions:

Compensation decision procedures of directors, supervisors and senior management personnel was in accordance with the provisions; the standard was in accordance with the remuneration system; the disclosure of 2018 annual report about personnel salary of the directors, supervisors and senior management is real and accurate.

VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

Senior executives of the Company took responsibility for the board of directors, in the reporting period, the board of directors implemented the performance checking mechanism that the remuneration of senior executives related with their performance checking, with achievement as direction, and made relevant reward and punishment according to target completion. The Company's relevant incentive and restriction mechanism gradually in order to further exert the enthusiasm and creativity of senior executives, urge the senior executives to perform the obligations of being honest and diligent. The Company had no incentive mechanism for senior executives such as stock option, purchase of management team and equity held by owner.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

Yes No

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	25 April 2019	
Disclosure index of full internal control evaluation report	"Self-evaluation report of internal control for 2018" in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	98.94%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	99.13%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	Financial report defects are mainly judged and decided by the degree of influence and the likelihood of occurrence to the misstatements of financial reports caused by defects. (1) Significant defects: a combination of one or multiple internal control defects that exists in internal control and may cause the material misstatements in financial statements cannot be prevented, found or corrected in	Non-financial report defects are mainly judged and decided by the degree of influence and the likelihood of occurrence of defects to the validity of business process. (1) Significant defects: a combination of one or multiple internal control defects that may cause the enterprise's serious deviation to internal control objectives; (2) Major defects: a combination of one or multiple internal control

	time; (2) Major defects: a combination of one or multiple internal control defects that exists in internal control and has lower severity level than significant defects but still should be concerned by the superintendents of enterprise financial reports; (3) Common defects: other defects except for significant and major defects.	defects whose severity level and economic consequences are lower than significant defects but still may cause the enterprise's deviation to internal control objectives; (3) Common defects: other defects except for significant and major defects.
Quantitative standard	A quantitative criterion determines the degree of importance of misstatements (including missing reports) in the consolidated statements of listed companies based on the consolidated statement data. (1) Significant defects: equal to or greater than 5% of profit before tax	A quantitative criterion determines the degree of importance of the company's defects based on the amount of direct loss and the degree of significant influence to the company. (1) Significant defects: the amount of direct property loss is or more than 10 million Yuan, or has been officially disclosed and caused negative effects to periodic report disclosure of the joint-stock companies; (2) Major defects: the amount of direct property loss is between 5 million and 10 million Yuan, or has been punished by the national government departments but has not caused negative effects to periodic report disclosure of the joint-stock companies; (3) Common defects: the amount of direct property loss is between 0.1 million and 5 million Yuan, or has been punished by the provincial or sub-provincial government departments but has not caused negative effects to periodic report disclosure of the joint-stock companies.
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

√ Applicable □ Not applicable

Deliberations in Internal Control Audit Report
According to relevant regulations and "Basic Rules of Internal Control for Enterprises", China National Accord Medicines Corporation Ltd. in all major aspects, keeps an efficiency of internal control of financial report dated 31 December 2018

Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	25 April 2019
Index of audit report of internal control (full-text)	Audit Report of Internal Control under the name of China National Accord Medicines Corporation Ltd. released on Juchao Website (http://www.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes No

Section X. Corporate Bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

Section XI. Financial Report

AUDITOR'S REPORT

Ernst & Young Hua Ming (2019) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

To the shareholders of China National Accord Medicines Corporation Ltd.

(I) Opinion

We have audited the financial statements of China National Accord Medicines Corporation Ltd. (the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2018, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2018, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(III) Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill</i></p> <p>The carrying value of goodwill amounted to RMB833,547,800.60 as at 31 December 2018 and was allocated to the Company's cash-generating units ("CGUs") of pharmaceutical distribution and retail pharmacy.</p> <p>Under ASBEs, the Company is required to annually perform the impairment test for goodwill. The impairment test is based on the recoverable amount of the respective CGUs to which the goodwill is allocated. The recoverable amount of the CGUs is determined by the higher of the present value of the forecasted future cash flow and the fair value of the asset net of its disposal cost. Assumptions such as the forecasted future cash flows and discount rate are set up by applying estimates and significant judgements by management. Therefore, we consider this to be a key audit matter.</p> <p>The Company's disclosures about impairment of goodwill are included in note III (18, 34) and note V (15) to the financial statements.</p>	<p>The procedures performed in order to address this matter are as follows:</p> <ol style="list-style-type: none">1) We invited internal evaluation experts to assist in evaluating the goodwill impairment method used and forecasted figures used in the impairment test, especially the discount rate and perpetual growth rate.2) We assessed the rationality of the forecasts used with respect to future revenues and operating results, also compared the forecasts with the historical performance of the respective CGUs and the industry trends. In particular, we re-examined the future revenue growth rate, projected gross rate, related expenses and so on.3) We also re-examined the sufficiency of disclosure regarding goodwill.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(III) Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of trade receivables</i></p> <p>Major clients of the Company are medical establishments, pharmacy chain stores, monomer drugstores, community medical service centers, downstream distribution companies, etc. As at 31 December 2018, the Company had net trade receivables of RMB9,336,861,647.92, 32.27% of the Group's total assets.</p> <p>According to <i>ASBE 22 – Recognition and measurement of Financial Instruments</i>, management utilizes the expected credit loss model to measure the impairment of financial assets. Management's estimation of the expected credit loss model is based on the historical default rate of the Group and other specific factors including types of client, aging of the ending balance, collection history, write-offs, the migration rate and estimated weighted financing cost. At the same time, management also takes into consideration forward-looking information including whether disputes exist, expected macro-economic environment, etc. During the year, significant management judgement and estimates were involved during the classification of the credit exposure portfolio and assessment of the expected credit loss and therefore we consider this to be a key audit matter.</p> <p>The Company's disclosures about impairment of trade receivables are included in note III (8, 34) and note V (2) to the financial statements.</p>	<p>The procedures performed in order to address this matter are as follows:</p> <ol style="list-style-type: none"> 1) We re-examined management's internal control that relates to impairment of trade receivables. 2) We discussed the bad debt policy with management and evaluated the sufficiency of bad debt provision including the adequacy of the bad debt provision assessment method. 3) We discussed with management regarding the recoverability of individually significant trade receivables for which provision for bad debt is recognized separately. 4) We tested the aging of trade receivables, including a test of information system automatic controls related to information system automatically generated aging analysis, carrying out analytical reviewing procedures for the aging analysis in order to confirm the accuracy of basic data used by management for trade receivable bad debt provision. 5) We reviewed the credit profile and carried out background check for significant clients. 6) We reviewed and evaluated the sufficiency of the Group's disclosure related to trade receivables.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(IV) Other information

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(V) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (Continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61295118_H01
China National Accord Medicines Corporation Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Li Jian Guang
(Engagement partner)

Chinese Certified Public Accountant: Yan Ping

Beijing, the People's Republic of China

23 April 2019

Important Notice

This auditor's report is an English translation of the auditor's report for the audit engagements which adopt CSAs. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

(Expressed in Renminbi Yuan)

ASSETS	Note V	31 December 2018	31 December 2017
Current assets			
Cash and bank balances	1	8,089,781,304.56	4,191,655,438.51
Notes receivable and trade receivables	2	10,694,173,577.55	9,093,607,443.96
Advances to suppliers	3	583,484,515.95	516,778,117.47
Other receivables	4	643,493,359.32	657,932,499.65
Inventories	5	4,389,335,942.19	3,781,858,238.12
Other current assets	6	95,347,629.18	78,947,644.62
Total current assets		<u>24,495,616,328.75</u>	<u>18,320,779,382.33</u>
Non-current assets			
Financial assets available-for-sale	7	-	13,685,760.00
Long-term equity investments	8	1,880,393,786.10	1,650,619,373.09
Other equity instrument investment	9	13,685,760.00	-
Other non-current financial assets	10	140,000,000.00	-
Investment properties	11	144,894,495.97	153,678,339.11
Fixed assets	12	607,933,827.67	551,710,434.02
Construction in progress	13	36,412,614.61	22,947,258.99
Intangible assets	14	319,207,126.15	325,751,430.88
Goodwill	15	833,547,800.60	830,729,152.75
Long-term prepaid expenses	16	311,328,706.46	252,247,050.79
Deferred tax assets	17	74,914,209.95	79,472,883.06
Other non-current assets	18	72,365,863.71	142,022,462.75
Total non-current assets		<u>4,434,684,191.22</u>	<u>4,022,864,145.44</u>
Total assets		<u><u>28,930,300,519.97</u></u>	<u><u>22,343,643,527.77</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2018
(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note V	31 December 2018	31 December 2017
Current liabilities			
Short-term borrowings	20	2,597,652,702.43	1,561,354,521.64
Notes payable and trade payables	21	9,885,291,642.97	8,876,658,828.52
Advances from customers	22	-	216,938,239.32
Contract liabilities	23	255,590,612.37	-
Employee benefits payable	24	231,866,407.40	215,656,526.54
Tax payable	25	241,980,412.72	223,752,900.24
Other payables	26	1,539,436,971.93	1,030,329,660.02
Non-current liabilities due within one year	27	5,861,324.37	5,434,770.70
Other current liabilities	28	<u>292,465.75</u>	<u>112,817.65</u>
Total current liabilities		<u>14,757,972,539.94</u>	<u>12,130,238,264.63</u>
Non-current liabilities			
Long-term borrowings	29	31,600,000.00	31,600,000.00
Long-term payables	30	4,563,978.52	10,132,537.14
Long-term employee benefits payable	31	2,050,000.00	1,777,000.00
Deferred income	32	91,491,170.40	125,082,372.53
Deferred tax liabilities	17	67,605,161.88	71,883,253.02
Other non-current liabilities	33	<u>69,241,176.18</u>	<u>45,427,343.31</u>
Total non-current liabilities		<u>266,551,486.98</u>	<u>285,902,506.00</u>
Total liabilities		<u>15,024,524,026.92</u>	<u>12,416,140,770.63</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2018
(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note V	31 December 2018	31 December 2017
Shareholders' equity			
Share capital	34	428,126,983.00	428,126,983.00
Capital surplus	35	4,320,984,981.51	3,181,429,064.99
Surplus reserve	36	214,063,491.50	214,063,491.50
Retained earnings	37	<u>6,655,257,147.27</u>	<u>5,572,952,806.39</u>
Shareholders' equity attributable to shareholders of the parent		11,618,432,603.28	9,396,572,345.88
Non-controlling interests		<u>2,287,343,889.77</u>	<u>530,930,411.26</u>
Total shareholders' equity		<u>13,905,776,493.05</u>	<u>9,927,502,757.14</u>
Total liabilities and shareholders' equity		<u>28,930,300,519.97</u>	<u>22,343,643,527.77</u>

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

The financial statements have been signed by:

Legal representative:

Financial controller:

Head of Accounting Department:

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED INCOME STATEMENT
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note V	2018	2017
Operating revenue	38	43,122,385,521.23	41,263,393,427.41
Less: Operating costs	38	38,024,108,631.15	36,819,552,915.80
Tax and surcharges	39	121,012,139.02	119,920,418.18
Selling expenses	40	2,762,789,885.77	2,305,909,071.71
Administrative expenses	41	783,338,308.19	735,953,967.13
Finance costs	42	112,862,739.12	110,360,539.56
- Interest expense		195,256,226.47	135,832,879.33
- Interest income		81,119,506.63	35,012,199.48
Impairment loss	43	2,744,605.36	(2,470,696.74)
Impairment losses on financial assets	44	298,479.55	-
Add: Other incomes	45	28,458,401.31	24,391,309.91
Investment income	46	319,897,172.23	264,540,020.24
Incl: Investment income from associates		319,903,890.47	263,825,834.56
Gain on disposal of assets	47	7,392,547.56	792,138.38
Operating profits		1,670,978,854.17	1,463,890,680.30
Add: Non-operating income	48	12,715,353.51	11,412,488.21
Less: Non-operating expenses	49	4,764,850.15	9,274,194.70
Total profit		1,678,929,357.53	1,466,028,973.81
Less: Income taxes	51	330,498,245.68	309,290,127.72
Net profit		1,348,431,111.85	1,156,738,846.09
Incl: Net profit of an acquiree before business combinations involving enterprises under common control		-	(1,096.00)
Profit or loss from continuing operation		1,348,431,111.85	1,156,738,846.09
Attributable to:			
Owners of the parent		1,210,742,435.78	1,057,791,930.67
Non-controlling interests		137,688,676.07	98,946,915.42
Total comprehensive income		1,348,431,111.85	1,156,738,846.09
Incl: Total comprehensive income for the year attributable to shareholders of the parent		1,210,742,435.78	1,057,791,930.67
Total comprehensive income for the year attributable to non-controlling interests		137,688,676.07	98,946,915.42
Earnings per share	52		
Basic earnings per share		2.83	2.47
Diluted earnings per share		2.83	2.47

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

2018	Shareholders' equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Surplus reserve	Retained earnings	Subtotal			
Opening balance of the current year	428,126,983.00	3,181,429,064.99	214,063,491.50	5,572,952,806.39	9,396,572,345.88	530,930,411.26	9,927,502,757.14	
Movements in the current year	-	1,139,555,916.52	-	1,082,304,340.88	2,221,860,257.40	1,756,413,478.51	3,978,273,735.91	
(1) Total comprehensive income	-	-	-	1,210,742,435.78	1,210,742,435.78	137,688,676.07	1,348,431,111.85	
(2) Capital paid and reduced by owners	-	1,139,555,916.52	-	-	1,139,555,916.52	1,679,926,889.17	2,819,482,805.69	
1.Capital injection by owners	-	1,120,284,623.39	-	-	1,120,284,623.39	2,793,191,200.00	3,913,475,823.39	
2.Others	-	19,271,293.13	-	-	19,271,293.13	(1,113,264,310.83)	(1,093,993,017.70)	
(3) Profit distribution	-	-	-	(128,438,094.90)	(128,438,094.90)	(61,202,086.73)	(189,640,181.63)	
1.Distribution to equity owners	-	-	-	(128,438,094.90)	(128,438,094.90)	(61,202,086.73)	(189,640,181.63)	
Closing balance of the current year	428,126,983.00	4,320,984,981.51	214,063,491.50	6,655,257,147.27	11,618,432,603.28	2,287,343,889.77	13,905,776,493.05	

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

2017	Shareholders' equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital surplus	Surplus reserve	Retained earnings	Subtotal		
Closing balance of the preceding year	362,631,943.00	65,495,040.00	3,151,518,024.92	181,315,971.50	4,689,189,642.51	8,450,150,621.93	463,832,912.18	8,913,983,534.11
Business combination involving enterprises under common control	-	-	1,200,000.00	-	1,076,241.59	2,276,241.59	1,517,494.39	3,793,735.98
Opening balance of the current year	362,631,943.00	65,495,040.00	3,152,718,024.92	181,315,971.50	4,690,265,884.10	8,452,426,863.52	465,350,406.57	8,917,777,270.09
Movements in the current year	65,495,040.00	(65,495,040.00)	28,711,040.07	32,747,520.00	882,686,922.29	944,145,482.36	65,580,004.69	1,009,725,487.05
(1) Total comprehensive income	-	-	-	-	1,057,791,930.67	1,057,791,930.67	98,946,915.42	1,156,738,846.09
(2) Capital paid and reduced by owners	65,495,040.00	(65,495,040.00)	28,711,040.07	-	(1,075,583.99)	27,635,456.08	20,214,810.63	47,850,266.71
1.Capital injection by owners	5,114,297.00	(5,114,297.00)	-	-	-	-	14,873,000.00	14,873,000.00
2.Significant reorganization	60,380,743.00	(60,380,743.00)	(3,430,029.00)	-	-	(3,430,029.00)	-	(3,430,029.00)
3.Business combination involving enterprises under common control	-	-	(1,200,000.00)	-	(1,075,583.99)	(2,275,583.99)	(1,517,055.99)	(3,792,639.98)
4.Business combination not involving enterprises under common control	-	-	-	-	-	-	6,858,866.62	6,858,866.62
5.Others	-	-	33,341,069.07	-	-	33,341,069.07	-	33,341,069.07
(3) Profit distribution	-	-	-	32,747,520.00	(174,029,424.39)	(141,281,904.39)	(53,581,721.36)	(194,863,625.75)
1. Transferred from surplus reserve	-	-	-	32,747,520.00	(32,747,520.00)	-	-	-
2. Distribution to equity owners	-	-	-	-	(141,281,904.39)	(141,281,904.39)	(53,581,721.36)	(194,863,625.75)
Closing balance of the current year	428,126,983.00	-	3,181,429,064.99	214,063,491.50	5,572,952,806.39	9,396,572,345.88	530,930,411.26	9,927,502,757.14

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED CASH FLOW STATEMENT
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note V	31 December 2018	31 December 2017
1.CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		46,794,007,122.39	46,403,001,555.00
Tax refunds		1,777,623.17	7,687,909.30
Cash receipts related to other operating activities	53	<u>679,596,722.04</u>	<u>340,666,056.90</u>
Sub-total of cash inflows from operating activities		<u>47,475,381,467.60</u>	<u>46,751,355,521.20</u>
Cash paid for goods and services		41,436,895,750.53	41,242,898,835.78
Cash paid to and on behalf of employees		1,893,939,719.20	1,684,046,853.72
Cash paid for all types of taxes		1,096,228,714.78	1,092,685,949.27
Cash payments related to other operating activities	53	<u>1,725,710,930.82</u>	<u>1,446,431,970.61</u>
Sub-total of cash outflows from operating activities		<u>46,152,775,115.33</u>	<u>45,466,063,609.38</u>
Net cash flows from operating activities	54	<u>1,322,606,352.27</u>	<u>1,285,291,911.82</u>
2.CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from returns on investments		131,401,264.72	61,204,993.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,978,720.99	1,811,126.55
Cash received from recovery of investments	54	2,468,522.33	-
Cash receipts related to other investing activities	53	<u>98,793,085.40</u>	<u>75,259,200.00</u>
Sub-total of cash inflows from investing activities		<u>238,641,593.44</u>	<u>138,275,319.85</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
CONSOLIDATED CASH FLOW STATEMENT (Continued)
For the Year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note V	2018	2017
2.CASH FLOWS FROM INVESTING ACTIVITIES (Continued)			
Cash paid for acquisition of fixed assets			
intangible assets and other long-term assets		255,481,604.79	204,345,540.74
Cash paid for acquisition of investments		124,575,351.00	73,950,980.00
Net cash paid for acquisition of subsidiaries and other business units	54	-	53,356,516.15
Cash payments related to other investing activities	53	<u>81,042,904.53</u>	<u>92,803,476.90</u>
Sub-total of cash outflows from investing activities		<u>461,099,860.32</u>	<u>424,456,513.79</u>
Net cash flows from investing activities		<u>(222,458,266.88)</u>	<u>(286,181,193.94)</u>
3.CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		2,793,191,200.00	14,873,000.00
Incl: Cash proceeds from subsidiary investments by non-controlling shareholders		2,793,191,200.00	14,873,000.00
Cash received from borrowings		86,231,834.83	261,571,499.94
Cash receipts related to other financing activities	53	<u>484,038,819.20</u>	<u>238,476,708.52</u>
Sub-total of cash inflows from financing activities		<u>3,363,461,854.03</u>	<u>514,921,208.46</u>
Cash repayments for debts		79,670,200.30	445,758,196.23
Cash payments for distribution of dividends or profit and interest expenses		340,534,805.52	295,787,225.16
Incl: Profit and dividends paid to non-controlling shareholders of subsidiaries		66,702,208.88	49,621,410.48
Cash payments related to other financing activities	53	<u>84,475,782.06</u>	<u>250,398,903.79</u>
Sub-total of cash outflows from financing activities		<u>504,680,787.88</u>	<u>991,944,325.18</u>
Net cash flows from financing activities		<u>2,858,781,066.15</u>	<u>(477,023,116.72)</u>
4.EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>(310,822.25)</u>	<u>495,664.83</u>
5.NET INCREASE IN CASH AND CASH EQUIVALENTS		3,958,618,329.29	522,583,265.99
Add: Cash and cash equivalents at beginning of the year		<u>3,673,498,691.48</u>	<u>3,150,915,425.49</u>
6.CASH AND CASH EQUIVALENTS AT END OF YEAR	54	<u><u>7,632,117,020.77</u></u>	<u><u>3,673,498,691.48</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
COMPANY BALANCE SHEET
As at 31 December 2018
(Expressed in Renminbi Yuan)

<u>ASSETS</u>	<u>Note XIV</u>	31 December 2018	31 December 2017
Current assets			
Cash and bank balances		1,817,654,598.01	1,776,696,342.87
Notes receivable and trade receivables	1	695,107,574.33	545,267,378.99
Advances to suppliers		4,760,182.00	1,138,312.26
Other receivables	2	1,541,980,883.50	1,517,882,239.81
Inventories		158,166,185.65	172,022,676.96
Other current assets		<u>39,482.38</u>	<u>788,964.90</u>
Total current assets		<u>4,217,708,905.87</u>	<u>4,013,795,915.79</u>
Non-current assets			
Long-term equity investments	3	7,432,906,692.24	7,180,306,084.56
Debt investments at fair value through current year profit or loss		140,000,000.00	-
Investment properties		1,955,854.46	2,763,831.92
Fixed assets		21,362,422.03	13,831,103.54
Intangible assets		2,452,222.51	1,287,775.78
Long-term deferred expenses		7,481,809.53	5,543,217.86
Deferred tax assets		-	2,764,724.75
Other non-current assets		<u>7,000,000.00</u>	<u>71,808,611.00</u>
Total non-current assets		<u>7,613,159,000.77</u>	<u>7,278,305,349.41</u>
Total assets		<u>11,830,867,906.64</u>	<u>11,292,101,265.20</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
COMPANY BALANCE SHEET (Continued)
As at 31 December 2018
(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	31 December 2018	31 December 2017
Current liabilities		
Short-term borrowings	539,000,000.00	707,000,000.00
Notes payable and trade payables	694,367,042.00	674,450,646.65
Advances from customers	-	1,912,503.90
Contract liabilities	4,182,083.40	-
Employee benefits payable	36,233,563.12	33,592,851.93
Tax payables	13,426,601.90	42,386,907.00
Other payables	1,481,817,856.56	1,415,723,188.96
Other current liabilities	<u>226,427.99</u>	<u>112,817.65</u>
Total current liabilities	<u>2,769,253,574.97</u>	<u>2,875,178,916.09</u>
Non-current liabilities		
Long-term borrowings	31,600,000.00	31,600,000.00
Payables for specific projects	800,000.00	800,000.00
Long-term employee benefits payable	118,000.00	-
Deferred income	1,687,899.50	2,054,250.00
Deferred tax liabilities	<u>2,298,426.39</u>	<u>3,773,319.00</u>
Total non-current liabilities	<u>36,504,325.89</u>	<u>38,227,569.00</u>
Total liabilities	<u>2,805,757,900.86</u>	<u>2,913,406,485.09</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
COMPANY BALANCE SHEET (Continued)
As at 31 December 2018
(Expressed in Renminbi Yuan)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	31 December 2018	31 December 2017
Shareholders' equity		
Share capital	428,126,983.00	428,126,983.00
Capital surplus	4,426,362,777.26	4,407,091,484.13
Surplus reserves	214,063,491.50	214,063,491.50
Retained earnings	<u>3,956,556,754.02</u>	<u>3,329,412,821.48</u>
Total shareholders' equity	<u>9,025,110,005.78</u>	<u>8,378,694,780.11</u>
Total liabilities and shareholders' equity	<u><u>11,830,867,906.64</u></u>	<u><u>11,292,101,265.20</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY INCOME STATEMENT

For the Year ended 31 December 2018

(Expressed in Renminbi Yuan)

	<u>Note XIV</u>	2018	2017
Operating revenue	4	3,481,446,876.93	3,346,827,141.08
Less: Operating costs	4	3,317,568,640.99	3,211,668,647.02
Tax and surcharge		4,618,925.42	10,375,051.96
Selling expenses		61,120,258.01	51,050,354.52
Administrative expenses		77,784,120.97	70,636,774.06
Finance costs		(42,814,941.43)	(54,129,294.66)
Incl: Interest expense		42,706,716.57	16,422,254.07
Incl: Interest income		86,569,728.06	71,381,149.52
Impairment loss		466,647.08	(72,116.23)
Impairment losses on financial assets		(983,688.72)	-
Add: Other income		4,916,458.17	4,184,607.04
Investment income	5	704,244,539.45	640,957,400.23
Incl: Investment income from associates		342,730,085.14	286,535,212.21
Gain on disposal of assets		11,116.50	884.46
Operating profits		772,859,028.73	702,440,616.14
Add: Non-operating income		46,446.88	39,253.56
Less: Non-operating expenses		183,374.99	1,861,760.18
Total profit		772,722,100.62	700,618,109.52
Less: Income taxes		17,140,073.18	26,999,590.73
Net profit		<u>755,582,027.44</u>	<u>673,618,518.79</u>
Profit or loss from continuing operations		755,582,027.44	673,618,518.79
Total comprehensive income		<u>755,582,027.44</u>	<u>673,618,518.79</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year ended 31 December 2018

(Expressed in Renminbi Yuan)

2018	Share capital	Capital surplus	Surplus reserve	Retained earnings	Total equity
Opening balance of the current year	<u>428,126,983.00</u>	<u>4,407,091,484.13</u>	<u>214,063,491.50</u>	<u>3,329,412,821.48</u>	<u>8,378,694,780.11</u>
Movements in the current year	-	19,271,293.13	-	627,143,932.54	646,415,225.67
(1) Total comprehensive income	-	-	-	755,582,027.44	755,582,027.44
(2) Capital paid and reduced by owners	-	19,271,293.13	-	-	19,271,293.13
1.Others	-	19,271,293.13	-	-	19,271,293.13
(3) Profit distribution	-	-	-	(128,438,094.90)	(128,438,094.90)
1. 1.Distribution to equity owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,438,094.90)</u>	<u>(128,438,094.90)</u>
Closing balance of the current year	<u><u>428,126,983.00</u></u>	<u><u>4,426,362,777.26</u></u>	<u><u>214,063,491.50</u></u>	<u><u>3,956,556,754.02</u></u>	<u><u>9,025,110,005.78</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

For the Year ended 31 December 2018

(Expressed in Renminbi Yuan)

2017	Share capital	Other equity instruments	Capital surplus	Surplus reserve	Retained earnings	Total equity
Opening balance of the current year	362,631,943.00	65,495,040.00	4,381,845,619.03	181,315,971.50	2,829,823,727.08	7,821,112,300.61
Movements in the current year	65,495,040.00	(65,495,040.00)	25,245,865.10	32,747,520.00	499,589,094.40	557,582,479.50
(1) Total comprehensive income	-	-	-	-	673,618,518.79	673,618,518.79
(2) Capital paid and reduced by owners	65,495,040.00	(65,495,040.00)	25,245,865.10	-	-	25,245,865.10
1.Capital injection by owners	5,114,297.00	(5,114,297.00)	-	-	-	-
2.Significant reorganization	60,380,743.00	(60,380,743.00)	(3,430,029.00)	-	-	(3,430,029.00)
3.Others	-	-	28,675,894.10	-	-	28,675,894.10
(3) Profit distribution	-	-	-	32,747,520.00	(174,029,424.39)	(141,281,904.39)
1.Distribution to equity owners	-	-	-	-	(141,281,904.39)	(141,281,904.39)
2. Transferred from surplus reserve	-	-	-	32,747,520.00	(32,747,520.00)	-
Closing balance of the current year	428,126,983.00	-	4,407,091,484.13	214,063,491.50	3,329,412,821.48	8,378,694,780.11

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY CASH FLOW STATEMENT

For the Year ended 31 December 2018

(Expressed in Renminbi Yuan)

	2018	2017
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	3,650,605,970.28	3,618,686,142.56
Cash receipts related to other operating activities	<u>107,373,506.99</u>	<u>42,311,981.52</u>
Sub-total of cash inflows from operating activities	<u>3,757,979,477.27</u>	<u>3,660,998,124.08</u>
Cash paid for goods and services	3,406,447,268.87	3,317,975,162.52
Cash paid to and on behalf of employees	79,402,008.01	74,008,955.58
Cash paid for all types of taxes	36,195,123.57	45,705,409.43
Cash payments related to other operating activities	<u>55,863,168.11</u>	<u>45,906,623.45</u>
Sub-total of cash outflows from operating activities	<u>3,577,907,568.56</u>	<u>3,483,596,150.98</u>
Net cash flows from operating activities	<u>180,071,908.71</u>	<u>177,401,973.10</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from returns of investments	525,074,396.36	456,706,957.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	44,700.00	-
Cash receipts related to other investing activities	<u>1,574,115,586.01</u>	<u>2,219,069,200.00</u>
Sub-total of cash inflows from investing activities	<u>2,099,234,682.37</u>	<u>2,675,776,157.70</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	11,649,093.77	37,669,557.28
Cash paid for investment	90,000,000.00	1,046,650,980.00
Net cash paid for purchasing subsidiaries and other business	-	17,549,020.00
Cash payments related to other investing activities	<u>1,749,321,606.82</u>	<u>2,067,489,918.90</u>
Sub-total of cash outflows from investing activities	<u>1,850,970,700.59</u>	<u>3,169,359,476.18</u>
Net cash flows from investing activities	<u>248,263,981.78</u>	<u>(493,583,318.48)</u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

COMPANY CASH FLOW STATEMENT (Continued)

For the Year ended 31 December 2018

(Expressed in Renminbi Yuan)

	2018	2017
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from borrowings	10,000,000.00	41,600,000.00
Cash receipts related to other financing activities	<u>17,388,748,779.90</u>	<u>16,514,221,231.02</u>
Sub-total of cash inflows from financing activities	<u>17,398,748,779.90</u>	<u>16,555,821,231.02</u>
Cash repayments for debts	10,000,000.00	41,600,000.00
Cash payments for distribution of dividends, profit or interest expenses	161,361,930.89	150,643,594.49
Cash payments related to other financing activities	<u>17,614,453,662.11</u>	<u>15,613,029,417.64</u>
Sub-total cash outflows from financing activities	<u>17,785,815,593.00</u>	<u>15,805,273,012.13</u>
Net cash flows from financing activities	<u>(387,066,813.10)</u>	<u>750,548,218.89</u>
4.EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(310,822.25)</u>	<u>288,059.50</u>
5. NET INCREASE IN CASH AND CASH EQUIVALENTS		
	40,958,255.14	434,654,933.01
Add: Cash and cash equivalents at beginning of the year	<u>1,776,696,342.87</u>	<u>1,342,041,409.86</u>
6. CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u><u>1,817,654,598.01</u></u>	<u><u>1,776,696,342.87</u></u>

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

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

I Profile of the Company

As approved by the People’s Government of Shenzhen (SFBF (1993) No.356), China National Accord Medicines Corporation Ltd. (hereinafter referred to as the “the Company”), formerly known as Shenzhen Health Mineral Water Corp., Ltd., was registered as a joint stock liability limited company on 1 February 1993 through stock transformation. In March 1993, with the approval from the Shenzhen Branch of the People’s Bank of China, the Company issued 30 million A shares (including 16.5 million public shares, 3.5 million employee shares and 10 million corporation shares) and 20 million B shares. After this issuance, the Company’s share capital was RMB105 million. Through converting capital surplus into share capital, bonus issues and issuance of shares for years, the share capital of the Company increased to 428.13 million as at 31 December 2018.

In November 2000, the Company entered into an Asset Exchange Agreement with Shenzhen Investment Management Company, the original major shareholder of the Company, to exchange all the assets and liabilities of the Company as of 31 August 2000 for Shenzhen Investment Management Company’s 100% equity interests in 11 pharmaceutical companies and certain properties as well as 51% equity interests in Shenzhen Tefa Modern Computer Co., Ltd. The above asset exchange proposal was approved by shareholders in the Second Extraordinary General Meeting on 29 December 2000. The transaction was completed on 8 January 2001.

On 18 February 2004, the Company’s original major shareholder, Shenzhen Investment Management Company, entered into a Stock Transfer Agreement with Sinopharm Group Co., Ltd. (hereinafter referred to as “Sinopharm Group”) to transfer its 43.33% shares in the Company to Sinopharm Group. The legal procedures of the above equity transfer were completed on 9 December 2004. At the same time, as approved by the State-owned Assets Supervision and Administration Commission of the State Council (GZCQ (2004) No.525) and the China Securities Regulatory Commission (ZJGSZ (2004) No.94), the nature of these shares changed from state-owned stock to state-owned legal entity stock and Sinopharm Group became the largest shareholder of the Company.

On 14 April 2006, the Company’s proposal on reformation of segregated stocks was approved. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of 27 April 2006, the Company issued bonus shares on 28 April 2006 at the ratio of 3 shares to every 10 A shares to liquidated A-shareholders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of shareholdings.

On 14 March 2014, the Company issued 74,482,543 ordinary shares (A shares) through the non-public offering. Par value per share is RMB1 yuan. The shares shall not be transferred within 36 months since the issue date. The total number of shares of the Company was 362,631,943 since the date of issue.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

I Profile of the Company (Continued)

The Company acquired the companies under common control, including Sinopharm Holding Guoda Pharmacy Co., Ltd. (“Guoda Pharmacy”), Foshan Nanhai Medicine Group Co., Ltd. (“Foshan Nanhai”), Guangdong South Pharmaceutical Foreign Trade Co., Ltd. (“South Pharma & Trade”) and Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd. (“Guangdong Uptodate & Special Medicines”) by issuing shares and raised supporting funds by issuing shares to Ping An Asset Management Co., Ltd. to acquire the non-controlling interest of South Pharma & Trade. The relevant shares were successfully issued and listed on 5 January 2017. Afterwards, the total number of shares of the Company increased to 428,126,983.

As of 31 December 2018, the total share capital was 428,126,983.

The Company is registered with Shenzhen Administration for Industry & Commerce. Its Uniform Social Credit Code is 91440300192186267U. The operation period of the Company is from 2 August 1986 to the long term. The registered capital of the Company is RMB428.13 million. The legal representative of the Company is Lin Zhaoxiong.

The approved scope of business of the Company and its subsidiaries (together “the Group”) includes: the wholesale of Chinese herbal slices, traditional Chinese medicine preparations, bulk pharmaceutical drugs, chemical preparations, bulk antibiotic drugs, antibiotic preparations, biochemical drugs, biological products (including vaccines and in vitro diagnostic reagents psychotropic drugs and preparations, narcotic drugs, toxic drugs for medical use, protein assimilation preparation and peptide hormones; trade of dietary supplements; industrial investment holding; domestic trade; material supply and the marketing industry (other than special licensing); sale of ambulances; trading of second-class and third-class medical equipment; project investment; property management and leasing of self-owned properties; pharmacovigilance and medical information consulting; parking operation; logistics and related services; the package agency business; logistic design; import and export services (excluding projects that are prohibited by the country; limited projects have to be approved before operating).

Subsidiaries consolidated in the financial statements for the current year and change in the consolidation scope are shown in Note VI.

The Group’s parent and ultimate parent companies are Sinopharm Group and China National Pharmaceutical Group Corporation (“CNPGC”), respectively.

These financial statements were authorized for issue by the board of directors of the Company on 23 April 2019.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

II Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance and the specific accounting standards, application guidance, interpretation and other relevant regulations issued or amended thereafter (hereafter collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”).

These financial statements are prepared on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared using the historical cost as the principle of measurement. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2018 are in compliance with Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2018 and the operating results, cash flows and other information of the Group and the Company for the year then ended.

2. Accounting year

The Group's accounting year begins on 1 January and ends on 31 December.

3. Functional currency

The functional currency is Renminbi (RMB).

4. Business combinations

(a) Business combinations involving entities under common control

Assets and liabilities (including goodwill arising from the ultimate controlling shareholder's acquisition of the party being absorbed) that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The transaction costs of issuing equity securities or debt securities for a business combination are recognized at the initial recognition amount of equity securities or debt securities.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

4. Business combinations (Continued)

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognized in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities. Where the business combination not involving enterprises under common control which is achieved in stages, the acquirer's previously held equity interests in the acquiree are remeasured at the fair value on the acquisition date, with the difference between the fair value and carrying amount recognized as investment income for the current period. If the acquirer's previously held equity interests of the acquiree involve other comprehensive income (“OCI”) under the equity method, the accounting treatment is conducted on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities, and the changes in shareholders' equity other than net profit or loss, OCI and profit distributions are charged to profit or loss for the current period on the acquisition date. For financial assets at fair value through OCI held before the acquisition date, changes in fair value that was accumulated through OCI will transfer to retained earnings.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

5. Preparation of consolidated financial statements

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

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits, losses and comprehensive income for the period not attributable to the Company are recognized as non-controlling interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive income, respectively. The unrealized gain or loss from selling assets to subsidiaries fully offsets the net income attributable to equity holders of the Company. The unrealized gain or loss from purchasing assets from subsidiaries offsets the net income attributable to equity holders of the Company and attributable to the non-controlling interest by the distribution proportion regarding the Company and the subsidiary. The unrealized gain or loss from a transaction between subsidiaries offsets the net income attributable to equity holders of the Company and attributable to the non-controlling interest by the distribution proportion regarding the Company and the selling side of the subsidiaries. If different recognition perspectives for the same transaction arise within different accounting identities which are set up, there is an adjustment for the transaction from the Group's perspective.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, if each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of the equity investment in subsidiaries where control is retained. If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

7. Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the balance sheet date using the spot exchange rates at the dates of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

8. Financial instruments (applicable from 1 January 2018)

Financial instruments are the contracts that formed the financial assets of one entity, and at the same time formed the financial liabilities or equity instruments of other entities.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset, part of a financial asset or group of financial assets, i.e., offset from the accounts and statement of financial position, if either of the following conditions is satisfied:

- (1) The contractual rights to the cash flows from the financial asset expire; or
- (2) The contractual rights to the cash flows from the financial asset are transferred out, or obligated to transfer out all generated cash flows on receipt; and (a) substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee; or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but has not retained control of the financial asset.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (applicable from 1 January 2018) (Continued)

Recognition and derecognition of financial instruments (Continued)

The Group derecognises a financial liability only when the underlying present obligation is settled, discharged or expired. An agreement to replace the original financial liability with a new financial liability with substantially different terms, or to modify the original financial liability's terms substantially, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability Derecognized and the new financial liability should be recognised in profit or loss for the current period.

All regular means of purchases or sales of financial assets are recognised and Derecognized on a trade date basis. Regular means of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Trade date is the date that the Group commits to purchase or sell the financial asset.

Classification and measurement of financial assets

At initial recognition, the Group classifies its financial assets into: financial assets at fair value through profit or loss, financial assets at amortised cost, or financial assets at fair value through other comprehensive income, according to the Group's business model for managing financial assets and the contract cash flow characteristics of the financial assets. Financial assets are measured at fair value at initial recognition, provided that trade receivables or bills receivable not containing significant financing components or for which financing components of not more than 1 year are not taken into consideration shall be measured at their transaction prices at initial recognition.

For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss; for other financial assets, the relevant transaction costs are recognised in their initial recognition amount.

Subsequent measurement depends on the classification of the financial assets:

Financial assets measured at amortised cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met: The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income of this kind of financial assets is recognized using the effective interest method. Gains and losses are recognized in the income statement when the asset is derecognized, modified or impaired. These financial assets mainly include cash and cash equivalents, bills receivable and trade receivables, other receivables, debt investment and long-term receivables. Debt investments and long-term receivables due within one year from the balance sheet date are reported by the Group as current portion of non-current assets, and debt investments due within one year from the original maturity date are reported as other current assets.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (applicable from 1 January 2018) (Continued)

Classification and measurement of financial assets (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met: The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in fair values are recognized in other comprehensive income except that interest income, impairment losses and exchange differences are recognized in current profit or loss. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is transferred to profit or loss. Such financial assets are reported as other debt investment. Other debt investment due within one year from the balance sheet date is reported as a current portion of non-current assets and other debt investment due within one year from the original maturity date is reported as an item of other current assets.

Financial assets designated at fair value through other comprehensive income (equity investments)

The Group irrevocably chooses to designate some non-tradable equity instrument investments as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognized in profit or loss, and subsequent changes in fair value are included in other comprehensive income without provision for impairment. When financial assets are derecognized, the accumulated gains or losses previously recognized in other comprehensive gains are transferred from other comprehensive income and recognized in retained earnings. Such financial assets are reported as other equity investment.

If one of the following conditions is met, it is a held-for-trading financial asset: the acquisition of the relevant financial asset is intended primarily for sale or repurchase in the near future; it is a part of the portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the short-term profit model is adopted in the near future; it is a derivative, except for a derivative that is designated as a valid hedging instrument, other than a derivative that complies with a financial guarantee contract.

Financial assets at fair value through profit or loss

Financial assets other than the above-mentioned financial assets at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss. Such financial assets are presented as held-for-trading financial assets and are presented as other non-current financial assets if they expire after more than one year from the balance sheet date or expected to be held more than one year from the balance sheet date.

Only when an accounting mismatch is eliminated or significantly decreased, financial assets are designated as financial assets at fair value through profit or loss at initial recognition.

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III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (applicable from 1 January 2018) (Continued)

Classification and measurement of financial assets (Continued)

When an enterprise initially designates a financial asset as a financial asset at fair value through profit or loss, it cannot be reclassified to other financial assets; other financial assets cannot be re-designated after initial recognition as financial assets measured at fair value through profit or loss.

When and only when the Group changes its business model of managing financial assets, it reclassifies all relevant financial assets affected.

Classification and measurement of financial liabilities

On initial recognition of financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss, other financial liabilities and derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss, and the related transaction costs of other financial liabilities are recognized in their initial amount.

Subsequent measurement of financial liabilities is determined by its classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of held for trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated on initial recognition as financial liabilities at fair value through profit or loss.

Financial liabilities are held-for-trading financial liabilities if one of the following conditions are met: the purpose of assuming related financial liabilities is mainly to sell or repurchase in the near future; they are part of a centrally managed identifiable portfolio of financial instruments, and there is objective evidence that enterprises have adopted a short-term profitability model in the near future; they are derivatives, excluding derivatives that are designated as effective hedging instruments and derivatives that meet the financial guarantee contract. Held-for-trading financial liabilities (including derivatives belonging to financial liabilities) are subsequently measured at fair value. Except for hedging accounting, all changes in fair value are recognized in profit or loss.

Only if one of the following conditions is met can financial liabilities be designated as financial liabilities at fair value through profit or loss on initial recognition: (1) It can eliminate or significantly reduce the accounting mismatch. (2) The formal written document of risk management or investment strategy has stated that the portfolio of financial instruments is managed, evaluated and reported to key managers on the basis of fair value. (3) The financial liability is a hybrid instrument that contains one or more embedded derivatives, unless the embedded derivatives have no significant change in the cash flows of the hybrid instrument, or the embedded derivatives should obviously not be separated from the related hybrid instruments. (4) Mixed instruments contain embedded derivatives that need to be split but cannot be measured separately at the time of acquisition or on subsequent balance sheet days.

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III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (applicable from 1 January 2018) (Continued)

Classification and measurement of financial liabilities (Continued)

For such financial liabilities, subsequent measurements are made at fair value. Changes in fair value caused by changes in the Group's own credit risk are recognized in other comprehensive income, while other changes in fair value are recognized in profit or loss. Unless changes in fair value caused by changes in the Group's own credit risk recognized in other comprehensive income may result in or expand accounting mismatches in profit or loss, the Group shall recognize all changes in fair value (including the amount of impact of changes in its own credit risk) in profit or loss. When an enterprise designates a financial liability as a financial liability at fair value through profit or loss, it cannot be reclassified as other financial liabilities; nor can other financial liabilities be re-designated as financial liabilities at fair value through profit or loss after initial recognition.

Other financial liabilities

For such financial liabilities, subsequent measurement is made at amortized cost using the effective interest rate method.

Impairment of financial assets

Based on expected credit losses, the Group undertakes impairment treatment and confirms loss provisions of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income and financial guarantee contracts.

Credit loss refers to the difference between the cash flows of all contracts discounted at the original effective interest rate and the expected cash flows of all contracts receivable, i.e. the present value of all cash shortages. Among them, the financial assets purchased by or originated from the Group to which credit impairment has occurred shall be discounted at the effective interest rate adjusted by the credit of the financial assets.

For trade receivables and contractual assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provisions in accordance with the amount of expected credit losses equivalent to the entire life cycle.

For trade receivables and contractual assets with significant financing components, the Group uses a simplified measurement method to measure loss provisions in accordance with the amount of the expected credit loss equivalent to the entire lifetime.

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III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (applicable from 1 January 2018) (Continued)

Impairment of financial assets (Continued)

For financial assets other than those measured with simplified valuation methods, the Group evaluates at each balance sheet date whether its credit risk has significantly increased since initial recognition. The period during which credit risk has not significantly increased since initial recognition is considered the first stage, at which the Group shall measure the loss provision based on the amount of the expected credit loss for the next 12 months and shall compute interest income according to the book balance and effective interest rate; the period during which credit risk has significantly increased since initial recognition although no credit impairment has occurred is considered the second stage, at which the Group shall measure the loss provision based on the amount of the expected credit loss for the entire valid period and shall compute interest income according to the book balance and effective interest rate; The period during which credit impairment has occurred after initial recognition is considered the third stage, at which the Group shall measure the loss provision based on the amount of the expected credit loss for the entire period and shall compute interest income according to the amortised cost and effective interest rate. For financial instruments with relatively low credit risk at the balance sheet date, the Group assumes that its credit risk has not significantly increases since initial recognition.

The Group evaluates the expected credit losses of financial instruments on a single and combined basis. Taking into account the credit risk characteristics of different customers, the Group evaluates the expected credit losses of trade receivables based on the aging portfolio.

In assessing expected credit losses, the Group takes into account reasonable and valid information on past events, current conditions and future economic forecasts.

Refer to Notes VIII.3 for the disclosure of the Group's criteria for judging the significant increase in credit risk, the definition of assets with impaired credit losses, and the assumption of measuring expected credit losses.

When the Group no longer reasonably expects to be able to recover all or part of the contract cash flows of the financial assets, the Group will write off the book value of the financial assets directly.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

8. Financial instruments (applicable from 1 January 2018) (Continued)

Modification of financial assets

Where the Group modifies or renegotiates the contract with its counterparty and does not result in the derecognition of financial assets, but results in a change in the cash flow of the contract, the Group recalculates the book value of the financial asset on the basis of the renegotiated or modified contract cash flows at the discounted value of the original effective interest rate (or credit-adjusted effective rate of interest) of the financial asset, and the related gains or losses are recognized in profit or loss. The revised cost or expense of the financial assets adjust the book value of the financial assets and are amortized within the remaining period of the modified financial assets.

Transfer of financial assets

The Group derecognises a financial asset when it has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee; the Group does not derecognize those financial assets when it retains substantially all the risks and rewards of the ownership.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, the related accounting treatments of such financial assets are as follows: the Group derecognises financial assets when it retains no control on them, and associated assets and liabilities are recognised at the same time. If the Group retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

Continuing involvement that takes the form of a financial guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the financial guarantee. The amount of the financial guarantee is the maximum amount of consideration that the Group could be required to repay.

9. Financial instruments (applicable in 2017)

Financial instruments are the contracts that formed the financial assets of one entity, and at the same time formed the financial liabilities or equity instruments of other entities.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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III Summary of significant accounting policies and accounting estimates (Continued)

9. Financial instruments (applicable in 2017) (Continued)

Recognition and derecognition of financial instruments (Continued)

The Group derecognises a financial asset, part of a financial asset or group of financial assets, i.e., offset from the accounts and statement of financial position, if either of the following conditions is satisfied:

- (1) The contractual rights to the cash flows from the financial asset expire; or
- (2) The contractual rights to the cash flows from the financial asset are transferred out, or obligated to transfer out all generated cash flows on receipt; and (a) substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee; or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but has not retained control of the financial asset.

The Group derecognises a financial liability only when the underlying present obligation is settled, discharged or expired. An agreement to replace the original financial liability with a new financial liability with substantially different terms, or to modify the original financial liability's terms substantially, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability Derecognized and the new financial liability should be recognised in profit or loss for the current period.

All regular means of purchases or sales of financial assets are recognised and Derecognized on a trade date basis. Regular means of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Trade date is the date that the Group commits to purchase or sell the financial asset.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

9. Financial instruments (applicable in 2017) (Continued)

Classification and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the categories including: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale investments, and derivatives designated as effective hedging instruments. Financial assets are initially measured at fair value. For financial assets at fair value through profit or loss, transaction costs are immediately recognised in profit or loss for the current period. For other financial assets, transaction costs are included in their initial recognised amounts.

Subsequent measurement of financial assets is determined by its classification:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from impairment or amortization are recognised in profit or loss for the current period.

Available-for-sale investments

Available-for-sale investments include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale investments are subsequently measured at fair value. The discounted or premium amount of available-for-sale investments is amortised using the effective interest method and the amortization is recognised as an interest income or expense. Except for impairment losses and exchange differences arising from foreign currency monetary financial assets which are recognised as profit or loss for the current period, available-for-sale investments are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income. Accumulated gains or losses arising from changes in the fair value are classified as profit or loss on derecognition or when impairment arises. Dividends and interest earned from available-for-sale investments are recognised in profit or loss for the current period.

An equity investment instrument without a quoted price in an active market, whose fair value cannot be reliably measured, is recognised and subsequently measured at cost.

Classification and measurement of financial liabilities

On initial recognition, financial liabilities of the Group are classified into financial liabilities at FVTPL and other financial liabilities. For financial liabilities at FVTPL, transaction costs are immediately recognised in profit or loss. For other financial liabilities, transaction costs are included at their initial recognised amounts.

Subsequent measurement of financial liabilities is determined by the classification:

Other financial liabilities

Payables, including notes payable, trade payables and other payables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

9. Financial instruments (applicable in 2017) (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

Offsetting of financial instruments

A financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied: 1) the enterprise has a legal right to set off the recognized amounts and the legal right is currently enforceable; 2) the enterprise intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

Impairment of financial assets

The Group assesses the carrying amount of financial assets at each date of Balance sheet. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is an evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected. Objective evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, a debtor or debtor breach (es) contracts (i.e. default or delinquency in interest or principal payments, etc.), that it is very probable that they will enter bankruptcy or other financial reorganization and observable data which indicates that there is a measurable decrease in the estimated future cash flows.

Financial assets measured at amortised cost

If a financial asset measured at amortised cost is impaired, the carrying amount of the financial asset is reduced through the use of an allowance account to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The reduced amount is recognised in profit or loss for the current period. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (the effective interest rate upon initial recognition), and the value of the relevant guarantee should also be taken into account. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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III Summary of significant accounting policies and accounting estimates (Continued)

9. Financial instruments (applicable in 2017) (Continued)

Impairment of financial assets (Continued)

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. If any objective evidence indicates that it has been impaired, the impairment losses are recognised in profit or loss for the current period. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment reversed does not exceed what the amortised cost would have been when the impairment has not been recognised.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified from other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment losses on that financial asset previously recognised in profit or loss.

Objective evidence that an available-for-sale equity instrument investment is impaired includes the significant or prolonged decline in the fair value below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the length of period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured is the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

9. Financial instruments (applicable in 2017) (Continued)

Impairment of financial assets (Continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets measured at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

If, subsequent to the recognition of an impairment loss on an available-for-sale debt instrument, there is objective evidence of a recovery in the fair value of the financial asset which can be related objectively to an event occurred after the impairment is recognised, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on a financial asset measured at cost, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss for the current period. The impairment losses on such financial assets are not reversed once they are recognised.

Transfer of financial assets

A financial asset is Derecognized when the Group has transferred substantially all the risks and rewards of the asset to the referee. A financial asset is not Derecognized when the Group retains substantially all the risks and rewards of the asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the asset, it either i) derecognizes the transferred asset when it has transferred control of the asset; or ii) continues to recognize the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Group could be required to repay.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

10. Receivables

The recognition criteria and accrual methods of bad debt provision for the Group's receivables in 2017 are as follows:

Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there is objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining individually significant amounts is that any individual amount is more than RMB5 million.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows is expected to be derived from the receivable below its carrying amount.

Receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

A provision for impairment of the receivables is made based on the ageing of receivables at the following percentage:

	Provision ratios used for trade receivables	Provision ratios used for other receivables
Within 1 year	0-5%	0-5%
1 to 2 years	5-10%	5-10%
2 to 3 years	10-30%	10-30%
3 to 4 years	20-50%	20-50%
4 to 5 years	20-80%	20-80%
More than 5 years	20-100%	20-100%

Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there is objective evidence that the Group will not be able to collect the amount under the original terms of the receivables.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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III Summary of significant accounting policies and accounting estimates (Continued)

10. Receivables (Continued)

When the Group transfers the trade receivables to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognized in profit or loss for the current period.

For the recognition criteria and accrual method of the Group's bad debt provision for trade receivables from 1 January, 2018, please refer to Note III.8.

11. Inventories

Inventories include raw materials, work in progress, finished goods, delegate processing supplies and turnover materials, and are measured at the lower of cost and net realizable value.

Cost is determined on the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor and an allocation of systematically allocated overhead expenditures incurred based on the normal operating capacity.

Basis for determining the net realizable values of inventories and method for making provisions for decline in the value of inventories

Provisions for decline in the value of inventories are determined at the excess amount of the carrying value of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

The Group adopts the perpetual inventory system.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

12. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, joint ventures and associates.

Long-term equity investments are accounted for using the cost method at the time it was acquired. For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of shareholders' equity of the party being absorbed at the combination date.

Subsidiaries are the investees over which the Company is able to exercise control. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Interests in associates are accounted for using the equity method. For long-term equity investments acquired by way of the swap of non-monetary assets, the initial investment cost shall be determined in accordance with “ASBE No. 7 — Swap of Non-monetary Assets.” For long-term equity investments acquired by way of debt restructuring, the initial investment cost shall be determined in accordance with “ASBE No. 12 — Debt Restructuring.”

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of shareholders' equity of the party being absorbed at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

(b) Subsequent measurement and recognition of related profit or loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

12. Long-term equity investments (Continued)

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues to recognize its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to the recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues to recognize the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Group adjusts the book value of the investment and records a capital surplus accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment gains or losses are recognized. For the loss on intra-group transactions amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(c) Basis for determining existence of control, joint control or significant influence over investees

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

13. Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, and buildings that are being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to investment properties are included in the cost of investment properties when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

13. Investment properties (Continued)

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortization) rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortization) rates
Buildings	12-35 years	0-5%	2.71-7.92%
Land use rights	30-50 years	-	2.00-3.33%

When an investment property is transferred to owner-occupied property, it is reclassified as a fixed asset or intangible asset at the date of transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as an investment property at its carrying amount at the date of transfer.

The investment properties' useful life, net residual value and depreciation (amortization) method applied are reviewed and adjusted as appropriate at the end of each year.

An investment property is Derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

14. Fixed assets

Fixed assets are recognized when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered. The cost of a fixed asset is the aggregate cost of purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

14. Fixed assets (Continued)

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	20-35 years	0-5%	2.71-5.00%
Machinery	5-14 years	3-6%	6.79-19.40%
Motor vehicles	3-10 years	0-5%	9.50-33.33%
Other equipment	3-10 years	0-5%	9.50-33.33%
Leasehold improvements	within 5 years	0%	20% and above

Fixed assets held under finance leases are depreciated under the same depreciation method as other fixed assets. The assets are depreciated over their estimated useful lives where ownership of the assets can be reasonably estimated to be gained when lease periods end; otherwise, the leased assets are depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

The Group reviews the useful life, estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year end, and adjusts for any change when necessary.

A fixed asset is Derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

15. Construction in progress

Construction in progress is measured at its actual cost. The actual cost includes various necessary construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs.

16. Borrowing costs

Borrowing costs refer to the interest and other relevant cost incurred from borrowing, which include loan interest, discount or amortization of premiums, auxiliary expenses and exchange differences due to foreign currency loans, etc.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The term “assets eligible for capitalization” shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset disbursements have already incurred;
- (2) The borrowing costs have already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Borrowing costs incurred after the intended use or sale shall be recorded in the current profits and losses.

During the period of capitalization, the capitalized amount of interest in each accounting period shall be calculated and determined in the ways below:

The enterprise shall calculate and determine the interest of a specific loan by deducting interest income of the loan capital deposit in the bank or investment income obtained from a temporary investment.

The enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

16. Borrowing costs (Continued)

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

17. Intangible assets

Intangible assets are recognised and measured on initial recognition at cost only if the related economic benefits will probably flow into the Group and their costs can be measured reliably. However, the intangible assets acquired through a business combination not involving enterprises under common control should be measured at fair value separately as intangible assets when their fair values can be reliably measured.

The useful life of the intangible assets shall be assessed according to the estimated beneficial period expected to generate economic benefits for the Group. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

<u>Categories</u>	<u>Useful lives</u>
Land use rights	Between the approved useful period and the Company's operating period
Software	3-5 years
Trademarks	5-10 years
Technology patents	5 years
Distribution network	20 years
Franchising rights	10 years
Favorable leases	17-20 years

Land use rights obtained by the Group are usually accounted for as intangible assets. As for the construction of plants, factories and other buildings of the Group, the related land use rights and other buildings were accounted for as intangible assets and fixed assets, respectively. Purchase costs of land use rights and buildings were allocated to intangible assets and fixed assets separately. Purchase costs were recognised as cost of fixed assets, only if the separation was impracticable.

Intangible assets with a finite useful life are amortised over their estimated useful lives using the straight-line method or other reasonable systematic methods. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least once at each financial year end, and makes adjustments when necessary. A land use right granted by the government with an infinite useful life would not be amortized. Other land use rights are amortized on the straight-line basis over their approved useful period. If the acquisition costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the acquisition costs are recognized as fixed assets.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

17. Intangible assets (Continued)

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

Expenditure for investigation, evaluation and selection of production process and new drug researches is recognized in profit or loss in the period in which it is incurred. Expenditure on the designation, measurement of the final utilization of the production process and new drugs before mass production is capitalized only if all of the following conditions are satisfied:

- development of the production process and new drugs has been fully demonstrated by the technical team;
- management has approved the budget of drug production development and new drugs;
- market research analysis suggests that the products produced by the new production technology are able to be promoted;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development costs that do not meet the conditions above are recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

The Group classifies the expenses for internal research and development as research costs and development costs. All research costs are charged to the current profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such), the availability of technical and financial resources to complete the project and procure the use or sale of the intangible asset, and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

18. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, long-term prepaid expenses and investment properties measured using the cost model and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements, intangible assets with infinite useful lives and capitalized development costs are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amount of other assets within the asset groups or groups of asset groups in proportion to the carrying amount of other assets.

Once the above impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

19. Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

20. Governmental medical reserve funds and specially approved reserving materials

Appointed by the PRC Government, CNPGC is responsible for purchasing, allocating and providing the governmental medical reserves, which include the medical products, traditional Chinese medicine and medical appliances for nation-wide emergency rescue and disaster relief. Appointed by the Government of Guangxi Province, Sinopharm Medicine Holding Guangxi Co., Ltd. (“Sinopharm Guangxi”), a subsidiary of the Company, is responsible for purchasing, allocating and providing the medical reserves, which include the medical products needed for serious disasters, epidemics and other emergencies as well as endemic diseases in Guangxi Province. In accordance with the regulation of CNPGC, being the enterprise who bears the obligation for specially approved medical reserving materials, the medical reserve funds received from the PRC Government or local government are recognized as other non-current liabilities. The Group reserves the specially approved medical reserving materials according to the reserve program (by category and by quantity), applies dynamic management and recognizes them as other non-current assets.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

21. Employee benefits

Employee benefits mainly include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labor relation.

Short-term employee benefits

The actual occurred short-term employee benefits are recognized as liabilities during the accounting period in which the service has been rendered by the employees and as costs of assets or expenses to whichever the employee service is attributable.

Post-employment benefits (defined contribution plans)

The employees in the Group participate in social insurance and unemployment insurance schemes administrated by the local governments, and the related expenditures are recorded in cost of related assets or profit or loss in the period when they incurred.

Post-employment benefits (defined benefit plans)

The Group operates a defined benefit pension scheme. No funds have been injected into the scheme. The cost of benefits provided under the defined benefit scheme is calculated using the expected benefit accrual unit approach.

Remeasurement arising from defined benefit pension schemes, including actuarial gains or losses, changes in the asset cap effect (deducting amounts included in net interest) and returns on scheme assets (deducting amounts included in net interest) are instantly recognised in the balance sheet and charged to shareholders' equity through other comprehensive income for the period during which it is incurred. It will not be reversed to profit and loss in subsequent periods.

Previous service costs are recognised as current expenses when: the defined benefit scheme is revised, or relevant restructuring costs or termination benefits are recognised by the Group, whichever earlier.

Net interest is arrived at by multiplying net liabilities or net assets of defined benefits with a discount rate. Changes in net obligations of defined benefits are recognised as operating costs and administration expenses in the income statement. Service costs included current services costs, past service costs and settlement of profit or loss. Net interest included interest income from scheme assets, interest expenses for scheme obligations and interest of the asset cap effect.

Termination benefits

The Group recognizes a liability for termination benefits and charges to profit or loss at the earlier of the following dates: a) when the Group can no longer withdraw from the termination plan or the redundancy offer; and b) when the Group recognizes costs or expense for a restructuring plan which involves the payment of termination benefits.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

21. Employee benefits (Continued)

Other long term employee benefits

Other long-term employees' benefits provided to employees shall be recognised and measured as net liabilities or net assets where provisions regarding post-employment benefits are applicable, provided that changes shall be included in current profit and loss or related capital costs.

22. Provisions

An obligation related to a contingency shall be recognized by the Group as a provision when all of the following conditions are satisfied, except contingent considerations and contingent liabilities assumed in a business combination not involving enterprises under common control:

- (1) The obligation is a present obligation of the Group;
- (2) It is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) The amount of the obligation can be measured reliably.

The provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. The carrying amount of provisions is reviewed at the balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

For business combinations not under common control, contingent liabilities of the acquiree obtained in a business combination shall be measured at fair value in initial recognition. After initial recognition, subsequent measurement is conducted using the higher of the amount recognized by provisions and the amount of initial recognition deducting the accumulated amortization amount determined by the principles of revenue recognition.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

23. Share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payment" refers to a transaction in which the group grants shares or other equity instruments as a consideration in return for services.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the Group shall make the best estimate of the number of vested equity instruments based on the latest movement of the granted employee, the content of prescribed performance and other conditions. Based on the best estimate, the services obtained in the current period shall be included in the relevant costs or expenses and the capital reserves at the fair value of the equity instruments on the date of the grant.

For awards that do not ultimately vest because non-market performance and service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

23. Share-based payments (Continued)

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by an enterprise. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the group. The group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

24. Revenue recognition (applicable from 1 January 2018)

The group recognizes revenue when it has fulfilled its obligations under the contract, i. e. when the customer acquires control relevant goods or services. Acquiring control over the goods or services refers to the ability to dominate the use of the goods or the portion of services and to derive almost all the economic benefits therefrom.

Contracts for sale of goods

The contracts for the sale of goods between the Group and its customer usually only contain the performance obligations for the transfer of goods. The Group generally recognizes revenue at the point of transferring the control of goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

Service Contracts

The service contracts between the Group and its customers usually consist of performance obligations such as engineering construction management, engineering design consulting and so on. As the Group's performance of contracts is at the same time when the customer obtains and consumes the economic benefits of the performance of the Group, and the Group has the right to collect receivables from the performance of contracts that has been completed to date, the Group regards it as a contact obligation over a period of time, except that the progress of performance cannot be reasonably determined. The Group determines the progress of the performance of contracts in accordance with the input method. If the progress of performance of contracts cannot be reasonably determined and the cost incurred by the Group are expected to be compensated, the revenue is recognized on the basis of the incurred costs until the progress of performance of contracts can be reasonably measured.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

24. Revenue recognition (applicable from 1 January 2018) (Continued)

Variable consideration

Certain contracts between the Group and its customers contain cash discounts and price guarantee clauses which will give rise to variable consideration. Where a contract contains variable consideration, the Group determines the best estimates on the variable consideration based on expected values or the most probable amount, provided that transaction prices including variable consideration shall not exceed the cumulative amount of recognised revenue upon the removal of relevant uncertainties in connection with which a significant reversal is highly unlikely.

Consideration payable to customers

Where consideration is payable by the Group to a customer, such consideration payable shall be deducted against the transaction price, and against current revenue upon the recognition of revenue or the payment of (or the commitment to pay) the consideration to the customer (whichever is later), save for consideration payable to the customer for the purpose of acquiring from the customer other clearly separable products.

Return clauses

In connection with sales with a return clause, revenue is recognised according to the amount of consideration it expects to be entitled to for the transfer to a customer when the customer acquires control of the relevant. Amounts expected to be refunded for the return of sales are recognised as liabilities. At the same time, the balance of the carrying value of the product expected to be returned upon transfer less expected costs for the recall of such product (including an impairment loss of the recalled product) shall be recognised as an asset (i.e. cost of return receivables), and the net amount of the carrying value of the transferred product upon the transfer less the aforesaid asset cost shall be transferred to cost. At each balance sheet date, the Group reassesses the future return of sales and remeasures the above assets and liabilities.

Significant financing component

Where a contract contains a significant financing component, the Group determines transaction prices based on amounts payable assumed to be settled in cash by customers immediately upon the acquisition of control over the products. The difference between such transaction price and contract consideration is amortised over the contract period using the effective interest rate method based on a ratio that discounts the nominal contractual consideration to the current selling price of the products.

The Group shall not give consideration to any significant financing component in a contract if the gap between the customer's acquisition of control over the products and payment of consideration is expected to be less than 1 year.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

24. Revenue recognition (applicable from 1 January 2018) (Continued)

Warranty clauses

The Group provides quality assurance for products sold and assets built in accordance with contract terms and laws and regulations. The accounting treatment of quality assurance in the form of warranty assuring customers products sold are in compliance with required standards is set out in Note III.22. Where the Group provides a service warranty for a standalone service in addition to the assurance of compliance of products with required standards, such warranty is treated as a standalone contractual performance obligation, and a portion of the transaction price shall be allocated to the service warranty based on a percentage of the standalone price for the provision of product and service warranty. When assessing whether a warranty is rendering a standalone service in addition to providing guarantee to customers that all sold goods are in compliance with required standards, the Group will consider whether or not such warranty is a statutory requirement, the term of the warranty and the nature of the Group's undertaking to perform its obligations.

Reward points program

The Group grants reward points to customers when selling goods. Customers can use reward points to redeem free or discounted goods provided by the Group. This reward points program provides significant rights to customers, the Group consider it as an individual performance obligation, and an apportion part of the transaction price to reward points based on pricing of goods or services with warranty clauses. Revenue is recognised when customers obtain goods redeemed or when reward points expire.

Principal responsible person/proxy

For goods or other assets obtained from a third party which were transferred later to customers, the Group has the right to decide independently, pricing of goods. This means that the Group has obtained control over related goods before transferring to customers. Therefore, the Group is the principal responsible person, and revenue is recognised based on total amount of consideration received or receivable. Otherwise, the Group is proxy, and revenue is recognised based on expected commission. This amount should be the total amount of consideration received or receivable net of the amount payable to other parties, or based on the fixed amount or percentage.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

25. Revenue recognition (applicable in 2017)

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue can be recognized on condition that the transaction-related economic interest is expected to be satisfied, the amount is able to be reliably measured, and the following recognition conditions are met:

Sale of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, and it is probable that the economic benefits associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

Rendering of services

The Group provides freight, storage and other services to external parties. The freights are recognized as revenue right after the goods are transported to the place of delivery according to contracts or agreements, received and confirmed by the purchasers. Other revenue is determined in accordance with the amount provided in the service period stipulated in the contract.

Customer loyalty programme

The Group offers a customer loyalty programme where points earned through the purchase of goods can only be redeemed for goods provided by Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd. or other free goods. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. Fair value of award points is measured on the basis of the value of the awards (that is, goods or services) for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

26. Contract assets and contract liabilities (applicable from 1 January 2018)

The Group presents contract assets or contract liabilities on the balance sheet according to the relationship between contractual performance obligations and customer payments.

Contract assets

The unconditional (namely, dependent only on the passage of time) right to receive consideration from customers owned by the Group shall be presented as amounts receivable. The right to receive consideration following the transfer of products to customers which is dependent on factors other than the passage of time is presented as contract assets.

For details of the Group's determination and accounting treatment of expected credit losses from contract assets, please refer to Note III.8.

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Notes to financial statements (Continued)

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III Summary of significant accounting policies and accounting estimates (Continued)

26. Contract assets and contract liabilities (applicable from 1 January 2018) (Continued)

Contract liabilities

The obligation to pass products to customers in connection with customer consideration received or receivable is presented as contract liabilities, for example, amounts received prior to the transfer of the promised products.

Contract assets and contract liabilities under the same contract are presented on a net basis after set-off.

27. Assets relating to contract cost (applicable from 1 January 2018)

The Group's assets relating to contract costs include the contract acquisition costs and contract performance costs, presented respectively under inventories, other current assets and other non-current assets.

Where the Group expects the incremental costs for acquiring a contract to be recoverable, such contract acquisition costs are recognised as an asset (unless the amortisation period of the asset is not more than 1 year).

Costs incurred by the Group for the performance of a contract are recognised as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, fixed assets or intangible assets but meet all the following conditions:

- (1) They are directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;
- (2) they will increase the resources to be utilised in the Company's future performance of its contractual obligations; and
- (3) they are expected to be recoverable.

The Group amortises assets relating contract costs on the same basis as that for the recognition of revenue relating to such assets and recognises the amortised assets in current profit or loss.

For assets relating to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognised as asset impairment losses:

- (1) The remaining consideration expected to be obtained as a result of the transfer of goods relating to such assets;
- (2) Estimated costs to be incurred in connection with the transfer of relevant goods

In the event that the difference between (1) and (2) becomes higher than the carrying value of such assets as a result of changes in the factors of impairment for previous periods, previous provisions for asset impairment losses should be written back and included in current profit or loss, provided that the carrying asset value following the write-back shall not exceed the carrying value that such assets would have on the date of write-back were there no provision for impairment.

III Summary of significant accounting policies and accounting estimates (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

28. Government grants

A government grant is recognized when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets refer to government assets which are granted to enterprises for the long-term assets formed by acquisition, construction or in other manners. Government grants related to income refer to government grants other than those related to assets.

Government grants related to income to be used as compensation for future expenses or losses shall be recognized as deferred income and shall be charged to the current profit or loss or be used to write down the relevant loss, during the recognition of the relevant cost expenses or losses; or used as compensation for relevant expenses or losses already incurred by enterprises shall be directly charged to the profit or loss account in the current period or used to write down the relevant cost.

The government grants related to assets shall be used to write down the book value of the relevant assets or be recognized as deferred income. The government grants related to assets, recognized as deferred income, shall be charged to the profit and loss reasonably and systematically in stages over the useful lives of the relevant assets. The government grants measured at a nominal amount shall be directly charged to the current profit or loss.

If any related asset is sold, transferred, written off or destroyed before the end of its useful life, the balance of the undistributed deferred income shall be transferred to the current gain or loss on disposal of the asset.

29. Income tax

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense in profit or loss of the current period, or recognized directly in shareholders' equity if it arises from a business combination or relates to a transaction or event which is recognized directly in shareholders' equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by tax authorities calculated according to related tax laws.

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). A deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

III Summary of significant accounting policies and accounting estimates (Continued)

29. Income tax (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

30. Leases

Finance leases are leases with the whole risks and rewards related to the asset substantially transferred. The other kinds of leases are nominated operating leases.

As lessee of operating leases

Rental expenses under operating leases are recognised as relevant asset costs or in current profit or loss on the straight-line basis over the lease term. Contingent rental is charged to current profit or loss when incurred.

As lesser of operating leases

Rental income under operating leases are recognised as profit/loss for the current period on a straight-line basis over the lease term. Contingent rental is charged to current profit or loss when incurred.

As lessee under finance leases

An asset held under finance leases is initially recognised at the lower between the leased assets' fair value and the present value of minimum lease payments on the lease commencement date. The amount of long-term payables will be recognised as minimum lease payments accordingly, and the differences between the leased assets' fair value and the present value of minimum lease payments will be recorded as unrecognised financing costs which will be amortised using the effective interest method over the term of the relevant lease. Contingent rentals will be recognised in profit or loss for the period when they are actually incurred.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

31. Dividend distribution

Cash dividend distribution is recognized as a liability in the period in which it is approved by shareholders at the annual shareholders' meeting.

32. Fair value measurement

At each balance sheet date, the Group measures the fair value of other debt investments and equity instrument investments. Fair value means the price receivable from the disposal of an asset or required to be paid for the transfer of a liability in an orderly transaction incurred by market participants on the measurement date. The Group measures assets or liabilities at fair value with the assumption that the orderly transaction of asset disposal or the transfer of liabilities takes place in the major market for the relevant assets or liabilities. Where there is no major market, the Group assumes that such transaction takes place in the most favourable market for the relevant assets or liabilities. The major market (or most favourable market) is a trading market which the Group has access to on the measurement date. The Group adopts assumptions used by market participants when they price the asset or liability with the aim of maximising its economic benefits.

The measurement of non-financial assets measured at fair value should take into account the ability of market participants to utilise the asset in the best way for generating economic benefits, or the ability to dispose of such asset to other market participants who are able to utilise the asset in the best way for generating economic benefits.

The Group adopts valuation techniques that are appropriate in the current circumstances and supported by sufficient usable data and other information. Observable input will be used first and foremost. Unobservable input will only be used when it is not possible or practicable to obtain observable input.

The fair value hierarchy to which an asset or liability measured or disclosed in the financial statements at fair value will be determined on the basis of the lowest level of input which is significant for the fair value measurement as a whole. Input at the first level represents unadjusted quoted prices in an active market for the acquisition of the same asset or liability on the measurement date. Input at the second level represents directly or indirectly observable assets or liabilities apart from input at the first level. Input at the third level represents unobservable input for the asset or liability.

At each balance sheet date, the Group reassesses assets and liabilities measured at fair value on an ongoing basis recognised in the financial statements to determine whether the level of fair value measurement should be changed.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

33. Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

34. Significant accounting judgements and estimates

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Significant accounting judgements and estimates

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

Operating leases – as lesser

The Group signed lease contracts for investment properties. The Group considers these leases as operating leases because according to the lease contract terms, the Group reserves all significant risks and rewards of ownership of the properties.

Operating leases – as lessee

The Group signed lease contracts for buildings. The Group considers these leases as operating leases because all significant risks and rewards of buildings are not transferred to the Group.

Business model

The classification of financial assets at initial recognition is dependent on the Group’s business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flows, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Characteristics of contract cash flow

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flows of such type of financial assets. Judgement is required to determine whether the contract cash flows represent interest payment in relation to principal amounts based on outstanding principal amounts only, including judgement of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may cause material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of available-for-sale investments

Before 1 January 2018, the Group classified certain assets as available-for-sale investments and directly recognized movements of their fair value in other comprehensive income. When the fair value declined, management made assumption about the decline in value to determine whether there is any impairment loss that should be recognised in the income statement.

Impairment of financial instruments

The Group has adopted the expected credit loss model to value the impairment of financial instruments. The application of the expected credit loss model requires significant judgement and estimates and the consideration of all reasonable and soundly based information, including forward-looking information. In making such judgement and estimates, the Group estimates the projected movements of the debtor's credit risk according to past repayment records, economic policies, macro-economic indicators and industry risks.

Impairment of non-current assets other than financial assets (excluding goodwill)

The Group assesses whether there are any indicators of impairment for non-current assets other than financial assets at the date of statement of financial position. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indicator exists. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows. Refer to Note V. 11, 12, 13, 14.

Impairment of goodwill

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, the present value of future cash flows, which are generated from asset groups or sets of asset groups considered together with allocated goodwill, is estimated. The Group estimates the present value of future cash flows from asset groups or sets of asset groups by forecasting the related cash flows and selecting a suitable discount rate. Refer to Note V. 15.

III Summary of significant accounting policies and accounting estimates (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

34. Significant accounting judgements and estimates (Continued)

Deferred tax assets

To the extent that it is probable that there are sufficient taxable profits to offset the deductible losses, deferred tax assets shall be recognised for all unused deductible losses. Substantial management’s judgements regarding the timing and amount of future taxable profit are needed when estimating the amount of deferred tax assets.

Fair value of non-listed equity investment

Non-listed equity investments are valued as expected future cash flows based on the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate future cash flows, credit risks, fluctuations and discount rates and is therefore uncertain.

Reward points

The Group considers the observable separate selling price of the redeemable free or discounted goods, the probability of redeeming and all the related information, after which estimates a reasonable reward points separate selling price. When estimating the probability of redeeming, the Group bases on historical data, current data and takes into consideration future change of the client, also market trends and other factors. The Group re-evaluates the separate selling price of reward points at least once every balance sheet date, and allocates it to reward points transaction price based on the result.

Return clauses

The Group reasonably estimates the return rate for contract groups with similar characteristics according to the historical return rate, current conditions of return, the change of customers and markets. The Group at least reassesses the return rate at every balance sheet date and determines return payables and cost of return receivables.

Warranty

The Group makes reasonable estimates on warranty fee rates in respect of contract groups with similar characteristics based on the historical data and current conditions of warranty, taking into consideration all relevant information such as product improvements and market changes, among others. The Group reassesses the warranty fee rates at least annually at each balance sheet date and determines its estimated liabilities based on the reassessed warranty fee rates.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Evaluating limitations of variable consideration

When estimating variable consideration, the Group considers all the reasonable information obtained, including historical information, current information and forecasted information, and also estimates all the possible consideration amount and possibility within a reasonable range. For contracts that is likely to have multiple different outcomes, the Group estimate the consideration amount based on the expected value method. For contracts with only two possible outcomes, the Group estimates the consideration amount based on the most likely outcome. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group re-evaluates the amount of variable consideration on every balance sheet date, including re-evaluating whether the estimations used are limited, to reflect changes which occurred in the financial statement period.

Changes in accounting policies

In 2017, the Ministry of Finance announced amendments to ASBE No. 14 — Revenue” (the “New ASBE on Revenue”), “ASBE No. 22 — Recognition and Measurement of Financial Instruments”, “ASBE No. 23 — Transfer of Financial Assets”, “ASBE No. 24 — Hedge Accounting” and “ASBE No. 37 — Presentation of Financial Instruments” (the “New ASBEs on Financial Instruments”). The Group has adopted the aforesaid revised accounting standards with effect from 1 January 2018. In accordance with the convergence provisions, no adjustments were made to the information of comparative periods. The difference arising from the first day of implementation of the new ASBE versus the implementation of the existing ASBE is recognised by adjusting the opening balance of retained earnings or other comprehensive income for the reporting period.

New ASBE on Revenue

The New ASBE on Revenue has built a new model for revenue recognition to provide for the accounting treatment of revenue generated from contracts with customers. In accordance with the New ASBE on Revenue, the method of revenue recognition should reflect the model of the Company’s transfer of goods or rendering of services to customers, and the amount of revenue should reflect the amount of consideration expected to be entitled to as a result of the company’s transfer of such goods and services to customers. At the same time, the New ASBE on Revenue has also provided for judgements and estimates required by each step in revenue recognition. The Group has only adjusted the cumulative effect of outstanding contracts at 1 January 2018. In respect of contract changes which occurred prior to 1 January 2018, the Group has adopted a simplified approach: identifying fulfilled and unfulfilled performance obligations in connection with all contracts based on the finalised arrangements in contract changes, determining the transaction price, and allocating the transaction price between fulfilled obligations and unfulfilled obligations.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

The effect of adopting the New ASBE on items in balance sheets as at 1 January 2018 is set out as follows:

Consolidated balance sheet

	On the face of the statement	Hypothetically in accordance with the previous ASBE	Impact
Advances from customers	-	216,938,239.32	(216,938,239.32)
Contract liabilities	216,938,239.32	-	216,938,239.32
Deferred income	96,725,183.34	125,082,372.53	(28,357,189.19)
Other non-current liabilities	28,357,189.19	-	28,357,189.19

The Company's balance sheet

	On the face of the statement	Hypothetically in accordance with the previous ASBE	Impact
Advances from customers	-	1,912,503.90	(1,912,503.90)
Contract liabilities	1,912,503.90	-	1,912,503.90

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

The effect of adopting the New ASBE on Revenue of 2018 financial statements set out as follows:

Consolidated balance sheet

	On the face of the statement	Hypothetically in accordance with the previous ASBE	Impact
Advances from customers	-	252,889,957.83	(252,889,957.83)
Non-current liabilities due within one year	-	2,700,654.54	(2,700,654.54)
Contract liabilities	255,590,612.37	-	255,590,612.37
Deferred income	91,491,170.40	115,305,003.27	(23,813,832.87)
Other non-current liabilities	69,241,176.18	45,427,343.31	23,813,832.87

The Company's balance sheet

	On the face of the statement	Hypothetically in accordance with the previous ASBE	Impact
Advances from customers	-	4,182,083.40	(4,182,083.40)
Contract liabilities	4,182,083.40	-	4,182,083.40

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

New ASBEs on Financial Instruments

The New ASBEs on Financial Instruments has changed the classification and measurement of financial assets and determined three major measurement types: at amortised cost; at fair value through other comprehensive income; and at fair value through current profit or loss. A company is required to consider its own business model and the characteristics of contract cash flows of its financial assets in the aforesaid classification. Equity investments are required to be measured at fair value through current profit or loss, provided that the Group may elect at initial recognition to irrevocably designate investment in non-trading equity instruments as financial assets at fair value through other comprehensive income.

The New ASBEs on Financial Instruments provides that the model for measuring financial assets impairment shall be changed from the “model of incurred losses” to the “model of expected credit losses”, which is applicable to financial assets at amortised cost, financial assets at fair value through other comprehensive income, a loan commitment, and financial guarantee contracts.

The earnings of certain wealth financial products held by the Group depend on the rate of return on the underlying assets. The Group classified it as an available-for-sale financial asset by 1 January 2018. After 1 January 2018, the Group analysed its contract cash flows to not only represent payments of principal and interests on the basis of outstanding principal. Therefore, these financial products are reclassified as financial assets at fair value through profit or loss, or as other non-current financial assets in presentation.

After 1 January 2018, certain equity investments held by the Group have been designated as financial assets at fair value through other comprehensive income, or as other equity investments in presentation.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

The result of classification and measurement of financial assets on the day of the first implementation date in accordance with standards for the classification and measurement of financial instruments before and after the revision is set out in the following:

The Group		ASBE for recognition and measurement of financial instruments prior to amendment		Revised ASBE for recognition and measurement of financial instruments	
		Measurement type	Carrying value	Measurement type	Carrying value
Trade receivables	Amortised cost (Loans and receivables)	7,589,412,679.88	Amortised cost	7,589,412,679.88	
Notes receivables	Amortised cost (Loans and receivables)	1,504,194,764.08	Amortised cost At fair value through other comprehensive income	919,982,854.86 584,211,909.22	
Equity investment	At fair value through other comprehensive income (available for-sale assets)	13,685,760.00	At fair value through other comprehensive income	13,685,760.00	
The Company					
		ASBE for recognition and measurement of financial instruments prior to amendment		Revised ASBE for recognition and measurement of financial instruments	
		Measurement type	Carrying value	Measurement type	Carrying value
Trade receivables	Amortised cost (Loans and receivables)	480,467,760.92	Amortised cost	480,467,760.92	
Notes receivables	Amortised cost (Loans and receivables)	64,799,618.07	Amortised cost At fair value through other comprehensive income	47,539.48 7.69 17,260,130.38	

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III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

Reconciliation table relating to the adjustment of the original carrying value of financial assets to the new carrying value of financial assets following classification and measurement in accordance with the revised ASBE for recognition and measurement of financial instruments on the first date of implementation:

	Carrying value presented under previous ASBEs on financial instruments	Reclassified	Remeasured	Carrying value presented under New ASBEs on Financial Instruments
	31 December 2017			1 January 2018
Financial assets measured at amortised cost				
<i>Trade receivables</i>				
Balance presented under previous ASBEs on Financial Instruments	7,589,412,679.88	-	-	-
Balance presented under New ASBEs on Financial Instruments	-	-	-	7,589,412,679.88
<i>Notes receivables</i>				
Balance presented under previous ASBEs on Financial Instruments	1,504,194,764.08	-	-	-
Less: Transfer to fair value through other comprehensive income (New ASBEs on Financial Instruments)	-	(584,211,909.22)	-	-
Balance presented under New ASBEs on Financial Instruments	-	-	-	919,982,854.86
Total financial assets measured at amortised cost	9,093,607,443.96	(584,211,909.22)	-	8,509,395,534.74
Financial assets at fair value through other comprehensive income				
<i>Equity investment – available-for-sale financial asset</i>				
Balance presented under previous ASBEs on Financial Instruments	13,685,760.00	-	-	-
Less: Transfer to fair value through other comprehensive income – other equity instruments (New ASBEs on Financial Instruments)	-	(13,685,760.00)	-	-
Balance presented under New ASBE on financial instruments	-	-	-	-
<i>Equity investment</i>				
Balance presented under previous ASBEs on Financial Instruments	-	-	-	-

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

	Carrying value presented under previous ASBEs on financial instruments	Reclassified	Remeasured	Carrying value presented under New ASBEs on Financial Instruments
Add: Transfer to fair value through other comprehensive income – other equity instruments (New ASBEs on Financial Instruments)	-	13,685,760.00	-	-
Balance presented under a New ASBE on financial instruments	-	-	-	13,685,760.00
Note receivables				
Balance presented under previous ASBEs on Financial Instruments	-	-	-	-
Add: Transfer to fair value through other comprehensive income (New ASBEs on Financial Instruments)	-	584,211,909.22	-	-
Balance presented under a New ASBE on financial instruments	-	-	-	584,211,909.22
Total financial asset at fair value through other comprehensive income	<u>13,685,760.00</u>	<u>584,211,909.22</u>	<u>-</u>	<u>597,897,669.22</u>
Total	<u>9,107,293,203.96</u>	<u>-</u>	<u>-</u>	<u>9,107,293,203.96</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

Reconciliation table relating to the adjustment of the original amount of financial asset impairment provision as at 31 December 2017 to the new provision amount in accordance with the revised ASBEs on Financial Instruments on the first day of implementation:

	Note V	Loss provision under previous ASBEs on Financial Instruments	Reclassified	Remeasured	Loss provision under New ASBEs on Financial Instruments
Trade receivables	2	43,925,465.41	-	-	43,925,465.41
Other receivables	4	15,111,049.87	-	-	15,111,049.87
Available-for-sale financial instruments (previous ASBEs on financial instruments)/ Financial assets at fair value through other comprehensive income (new ASBEs on financial instruments)	7,8	<u>180,000.00</u>	<u>-</u>	<u>-</u>	<u>180,000.00</u>
Total		<u>59,216,515.28</u>	<u>-</u>	<u>-</u>	<u>59,216,515.28</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

Change in the reporting format of financial statements

In accordance with “Notice on the Revision and Publication of the 2018 General Corporate Financial Reporting Format” (Cai Kuai [2018] No. 15), in addition to the changes in presentation resulting from the implementation of the above-mentioned new financial instruments standards and new income standards, on the face of the balance sheet, “notes receivable” and “trade receivables” have been consolidated into the new item of “notes receivable and trade receivables”; “interest receivable” and “dividends receivable” have been consolidated into “other receivables”, “fixed assets disposal” has been consolidated into “fixed assets”; “construction materials” has been consolidated into “construction in progress”; “notes payable” and “trade payables” have been consolidated into the new item of “notes payable and trade payables”; and “special payables” has been consolidated into “long-term payables” On the face of the income statement, a breakdown of “research expenses” from “administrative expenses” has been introduced and a breakdown of “finance cost” into “interest expenses” and “interest income” has been introduced. A new item of “changes in defined contribution plan transferred to retained earnings” in the statement of changes in equity has been introduced. Comparable figures have been adjusted accordingly. This change in accounting policy has had no impact on the amounts of net profit and shareholders’ equity in the consolidated and the Company’s statements.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

The main impact of the retroactive adjustments resulting from the above changes in accounting policies on the financial statements are as follows:

The Group

2018

	Carrying value presented under previous ASBEs 31 December 2017	Impact of new ASBEs on Revenue		Impact of new ASBEs on Financial Instruments	Impact of other financial statement presentation changes	Carrying value presented under new ASBEs 1 January 2018
		Reclassified	Remeasured			
Available-for-sale financial assets	13,685,760.00	-	-	(13,685,760.00)	-	-
Other equity investment	-	-	-	13,685,760.00	-	13,685,760.00
Notes receivable	1,504,194,764.08	-	-	-	(1,504,194,764.08)	-
Trade receivables	7,589,412,679.88	-	-	-	(7,589,412,679.88)	-
Notes receivable and trade receivables	-	-	-	-	9,093,607,443.96	9,093,607,443.96
Other receivables	657,871,058.54	-	-	-	61,441.11	657,932,499.65
Interest receivable	61,441.11	-	-	-	(61,441.11)	-
Notes payable	2,732,437,828.42	-	-	-	(2,732,437,828.42)	-
Trade payables	6,144,221,000.10	-	-	-	(6,144,221,000.10)	-
Notes payable and trade payables	-	-	-	-	8,876,658,828.52	8,876,658,828.52
Interest payable	7,311,819.65	-	-	-	(7,311,819.65)	-
Dividend payable	11,889,443.11	-	-	-	(11,889,443.11)	-
Other payables	1,011,128,397.26	-	-	-	19,201,262.76	1,030,329,660.02
Advances from customers	216,938,239.32	(216,938,239.32)	-	-	-	-
Contract liabilities	-	216,938,239.32	-	-	-	216,938,239.32
Special accounts payable	800,000.00	-	-	-	(800,000.00)	-
Long term payables	9,332,537.14	-	-	-	800,000.00	10,132,537.14

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

III Summary of significant accounting policies and accounting estimates (Continued)

34. Significant accounting judgements and estimates (Continued)

Changes in accounting policies (Continued)

The main impact of the retroactive adjustments resulting from the above changes in accounting policies on the financial statements are as follows:

The Company

2018

	Carrying value presented under previous ASBEs 31 December 2017	Impact of new ASBEs on Revenue		Impact of new ASBEs on Financial Instrument	Impact of other financial statement presentation changes	Carrying value presented under new ASBEs 1 January 2018
		Reclassified	Remeasured			
Notes receivable	64,799,618.07	-	-	-	(64,799,618.07)	-
Trade receivables	480,467,760.92	-	-	-	(480,467,760.92)	-
Notes receivable and trade receivables	-	-	-	-	545,267,378.99	545,267,378.99
Other receivables	1,516,037,945.71	-	-	-	1,844,294.10	1,517,882,239.81
Interest receivable	1,844,294.10	-	-	-	(1,844,294.10)	-
Notes payable	239,563,961.30	-	-	-	(239,563,961.30)	-
Trade payables	434,886,685.35	-	-	-	(434,886,685.35)	-
Notes payable and trade payables	-	-	-	-	674,450,646.65	674,450,646.65
Interest payable	669,533.78	-	-	-	(669,533.78)	-
Other payables	1,415,053,655.18	-	-	-	669,533.78	1,415,723,188.96
Advances from customers	1,912,503.90	(1,912,503.90)	-	-	-	-
Contract liabilities	-	1,912,503.90	-	-	-	1,912,503.90
Special accounts payable	800,000.00	-	-	-	(800,000.00)	-
Long term payables	-	-	-	-	800,000.00	800,000.00

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

IV Taxation

1. Main categories and rates of taxes:

Categories	Tax base	Tax rate
Corporate income tax (“CIT”)	Taxable income	10%, 15%, 20% or 25%
	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of the current period)	0%, 3%, 5%, 6%, 10%, 11%, 16% or 17%
Value-added tax (“VAT”)		
City maintenance and construction tax	Amount of VAT paid	5% or 7%
Educational surcharge	Amount of VAT paid	3%
Local educational surcharge	Amount of VAT paid	2%

2. Tax preferences

In 2011, the Urumqi Head Office, Changji Branch and Karamay Branch of Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd. (“Xinjiang New & Special Medicines”), subsidiaries of the group, shall pay tax at a rate of 15% by jurisdictions. According to the Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Concerning Tax Policies for the Further Development of the Western Regions (Cai shui [2011] No.58), enterprises from encouraged industries in the Western Regions, could enjoy a reduced CIT rate of 15% from 1 January 2011 to 31 December 2020.

In 2014, the Group’s subsidiary Sinopharm Holding Guangxi Logistics Co., Ltd. (“Sinopharm Guangxi Logistics”) was approved by the Guangxi Local Tax Bureau to enjoy a tax discount applicable to corporations in the region of Western Development to pay income tax at a tax rate of 15%.

In 2015, eight subsidiaries of the Group in Guangxi Province, including Sinopharm Guangxi, Sinopharm Holding Liuzhou Co., Ltd. (“Sinopharm Liuzhou”), Sinopharm Holding Beihai Co., Ltd (“Sinopharm Beihai”), Sinopharm Holding Guilin Co., Ltd. (“Sinopharm Guilin”), Sinopharm Holding Guigang Co., Ltd. (“Sinopharm Guigang”), Sinopharm Holding Yulin Co., Ltd. (“Sinopharm Yulin”), Sinopharm Holding Baise Co., Ltd (“Sinopharm Baise”) and Sinopharm Holding Wuzhou Co., Ltd. (“Sinopharm Wuzhou”) were all approved by the Guangxi Local Tax Bureau to enjoy a tax concession of Western Development at a preferential CIT rate of 15%. The applicable period for Sinopharm Guangxi, Sinopharm Liuzhou and Sinopharm Beihai is from 1 January 2014 to 31 December 2020, and that for the other five subsidiaries is from 1 January 2015 to 31 December 2020.

In 2016, according to the tax reduction and exemption conditions under the Circular of Local Taxation Bureau of the Autonomous Region on Printing and Distributing the Administration and Implementation Measures for Preferential Corporate Income Tax (Gui di shui fa [2009] No. 150), Sinopharm Holding Guoda Guangxi Pharmacy Chain Store Co., Ltd., received the Written Decision on Approval and Confirmation of Preferential Tax from local taxation bureau of Liuzhou city, which approved that the company was subject to CIT at a rate of 15% in 2017 and 2018.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

IV Taxation (Continued)

2. Tax preferences (Continued)

According to Ning cai (shui) fa [2012] No.957, Ningxia Guoda Pharmacy Chain Store Co., Ltd., a subsidiary of the Group, was qualified for the enterprise from encouraged industries of Western Development. Therefore, in 2017 and 2018, the company was exempt from the local retained portion of the corporate income tax (40%), and therefore subject to CIT at a rate of 15%.

According to Cai shui [2011] No.58 and Notices on Tax Reduction and Exemption (Hu shi hui guo shui deng zi [2014] No. 37), Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd., and Sinopharm Holding Guoda Hulunbuir Co., Ltd, subsidiaries of the Group, were entitled to the preferential tax rate for the further development of the Western Regions. Therefore the company is entitled to a preferential CIT rate of 15%.

In 2018, the Group’s subsidiaries Sinopharm Baiyi Pharmacy Guangxi Co., Ltd, (“Baiyi Pharmacy”) Shanghai ForMe Xuhui Pharmacy Co., Ltd, (“ForMe Xuhui”), Sinopharm Guoda Drug Store Guangxi Chain Co., Ltd., the Shule Branch and Kashgar Branch of Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd. were qualified for the definition of small low-profit enterprises and the requirements under Cai shui [2014] No. 34. Therefore, these companies enjoyed a tax reduction of 50% of the income and paid income tax at a rate of 20%.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements

1. Cash and bank balances

	31 December 2018	31 December 2017
Cash on hand	5,587,191.18	6,208,674.32
Cash at banks	7,626,529,829.59	3,667,290,017.16
Other cash balances	457,664,283.79	518,156,747.03
- Deposits for letters of credit	4,191,246.00	258,800.00
- Deposits for bank acceptance notes	453,473,037.79	514,638,979.04
-Term deposits longer than 3 months	-	3,258,967.99
	<u>8,089,781,304.56</u>	<u>4,191,655,438.51</u>

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 1 month to 6 months depending on the fund arrangements of the Group, and earn interest at the respective deposit rates. The maturities of bank notice deposits are 7 days depending on the fund arrangement of the Group, and earn interest at the respective deposit rates.

2. Notes receivable and trade receivables

	31 December 2018	31 December 2017
Notes receivable	1,357,311,929.63	1,504,194,764.08
Trade receivables	<u>9,336,861,647.92</u>	<u>7,589,412,679.88</u>
	<u>10,694,173,577.55</u>	<u>9,093,607,443.96</u>

Notes receivable

	31 December 2018	31 December 2017
Trade acceptance notes	789,536,654.23	919,982,854.86
Bank acceptance notes	<u>567,775,275.40</u>	<u>584,211,909.22</u>
	<u>1,357,311,929.63</u>	<u>1,504,194,764.08</u>

At 31 December 2018 and 2017, there were no notes receivable that were pledged.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

2. Notes receivable and trade receivables (Continued)

Notes receivable endorsed or discounted by the Group to other parties which were not yet due at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018		31 December 2017	
	Derecognized	Not Derecognized	Derecognized	Not Derecognized
Trade acceptance notes	-	170,314,843.11	-	147,715,527.67
Bank acceptance notes	<u>1,273,262,524.19</u>	<u>-</u>	<u>1,034,911,970.56</u>	<u>-</u>
	<u>1,273,262,524.19</u>	<u>170,314,843.11</u>	<u>1,034,911,970.56</u>	<u>147,715,527.67</u>

As at 31 December 2018 and 31 December 2017, notes that were converted into trade receivables due to the drawer's inability to settle the notes on the maturity date are as follows:

	31 December 2018	31 December 2017
Trade acceptance notes	-	-
Bank acceptance notes	<u>50,000.00</u>	<u>1,050,000.00</u>
	<u>50,000.00</u>	<u>1,050,000.00</u>

Trade receivables

The credit period for trade receivables normally ranges from 0 to 90 days. Trade receivables are interest-free.

The aging analysis of trade receivables was as follows:

	31 December 2018	31 December 2017
Within 1 year	9,339,491,654.21	7,596,940,582.26
1 to 2 years	15,786,120.79	11,209,568.89
2 to 3 years	4,825,981.07	6,610,561.90
Over 3 years	<u>16,279,326.59</u>	<u>18,577,432.24</u>
Less: Bad debt provision for trade receivables	<u>(39,521,434.74)</u>	<u>(43,925,465.41)</u>
	<u>9,336,861,647.92</u>	<u>7,589,412,679.88</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

2. Notes receivable and trade receivables (Continued)

Changes in provision for bad debts are presented as follows:

	Opening balance	Increases in the year	Reversal in the year	Written off in the year	Reversal of write-off in previous years	Increases in merger	Closing balance
2018	43,925,465.41	12,467,357.34	(16,899,781.64)	(192,637.72)	221,031.35	-	39,521,434.74
2017	48,894,651.36	4,082,799.01	(7,765,994.96)	(2,279,035.42)	45,677.60	947,367.82	43,925,465.41

The carrying amount of trade receivables that affected the changes in provision this year is as follows:

	31 December 2018			
	Carrying amount		Bad debt provisions	
	Amount	Porportion	Amount	Porportion
Items for which provision for bad debt is recognised separately	595,919,487.29	6.36%	(16,766,679.23)	2.81%
Items for which provision for bad debt is recognized by group (credit risk characteristics)	8,780,463,595.37	93.64%	(22,754,755.51)	0.26%
	<u>9,376,383,082.66</u>	<u>100.00%</u>	<u>(39,521,434.74)</u>	<u>0.42%</u>
	31 December 2017			
	Carrying amount		Bad debt provisions	
	Amount	Proportion	Amount	Proportion
Individually significant items for which provision for bad debt is recognised separately	497,346,019.41	6.52%	(11,968,509.21)	2.41%
Items for which provision for bad debt is recognized by group (aging)	7,106,178,799.93	93.09%	(26,069,970.29)	0.37%
Not individually significant Items for which provision for bad debt is recognized separately	29,813,325.95	0.39%	(5,886,985.91)	19.75%
	<u>7,633,338,145.29</u>	<u>100.00%</u>	<u>(43,925,465.41)</u>	<u>0.58%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

2. Notes receivable and trade receivables (Continued)

At 31 December 2018, trade receivables that are individually significant and individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Expected Credit Loss Rate	Assessment for impairment
Receivable of medical insurance	380,933,117.06	(605,476.95)	0.16%	Part of the medical insurance receivable takes longer to collect, and has risk of default
Client A	11,559,178.29	(11,559,178.29)	100.00%	Disputed receivable with higher risk of recoverability which is related to a lawsuit
Others	<u>203,427,191.94</u>	<u>(4,602,023.99)</u>	2.26%	Part of it takes longer than usual to recover, has risk of recoverability
	<u>595,919,487.29</u>	<u>(16,766,679.23)</u>		

At 31 December 2017, trade receivables that were individually significant and individually assessed for provisions are as follows:

	Carrying amount	Bad debt provision	Proportion	Assessment for impairment
Receivable of medical insurance	376,673,766.03	(409,330.92)	0.11%	Part of the medical insurance receivable takes longer to collect, and has risk of default
Client A	11,559,178.29	(11,559,178.29)	100.00%	Disputed receivable with higher risk of recoverability which is related to a lawsuit
Others	<u>109,113,075.09</u>	<u>-</u>	0.00%	
	<u>497,346,019.41</u>	<u>(11,968,509.21)</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

2. Notes receivable and trade receivables (Continued)

The trade receivables for which the Group recognized provision for bad debts using the aging analysis method are presented as follows:

	31 December 2018			31 December 2017		
	Estimated default amount	Expected credit loss rate	Expected credit loss in entire lifetime	Carrying amount	Proportion	Bad debt provision amount
Within 1 year	8,763,673,896.90	0.25%	(21,544,996.66)	7,088,092,789.69	0.34%	(24,063,211.70)
1 to 2 years	10,195,222.35	4.83%	(492,440.38)	10,321,375.35	6.07%	(626,604.64)
2 to 3 years	3,462,472.01	8.53%	(295,199.01)	5,727,610.07	11.34%	(649,478.42)
Over 3 years	<u>3,132,004.11</u>	<u>13.48%</u>	<u>(422,119.46)</u>	<u>2,037,024.82</u>	<u>35.87%</u>	<u>(730,675.53)</u>
	<u>8,780,463,595.37</u>		<u>(22,754,755.51)</u>	<u>7,106,178,799.93</u>		<u>(26,069,970.29)</u>

The provision for bad debts amounted to RMB12,467,357.34 in 2018 (2017: RMB4,082,799.01), including RMB16,899,781.64 which was recovered or reversed (2017: RMB7,765,994.96). Important recovered or reversed bad debt items in 2018 are listed below:

	Reason for recoverability or reversal	Original assessment for impairment	Recovered or reversed amount	Method of recovery
Client A	Amount received	Uncertainty in recovery	4,083,065.20	Amount received
Client B	Amount received	Uncertainty in recovery	93,140.50	Amount received
Client C	Amount received	Uncertainty in recovery	54,698.00	Amount received
Client D	Amount received	Uncertainty in recovery	<u>54,437.96</u>	Amount received
			<u>4,285,341.66</u>	

Important recovered or reversed bad debt items in 2017 are listed below:

	Reason for recoverability or reversal	Original assessment for impairment	Recovered or reversed amount	Method of recovery
Client A	Amount received	Uncertainty in recovery	957,838.00	Amount received
Client B	Amount received	Uncertainty in recovery	159,730.03	Amount received
Client C	Amount received	Uncertainty in recovery	155,544.00	Amount received
Client D	Amount received	Uncertainty in recovery	51,578.76	Amount received
Client E	Amount received	Uncertainty in recovery	45,662.60	Amount received
Client F	Amount received	Uncertainty in recovery	23,626.80	Amount received
Client G	Amount received	Uncertainty in recovery	20,270.88	Amount received
Client H	Amount received	Uncertainty in recovery	<u>934.68</u>	Amount received
			<u>1,415,185.75</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

2. Notes receivable and trade receivables (Continued)

Trade receivables written off in 2018 are RMB192,637.72 (2017: RMB2,279,035.42)

Trade receivables written off in 2018 are analysed below:

	Nature of the receivable	Amount	Reason	Related party transaction or not
Client A	Loan	120,418.94	Non-recoverable	No
Client B	Loan	43,646.94	Non-recoverable	No
Client C	Loan	<u>28,571.84</u>	Non-recoverable	No
		<u>192,637.72</u>		

Trade receivables written off in 2017 are analysed below:

	Nature of the receivable	Amount	Reason	Related party transaction or not
Client A	Loan	842,239.94	Non-recoverable	No
Client B	Loan	527,602.17	Non-recoverable	No
Client C	Loan	316,991.77	Non-recoverable	No
Client D	Loan	240,952.87	Non-recoverable	No
Client E	Loan	189,718.74	Non-recoverable	No
Client F	Loan	<u>161,529.93</u>	Non-recoverable	No
		<u>2,279,035.42</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

2. Notes receivable and trade receivables (Continued)

In 2018, the Group factored a small portion of trade receivables at amortised cost to financial institutions. The amount of trade receivables derecognized was RMB3,665,602,250.53, amount of loss recognized through financial expense was RMB54,238,639.16.

As at 31 December 2018, the top five trade receivables by customer are summarised below:

	Amount	Bad debt provision amount	% of the total trade receivables
Top 1 Account receivable	153,684,242.23	(151,473.45)	1.64%
Top 2 Account receivable	150,595,649.56	(1,204,596.60)	1.61%
Top 3 Account receivable	138,844,133.79	(75,576.22)	1.48%
Top 4 Account receivable	136,286,804.49	(265,259.53)	1.45%
Top 5 Account receivable	130,575,790.77	(56,042.86)	1.39%
	<u>709,986,620.84</u>	<u>(1,752,948.66)</u>	<u>7.57%</u>

As at 31 December 2017, the top five trade receivables by customer are summarised below:

	Amount	Bad debt provision amount	% of the total trade receivables
Top 1 Account receivable	139,053,219.26	(174,267.65)	1.82%
Top 2 Account receivable	108,982,517.25	(807,190.06)	1.43%
Top 3 Account receivable	107,566,639.68	(285,161.26)	1.41%
Top 4 Account receivable	93,396,643.08	(61,282.92)	1.22%
Top 5 Account receivable	82,456,534.87	(149,751.54)	1.08%
	<u>531,455,554.14</u>	<u>(1,477,653.43)</u>	<u>6.96%</u>

Refer to Note VIII (2) for details of transfer of account receivable.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

3. Advances to suppliers

The aging of advances to suppliers is analyzed below:

	31 December 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	580,144,340.20	99.43	507,613,407.19	98.23
1 to 2 years	873,351.85	0.15	7,410,774.78	1.43
2 to 3 years	2,466,823.90	0.42	1,753,935.50	0.34
	<u>583,484,515.95</u>	<u>100.00</u>	<u>516,778,117.47</u>	<u>100.00</u>

As at 31 December 2018, the top five advances to suppliers by customer are summarized below:

	Amount	Proportion of total balance
Total amount of top five advances to suppliers	<u>119,855,873.09</u>	<u>20.54%</u>

As at 31 December 2017, the top five advances to suppliers by customer are summarized below:

	Amount	Proportion of total balance
Total amount of top five advances to suppliers	<u>142,890,492.03</u>	<u>27.65%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

4. Other receivables

	31 December 2018	31 December 2017
Interest receivable	8,223,327.64	61,441.11
Other receivables	<u>635,270,031.68</u>	<u>657,871,058.54</u>
	<u>643,493,359.32</u>	<u>657,932,499.65</u>

Interest receivable

	31 December 2018	31 December 2017
Deposits	6,376,708.68	-
Entrusted borrowings	<u>1,846,618.96</u>	<u>61,441.11</u>
	<u>8,223,327.64</u>	<u>61,441.11</u>

There was no interest receivable past due this year.

The aging of other receivables is analysed below:

	31 December 2018	31 December 2017
Within 1 year	607,856,882.60	576,668,922.77
1 to 2 years	18,452,286.18	68,108,108.36
2 to 3 years	9,357,373.34	6,007,299.87
Above 3 years	<u>19,525,443.28</u>	<u>22,197,777.41</u>
Less: Bad debt provision for other receivables	<u>(19,921,953.72)</u>	<u>(15,111,049.87)</u>
	<u>635,270,031.68</u>	<u>657,871,058.54</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

4. Other receivables (Continued)

The changes in bad debt provision for other receivables based on the entire lifetime expected credit losses are as follows:

	Entire lifetime expected credit losses (Individually assessed)	Entire lifetime expected credit losses (Collectively assessed)	Total
Balance at 1 January 2018	12,328,337.26	2,782,712.61	15,111,049.87
Balance at 1 January 2018 during the period	-	-	-
--Transfer to the Stage 2	-	-	-
--Transfer to the Stage 3	-	-	-
--Reverse to the Stage 2	-	-	-
--Reverse to the Stage 1	-	-	-
Provisions during the period	5,539,406.43	1,601,047.86	7,140,454.29
Reversal during the period	(1,015,750.00)	(1,393,800.44)	(2,409,550.44)
Write-back during the period	-	-	-
Write-off during the period	-	-	-
Addition due to combination	80,000.00	-	80,000.00
	<u>16,931,993.69</u>	<u>2,989,960.03</u>	<u>19,921,953.72</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

4. Other receivables (Continued)

Other receivables and related provision for bad debts by category are analyzed below:

	31 December 2017			
	Carrying amount		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Individually significant and subject to separate impairment assessment	355,636,071.62	52.84%	(8,980,000.00)	2.53%
Receivable accounts with similar credit risk	282,169,420.65	41.93%	(2,782,712.61)	0.99%
Individually not significant but individually evaluated for impairment	<u>35,176,616.14</u>	<u>5.23%</u>	<u>(3,348,337.26)</u>	<u>9.52%</u>
	<u>672,982,108.41</u>	<u>100.00%</u>	<u>(15,111,049.87)</u>	<u>2.25%</u>

As at 31 December 2017, impairment provision for other receivables individually significant are analyzed as follows:

	Amount	Bad debt provision	Rate	Assessment for impairment
Deposit	152,178,106.11	-	-	Cash deposit, no risk of recoverable, no provision
Shanghai Shydec Pharmaceutical Co., Ltd. (“Shydec Pharma”)	125,181,658.92	-	-	Receivable due from a related party with no risk of recoverability, no provision
Receivable of price reduction compensation	61,868,684.71	-	-	Receivable due from a related party with no risk of recoverability, no provision
Shenzhen Yinghai Technology Investment Co., Ltd.	8,980,000.00	(8,980,000.00)	100.00%	Receivable due from an equity transaction, uncertainty in recoverability
Receivable of purchasing rebates	<u>7,427,621.88</u>	<u>-</u>	<u>-</u>	Receivable of purchasing rebates with no risk of recoverability, no provision
	<u>355,636,071.62</u>	<u>(8,980,000.00)</u>	<u>2.53%</u>	

Provisions for impairment of the receivables which are within a similar risk group are analysed below:

	31 December 2017		
	Carrying amount	Bad debt provision	
	Amount	Amount	Proportion
Within 1 year	278,135,696.76	(2,337,600.82)	0.84%
1 to 2 years	2,996,168.28	(283,981.67)	9.48%
2 to 3 years	540,157.10	(65,650.42)	12.15%
Above 3 years	<u>497,398.51</u>	<u>(95,479.70)</u>	<u>19.20%</u>
	<u>282,169,420.65</u>	<u>(2,782,712.61)</u>	<u>0.99%</u>

The bad debt provision of other receivables in 2018 was RMB7,140,454.29 (2017: RMB1,573,179.19), with the recovered or reversed amount of RMB2,409,550.44 (2017: RMB961,091.24).

There were no other receivables written off in the current year (2017: RMB4,782,641.29).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

4. Other receivables (Continued)

Category of other receivables by nature is as follows:

	31 December 2018	31 December 2017
Deposits	278,455,623.30	226,111,186.83
Receivable of the pharmaceutical electronic trading platform	83,826,127.02	72,165,043.07
Receivable of price reduction compensation for DTP medicine	81,530,445.19	114,118,962.20
Entrusted borrowings	44,000,000.00	44,000,000.00
Receivable of purchasing rebates	18,138,354.03	14,489,390.94
Petty cash advance to employees	12,439,613.27	13,392,873.34
Receivable of equity transactions	8,980,000.00	8,980,000.00
Receivable due from related parties	8,119,399.79	127,922,489.88
Others	119,702,422.80	51,802,162.15
	<u>655,191,985.40</u>	<u>672,982,108.41</u>
Less: Provision for bad debts	<u>(19,921,953.72)</u>	<u>(15,111,049.87)</u>
	<u>635,270,031.68</u>	<u>657,871,058.54</u>

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

4. Other receivables (Continued)

As at 31 December 2018, the top 5 parties that owed the largest amounts of other receivable balances are analysed below:

	Nature	Amount	Age	% of total amount	Provision of bad debts
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform repayment not yet cleared	83,826,127.02	Within 1 year	12.79%	-
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd. (“Zhijun Suzhou”)	Entrusted borrowings	44,000,000.00	Within 1 year	6.72%	-
TCM-Integrated Cancer Center of Southern Medical University	Deposit of logistics extension services project	30,000,000.00	Within 2 years	4.58%	-
AstraZeneca (Wuxi) Trading Co., Ltd.	Price reduction compensation for DTP medicine	22,811,275.77	Within 1 year	3.48%	-
Taiyuan Medical Insurance Management Service Center	Medical Insurance Guarantee Deposit	<u>19,681,824.13</u>	Within 1 year	<u>3.00%</u>	<u>-</u>
		<u>200,319,226.92</u>		<u>30.57%</u>	<u>-</u>

As at 31 December 2017, the top 5 parties that owed the largest amounts of other receivable balances are analysed below:

	Nature	Amount	Age	% of total amount	Provision of bad debts
Shyndec Pharma	Payment of Pinshan project	125,181,658.92	Within 2 years	18.60%	-
Guangdong Pharmaceutical electronic trading platform	Pharmaceutical trading platform repayment not yet cleared	72,165,043.07	Within 1 year	10.72%	-
Shanghai Roche Pharmaceutical Co., Ltd.	Price reduction compensation for DTP medicine	61,253,240.02	Within 1 year	9.10%	-
Zhijun Suzhou	Entrusted borrowings	44,000,000.00	Within 1 year	6.54%	-
TCM-Integrated Cancer Center of Southern Medical University	Deposit of logistics extension services project	<u>30,000,000.00</u>	Within 1 year	<u>4.46%</u>	<u>-</u>
		<u>332,599,942.01</u>		<u>49.42%</u>	<u>-</u>

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

5. Inventories

Inventories by category are analyzed below:

	31 December 2018			31 December 2017		
	Book value	Provision	Net book value	Book value	Provision	Net book value
Raw materials	1,410,012.28	-	1,410,012.28	1,181,095.08	-	1,181,095.08
Finished goods	4,392,144,746.88	(8,313,195.29)	4,383,831,551.59	3,785,146,957.42	(6,840,110.55)	3,778,306,846.87
Work in progress	1,011,007.23	-	1,011,007.23	129,098.02	-	129,098.02
Low cost consumables	3,083,371.09	-	3,083,371.09	2,241,198.15	-	2,241,198.15
	<u>4,397,649,137.48</u>	<u>(8,313,195.29)</u>	<u>4,389,335,942.19</u>	<u>3,788,698,348.67</u>	<u>(6,840,110.55)</u>	<u>3,781,858,238.12</u>

Provision for inventories is analysed below:

	1 January 2018	Increases	Decreases		31 December 2018
			Reversal	Charge-off	
Finished goods	<u>6,840,110.55</u>	<u>5,422,984.90</u>	<u>(2,678,379.54)</u>	<u>(1,271,520.62)</u>	<u>8,313,195.29</u>

	1 January 2017	Increases		Decreases		31 December 2017
		Current	Increase due to reorganization	Reversal	Charge-off	
Finished goods	<u>14,930,813.47</u>	<u>3,099,135.23</u>	<u>44,252.15</u>	<u>(2,498,723.97)</u>	<u>(8,735,366.33)</u>	<u>6,840,110.55</u>

6. Other current assets

	31 December 2018	31 December 2017
VAT tax credit	94,312,573.34	78,014,460.84
Corporate income tax to be deducted	723,000.46	933,183.78
Other	<u>312,055.38</u>	-
	<u>95,347,629.18</u>	<u>78,947,644.62</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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V Notes to the consolidated financial statements (Continued)

7. Financial assets available-for-sale *(Only applicable for 2017)*

	31 December 2017
Available-for-sale equity instruments	
---Measured at cost	13,865,760.00
Less: impairment provision	<u>(180,000.00)</u>
	<u>13,685,760.00</u>

The percentages of voting interests held by the Group in Shanghai Guoda Shuguang Pharmacy Co., Ltd., Shanghai Guoren Pharmacy Co., Ltd., Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd., Hunan Zhongbai pharmaceutical investment Co., Ltd. and Sinopharm Health Online Co., Ltd. are 25%, 10%, 10%, 6.31% and 8.06%, respectively. However, the Group neither appointed the directors and key management for those 5 companies, nor involved in or affected the financial or operating decision-making process or ordinary course of business of those companies. Therefore, the Group had no significant influence over the above companies and shall be recognized its investments in those companies as available-for-sale equity instruments.

The Group has 18% voting rights in Xinxiang Golden Elephant Technology Co., Ltd. (“Xinxiang Golden Elephant”), the amount of the investment is RMB180,000. However, none of the directors or any key members of the management team were appointed by the Group. The Group has neither participated in nor had any impact on Xinxiang Golden Elephant’s financial affairs, operating decisions, or operating activities. Therefore, the Group had no significant impact on Xinxiang Golden Elephant which was considered as an available-for-sale equity instrument. As at 31 December 2018 and 31 December 2017, full impairment provision for investment in Xinxiang Golden Elephant was accrued.

As at 31 December 2017, the carrying value of unlisted equity investment was RMB13,685,760.00 which was presented at net cost, because the reasonable fair value was unavailable and the Group considered that its fair value cannot be measured reasonably.

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

7. Available-for-sale financial assets (Only applicable for 2017) (Continued)

2017:

Investee	Carrying amount				Impairment provision				Shareholding (%)	received for the year
	Opening	Increase	Decrease	Closing	Opening	Increase	Decrease	Closing		
Sinopharm Health Online Co., Ltd.	12,000,000.00	-	-	12,000,000.00	-	-	-	-	8.06	-
Sinopharm Holding Hubei Guoda Pharmacy Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-	-	-	10.00	-
Hunan Zhongbai pharmaceutical investment Co., Ltd.	315,000.00	-	-	315,000.00	-	-	-	-	6.31	-
Shanghai Guoda Shuguang Pharmacy Co., Ltd.	270,760.00	-	-	270,760.00	-	-	-	-	25.00	50,000.00
Xinxiang Golden Elephant Shanghai Guoren Pharmacy Co., Ltd.	180,000.00	-	-	180,000.00	(180,000.00)	-	-	(180,000.00)	18.00	-
	100,000.00	-	-	100,000.00	-	-	-	-	10.00	529,444.97
	<u>13,865,760.00</u>	<u>-</u>	<u>-</u>	<u>13,865,760.00</u>	<u>(180,000.00)</u>	<u>-</u>	<u>-</u>	<u>(180,000.00)</u>	<u>-</u>	<u>579,444.97</u>

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

8. Long-term equity investments

Associates in 2018

Investee	1 January 2018	Changes in the year					31 December 2018	Provision for impairment
		Additional Investment	Profit or loss under equity method	Other changes in equity	Cash dividend declared by investee	Others		
Shenzhen Main Luck Pharmaceutical Inc. (“Main Luck Pharmaceutical”) (a)	239,046,738.14	-	79,054,915.54	-	(52,785,000.00)	-	265,316,653.68	-
Shanghai Beiyi Guoda Pharmaceutical Co. Ltd. (“Shanghai Beiyi”) (c)	9,518,694.65	-	1,511,223.45	-	-	-	11,029,918.10	-
Shanghai Liyi Pharmacy Co., Ltd. (“Shanghai Liyi”) (d)	771,408.05	-	184,020.18	-	-	-	955,428.23	-
Dongyuan Accord Pharmaceutical Chain Co., Ltd. (“Dongyuan Accord”) (e)	396,638.32	-	-	-	-	-	-	(396,638.32)
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd. (“Guangdong Jienuo”) (f)	8,502,884.50	-	(1,700,728.31)	-	-	-	6,802,156.19	-
Zhijun Suzhou (g)	46,199,728.91	-	(22,820,709.99)	-	-	-	23,379,018.92	-
Zhijun Medicine (h)	291,042,921.20	-	122,421,529.52	-	(58,111,254.57)	-	355,353,196.15	-
Zhijun Trade (h)	7,676,142.69	-	1,719,647.21	-	(664,795.03)	-	8,730,994.87	-
Pingshan Medicine (h)	68,686,804.33	-	27,325,603.71	-	(9,719,480.71)	-	86,292,927.33	-
Shyndec Pharma (h)	979,174,050.62	-	108,241,749.04	19,599,266.75	(8,448,213.90)	-	1,098,566,852.51	-
Shanghai Dingqun (i)	-	20,000,000.00	3,966,640.12	-	-	-	23,966,640.12	-
	<u>1,651,016,011.41</u>	<u>20,000,000.00</u>	<u>319,903,890.47</u>	<u>19,599,266.75</u>	<u>(129,728,744.21)</u>	<u>-</u>	<u>1,880,393,786.10</u>	<u>(396,638.32)</u>

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

8. Long-term equity investments (Continued)

Associates in 2017

Investee	1 January 2017	Changes in the year					31 December 2017	Provision for impairment
		Additional Investment	Profit or loss under equity method	Other changes in equity	Cash dividend declared by investee	Others		
Main Luck Pharmaceutical (a)	207,259,086.90	-	66,977,651.24	-	(35,190,000.00)	-	239,046,738.14	-
Sinopharm Holding Zhuhai Co., Ltd (“Sinopharm Zhuhai”).(b)	1,420,139.96	-	-	-	(406,462.68)	(1,013,677.28)	-	-
Shanghai Beiyi (c)	8,980,086.48	-	1,544,808.17	-	(1,006,200.00)	-	9,518,694.65	-
Shanghai Liyi (d)	642,479.69	-	128,928.36	-	-	-	771,408.05	-
Dongyuan Accord (f)	396,638.32	-	-	-	-	-	-	(396,638.32)
Guangdong Jienuo (g)	9,442,741.61	-	(939,857.11)	-	-	-	8,502,884.50	-
Zhijun Suzhou (h)	69,642,985.98	-	(23,443,257.07)	-	-	-	46,199,728.91	-
Zhijun Medicine (i)	174,820,412.07	-	116,222,509.13	-	-	-	291,042,921.20	-
Zhijun Trade (i)	6,198,820.40	-	1,477,322.29	-	-	-	7,676,142.69	-
Pingshan Medicine (i)	47,087,958.31	-	21,598,846.02	-	-	-	68,686,804.33	-
Shyndec Pharma (i)	887,539,454.16	-	80,258,883.53	33,844,531.25	(22,468,818.32)	-	979,174,050.62	-
	<u>1,413,430,803.88</u>	<u>-</u>	<u>263,825,834.56</u>	<u>33,844,531.25</u>	<u>(59,071,481.00)</u>	<u>(1,013,677.28)</u>	<u>1,650,619,373.09</u>	<u>(396,638.32)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

8. Long-term equity investments (Continued)

- (a) On 4 July 1990, the Group jointly established Main Luck Pharmaceutical with Mercian Kabushiki Kaisha and Main Life Co., Ltd., subscribing 35.19%, 34.15% and 30.66% shareholdings, respectively. According to the Articles of Association, the board of directors of Main Luck Pharmaceutical consisted of six directors, in which two were appointed by the Group, accounting for 33.33% of voting rights. Therefore, the Group had significant influence over Main Luck Pharmaceutical, and thus it was considered as an associate of the Group.
- (b) On 3 March 2015, the Group acquired a 10% equity interest of Sinopharm Zhuhai, Sinopharm Zhuhai's highest authority was the shareholders' meeting, and the voting rights shall be exercised by the shareholders in proportion to capital contribution. Sinopharm Zhuhai has set up a board of directors that was responsible to the shareholders, with a total of three members, one of whom was appointed by the Group. Each director shall represent one vote, and all the resolutions of the board of directors shall be passed by at least half of all the directors. Therefore, the Group had significant influence over Sinopharm Zhuhai, and thus it was considered as an associate of the Group.

In January 2017, the Group acquired a 90% equity interest of Sinopharm Zhuhai from the original shareholder Xianjiang Li for RMB9,249,000 to constitute a business combination involving enterprises not under common control. After the acquisition, Sinopharm Zhuhai became a wholly-owned subsidiary of the Company. The acquisition was completed on 10 January 2017 and included in the consolidation scope of the Company.

- (c) On 26 July 1994, the Group jointly established Shanghai Beiyi with Shanghai Beiyi (Group) Co., Ltd. and eight natural persons including Fuchun Zhu, with the share percentages being 26%, 26% and 48%, respectively. According to the Articles of Association, the board of directors of Shanghai Beiyi consisted of seven directors, in which two were appointed by the Group, accounting for 28.57% of voting rights. Therefore, the Group had significant influence over Shanghai Beiyi and thus it was considered as an associate of the Group.
- (d) On 25 November 2003, the Group jointly established Shanghai Liyi with Shanghai Pudong District Central Hospital and Shanghai Liyi Technology Co., Ltd., with the share percentages being 35%, 35% and 30%, respectively. According to the Articles of Association, the board of directors of Shanghai Liyi consisted of five directors, in which two were appointed by the Group, accounting for 40.00% of voting rights. Therefore, the Group had significant influence over Shanghai Liyi and thus it was considered as an associate of the Group.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

8. Long-term equity investments (Continued)

- (e) In 2007, Dongyuan Accord, an associate of the Group, operated in poor conditions and its future operation would be significantly uncertain, so the Group made a full provision for impairment of the long-term equity investment on it.
- (f) On 23 February 2016, the Group jointly established Guangdong Jienuo with Sinopharm Jienuo Medical Treatment Service Co., Ltd. and Guangzhou Jinluo Investment Development Co., Ltd., with the share percentages being 29%, 51% and 20%, respectively. According to the Articles of Association, the board of directors of Guangdong Jienuo was composed of five directors, one of whom was appointed by the Group, accounting for 20% of voting rights. Therefore, the Group has significant influence over Guangdong Jienuo, and thus it is considered as an associate of the Group.
- (g) The Group disposed of its 67% equity interest of Zhijun Suzhou in April 2016. After the disposal, the Group held a 33% equity interest of Zhijun Suzhou. According to the Articles of Association, the board of directors of Zhijun Suzhou was composed of five directors, one of whom was appointed by the Group, accounting for 20% of voting rights. As a result, the Group has significant influence over Zhijun Suzhou, and thus it is considered as an associate of the Group.
- (h) The Group subscribed 15.56% of new issued shares of Shyndec Pharma, a related party, by the transferring of the productive assets in Pingshan base and its 51% equity interest of three pharmaceutical companies (Zhijun Medicines, Zhijun Pharma & Trade, Zhijun Pingshan) of the Group in 2016, respectively. After the completion of the reorganization, Shyndec Pharma holds a 51% equity interest of each of the three pharmaceutical companies, and the Group holds a 49% equity interest of each of the three pharmaceutical companies, which has significant influence over the three pharmaceutical companies. At the same time, after the completion of the reorganization, the Group holds a 15.56% equity interest of Shyndec Pharma. Since Shyndec Pharma acquired the shares of subsidiaries with share-based payment in previous years, as at 31 December 2018, the Group held 16.28% equity interest of Shyndec Pharma. Shyndec Pharma set up a board of directors that was responsible for the shareholders' meeting, with a total of nine members, in which one was appointed by the Group. Each director shall represent one vote for resolutions of the board, accounting for 11.11% of the voting rights. The Group has significant influence over Shyndec Pharma. The above three pharmaceutical companies and Shyndec Pharma are considered as associates of the Group.
- (i) On May 2018, the Group jointly established Shanghai Dingqun with Ningbo Meishan bonded port area Qiling equity investment center LP, subscribing 2.53% and 97.47% shareholdings, respectively. According to the Articles of Association, the board of directors of Shanghai Dingqun consisted of three directors and one of them was appointed by our Company. Each director shall represent one vote on the board's decisions, which shall be adopted if they are voted for by a simple majority of all the members of the board. Therefore, the Group has significant influence over Shanghai Dingqun, and thus it is considered as an associate of the Group.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

9. Other equity instrument investment (*Only applicable for 2018*)

2018	Costs	Accumulated changes in fair value of other comprehensive income	Fair value	Dividend income for the current year	
				Equity instruments terminated in the current year	Equity instruments held in the current year
Sinopharm Health Online Co., Ltd.	12,000,000.00	-	12,000,000.00	-	-
Sinopharm Guoda Hubei Co., Ltd.	1,000,000.00	-	1,000,000.00	-	-
Hunan Zhongbai Pharmaceutical Investment Co., Ltd.	315,000.00	-	315,000.00	-	31,500.00
Shanghai Guoda Shuguang Pharmacy Co., Ltd	270,760.00	-	270,760.00	-	50,000.00
Shanghai Guoren Pharmacy Co., Ltd.	100,000.00	-	100,000.00	-	437,919.36
Xinxiang Golden Elephant	<u>180,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,865,760.00</u>	<u>-</u>	<u>13,685,760.00</u>	<u>-</u>	<u>519,419.36</u>

The Group considers to manage the above-said financial asset business model and respective characteristics of contract cash flows, and designate the above non-trading equity instrument to be measured at fair value through other comprehensive income.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

10. Other non-current financial assets (Only applicable for 2018)	31 December 2018
Financial asset at fair value through current profit or loss	<u>140,000,000.00</u>
	<u>140,000,000.00</u>

As at 31 December 2018, the balance of other non-current financial asset is the fair value for Sinopharm Zhongjin medical industry fund (“industry fund”) that the Group had subscribed. The total investment which amounted to RMB200 million, will be paid by 3 payments. In 2017, the Group made the first payment in the amount of RMB60 million. However, as of 31 December 2017, the fund had neither obtained all the related licenses and approval documentations, nor started operating, therefore, the first payment amounting to RMB60 million was designated as other non-current asset. In 2018, the Group made the second payment in the amount of RMB80 million. As at 31 December 2018, the Group has made payments accumulated to RMB140 million. The total amount paid this year was 30% of the total investment which was RMB60 million. The industry fund has obtained all the related licenses and approval documentations in 2018, also started operating. The Group has reclassified this investment as a financial asset at fair value though profit or loss, and other non-current financial asset for presentation.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

11. Investment properties

Subsequent measurement under the cost model:

2018	Buildings and constructions	Land use rights	Total
Original cost			
Opening balance	245,932,518.64	23,370,084.72	269,302,603.36
Purchase	45,481.13	-	45,481.13
Transfer from fixed assets	5,087,242.78	-	5,087,242.78
Transfer to intangible assets	-	(650,982.69)	(650,982.69)
Transfer to fixed assets	<u>(8,510,052.64)</u>	<u>-</u>	<u>(8,510,052.64)</u>
Closing balance	<u>242,555,189.91</u>	<u>22,719,102.03</u>	<u>265,274,291.94</u>
Accumulated depreciation and amortization			
Opening balance	(106,139,314.25)	(8,184,950.00)	(114,324,264.25)
Provision	(7,035,240.17)	(75,098.69)	(7,110,338.86)
Transfer from fixed assets	(1,480,401.05)	-	(1,480,401.05)
Transfer to intangible assets	-	311,418.93	311,418.93
Transfer to fixed assets	<u>3,523,789.26</u>	<u>-</u>	<u>3,523,789.26</u>
Closing balance	<u>(111,131,166.21)</u>	<u>(7,948,629.76)</u>	<u>(119,079,795.97)</u>
Provision for impairment			
Opening balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
Closing balance	<u>(1,300,000.00)</u>	<u>-</u>	<u>(1,300,000.00)</u>
Carrying amount			
At end of year	<u>130,124,023.70</u>	<u>14,770,472.27</u>	<u>144,894,495.97</u>
At beginning of the year	<u>138,493,204.39</u>	<u>15,185,134.72</u>	<u>153,678,339.11</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

11. Investment properties (Continued)

Subsequent measurement under the cost model:

2017	Buildings and constructions	Land use rights	Total
Original cost			
Opening balance	245,258,727.03	23,833,990.27	269,092,717.30
Purchase	782,326.95	-	782,326.95
Transfer from fixed assets	11,558,969.36	-	11,558,969.36
Transfer from intangible assets	-	302,035.37	302,035.37
Transfer to intangible assets	-	(765,940.92)	(765,940.92)
Transfer to fixed assets	(11,633,314.20)	-	(11,633,314.20)
Disposal and retirement	(34,190.50)	-	(34,190.50)
	<u>245,932,518.64</u>	<u>23,370,084.72</u>	<u>269,302,603.36</u>
Closing balance			
Accumulated depreciation and amortization			
Opening balance	(93,028,655.88)	(8,048,212.62)	(101,076,868.50)
Provision	(8,483,516.94)	(249,960.17)	(8,733,477.11)
Transfer from fixed assets	(9,760,097.90)	-	(9,760,097.90)
Transfer from intangible assets	-	(50,780.51)	(50,780.51)
Transfer to intangible assets	-	164,003.30	164,003.30
	<u>5,132,956.47</u>	<u>-</u>	<u>5,132,956.47</u>
	<u>(106,139,314.25)</u>	<u>(8,184,950.00)</u>	<u>(114,324,264.25)</u>
Closing balance			
Provision for impairment			
Opening balance	(1,300,000.00)	-	(1,300,000.00)
Closing balance	(1,300,000.00)	-	(1,300,000.00)
Carrying amount			
At end of year	<u>138,493,204.39</u>	<u>15,185,134.72</u>	<u>153,678,339.11</u>
At beginning of the year	<u>150,930,071.15</u>	<u>15,785,777.65</u>	<u>166,715,848.80</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

11. Investment properties (Continued)

During 2018, depreciation of investment properties was RMB7,110,338.86 (2017: RMB8,733,477.11).

During 2018, properties with a carrying amount of RMB3,606,841.73 (original value: RMB5,087,242.78, accumulated depreciation: RMB1,480,401.05) was leased out to a third party in the form of operating lease. Since the date of change in purpose, it was transferred from fixed asset to investment properties.

During 2018, a property with a carrying amount of RMB4,986,263.38 (original value of a building: RMB8,510,052.64, accumulated depreciation: RMB3,523,789.26) and land use rights with a carrying amount of RMB339,563.76 (original value of exclusive distribution rights: RMB650,982.69, accumulated depreciation: RMB311,418.93) transferred to an owner-occupied property. From the date of transfer, the property and land use rights were reclassified as fixed assets and intangible assets.

As at 31 December 2018, there were no investment properties of which the certificates of title have not been obtained.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

12. Fixed assets

	31 December 2018				31 December 2017	
	607,933,827.67				551,710,434.02	
Fixed assets 2018	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Original cost						
Opening balance	456,161,611.21	183,752,571.14	87,999,790.56	259,281,585.41	30,111,198.47	1,017,306,756.79
Purchase	33,284,634.30	23,347,438.62	10,265,993.33	41,281,602.46	24,790,021.29	132,969,690.00
Transfer from construction in progress	416,909.49	3,060,420.86	-	2,286,152.37	6,595,411.97	12,358,894.69
Transfer from investment properties	8,510,052.64	-	-	-	-	8,510,052.64
Business combination not involving enterprises under common control	-	-	102,931.29	99,584.93	1,250.05	203,766.27
Transfer to investment properties	(5,087,242.78)	-	-	-	-	(5,087,242.78)
Disposal of subsidiaries	-	-	(151,443.00)	-	(244,344.76)	(395,787.76)
Disposal or retirement	(3,624,696.04)	(2,705,694.05)	(8,603,972.05)	(5,656,536.47)	(6,591,972.59)	(27,182,871.20)
Closing balance	489,661,268.82	207,454,736.57	89,613,300.13	297,292,388.70	54,661,564.43	1,138,683,258.65
Accumulated depreciation						
Opening balance	(149,119,755.22)	(73,601,067.33)	(59,221,772.87)	(154,689,144.23)	(28,964,583.12)	(465,596,322.77)
Provision	(15,341,234.41)	(22,747,402.07)	(7,596,679.69)	(23,835,198.48)	(15,155,803.18)	(84,676,317.83)
Transfer from investment properties	(3,523,789.26)	-	-	-	-	(3,523,789.26)
Transfer to investment properties	1,480,401.05	-	-	-	-	1,480,401.05
Disposal or retirement	2,026,936.72	1,706,685.96	7,143,745.42	4,778,544.36	5,519,585.61	21,175,498.07
Closing balance	(164,477,441.12)	(94,641,783.44)	(59,523,264.14)	(173,741,971.45)	(38,364,970.83)	(530,749,430.98)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

2018 (Continued)

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Provision for impairment						
Opening balance	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Carrying amount						
At end of year	325,183,827.70	112,812,953.13	30,090,035.99	123,550,417.25	16,296,593.60	607,933,827.67
At beginning of the year	307,041,855.99	110,151,503.81	28,778,017.69	104,592,441.18	1,146,615.35	551,710,434.02

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

2017

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Original cost						
Opening balance	416,870,234.54	136,667,853.08	90,713,467.96	240,527,711.61	22,373,714.89	907,152,982.08
Purchase	30,175,171.83	38,745,865.63	6,504,401.73	28,401,598.18	16,478,943.15	120,305,980.52
Transfer from construction in progress	9,182,660.00	9,333,581.19	-	1,232,547.38	-	19,748,788.57
Transfer from investment properties	11,633,314.20	-	-	-	-	11,633,314.20
Business combination not involving enterprises under common control	-	103,810.61	123,264.01	14,386.79	111,480.15	352,941.56
Transfer to investment properties	(11,558,969.36)	-	-	-	-	(11,558,969.36)
Disposal or retirement	(140,800.00)	(1,098,539.37)	(9,341,343.14)	(10,894,658.55)	(8,852,939.72)	(30,328,280.78)
Closing balance	<u>456,161,611.21</u>	<u>183,752,571.14</u>	<u>87,999,790.56</u>	<u>259,281,585.41</u>	<u>30,111,198.47</u>	<u>1,017,306,756.79</u>
Accumulated depreciation						
Opening balance	(139,954,250.07)	(57,610,772.80)	(59,136,773.31)	(142,597,466.20)	(20,844,119.60)	(420,143,381.98)
Provision	(13,849,882.94)	(16,891,198.91)	(8,403,944.46)	(20,991,723.39)	(13,567,224.81)	(73,703,974.51)
Transfer from investment properties	(5,132,956.47)	-	-	-	-	(5,132,956.47)
Transfer to investment properties	9,760,097.90	-	-	-	-	9,760,097.90
Disposal or retirement	57,236.36	900,904.38	8,318,944.90	8,900,045.36	5,446,761.29	23,623,892.29
Closing balance	<u>(149,119,755.22)</u>	<u>(73,601,067.33)</u>	<u>(59,221,772.87)</u>	<u>(154,689,144.23)</u>	<u>(28,964,583.12)</u>	<u>(465,596,322.77)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

2017 (Continued)

	Buildings	Machinery and equipment	Motor Vehicles	Other equipment	Leasehold improvements	Total
Provision for impairment						
Opening balance	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Carrying amount						
At end of year	<u>307,041,855.99</u>	<u>110,151,503.81</u>	<u>28,778,017.69</u>	<u>104,592,441.18</u>	<u>1,146,615.35</u>	<u>551,710,434.02</u>
At beginning of the year	<u>276,915,984.47</u>	<u>79,057,080.28</u>	<u>31,576,694.65</u>	<u>97,930,245.41</u>	<u>1,529,595.29</u>	<u>487,009,600.10</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

12. Fixed assets (Continued)

Fixed assets held under finance leases are presented as follows:

2018	Original cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	22,010,632.48	(9,556,042.13)	-	12,454,590.35
Other equipment	<u>2,716,485.81</u>	<u>(1,305,222.40)</u>	-	<u>1,411,263.41</u>
	<u>24,727,118.29</u>	<u>(10,861,264.53)</u>	-	<u>13,865,853.76</u>
2017	Original cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	22,010,632.48	(6,114,633.93)	-	15,895,998.55
Other equipment	<u>2,716,485.81</u>	<u>(789,096.28)</u>	-	<u>1,927,389.53</u>
	<u>24,727,118.29</u>	<u>(6,903,730.21)</u>	-	<u>17,823,388.08</u>

The book value of fixed assets leased out from an operation lease are presented as follows:

	2018	2017
Machinery equipment	-	120,700.00
Others	<u>-</u>	<u>197,130.80</u>
	<u>-</u>	<u>317,830.80</u>

As at 31 December 2018, the fixed asset falling to accomplish certification of title are presented as follows:

	Book value	Reason for not obtaining certification of title
Houses and buildings	28,356,440.00	As at 31 December 2018, the Company has not yet obtained the certification of title for No.13 Jingxing North Street, Tiexi District Shenyang. The transferor, State-owned Assets Supervision and Administration Commission was still processing the case and had provided relevant certification.

As at 31 December 2018, there were no fixed assets that were temporarily idle.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

13. Construction in progress

	31 December 2018	31 December 2017
Construction in progress	<u>36,412,614.61</u>	<u>22,947,258.99</u>

	31 December 2018			31 December 2017		
	Carrying balance	Impairment	Carrying amount	Carrying balance	Impairment	Carrying amount
Warehouse improvement project	806,272.40	-	806,272.40	1,009,314.93	-	1,009,314.93
New office building project	188,251.26	-	188,251.26	765,882.63	-	765,882.63
Supply chain extension project	12,617,953.89	-	12,617,953.89	8,193,935.70	-	8,193,935.70
Software project	12,930,498.53	-	12,930,498.53	3,926,271.33	-	3,926,271.33
Other projects	9,869,638.53	-	9,869,638.53	9,051,854.40	-	9,051,854.40
	<u>36,412,614.61</u>	<u>-</u>	<u>36,412,614.61</u>	<u>22,947,258.99</u>	<u>-</u>	<u>22,947,258.99</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

Changes of significant construction in progress in 2018 are presented as follows:

Project name	At beginning of the year	Increase	Decrease			At end of year	Source of funds	Proportion of investment to budget (%)
			Transferred to fixed assets	Transferred to intangible assets	Transferred to long term prepaid expense			
Warehouse improvement project	1,009,314.93	9,284,604.35	-	-	(9,487,646.88)	806,272.40	Self-raised funds	65.94
New office building project	765,882.63	146,970.43	(724,601.80)	-	-	188,251.26	Self-raised funds	100.00
Supply chain extension project	8,193,935.70	16,374,550.40	(11,634,292.89)	(316,239.32)	-	12,617,953.89	Self-raised funds	66.56
Software project	3,926,271.33	9,004,227.20	-	-	-	12,930,498.53	Self-raised funds	54.98
Other construction projects	9,051,854.40	1,508,407.48	-	-	(690,623.35)	9,869,638.53	Self-raised funds	5.23
	<u>22,947,258.99</u>	<u>36,318,759.86</u>	<u>(12,358,894.69)</u>	<u>(316,239.32)</u>	<u>(10,178,270.23)</u>	<u>36,412,614.61</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

Changes of significant construction in progress in 2018 are presented as follows: (Continued)

Project name	Budget	Progress (%)	Accumulated amount of interest capitalized	Incl: interest capitalized in current year	Capitalization rate (%)
Warehouse improvement project	15,616,610.85	65.94	-	-	-
New office building project	1,224,601.80	100.00	-	-	-
Supply chain extension project	52,673,236.26	65.56	-	-	-
Software project	12,956,849.38	54.98	-	-	-
Other construction projects	207,178,844.09	5.23	-	-	-
			-	-	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

Changes of significant construction in progress in 2017 are presented as follows:

Project name	At beginning of the year	Increase	Decrease			At end of year	Source of funds	Proportion of investment to budget (%)
			Transferred to fixed assets	Transferred to intangible assets	Transferred to long term prepaid expense			
Warehouse improvement project	14,044,783.68	6,637,920.87	-	-	(19,673,389.62)	1,009,314.93	Self-raised funds	76.83
New office building project	7,979,356.35	2,028,688.98	(9,182,660.00)	-	(59,502.70)	765,882.63	Self-raised funds	29.04
Supply chain extension project	5,209,203.43	13,479,958.69	(10,156,764.88)	(338,461.54)	-	8,193,935.70	Self-raised funds	51.77
Software project	10,889,391.67	8,629,681.55	-	(15,592,801.89)	-	3,926,271.33	Self-raised funds	30.00
Other construction projects	8,941,133.36	3,711,458.69	(409,363.69)	(244,068.38)	(2,947,305.58)	9,051,854.40	Self-raised funds	6.20
	47,063,868.49	34,487,708.78	(19,748,788.57)	(16,175,331.81)	(22,680,197.90)	22,947,258.99		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

13. Construction in progress (Continued)

Changes of significant construction in progress in 2017 are presented as follows: (Continued)

Project name	Budget	Progress (%)	Accumulated amount of interest capitalized	Incl: interest capitalized in current year	Capitalization rate (%)
Warehouse improvement project	13,664,095.84	76.83	-	-	-
New office building project	41,434,500.00	29.04	-	-	-
Supply chain extension project	34,983,630.22	51.77	-	-	-
Software project	3,926,271.33	30.00	-	-	-
Other construction projects	209,099,377.58	6.20	-	-	-
		-	-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

14. Intangible assets

2018	Land use right	Software	Trademarks	Favorable lease	Sales network	Franchise	Total
Original cost							
Opening balance	60,481,989.28	126,128,809.36	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	458,657,791.50
Purchase	2,160,172.00	16,310,053.09	-	-	-	-	18,470,225.09
Business combination not involving enterprises under common control	-	7,754.51	-	-	-	-	7,754.51
Transfer from construction in progress	-	316,239.32	-	-	-	-	316,239.32
Transfer from investment properties	650,982.69	-	-	-	-	-	650,982.69
Disposal or retirement	(1,210,000.00)	-	-	-	-	-	(1,210,000.00)
Closing balance	62,083,143.97	142,762,856.28	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	476,892,993.11
Accumulated amortization							
Opening balance	(26,667,841.47)	(55,408,075.33)	(196,850.16)	(14,837,117.48)	(35,086,476.18)	(710,000.00)	(132,906,360.62)
Provision	(910,378.56)	(13,006,145.82)	-	(4,945,705.88)	(5,605,857.15)	-	(24,468,087.41)
Transfer from investment properties	(311,418.93)	-	-	-	-	-	(311,418.93)
Disposal or retirement	-	-	-	-	-	-	-
Closing balance	(27,889,638.96)	(68,414,221.15)	(196,850.16)	(19,782,823.36)	(40,692,333.33)	(710,000.00)	(157,685,866.96)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

14. Intangible assets (Continued)

2018 (Continued)	Land use right	Software	Trademarks	Favorable lease	Sales network	Franchise	Total
Provision for impairment							
Opening balance	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
Carrying amount							
At end of the year	34,193,505.01	74,348,635.13	65,780,999.84	73,459,176.64	71,424,809.53	-	319,207,126.15
At beginning of the year	33,814,147.81	70,720,734.03	65,780,999.84	78,404,882.52	77,030,666.68	-	325,751,430.88

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

14. Intangible assets (Continued)

2017	Land use right	Software	Trademarks	Favorable lease	Sales network	Franchise	Total
Original cost							
Opening balance	56,018,083.73	100,602,877.73	65,977,850.00	93,242,000.00	112,117,142.86	710,000.00	428,667,954.32
Purchase	4,000,000.00	10,124,136.06	-	-	-	-	14,124,136.06
Transfer from construction in progress	-	16,175,331.81	-	-	-	-	16,175,331.81
Transfer from investment properties	765,940.92	-	-	-	-	-	765,940.92
Disposal of subsidiaries	-	(773,536.24)	-	-	-	-	(773,536.24)
Transfer to investment properties	(302,035.37)	-	-	-	-	-	(302,035.37)
Closing balance	<u>60,481,989.28</u>	<u>126,128,809.36</u>	<u>65,977,850.00</u>	<u>93,242,000.00</u>	<u>112,117,142.86</u>	<u>710,000.00</u>	<u>458,657,791.50</u>
Accumulated amortization							
Opening balance	(23,161,818.46)	(44,791,854.17)	(196,850.16)	(9,891,411.60)	(29,480,619.04)	(710,000.00)	(108,232,553.43)
Provision	(3,392,800.22)	(11,389,757.40)	-	(4,945,705.88)	(5,605,857.14)	-	(25,334,120.64)
Transfer from investment properties	(164,003.30)	-	-	-	-	-	(164,003.30)
Disposal of subsidiaries	-	773,536.24	-	-	-	-	773,536.24
Transfer to investment properties	50,780.51	-	-	-	-	-	50,780.51
Closing balance	<u>(26,667,841.47)</u>	<u>(55,408,075.33)</u>	<u>(196,850.16)</u>	<u>(14,837,117.48)</u>	<u>(35,086,476.18)</u>	<u>(710,000.00)</u>	<u>(132,906,360.62)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

14. Intangible assets (Continued)

2017 (Continued)	Land use right	Software	Trademarks	Favorable lease	Sales network	Franchise	Total
Provision for impairment							
Opening balance	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
Carrying amount							
At end of the year	<u>33,814,147.81</u>	<u>70,720,734.03</u>	<u>65,780,999.84</u>	<u>78,404,882.52</u>	<u>77,030,666.68</u>	-	<u>325,751,430.88</u>
At beginning of the year	<u>32,856,265.27</u>	<u>55,811,023.56</u>	<u>65,780,999.84</u>	<u>83,350,588.40</u>	<u>82,636,523.82</u>	-	<u>320,435,400.89</u>

As at 31 December 2018 and 31 December 2017, no intangible assets were formed through internal research and development.

As at 31 December 2018 and 31 December 2017, there were no intangible assets of which the certificates of title have not been obtained.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

15. Goodwill

31 December 2018	Opening balance	Increase		Decrease during the year Consolidation by merger	Closing balance
		Business combination not involving enterprises under common control	Consolidation by merger		
Pharmaceutical distribution					
Jiangmen Renren Medical Co., Ltd. (“Sinopharm Jiangmen”)	27,392,317.73	-	-	-	27,392,317.73
Sinopharm Holding Shenzhen Yanfeng Co., Ltd. (“Sinopharm Yanfeng”)	16,868,644.87	-	-	-	16,868,644.87
Sinopharm Holding Zhaoqing Co., Ltd. (“Sinopharm Zhaoqing”)	2,594,341.53	-	-	-	2,594,341.53
Sinopharm Holding Shaoguan Co., Ltd. (“Sinopharm Shaoguan”)	1,686,496.80	-	-	-	1,686,496.80
Sinopharm Holding Meizhou Co., Ltd. (“Sinopharm Meizhou”)	1,610,819.66	-	-	-	1,610,819.66
Sinopharm Holding Huizhou Co., Ltd. (“Sinopharm Huizhou”)	923,184.67	-	-	-	923,184.67
Sinopharm Holding Zhanjiang Co., Ltd. (“Sinopharm Zhanjiang”)	282,135.55	-	-	-	282,135.55
Sinopharm Holding Dongguan Co., Ltd. (“Sinopharm Dongguan”)	1,499.02	-	-	-	1,499.02
South Pharma & Trade	2,755,680.62	-	-	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	-	-	88,877,850.51
Sinopharm Zhuhai	6,772,561.47	-	-	-	6,772,561.47
Sinopharm Holding Maoming Co., Ltd. (“Sinopharm Maoming”)	66,417.07	-	-	-	66,417.07
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd. (“ForMe Medicines”)	3,033,547.53	-	-	-	3,033,547.53

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

15. Goodwill (Continued)

	Opening balance	Increase		Decrease during the	Closing balance
		Business combination not involving enterprises under common control	Consolidation by merger	Year Consolidation by merger	
31 December 2018 (Continued)					
Pharmaceutical retail					
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd. (“Hebei Yikang”)	29,482,149.57	-		-29,482,149.57	
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd.	-	-	29,482,149.57	-	29,482,149.57
Xiaoyi Guoda Wanmin Baicaotang Pharmacy Chain Store Co., Ltd. (“Xiaoyi Wanmin”)	15,866,680.00	-	-	-	15,866,680.00
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	65,025,000.00	-	-	-	65,025,000.00
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd. (“ForMe Pharmacy Chain Store”)	19,405,450.23	-	-	-	19,405,450.23
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	5,028,638.00	-	-	-	5,028,638.00
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	7,979,000.00	-	-	-	7,979,000.00
Zhejiang Guoda Pharmacy Co., Ltd.	3,045,183.85	-	-	-	3,045,183.85
Guoda Shenyang Tianyitang Pharmacy Chain	1,687,942.92	-	-	-	1,687,942.92
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	11,598,341.12	-	-	-	11,598,341.12
Fujian Guoda Pharmacy Chain Store Co., Ltd.	1,567,250.76	-	-	-	1,567,250.76
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	29,110,409.46	-	-	-	29,110,409.46
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	41,047,958.08	-	-	-	41,047,958.08
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	107,275,095.74	-	-	-	107,275,095.74
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	41,165,574.64	-	-	-	41,165,574.64
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	41,298,622.59	-	-	-	41,298,622.59
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	22,666,179.77	-	-	-	22,666,179.77
Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd.	70,485,777.00	-	-	-	70,485,777.00
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	77,350,000.00	-	-	-	77,350,000.00
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	9,080,100.00	-	-	-	9,080,100.00
Shenzhen Guanganli Pharmacy Chain Store Co., Ltd. store acquisition	13,420,000.00	-	-	-	13,420,000.00
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (“Beijing Golden Elephant”)	63,546,507.81	-	593,616.55	-	64,140,124.36
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	593,616.55	-	-	-593,616.55	-

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

15. Goodwill (Continued)

	Opening balance	Increase		Decrease during the Year		Closing balance
		Business combination not involving enterprises under common control	Consolidation by merger	Consolidation by merger	Consolidation by merger	
31 December 2018 (Continued)						
Pharmaceutical retail(Continued)						
Guoda Taishan	26,826,120.55	-	-	-	-	26,826,120.55
Sinopharm Guoda Taiyuan Tongxinli Pharmacy Co., Ltd. (“Taiyuan Tongxinli”)	-	2,818,647.85	-	-	-	2,818,647.85
	<u>855,729,152.75</u>	<u>2,818,647.85</u>	<u>30,075,766.12</u>	<u>(30,075,766.12)</u>		<u>858,547,800.60</u>
31 December 2017						
Pharmaceutical distribution						
Sinopharm Jiangmen	27,392,317.73	-	-	-	-	27,392,317.73
Sinopharm Yanfeng	16,868,644.87	-	-	-	-	16,868,644.87
Sinopharm Zhaoqing	2,594,341.53	-	-	-	-	2,594,341.53
Sinopharm Shaoguan	1,686,496.80	-	-	-	-	1,686,496.80
Sinopharm Meizhou	1,610,819.66	-	-	-	-	1,610,819.66
Sinopharm Huizhou	923,184.67	-	-	-	-	923,184.67
Sinopharm Zhanjiang	282,135.55	-	-	-	-	282,135.55
Sinopharm Dongguan	1,499.02	-	-	-	-	1,499.02
South Pharma & Trade	2,755,680.62	-	-	-	-	2,755,680.62
Foshan Nanhai	88,877,850.51	-	-	-	-	88,877,850.51
Sinopharm Zhuhai	-	6,772,561.47	-	-	-	6,772,561.47
Sinopharm Maoming	-	66,417.07	-	-	-	66,417.07
ForMe Medicines	3,033,547.53	-	-	-	-	3,033,547.53
Pharmaceutical retail						
Hebei Yikang	29,482,149.57	-	-	-	-	29,482,149.57
Xiaoyi Wanmin	15,866,680.00	-	-	-	-	15,866,680.00
Shanxi Wanmin	65,025,000.00	-	-	-	-	65,025,000.00
ForMe Pharmacy Chain Store	19,405,450.23	-	-	-	-	19,405,450.23
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	5,028,638.00	-	-	-	-	5,028,638.00
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	7,979,000.00	-	-	-	-	7,979,000.00
Zhejiang Guoda Pharmacy Co., Ltd.	3,045,183.85	-	-	-	-	3,045,183.85
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	11,598,341.12	-	-	-	-	11,598,341.12

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

15. Goodwill (Continued)

31 December 2017 (Continued)	Opening balance	Increase		Decrease during the Year		Closing balance
		Business combination not involving enterprises under common control	Consolidation by merger	Consolidation by merger	Consolidation by merger	
Pharmaceutical retail (Continued)						
Fujian Guoda Pharmacy Chain Store Co., Ltd.	1,567,250.76	-	-	-	-	1,567,250.76
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	29,110,409.46	-	-	-	-	29,110,409.46
Guoda Shenyang Tianyitang Pharmacy Chain Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	1,687,942.92	-	-	(1,687,942.92)	-	-
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	39,360,015.16	-	1,687,942.92	-	-	41,047,958.08
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	107,275,095.74	-	-	-	-	107,275,095.74
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	41,165,574.64	-	-	-	-	41,165,574.64
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	41,298,622.59	-	-	-	-	41,298,622.59
Sinopharm Holding Guoda Neimenggu Pharmacy Chain Store Co., Ltd.	22,666,179.77	-	-	-	-	22,666,179.77
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	70,485,777.00	-	-	-	-	70,485,777.00
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	77,350,000.00	-	-	-	-	77,350,000.00
Shenzhen Guanganli Pharmacy Chain Store Co., Ltd. store acquisition	9,080,100.00	-	-	-	-	9,080,100.00
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (“Beijing Golden Elephant”)	13,420,000.00	-	-	-	-	13,420,000.00
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	63,546,507.81	-	-	-	-	63,546,507.81
Guoda Taishan	593,616.55	-	-	-	-	593,616.55
	26,826,120.55	-	-	-	-	26,826,120.55
	<u>848,890,174.21</u>	<u>6,838,978.54</u>	<u>1,687,942.92</u>	<u>(1,687,942.92)</u>		<u>855,729,152.75</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

15. Goodwill (Continued)

Changes in provision for impairment of goodwill are presented as follows:

2018	Opening balance	<u>Increase</u> Provision	<u>Decrease</u> Disposal	Closing balance
Pharmaceutical retail				
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	<u>25,000,000.00</u>	<u>-</u>	<u>-</u>	<u>25,000,000.00</u>
2017				
	Opening balance	<u>Increase</u> Provision	<u>Decrease</u> Disposal	Closing balance
Pharmaceutical retail				
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	<u>25,000,000.00</u>	<u>-</u>	<u>-</u>	<u>25,000,000.00</u>

The carrying value of goodwill is apportioned according to the proportion of each CGU or CGU group at fair value of the total amount of goodwill at fair value. It is shown as follows:

	31 December 2018	31 December 2017
Pharmaceutical distribution	152,865,497.03	152,865,497.03
Pharmaceutical retail	<u>680,682,303.57</u>	<u>677,863,655.72</u>
	<u>833,547,800.60</u>	<u>830,729,152.75</u>

The Group had acquired Taiyuan Tongxinli in November 2018, which formed goodwill amounting to RMB2,818,647.85. Refer to Note VI (1) for more details.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

15. Goodwill (Continued)

The recoverable amount of an asset group or a group of asset groups is determined based on a financial budget approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using the inflation rate.

Key assumptions were used for the calculation of the present values of future cash flow projections of the asset group consisting of pharmaceutical distribution and pharmaceutical retail as of 31 December 2018. Key assumptions made by management on projections of cash flows used in impairment testing are described as follows:

	Pharmaceutical distribution	Pharmaceutical retail
Revenue growth rate in the budget period	2.00%-16.00%	1.99%-16.30%
Sustainable growth rate	3.00%	3.00%
Gross margin	4.40%-11.75%	16.00%-50.00%
Discount rate	12.80%-15.00%	13.20%-15.00%

The budgeted gross margin and the revenue growth rate in the budget period is determined based on the past performance and expectation for market development. The discount rates used are pre-tax discount rates after reflecting specific risks of the relevant asset groups. The recoverable amount of the asset group consisting of pharmaceutical distribution and pharmaceutical retail was determined according to the key assumptions.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

16. Long-term prepaid expenses

2018	Opening balance	Additions	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	199,209,837.80	123,968,928.79	(72,027,492.28)	(1,693,012.44)	249,458,261.87
Acquisition expenditure to obtain the right to operate	49,013,331.48	24,687,711.48	(16,083,876.33)	-	57,617,166.63
Others	<u>4,023,881.51</u>	<u>1,973,696.15</u>	<u>(1,744,299.70)</u>	-	<u>4,253,277.96</u>
	<u>252,247,050.79</u>	<u>150,630,336.42</u>	<u>(89,855,668.31)</u>	<u>(1,693,012.44)</u>	<u>311,328,706.46</u>
2017	Opening balance	Increase	Amortization	Other decrease	Closing balance
Fixed asset improvement expenditure	158,483,260.94	104,416,969.80	(61,265,197.82)	(2,425,195.12)	199,209,837.80
Acquisition expenditure to obtain the right to operate	28,493,593.63	29,453,467.40	(8,933,729.55)	-	49,013,331.48
Others	<u>1,400,871.07</u>	<u>4,461,933.52</u>	<u>(1,838,923.08)</u>	-	<u>4,023,881.51</u>
	<u>188,377,725.64</u>	<u>138,332,370.72</u>	<u>(72,037,850.45)</u>	<u>(2,425,195.12)</u>	<u>252,247,050.79</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

17. Deferred tax assets/liabilities

Deferred tax assets before offsetting

	31 December 2018		31 December 2017	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deductible tax loss	19,311,837.06	77,791,621.20	28,705,915.53	115,556,647.93
Provision for impairment of assets	15,676,020.10	68,153,222.07	16,274,860.36	66,273,264.15
Accrued payroll	15,656,015.32	64,598,625.74	14,540,506.81	60,250,524.89
Accrued expenses	22,301,617.95	94,108,769.33	11,141,862.66	47,994,796.55
Deferred revenue	7,547,758.26	30,188,142.13	7,540,824.20	30,837,426.91
Others	1,467,765.00	6,238,492.18	1,268,913.50	5,424,788.24
	<u>81,961,013.69</u>	<u>341,078,872.65</u>	<u>79,472,883.06</u>	<u>326,337,448.67</u>

Deferred tax liabilities before offsetting

	31 December 2018		31 December 2017	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Fair value adjustment for a business combination not involving enterprises under common control	56,975,086.34	227,900,345.39	59,943,324.20	239,773,296.84
Fixed asset less than RMB5 million deducted at once	6,691,590.04	26,766,360.08	-	-
Changes in asset valuation due to change in company policy	5,464,685.51	21,858,742.02	6,088,777.56	24,355,110.24
Others	5,520,603.73	26,741,840.89	5,851,151.26	28,945,491.07
	<u>74,651,965.62</u>	<u>303,267,288.38</u>	<u>71,883,253.02</u>	<u>293,073,898.15</u>

Deferred tax assets and liabilities are presented after being offset against each other:

	31 December 2018		31 December 2017	
	Deferred tax assets/liabilities - Net	Temporary differences after set-off	Deferred tax assets/liabilities - Net	Temporary differences after set-off
Deferred tax assets	<u>74,914,209.95</u>	<u>312,891,657.69</u>	<u>79,472,883.06</u>	<u>326,337,448.67</u>
Deferred tax liabilities	<u>67,605,161.88</u>	<u>275,080,073.42</u>	<u>71,883,253.02</u>	<u>293,073,898.15</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

17. Deferred tax assets/liabilities (Continued)

The deductible temporary differences and deductible losses that were not recognized as deferred tax assets are presented as follows:

	31 December 2018	31 December 2017
Deductible temporary differences	1,480,000.00	1,480,000.00
Deductible losses (Note)	<u>29,391,422.33</u>	<u>21,759,547.45</u>
	<u>30,871,422.33</u>	<u>23,239,547.45</u>

Note: For those loss-making subsidiaries, as it is not considered probable that taxable profits will be available against which the tax losses can be utilized, the Group has not recognized deferred tax assets arising from accumulated losses amounting to RMB29,391,422.33 which are tax deductibles under the tax law.

The aforesaid unrecognized deductible losses will be due in:

	31 December 2018	31 December 2017
2018	-	2,970,715.21
2019	2,864,062.85	3,159,690.78
2020	4,725,707.87	4,835,260.23
2021	2,563,056.08	2,641,220.49
2022	7,261,117.97	8,152,660.74
2023	<u>11,977,477.56</u>	<u>-</u>
	<u>29,391,422.33</u>	<u>21,759,547.45</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

18. Other non-current assets

	31 December 2018	31 December 2017
Physical asset reserve specifically authorized	47,576,273.75	45,074,249.27
Prepayment for a rental fee (i)	14,196,944.60	17,506,780.28
Prepayment for project and equipment	10,592,645.36	19,441,433.20
Prepayment for investment	-	60,000,000.00
	72,365,863.71	142,022,462.75

(i): The prepayment for a rental fee which is over one year is recognized as other non-current asset of the Group.

19. Provision for impairment of assets

	1 January 2018	Reversal of write-off in previous years	Increases		Decreases		31 December 2018
			Current	Increase due to reorganization	Reversal	Charge-off	
Provision for bad debts	59,036,515.28	221,031.35	19,607,811.63	80,000.00	(19,309,332.08)	(192,637.72)	59,443,388.46
Provision for bad debts of trade receivables	43,925,465.41	221,031.35	12,467,357.34	-	(16,899,781.64)	(192,637.72)	39,521,434.74
Provision for bad debts of other receivables	15,111,049.87	-	7,140,454.29	80,000.00	(2,409,550.44)	-	19,921,953.72
Inventory provision	6,840,110.55	-	5,422,984.90	-	(2,678,379.54)	(1,271,520.62)	8,313,195.29
Impairment of available-for-sale financial assets	180,000.00	-	-	-	-	-	180,000.00
Impairment of investment properties	1,300,000.00	-	-	-	-	-	1,300,000.00
Impairment of goodwill	25,000,000.00	-	-	-	-	-	25,000,000.00
Impairment of long-term equity investments	396,638.32	-	-	-	-	-	396,638.32
	92,753,264.15	221,031.35	25,030,796.53	80,000.00	(21,987,711.62)	(1,464,158.34)	94,633,222.07

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

19. Provision for impairment of assets (Continued)

	1 January 2017	Reversal of write-off in previous years	Increases		Decreases		31 December 2017
			Current	Increase due to reorganization	Reversal	Charge-off	
Provision for bad debts	68,097,270.66	45,677.60	5,655,978.20	1,026,351.73	(8,727,086.20)	(7,061,676.71)	59,036,515.28
Provision for bad debts of trade receivables	48,894,651.36	45,677.60	4,082,799.01	947,367.82	(7,765,994.96)	(2,279,035.42)	43,925,465.41
Provision for bad debts of other receivables	19,202,619.30	-	1,573,179.19	78,983.91	(961,091.24)	(4,782,641.29)	15,111,049.87
Inventory provision	14,930,813.47	-	3,099,135.23	44,252.15	(2,498,723.97)	(8,735,366.33)	6,840,110.55
Impairment of available-for-sale financial assets	180,000.00	-	-	-	-	-	180,000.00
Impairment of investment properties	1,300,000.00	-	-	-	-	-	1,300,000.00
Impairment of goodwill	25,000,000.00	-	-	-	-	-	25,000,000.00
Impairment of long-term equity investments	396,638.32	-	-	-	-	-	396,638.32
	<u>109,904,722.45</u>	<u>45,677.60</u>	<u>8,755,113.43</u>	<u>1,070,603.88</u>	<u>(11,225,810.17)</u>	<u>(15,797,043.04)</u>	<u>92,753,264.15</u>

20. Short-term borrowings

	31 December 2018	31 December 2017
Credit borrowings	2,427,639,275.32	1,413,638,993.97
Discounted notes	170,013,427.11	147,715,527.67
	<u>2,597,652,702.43</u>	<u>1,561,354,521.64</u>

Documentary bills borrowing are included in the credit borrowing balance presented above. These documentary bills borrowings amounted to USD10,585,564.96. According to related contract, currency exchange will be settled with the applicable sale exchange quotation on the date which repayment is deducted.

As at 31 December 2018, the annual interest rate for the above borrowings was 4.65% (31 December 2017: 4.34%).

As at 31 December 2018 and 31 December 2017, there were no short-term borrowings of the Group that were overdue but not yet paid.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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V Notes to the consolidated financial statements (Continued)

21. Notes payable and trade payables

	31 December 2018	31 December 2017
Notes payable	3,416,755,681.80	2,732,437,828.42
Trade payables	<u>6,468,535,961.17</u>	<u>6,144,221,000.10</u>
	<u>9,885,291,642.97</u>	<u>8,876,658,828.52</u>

Notes payable

	31 December 2018	31 December 2017
Commercial acceptance notes	13,843,479.73	60,129,565.95
Bank acceptance notes	<u>3,402,912,202.07</u>	<u>2,672,308,262.47</u>
	<u>3,416,755,681.80</u>	<u>2,732,437,828.42</u>

At 31 December 2018, the total amount of notes payable that were due but not yet paid was nil (31 December 2017: RMB19,900.00).

Trade payables

Trade payables are interest-free and will be paid normally between 1 and 6 months.

	31 December 2018	31 December 2017
Trade payables	<u>6,468,535,961.17</u>	<u>6,144,221,000.10</u>

At 31 December 2018, the total amount of trade payables aged over one year was RMB467,525,486.03 (31 December 2017: RMB269,295,585.18), which were mainly payment for goods not yet paid to suppliers.

22. Advances from customers

	31 December 2018	31 December 2017
Advances from customers	<u>-</u>	<u>216,938,239.32</u>

At 31 December 2018, the total amount of trade payables aged over one year was nil (31 December 2017: RMB16,618,324.72).

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

23. Contract liabilities

	31 December 2018	31 December 2017
Contract liabilities	<u>255,590,612.37</u>	<u>-</u>

Contract liabilities are advance payments received. Contract obligations are normally performed, and revenue is recognised, within 6 months of receiving such advance payments by customers. Therefore, advances from customers were reclassified to contract liabilities at year end.

24. Employee benefits payable

	At beginning of the year	Increase	Decrease	At end of the year
2018				
Short-term employee benefits	209,320,163.70	1,759,137,844.89	(1,742,305,599.32)	226,152,409.27
Post-employment benefits (defined contribution plan)	5,596,277.12	176,477,341.94	(176,825,472.07)	5,248,146.99
Termination benefits	<u>740,085.72</u>	<u>1,555,451.66</u>	<u>(1,829,686.24)</u>	<u>465,851.14</u>
	<u>215,656,526.54</u>	<u>1,937,170,638.49</u>	<u>(1,920,960,757.63)</u>	<u>231,866,407.40</u>
2017				
Short-term employee benefits	191,157,671.41	1,582,656,019.65	(1,564,493,527.36)	209,320,163.70
Post-employment benefits (defined contribution plan)	2,686,932.17	155,924,906.72	(153,015,561.77)	5,596,277.12
Termination benefits	<u>1,293,476.27</u>	<u>1,975,659.92</u>	<u>(2,529,050.47)</u>	<u>740,085.72</u>
	<u>195,138,079.85</u>	<u>1,740,556,586.29</u>	<u>(1,720,038,139.60)</u>	<u>215,656,526.54</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

24. Employee benefits payable (Continued)

Short-term employee benefits

2018	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	193,078,506.49	1,526,865,265.07	(1,509,219,951.35)	210,723,820.21
Staff welfare	2,602,805.92	51,777,145.01	(52,629,200.04)	1,750,750.89
Social security contribution	1,363,649.32	89,203,979.18	(88,945,357.38)	1,622,271.12
Incl: Medical insurance	1,130,984.41	79,707,594.13	(79,476,427.95)	1,362,150.59
Work injury insurance	10,541.55	3,335,240.34	(3,315,026.20)	30,755.69
Maternity insurance	222,123.36	6,161,144.71	(6,153,903.23)	229,364.84
Housing funds	929,089.33	59,408,331.39	(59,273,427.70)	1,063,993.02
Labor union funds and employee education funds	10,178,562.87	28,172,099.55	(28,393,890.30)	9,956,772.12
Other short-term benefits	1,167,549.77	3,711,024.69	(3,843,772.55)	1,034,801.91
	<u>209,320,163.70</u>	<u>1,759,137,844.89</u>	<u>(1,742,305,599.32)</u>	<u>226,152,409.27</u>
	At beginning of year	Increase	Decrease	At end of year
Salaries, bonuses, allowances and grants	175,148,646.81	1,375,631,520.92	(1,357,701,661.24)	193,078,506.49
Staff welfare	1,477,025.98	46,338,154.00	(45,212,374.06)	2,602,805.92
Social security contribution	1,570,365.14	78,785,834.04	(78,992,549.86)	1,363,649.32
Incl: Medical insurance	1,329,989.27	69,594,869.21	(69,793,874.07)	1,130,984.41
Work injury insurance	20,708.23	3,889,950.47	(3,900,117.15)	10,541.55
Maternity insurance	219,667.64	5,301,014.36	(5,298,558.64)	222,123.36
Housing funds	327,217.21	53,752,358.53	(53,150,486.41)	929,089.33
Labor union funds and employee education funds	11,765,134.16	24,282,431.63	(25,869,002.92)	10,178,562.87
Other short-term benefits	869,282.11	3,865,720.53	(3,567,452.87)	1,167,549.77
	<u>191,157,671.41</u>	<u>1,582,656,019.65</u>	<u>(1,564,493,527.36)</u>	<u>209,320,163.70</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

24. Employee benefits payable (Continued)

Defined contribution plan

2018	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	1,739,623.34	166,757,467.61	(166,741,930.79)	1,755,160.16
Contribution to a pension fund	221,831.21	4,731,258.82	(4,830,739.38)	122,350.65
Unemployment insurance	<u>3,634,822.57</u>	<u>4,988,615.51</u>	<u>(5,252,801.90)</u>	<u>3,370,636.18</u>
	<u>5,596,277.12</u>	<u>176,477,341.94</u>	<u>(176,825,472.07)</u>	<u>5,248,146.99</u>
2017	At beginning of year	Increase	Decrease	At end of year
Basic pension insurance	619,514.34	146,712,694.05	(145,592,585.05)	1,739,623.34
Contribution to a pension fund	106,185.22	4,846,301.44	(4,730,655.45)	221,831.21
Unemployment insurance	<u>1,961,232.61</u>	<u>4,365,911.23</u>	<u>(2,692,321.27)</u>	<u>3,634,822.57</u>
	<u>2,686,932.17</u>	<u>155,924,906.72</u>	<u>(153,015,561.77)</u>	<u>5,596,277.12</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

24. Employee benefits payable (Continued)

Termination benefits

2018	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(31))	559,065.67	980,356.18	(1,131,364.24)	408,057.61
Other termination benefits (i)	<u>181,020.05</u>	<u>575,095.48</u>	<u>(698,322.00)</u>	<u>57,793.53</u>
	<u><u>740,085.72</u></u>	<u><u>1,555,451.66</u></u>	<u><u>(1,829,686.24)</u></u>	<u><u>465,851.14</u></u>
2017	At beginning of year	Increase	Decrease	At end of year
Retirement benefits payable – within 1 year (Note V(31))	1,093,992.97	1,200,357.47	(1,735,284.77)	559,065.67
Other termination benefits (i)	<u>199,483.30</u>	<u>775,302.45</u>	<u>(793,765.70)</u>	<u>181,020.05</u>
	<u><u>1,293,476.27</u></u>	<u><u>1,975,659.92</u></u>	<u><u>(2,529,050.47)</u></u>	<u><u>740,085.72</u></u>

(i) For year 2018, the Group provided other termination benefits for severing labor relations of RMB575,095.48 as at 31 December 2018, and the unpaid balance as at the year end was RMB57,793.53. (2017: Other termination benefits for severing labor relations of RMB775,302.45, the unpaid balance at the year end was RMB181,020.05).

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

25. Tax payable

	31 December 2018	31 December 2017
Corporate Income taxes	115,226,820.39	102,947,883.38
Value-added tax	90,356,534.09	85,843,903.33
City maintenance and construction surtax	6,854,426.95	6,691,713.89
Stamp duty	5,854,355.91	4,166,596.91
Water conservancy fund	5,421,280.43	5,356,119.89
Educational surcharge	4,937,147.17	4,862,588.43
Individual income tax	3,954,139.24	3,921,305.41
Property tax	1,123,276.37	971,268.99
Land use tax	209,179.29	513,790.48
Others	8,043,252.88	8,477,729.53
	<u>241,980,412.72</u>	<u>223,752,900.24</u>

26. Other payables

	31 December 2018	31 December 2017
Interest payable	21,906,660.63	7,311,819.65
Dividend payable	6,389,320.96	11,889,443.11
Other payables	1,511,140,990.34	1,011,128,397.26
	<u>1,539,436,971.93</u>	<u>1,030,329,660.02</u>

Interest payable

	31 December 2018	31 December 2017
Interest on short-term borrowings	10,973,397.39	6,078,248.36
Trade receivables' factoring interest	10,894,278.99	1,194,587.01
Long-term loans' (With periodic payments of principal and interest charges) interest	38,984.25	38,984.28
	<u>21,906,660.63</u>	<u>7,311,819.65</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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V Notes to the consolidated financial statements (Continued)

26. Other payables (Continued)

Dividend payable

	31 December 2018	31 December 2017
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharma”)	4,835,511.58	4,835,511.58
Zhang Zhenfang	1,389,639.31	1,389,639.31
Meiluo Pharmaceutical Co., Ltd.	164,170.07	164,170.07
Zhong Luqi	-	4,103,188.06
Zhong Lunan	-	765,928.44
Zhong Xiangjun	-	601,800.92
Bai Ganyin	-	29,204.73
Qiao Haiping	-	-
	<u>6,389,320.96</u>	<u>11,889,443.11</u>

As at 31 December 2018, the Group had no significant dividend aged more than one year and not yet paid (31 December 2017: nil).

Other payables

	31 December 2018	31 December 2017
Payables for factoring programs	724,272,060.30	388,729,758.59
Deposits	334,821,325.72	129,662,851.39
Accrued selling and distribution expenses	131,493,977.43	96,065,832.84
Payables for construction in progress and equipment	79,380,923.99	98,293,860.11
Payables arising from acquisition of subsidiaries	78,702,980.00	109,445,960.00
Payables for rentals	29,298,835.46	27,766,119.66
Payables to individuals	22,730,210.22	34,316,089.64
Payables for land transfer payments	18,071,000.00	18,071,000.00
Temporary loans	15,800,000.00	15,800,000.00
Equity subscription	10,000,000.00	-
Collection of others	7,525,379.59	8,430,347.08
Payables to related parties	5,436,532.76	15,817,669.33
Others	53,607,764.87	68,728,908.62
	<u>1,511,140,990.34</u>	<u>1,011,128,397.26</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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V Notes to the consolidated financial statements (Continued)

26. Other payables (Continued)

At 31 December 2018, significant other payables over 1 year are:

	Amount payable	Reason for outstanding
Non-controlling interests in South Pharma & Trade Fu Yuequn and other 11 natural persons	54,722,980.00	Payment conditions not met
Taishan Qunkang Drugstore Co., Ltd.	13,860,000.00	Payment conditions not met
Shenzhen No.1 Construction Engineering Co., Ltd.	8,605,625.20	Payment conditions not met
Guangxi Zhongding Medicine Consulting Co., Ltd.	6,612,470.75	Payment conditions not met
	<u>83,801,075.95</u>	

27. Non-current liabilities due within one year

	31 December 2018	31 December 2017
Finance lease payables (Note V (30))	<u>5,861,324.37</u>	<u>5,434,770.70</u>

28. Other current liabilities

	31 December 2018	31 December 2017
Output VAT to be recognized	<u>292,465.75</u>	<u>112,817.65</u>

29. Long-term borrowings

	31 December 2018	31 December 2017
Entrusted loans	<u>31,600,000.00</u>	<u>31,600,000.00</u>

At 31 December 2018, the total amount of entrusted loans remaining is RMB31,600,000.00. China National Pharmaceutical Group Corporation entrusted Group Financial Co. to provide the loan.

At 31 December 2018, the annual interest rate of the above-mentioned borrowings was 4.04% (31 December 2017: 4.40%).

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

30. Long-term payables

Long-term payables

	31 December 2018	31 December 2017
Finance lease payables (Note XIII(2))	9,625,302.89	14,767,307.84
Less: Amount due within one year (Note V(27))	<u>(5,861,324.37)</u>	<u>(5,434,770.70)</u>
	<u><u>3,763,978.52</u></u>	<u><u>9,332,537.14</u></u>

Payable for specific projects

2018	At beginning of year	Increase	Decrease		At end of year
Special funds granted by government	<u>800,000.00</u>	<u>-</u>	<u>-</u>		<u>800,000.00</u>
2017	At beginning of year	Increase	Decrease		At end of year
Special funds granted by government	<u>800,000.00</u>	<u>-</u>	<u>-</u>		<u>800,000.00</u>

Payables for specific projects are research funding granted by the government, which are designated as payables for specific projects when granted.

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

31. Long-term employee benefits payable

	31 December 2018	31 December 2017
Early retirement benefits payable	2,458,057.61	2,336,065.67
Less: Retirement benefits payable – within 1 year (Note V (24))	<u>(408,057.61)</u>	<u>(559,065.67)</u>
	<u><u>2,050,000.00</u></u>	<u><u>1,777,000.00</u></u>

The primary actuarial assumptions adopted at the end of the reporting period are presented as follows:

	31 December 2018	31 December 2017
Discount rate	3.50%	4.00%
Growth rate of wages	6.00%	6.00%

The total post-employment benefits recognized in profit or loss of the current year is:

	2018	2017
Included in administrative expenses	1,172,356.18	1,182,043.83
Included in financial expenses	<u>81,000.00</u>	<u>101,713.75</u>
	<u><u>1,253,356.18</u></u>	<u><u>1,283,757.58</u></u>

32. Deferred income

2018	Opening balance	Increase	Decrease	Closing balance
Government grants	<u>96,725,183.34</u>	<u>-</u>	<u>(5,234,012.94)</u>	<u>91,491,170.40</u>
2017	Opening balance	Increase	Decrease	Closing balance
Government grants	101,563,380.85	500,000.00	(5,338,197.51)	96,725,183.34
Promotion Rewards Program	<u>22,390,081.96</u>	<u>6,475,593.10</u>	<u>(508,485.87)</u>	<u>28,357,189.19</u>
	<u><u>123,953,462.81</u></u>	<u><u>6,975,593.10</u></u>	<u><u>(5,846,683.38)</u></u>	<u><u>125,082,372.53</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

32. Deferred income (Continued)

As at 31 December 2018, deferred income from government grants is as follows:

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Amount included in other incomes in the year	Closing balance	Asset related/income related
Resettlement Compensation (Note)	78,253,849.73	-	(2,698,408.56)	-	75,555,441.17	Asset related
Guangxi Logistics Project Logistics standardization project	6,949,832.98	-	-	(496,406.40)	6,453,426.58	Asset related
A comprehensive experimental modern service industry subsidies	3,361,259.39	-	-	(546,246.84)	2,815,012.55	Asset related
Shared Logistics Center (completed)	1,800,000.00	-	-	(300,000.00)	1,500,000.00	Asset related
Other projects	270,858.75	-	-	(18,800.40)	252,058.35	Asset related
	6,089,382.49	-	-	(1,174,150.74)	4,915,231.75	Asset/income related
	<u>96,725,183.34</u>	<u>-</u>	<u>(2,698,408.56)</u>	<u>(2,535,604.38)</u>	<u>91,491,170.40</u>	

As at 31 December 2017, deferred income from government grants is as follows:

Government grants program	Opening balance	Addition in the year	Amount included in non-operating income in the year	Amount included in other incomes in the year	Closing balance	Asset related/income related
Resettlement Compensation (Note)	80,952,258.29	-	(2,698,408.56)	-	78,253,849.73	Asset related
Guangxi Logistics Project Logistics standardization project	7,446,239.38	-	-	(496,406.40)	6,949,832.98	Asset related
A comprehensive experimental modern service industry subsidies	3,907,506.23	-	-	(546,246.84)	3,361,259.39	Asset related
Shared Logistics Center (completed)	2,100,000.00	-	-	(300,000.00)	1,800,000.00	Asset related
Other projects	289,659.15	-	-	(18,800.40)	270,858.75	Asset related
	6,867,717.80	500,000.00	-	(1,278,335.31)	6,089,382.49	Asset/income related
	<u>101,563,380.85</u>	<u>500,000.00</u>	<u>(2,698,408.56)</u>	<u>(2,639,788.95)</u>	<u>96,725,183.34</u>	

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

32. Deferred income (Continued)

Note: Due to the implementation of urban planning for old town reconstruction in Nanning, the operating center of Guangxi Logistics which was located in Longteng Road District, Nanning City, was to be reconstructed in another place. According to the agreement signed between Guangxi Logistics and the real estate developer, Guangxi Logistics would obtain a compensation of RMB120,250,000.00, including cash of RMB50,000,000.00 and a property in construction equal to a value of RMB70,250,000.00. Cash compensation of RMB50,000,000.00 was received in May 2012. In year 2015, construction properties with a value of RMB70,250,000.00 were built and delivered, and had been recognized as investment properties.

The compensation relating to the capital expenditure in the reconstruction of the new logistic center in another place, amounting to RMB93.32 million, was recognized as deferred revenue, and would be amortized and recognized in the income statement within the expected useful lives using the straight-line method, and the other cash compensation, for which the amount approximates to RMB26.93 million, was recognized in the income statement in 2012.

33. Other non-current liabilities

	31 December 2018	31 December 2017
Governmental medical reserve funds	45,427,343.31	45,427,343.31
Product promotion accumulative points programme	23,813,832.87	-
	<u>69,241,176.18</u>	<u>45,427,343.31</u>

Governmental medical reserve funds were received by the Group from the PRC government and local government for purchasing medical products (including medicines) required to respond to serious disasters, epidemics and other emergencies.

Product promotion accumulative points programme refers to those product-originated accumulative points that remain more than one year surplus before expiration date.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

34. Share capital

2018	At beginning of the year	Increase during the current year			At end of the year
		Issue of new share	Others	Total	
Listed shares without restriction of trading:					
-A shares, listed	307,744,355.00	-	-	-	307,744,355.00
-B shares, listed	54,885,600.00	-	-	-	54,885,600.00
Listed shares with restriction of trading:					
-State-owned legal person shares	60,380,743.00	-	-	-	60,380,743.00
-Natural person shares	5,114,297.00	-	-	-	5,114,297.00
	1,988.00	-	-	-	1,988.00
	<u>428,126,983.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,126,983.00</u>
2017	At beginning of the year	Increase during the current year			At end of the year
		Issue of new share	Others	Total	
Listed shares without restriction of trading:					
-A shares, listed	233,261,812.00	-	74,482,543.00	74,482,543.00	307,744,355.00
-B shares, listed	54,885,600.00	-	-	-	54,885,600.00
Listed shares with restriction of trading:					
-State-owned legal person shares	74,482,543.00	60,380,743.00	(74,482,543.00)	(14,101,800.00)	60,380,743.00
-Natural person shares	-	5,114,297.00	-	5,114,297.00	5,114,297.00
	1,988.00	-	-	-	1,988.00
	<u>362,631,943.00</u>	<u>65,495,040.00</u>	<u>-</u>	<u>65,495,040.00</u>	<u>428,126,983.00</u>

35. Capital surplus

2018	At beginning of the year	Increase	Decrease	At end of the year
Share premium	2,118,174,787.27	-	-	2,118,174,787.27
Others -				
Significant reorganization	1,173,907,763.19	-	-	1,173,907,763.19
Transfer of capital surplus recognized under the previous accounting system	2,650,322.00	-	-	2,650,322.00
Other changes in equity of invested units under the equity method (a)	(113,303,807.47)	19,271,293.13	-	(94,032,514.34)
Other (b)	-	1,120,284,623.39	-	1,120,284,623.39
	<u>3,181,429,064.99</u>	<u>1,139,555,916.52</u>	<u>-</u>	<u>4,320,984,981.51</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

35. Capital surplus (Continued)

2017	At beginning of the year	Increase	Decrease	At end of the year
Share premium	2,118,174,787.27	-	-	2,118,174,787.27
Others -				
Significant reorganization	1,177,337,792.19	-	(3,430,029.00)	1,173,907,763.19
Transfer of capital surplus recognized under the previous accounting system (c)	2,650,322.00	-	-	2,650,322.00
Business combination involving enterprises under common control (d)	1,200,000.00	-	(1,200,000.00)	-
Other changes in equity of invested units under equity method (a)	<u>(146,644,876.54)</u>	<u>33,341,069.07</u>	<u>-</u>	<u>(113,303,807.47)</u>
	<u>3,152,718,024.92</u>	<u>33,341,069.07</u>	<u>(4,630,029.00)</u>	<u>3,181,429,064.99</u>

- (a) There was an increase of RMB19,271,293.13 in the current year's other capital reserves of the invested entity and this was due to the decrease of the book value of a long-term equity investment of the Group's associate company Shyndec Pharma, which resulted in capital surplus of RMB139,312.34. Since the subsidiary of Shyndec Pharma failed to complete the Valuation Adjustment Mechanism, Shyndec Pharma's shares that the Group holds changed, which resulted in an increase of RMB19,410,605.47 in capital surplus.

There was an increase of RMB33,341,069.07 in 2017's other capital reserves, which was due to changes of the book value of long-term equity investment and result in capital surplus of RMB7,018,386.52. Since the subsidiary of Shyndec Pharma failed to complete the Valuation Adjustment Mechanism, the Group's holding of Shyndec Pharma's shares that the Group holds was changed, which resulted in an increase of RMB26,322,682.55 in capital surplus.

- (b) There was an increase of RMB1,120,284,623.39 in current year's other capital reserves and this was due to the introduction of strategic investor Walgreens Boots Alliance (Hong Kong) Investments Limited (“WBA investor”) from the Group's subsidiary, Sinopharm Guoda Pharmacy. WBA investor increased capital by RMB2,766,700,000.00, which resulted in capital premium of RMB1,120,284,623.39.
- (c) Significant reorganization decreased by RMB3,430,029.00 in 2017 when the Group carried out the reorganization on 31 October 2016. The disposal of Zhijun Medicine, Zhijun Pingshan, Zhijun Trade and assets of Pingshan base was in exchange for a 15.56% equity interest of Shyndec Pharma. The Group held a board meeting on 5 February 2018 and agreed to revise the transaction price of assets of Pingshan base, which resulted in an increase of RMB4,576,743.67 in capital surplus. Due to the incomplete valuation of assets on the completion date, the carrying value of the assets as of 31 October 2016 is estimated temporarily. During the year, the capital reserve of RMB8,006,772.67 was offset by the difference between the appraisal number and the carrying amount of the delivery date.
- (d) Capital reserve - Business combinations under common control resulted in a decrease of RMB1,200,000.00 due to the acquisition of Sinopharm Lerentang Shijiazhuang Pharmaceutical (“Shijiazhuang Pharma”), under common control by the Company, on 10 March 2017. At the beginning of the year, the capital reserve of RMB1,200,000.00 was restated and the capital reserve of RMB1,200,000.00 was written off on the delivery date.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

36. Surplus reserve

	31 December 2018	31 December 2017
Surplus reserve	<u>214,063,491.50</u>	<u>214,063,491.50</u>

According to the provisions of the Company Law and the Company’s articles of association, the Company appropriates statutory surplus reserves at 10% of the net profit. Where the accumulated amount of surplus reserves reaches 50% or more of the Company’s registered capital, additional appropriation is not needed. After the appropriation of statutory surplus reserves, the Company may appropriate discretionary surplus reserves. When approved, the discretionary surplus reserves can be used to recover accumulated losses or increase share capital. The accumulated amount of the statutory surplus reserve of the Group has already reached 50% of the registered capital. According to the Company’s articles of association, the Group did not extract the surplus reserve anymore.

37. Retained earnings

	31 December 2018	31 December 2017
Retained earnings at the end of the prior year	5,572,952,806.39	4,689,189,642.51
A business combination involving enterprises under common control (a)	<u>-</u>	<u>1,076,241.59</u>
Retained earnings at beginning of year after retrospective adjustment and restatement	5,572,952,806.39	4,690,265,884.10
Add: Net profit attributable to the parent	1,210,742,435.78	1,057,791,930.67
Deduct: Withdrawal form the surplus reserve	-	(32,747,520.00)
Cash dividends payable for ordinary shares (b)	(128,438,094.90)	(141,281,904.39)
Business combination involving enterprises under common control	<u>-</u>	<u>(1,075,583.99)</u>
Retained earnings at end of year	<u>6,655,257,147.27</u>	<u>5,572,952,806.39</u>

- (a) Due to the consolidated scope change resulted from a business combination under common control in 2017, the beginning balance of profit attributable in 2017 was affected by an amount of RMB1,076,241.59.
- (b) Pursuant to the resolution of the General Meeting of the Shareholders on 17 April 2018, the Company paid a cash dividend of RMB3.00 for every 10 shares to all shareholders. The cash dividend was calculated on the basis of 428,126,983 shares in issue, with an aggregate amount of RMB128,438,094.90.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

38. Operating revenue and cost

	2018		2017	
	Revenue	Cost	Revenue	Cost
Principal operations	42,778,939,792.90	37,991,076,562.19	40,957,232,334.77	36,789,414,942.07
Other operations	343,445,728.33	33,032,068.96	306,161,092.64	30,137,973.73
	<u>43,122,385,521.23</u>	<u>38,024,108,631.15</u>	<u>41,263,393,427.41</u>	<u>36,819,552,915.80</u>

Revenue and cost of main operations

	2018		2017	
	Revenue of main operations	Cost of main operations	Revenue of main operations	Cost of main operations
Wholesale of pharmaceutical	31,866,749,848.53	29,606,073,176.14	31,022,967,423.15	29,315,028,286.33
Retail of pharmaceutical	10,873,162,895.62	8,368,907,348.19	9,892,835,784.75	7,457,091,704.13
Logistics and freights	26,109,809.27	13,025,190.40	29,568,712.15	11,065,889.25
Rental and other income	12,917,239.48	3,070,847.46	11,860,414.72	6,229,062.36
	<u>42,778,939,792.90</u>	<u>37,991,076,562.19</u>	<u>40,957,232,334.77</u>	<u>36,789,414,942.07</u>

Other operating income and expenses

	2018		2017	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Rendering of services	251,591,446.56	19,327,747.23	236,641,796.68	15,003,093.78
Rental income	70,082,395.95	10,553,689.07	49,295,774.44	13,027,371.57
Franchise fee income	8,903,896.40	-	12,181,248.58	-
Others	12,867,989.42	3,150,632.66	8,042,272.94	2,107,508.38
	<u>343,445,728.33</u>	<u>33,032,068.96</u>	<u>306,161,092.64</u>	<u>30,137,973.73</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

38. Operating revenue and cost (Continued)

Breakdown of operating revenue and cost by type of product:

	2018		2017	
	Revenue	Cost	Revenue	Cost
Medicines	41,115,048,626.41	36,456,947,511.65	39,683,832,010.20	35,629,437,791.07
Medical appliance	1,340,837,068.09	1,250,336,501.31	1,125,368,079.05	1,040,629,765.23
Other	666,499,826.73	316,824,618.19	454,193,338.16	149,485,359.50
	<u>43,122,385,521.23</u>	<u>38,024,108,631.15</u>	<u>41,263,393,427.41</u>	<u>36,819,552,915.80</u>

All sales revenue were domestic for the year 2018.

Breakdown of operating revenue:

	2018
Timing of revenue recognition	
Revenue recognised at a point in time	
Sales of goods	42,739,912,744.15
Revenue recognised within a time period	
Providing services	274,845,863.52
Rental income	81,517,104.29
Storage and logistics	26,109,809.27
	<u>43,122,385,521.23</u>

In 2018, the Group has recognised contract liabilities in total of RMB255,590,612.37 through the sale of goods and provision of services. Information about the Group's obligations is as follows:

The Group recognises revenue when goods are delivered, and will receive payment within 30-210 days.

The Group recognises revenue after providing services, and will receive payment within 30-210 days. The expected revenue recognition time for the Group's contract obligations above is in year 2019.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

39. Tax and surcharges

	2018	2017
City maintenance and construction tax	47,477,033.41	47,942,856.07
Educational surcharge	32,650,733.37	34,378,808.90
Stamp duty	32,467,464.05	28,674,034.69
Property tax	6,961,154.31	6,725,155.08
Land tax	830,516.37	804,774.72
Vehicle and vessel use tax	159,260.61	524,224.57
Others	465,976.90	870,564.15
	<u>121,012,139.02</u>	<u>119,920,418.18</u>

40. Selling expenses

	2018	2017
Employees payroll and welfare benefits	1,388,569,241.35	1,218,875,166.16
Rental expenses	693,711,084.99	595,655,664.30
Technical service fee	122,040,418.95	15,681,068.73
Transportation charges	72,790,376.76	62,383,495.59
Amortization of long-term deferred expenses	79,264,643.73	61,757,421.69
Utility fees	58,460,806.07	53,104,248.07
Depreciation expenses	57,211,707.70	49,141,321.86
Promotion and marketing expenses	44,772,075.33	41,054,355.22
Storage expenses	26,735,260.77	34,503,559.49
Office allowances	37,866,925.91	34,125,183.91
Entertainment expenses	28,339,849.02	27,525,997.74
Repairing fees	12,410,974.80	10,676,340.89
Travel allowances	9,659,289.87	8,680,420.02
Conference expenses	9,254,374.47	10,484,976.55
Market development fees	7,741,076.04	1,081,752.10
Others	113,961,780.01	81,178,099.39
	<u>2,762,789,885.77</u>	<u>2,305,909,071.71</u>

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

41. Administrative expenses

	2018	2017
Employees payroll and welfare benefits	540,166,368.56	512,141,139.52
Rental expenses	38,446,106.99	33,667,526.23
Office allowances	25,785,743.03	29,796,762.42
Depreciation expenses	25,989,962.32	23,860,275.81
Amortization of intangible assets	16,833,469.40	18,027,511.52
Entertainment expenses	15,124,722.99	14,034,565.91
Agency service fees	19,335,780.45	12,473,242.98
Technical service fees	17,309,623.25	12,148,374.10
Travel allowances	11,970,208.11	9,160,614.98
Amortization of long-term deferred expenses	9,609,145.68	9,347,654.01
Vehicle management expenses	9,508,891.07	9,162,933.83
Utilities	5,740,238.76	7,206,977.34
Taxations	2,542,633.31	6,530,342.04
Repairing fees	4,726,047.17	4,596,365.92
Promotion and marketing expenses	9,239,323.28	3,284,160.48
Others	31,010,043.82	30,515,520.04
	<u>783,338,308.19</u>	<u>735,953,967.13</u>

42. Finance costs

	2018	2017
Interest expenses	195,256,226.47	135,832,879.33
Less: Interest income	(81,119,506.63)	(35,012,199.48)
Cash discount from purchase	(42,424,361.51)	(28,158,611.39)
Exchanges loss/ (gain)	325,611.60	(495,664.83)
Others	40,824,769.19	38,194,135.93
	<u>112,862,739.12</u>	<u>110,360,539.56</u>

Breakdown for interest income is as follows:

	2018	2017
Cash	<u>(81,119,506.63)</u>	<u>(35,012,199.48)</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

43. Impairment loss

	2018	2017
Inventory provision	2,744,605.36	600,411.26
Bad debt allowance <i>(Only applicable for 2017)</i>	-	(3,071,108.00)
	<u>2,744,605.36</u>	<u>(2,470,696.74)</u>

44. Impairment losses on financial assets (Only applicable for 2018)

	2018	2017
Impairment loss of notes and trade receivables	(4,432,424.30)	-
Impairment loss of other receivables	4,730,903.85	-
	<u>298,479.55</u>	<u>-</u>

45. Other incomes

	2018	2017
Government grants related to daily operating activities	27,012,475.30	24,155,618.47
Taxation service charge refund	1,445,926.01	235,691.44
	<u>28,458,401.31</u>	<u>24,391,309.91</u>

Government grants relevant to daily operation:

	2018	2017	
Logistics standardization project	546,246.84	546,246.84	Related to asset
Guangxi Logistics Project	496,406.40	496,406.40	Related to asset
Subsidy for a comprehensive experimental unit of the modern service industry	300,000.00	300,000.00	Related to asset
Third party medicine modern logistics public information platform	18,800.40	18,800.40	Related to asset
Transferred in from deferred income	1,174,150.74	1,278,335.31	Related to asset
	<u>2,535,604.38</u>	<u>2,639,788.95</u>	
Tax return	9,153,184.19	1,335,908.17	Income related
Government grants for medicine reserve expenses	3,220,625.00	3,210,000.00	Income related
Government support funding	2,632,800.00	8,394,375.00	Income related
Enterprise economy award	1,535,325.00	2,400,000.00	Income related
Economic contribution award	150,000.00	641,300.00	Income related
Others	7,784,936.73	5,534,246.35	Income related
	<u>24,476,870.92</u>	<u>21,515,829.52</u>	
	<u>27,012,475.30</u>	<u>24,155,618.47</u>	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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V Notes to the consolidated financial statements (Continued)

46. Investment income

	2018	2017
Investment income from long-term equity investments under the equity method (Note V(8))	319,903,890.47	263,825,834.56
Investment income from disposal of subsidiaries	(526,137.60)	-
Investment income from available-for-sale financial assets	-	579,444.98
Gain on remeasurement of fair value of a remaining equity interest upon loss of control	519,419.36	-
Remeasurement of the original ownership based on fair value during step-by-step acquisition to recognize investment income	-	134,740.70
	<u>319,897,172.23</u>	<u>264,540,020.24</u>

47. Gain on disposal of assets

	2018	2017
Gain on disposal of intangible assets	3,892,019.91	-
Gain on disposal of fixed assets	3,500,527.65	792,663.68
Gain on disposal of other non-current assets	-	(525.30)
	<u>7,392,547.56</u>	<u>792,138.38</u>

48. Non-operating income

	2018	2017
Gain from writing off the unnecessary payment	5,000,021.34	3,385,203.85
Government grants irrelevant to daily operation	2,698,408.56	2,698,408.56
Others	5,016,923.61	5,328,875.80
	<u>12,715,353.51</u>	<u>11,412,488.21</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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V Notes to the consolidated financial statements (Continued)

48. Non-operating income (Continued)

Government grants are as follow:

	2018	2017	Related to asset/income
Resettlement Compensation of Guangxi Logistics	<u>2,698,408.56</u>	<u>2,698,408.56</u>	Asset related

49. Non-operating expenses

	2018	2017
Penalty expenses	1,097,787.61	4,808,339.15
Donation expenses	449,466.05	123,600.00
Loss on disposal of a non-current asset	345,180.28	1,184,152.43
Others	<u>2,872,416.21</u>	<u>3,158,103.12</u>
	<u>4,764,850.15</u>	<u>9,274,194.70</u>

50. Expenses by nature

The cost of operations, selling and distribution expenses, administrative expenses are classified by nature and listed as follows:

	2018	2017
Inventories of finished and work-in-progress goods/Cost of inventories	38,010,404,118.17	36,740,876,853.01
Employees payroll and welfare benefits	1,937,354,409.70	1,740,090,218.21
Rental expenses	732,157,191.98	631,327,946.24
Depreciation and amortization	206,110,412.41	179,809,422.71
Technical service fees	139,350,042.20	28,753,897.58
Transportation charges	72,790,376.76	65,173,013.85
Utilities	66,988,900.15	115,159,397.61
Office telecom and internet expenses	63,652,668.94	63,921,946.33
Promotion and marketing expenses	61,752,474.65	45,420,267.80
Entertainment expenses	43,464,572.01	41,560,563.65
Travel allowances	29,081,374.94	24,316,505.13
Storage expenses	26,735,260.77	34,503,559.49
Agency service fees	19,335,780.45	12,473,242.98
Repairing fees	17,137,021.97	15,542,580.93
Conference expenses	12,927,363.12	13,027,031.26
Taxation	2,542,633.31	6,530,342.04
Others	<u>128,452,223.58</u>	<u>102,929,165.82</u>
	<u>41,570,236,825.11</u>	<u>39,861,415,954.64</u>

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

51. Income taxes

	2018	2017
Current income tax	330,119,712.81	320,134,496.02
Deferred income tax	378,532.87	(10,844,368.30)
	<u>330,498,245.68</u>	<u>(10,844,368.30)</u>
	<u>330,498,245.68</u>	<u>309,290,127.72</u>

The reconciliation of income tax calculated based on applicable tax rates and total profit presented in the consolidated financial statements to the income taxes is shown below:

	2018	2017
Total profit	1,678,929,357.53	1,466,028,973.81
Income taxes calculated at applicable tax rates	419,732,339.38	366,507,243.45
Lower tax rates enacted by local authorities	(26,400,897.47)	(23,029,239.44)
Income not subject to tax	(80,379,054.34)	(66,135,005.06)
Expenses not deductible for tax	12,549,148.66	16,141,202.89
Deductible loss on unconfirmed deferred tax assets at end of the year	2,994,369.39	2,038,165.18
Utilization of previously unrecognized tax losses	752,138.09	422,558.70
Impact of the temporary discrepancy on unconfirmed deductible deferred tax assets at end of the year	-	60,680.50
Adjustment of income tax expense of previous years	1,250,201.97	13,284,521.50
	<u>330,498,245.68</u>	<u>309,290,127.72</u>
Income tax	<u>330,498,245.68</u>	<u>309,290,127.72</u>

52. Earnings per share

	2018 RMB/Share	2017 RMB/Share
Basic earnings per share		
Continuing operations	2.83	2.47
Diluted earnings per share		
Continuing operations	2.83	2.47

The basic earnings per share is calculated by dividing the consolidated net profit of the current year attributable to the ordinary shareholders of the Company by the adjusted weighted average number of ordinary shares outstanding.

In year 2018, the Company had no potential dilutive ordinary shares, and the diluted earnings per share was the same as the basic earnings per share.

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

52. Earnings per share (Continued)

The calculation of basic and diluted earnings per share is as follows:

	2018	2017
Earnings	1,210,742,435.78	1,057,791,930.67
Consolidated net profit attributable to the shareholders of the parent	<u>1,210,742,435.78</u>	<u>1,057,791,930.67</u>
Net profit attributable to the calculation of EPS	<u>1,210,742,435.78</u>	<u>1,057,791,930.67</u>
Shares		
Adjusted weighted average number of ordinary shares outstanding	428,126,983.00	428,126,983.00
Basic and diluted earnings per share	<u>2.83</u>	<u>2.47</u>

53. Notes to items in the cash flow statement

Cash receipts related to other operating activities

	2018	2017
Interest income	79,501,556.12	34,998,333.34
Rent income	70,082,395.95	49,295,774.44
Government grants except tax return	15,323,686.73	20,679,921.35
Others	<u>514,689,083.24</u>	<u>235,692,027.77</u>
	<u>679,596,722.04</u>	<u>340,666,056.90</u>

Cash paid relating to other operating activities

	2018	2017
Rental expenses	732,157,191.98	631,327,946.24
Advertising expenses	61,752,474.65	45,420,267.80
Office expenses	49,240,163.51	47,689,164.33
Entertainment expenses	43,464,572.01	41,560,563.65
Bank charges	39,831,488.02	37,287,542.07
Travel expenses	29,081,374.94	24,316,505.13
Conference expenses	12,927,363.12	13,027,031.26
Others	<u>757,256,302.59</u>	<u>605,802,950.13</u>
	<u>1,725,710,930.82</u>	<u>1,446,431,970.61</u>

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Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

53. Notes to items in the cash flow statement (Continued)

Cash received relating to other investing activities

	2018	2017
Received reorganized-consideration from Shydec Pharma	51,695,586.01	-
Received entrusted loan payments	44,000,000.00	-
Deposit collected from Shydec Pharma	-	75,259,200.00
Others	3,097,499.39	-
	<u>98,793,085.40</u>	<u>75,259,200.00</u>

Cash paid relating to other investing activities

	2018	2017
Entrusted borrowings paid to Zhijun Suzhou	44,000,000.00	44,000,000.00
Others	37,042,904.53	48,803,476.90
	<u>81,042,904.53</u>	<u>92,803,476.90</u>

Other cash receipts relating to financing activities

	2018	2017
Factoring payable received	335,542,301.71	237,539,708.52
Financing restricted monetary funds received	135,678,166.90	-
Other	12,818,350.59	937,000.00
	<u>484,038,819.20</u>	<u>238,476,708.52</u>

Cash payments relating to other financing activities

	2018	2017
Purchase of equity of minority shareholders	54,722,980.00	158,996,642.00
Others	29,752,802.06	91,402,261.79
	<u>84,475,782.06</u>	<u>250,398,903.79</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

54. Supplementary information of the cash flow statement

Reconciliation of net profit to cash flows from operating activities

	2018	2017
Net profit	1,348,431,111.85	1,156,738,846.09
Adjustments: Provisions for expected credit losses	298,479.55	-
Provision for asset impairment	2,744,605.36	(2,470,696.74)
Depreciation of fixed assets and investment properties	91,786,656.69	82,437,451.62
Amortization of intangible assets	24,468,087.41	25,334,120.64
Amortization of long-term prepaid expenses	89,855,668.31	72,037,850.45
Gains on disposal of fixed assets, and other non-current assets	(7,047,367.28)	203,279.86
Finance costs	143,120,104.31	70,005,833.78
Investment income	(319,897,172.24)	(264,540,020.24)
Increase in deferred tax assets	(2,488,130.63)	(6,558,160.76)
(Increase)/decrease in deferred tax liabilities	2,768,712.60	(4,652,450.99)
(Increase)/decrease in inventories	(608,950,788.81)	266,979,628.18
Increase in operating receivables items	(1,663,980,387.42)	(23,111,709.56)
(Decrease)/increase in operating payable items	2,296,682,476.23	(11,649,824.85)
Increase in restricted operating cash with restriction	<u>(75,185,703.66)</u>	<u>(75,462,235.66)</u>
 Net cash generated from operating activities	 <u>1,322,606,352.27</u>	 <u>1,285,291,911.82</u>

Movement of cash

	2018	2017
Cash at the end of year	7,632,117,020.77	3,673,498,691.48
Less: Cash at the beginning of year	<u>3,673,498,691.48</u>	<u>3,150,915,425.49</u>
 Net increase in cash	 <u>3,958,618,329.29</u>	 <u>522,583,265.99</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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V Notes to the consolidated financial statements (Continued)

54. Supplementary information of the cash flow statement (Continued)

Acquisition of subsidiaries and operating units	2018	2017
Cash and cash equivalents paid for acquisitions of subsidiaries and other business units	19,920,651.60	33,495,020.00
Incl: Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd. (“Guoda Taishan”)	16,380,000.00	-
Shanxi Zhongao Co., Ltd. (“Shanxi Zhongao”)	450,651.60	-
Taiyuan Tongxinli	3,090,000.00	-
Sinopharm Zhuhai	-	9,249,020.00
Sinopharm Maoming	-	8,300,000.00
Sinopharm Heyuan	-	15,946,000.00
Add: Consideration of previous acquisition paid in the current period	-	44,667,145.33
Incl: Guoda Taishan	-	6,930,000.00
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	-	13,720,000.00
Shijiazhuang Lerentang Yikang Pharmacy Chain Store Co., Ltd.	-	24,017,145.33
Less: Cash held by subsidiaries at the acquisition date	22,389,173.93	24,805,649.18
Incl: Guoda Taishan	21,146,145.15	-
Shanxi Zhongao	1,160,397.85	-
Taiyuan Tongxinli	82,630.93	-
Sinopharm Zhuhai	-	8,291,340.47
Sinopharm Maoming	-	309,174.70
Sinopharm Heyuan	-	16,205,134.01
Net cash outflow on acquisition of the subsidiaries and business units	(2,468,522.33)	53,356,516.15
 Cash	 2018	 2017
Cash on hand	5,587,191.18	6,208,674.32
Bank deposits on demand	<u>7,626,529,829.59</u>	<u>3,667,290,017.16</u>
Cash	<u>7,632,117,020.77</u>	<u>3,673,498,691.48</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

V Notes to the consolidated financial statements (Continued)

55. Assets under restricted ownership or right to use

	2018	2017	Note
Cash and cash equivalents	457,664,283.79	518,156,747.03	Note 1
Notes receivable that were discounted	170,013,427.11	147,715,527.67	Note 2
Notes receivable that were endorsed	<u>301,416.00</u>	<u>-</u>	Note 3
	<u>627,979,126.90</u>	<u>665,872,274.70</u>	

Note 1: At 31 December 2018, the Group had deposits of bank acceptance notes, deposits of pledged borrowings and time deposits with maturities over 3 months amounting to RMB457,664,283.79 (31 December 2017: RMB518,156,747.03) (Note V(1)).

Note 2: At 31 December 2018, the Group had notes receivable of RMB170,013,427.11, discounted but not due (31 December 2017: RMB147,715,527.67) (Note V (2)).

Note 3: At 31 December 2018, the Group had notes receivable of RMB301,416.00, endorsed but not due (31 December 2017: nil) (Note V (2)).

56. Foreign monetary items

	31 December 2018			31 December 2017		
	Original currency	Exchange rate	Equivalent to RMB	Original currency	ExDollar (Notes) rate	Equivalent to RMB
Short-term borrowings	-	-	-	-	-	-
United States dollar	10,585,564.96	6.9579	<u>73,653,234.88</u>	-	-	<u>-</u>
			<u>73,653,234.88</u>			<u>-</u>

Note: According to a related contract, currency exchange will be settled with the applicable sale exchange quotation on the date which repayment is deducted.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

VI Changes in the scope of consolidation

1. Business combinations not involving enterprises under common control

1.1 Acquiring Taiyuan Tongxinli

The Group has acquired 100% equity in Taiyuan Tongxinli for RMB3.09million from Beijing equity exchange in November 2018, which forms business combination not involving enterprises under common control. Afterwards, Taiyuan Tongxinli becomes a wholly owned subsidiary by the Group. This acquisition was completed on 20 November 2018, Taiyuan Tongxinli is now within the consolidation scope.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Taiyuan Tongxinli on the acquisition date are presented as follows:

	30 November 2018 Fair value	30 November 2018 Carrying amount
Cash and bank balances	82,630.93	82,630.93
Notes receivable and trade receivables	1,279,653.52	1,279,653.52
Other receivables	970,570.20	970,570.20
Inventories	1,148,040.63	1,148,040.63
Fixed assets	99,584.93	99,584.93
Long-term prepaid expenses	99,353.78	99,353.78
Trade payables	3,230,117.28	3,230,117.28
Contract liabilities	119,067.79	119,067.79
Employee benefits payable	3,437.82	3,437.82
Tax payables	55,858.95	55,858.95
Net assets	<u>271,352.15</u>	<u>271,352.15</u>
Net assets acquired	<u>271,352.15</u>	<u>271,352.15</u>
Goodwill arising from acquisition	<u>2,818,647.85</u>	
	<u>3,090,000.00</u>	(Note)

Note:

The amount refers to the cash payment of RMB3,090,000.00 the Group paid in acquisition.

Operating results and cash flows of Taiyuan Tongxinli for the period from the acquisition date to the end of the year are presented as follows:

	Period from 30 November 2018 to 31 December 2018
Operating revenue	440,319.27
Net profit	(95,586.30)
Net cash flows	32,914.21

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

VI Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.2 Acquiring Shanxi Zhongao

In September 2018, the Group acquired a 100% stake in Shanxi Zhongao for RMB450,651.60 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 6th September 2018 and included in the consolidation scope of the Company.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Shanxi Zhongao on the acquisition date are presented as follows:

	31 August 2018 Fair value	31 August 2018 Carrying amount
Cash and bank balances	1,160,397.85	1,160,397.85
Advances to suppliers	23,333.33	23,333.33
Fixed assets	104,181.34	104,181.34
Employee benefits payable	4,790.97	4,790.97
Tax payables	832,469.95	832,469.95
Net assets	<u>450,651.60</u>	<u>450,651.60</u>
Net assets acquired	<u>450,651.60</u>	<u>450,651.60</u>
Goodwill arising from acquisition	<u>-</u>	
	<u>450,651.60</u>	(Note)

Note:

The amount refers to the cash payment of RMB450,651.60 that the Group paid in acquisition.

Operating results and cash flows of Shanxi Zhongao for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 August 2018 to 31 December 2018
Operating revenue	311,169,796.47
Net profit	621,839.99
Net cash flows	116,488.79

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

VI Changes in scope of consolidation (Continued)

1. Business combinations not involving enterprises under common control (Continued)

1.3 Acquiring Sinopharm Huadu

In April 2018, the Group acquired a 70% stake in Sinopharm Huadu for RMB16,380,000.00 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 30 April 2018 and included in the consolidation scope of the Company.

The fair values and carrying amounts of identifiable assets and liabilities and contingent liabilities of Sinopharm Holding Huadu on the acquisition date are presented as follows:

	30 April 2018 Fair value	30 April 2018 Carrying amount
Cash and bank balances	16,466,145.15	16,466,145.15
Notes receivables and trade receivables	8,213,283.42	8,213,283.42
Other receivables	6,432,549.05	6,432,549.05
Advances to suppliers	2,140,000.00	2,140,000.00
Deferred tax assets	97,950.90	97,950.90
Notes payables and trade payables	248,440.00	248,440.00
Contract liabilities	101,822.00	101,822.00
Tax payables	1,391,359.22	1,391,359.22
Other payable	8,207,265.45	8,207,265.45
Net assets	23,401,041.85	23,401,041.85
Less: Non-controlling interests	(7,020,312.56)	(7,020,312.56)
	16,380,729.29	16,380,729.29
Amount exceeding the cost of merger recognized as profit or loss in the current period	(729.29)	
	16,380,000.00	(Note)

Note:

The amount refers to the cash payment of RMB16,380,000.00 the Group paid in acquisition.

Operating results and cash flows of Sinopharm Huadu for the period from the acquisition date to the end of the year are presented as follows:

	Period from 31 October 2018 to 31 December 2018
Operating revenue	23,654,780.05
Net profit	(210,588.98)
Net cash flows	(9,943,258.16)

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

VI Changes in scope of consolidation (Continued)

2. Establishment of subsidiaries

	31 December 2018 Net assets	2018 Net profit
Sinopharm Holding Foshan Medical Consumables Supply Chain Co., Ltd. (a)	7,479,616.59	(520,383.41)
Sinopharm Holding Medical Supply Chain Service (Guangxi) Co., Ltd. (b)	20,967,020.47	967,020.47
Sinopharm Guoda Shanghai Haohai Pharmacy Co., Ltd. (“Guoda Haohai”) (c)	392,000.00	-
Baiyi Pharmacy (d)	1,628,377.27	(371,622.73)
Sinopharm Holding Hezhou Co., Ltd. (“Sinopharm Hezhou”) (e)	2,548,118.97	(451,881.03)
Sinopharm Holding Guoda Pharmacy Zhengzhou Chain Co., Ltd. (“Guoda Zhengzhou”) (f)	14,638,869.24	(361,130.76)
Sinopharm Guoda Shanghai Ruijing Pharmacy Co., Ltd. (“Guoda Ruijing”) (g)	711,846.26	(88,153.74)
Sinopharm Guoda Fujian Medicine Co., Ltd. (“Guoda Fujian”) (h)	15,005,961.19	5,961.19
Sinopharm Holding Qinzhou Co., Ltd. (“Sinopharm Qinzhou”) (i)	1,253,916.44	(246,083.56)
Sinopharm Holding Hechi Co., Ltd. (“Sinopharm Hechi”) (j)	1,301,113.92	(198,886.08)

(a) On 30 January 2018, the Group and Shenzhen Qingniu Medical Investment Co., Ltd. accumulatively invested RMB5,600,000.00 and RMB2,400,000 to set up Sinopharm Holding Foshan Medical Consumables Supply Chain Co., Ltd., respectively.

(b) On 4 January 2018, the Group, Guorun Medical Supply Chain Service (Shanghai) Co., Ltd. (“Guorun Medical”) and Guangxi Deyiyuan Medical Investment Center (Limited partnership) jointly established Sinopharm Holding Medical Supply Chain Service (Guangxi) Co., Ltd., accumulatively invested RMB6,120,000.00, RMB5,880,000.00 and RMB8,000,000.00, respectively. Guorun medical entrusted the Group with its voting rights, the Group now holds 60% voting rights of Sinopharm Holding medical supply chain service (Guangxi) Co., Ltd.

(c) On 18 January 2018, the Group and Shanghai Linhong Medical instrument Co., Ltd. jointly established Guoda Haohai, accumulatively invested RMB408,000.00 and RMB392,000.00, respectively. As of the end of 2018, Shanghai Linhong Medical Instrument Co., Ltd. has invested RMB392,000.00, and the Group completed the payment transaction on 15 February 2019.

(d) On 24 April 2018, the Group and Baise Jianan Pharmaceutical Chain Co., Ltd. accumulatively invested RMB1,020,000.00 and RMB980,000 to set up Baiyi Pharmacy, respectively. After the establishment, the Group held 51% of equity interest in Baiyi Pharmacy.

(e) On 23 April 2018, the Group invested RMB10,000,000.00 to set up Sinopharm Holding Hezhou Co., Ltd. As at the end of 2018, the Group invested RMB3,000,000.00.

(f) On 12 August 2018, the Group and Henan Wanxitang Pharmacy Co., Ltd. (“Henan Wanxitang”) accumulatively invested RMB12,000,000.00 and RMB8,000,000.00, respectively, to set up Guoda Zhengzhou. By the end of 2018, the Group invested RMB12,000,000.00 and Henan Wanxitang invested RMB3,000,000.00.

(g) On 21 September 2019, the Group and Shanghai Runjian Technology Co., Ltd. jointly established Sinopharm Guoda Shanghai Ruijing Pharmacy Co., Ltd., accumulatively invested RMB440,000.00 and RMB360,000.00, respectively. After establishment, the Group holds 55% of its equity. By the end of 2018, payment has been completed.

(h) On 8 August 2018, the Group invested RMB15,000,000.00 to set up Guoda Fujian. After the establishment, the Company held 100% of equity interest in Guoda Fujian.

(i) On 16 March 2018, the Group established Sinopharm Qinzhou and the subscription of registered capital is RMB10,000,000.00. By the end of 2018, RMB1,500,000 has been paid.

(j) On 28 February 2018, the Group established Sinopharm Hechi and the subscription of registered capital is RMB10,000,000.00. By the end of 2018, RMB1,500,000 has been paid.

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Notes to financial statements (Continued)

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VI Changes in scope of consolidation (Continued)

3. Cancellation of subsidiary

	Principal place of business	Place of establishment	Registered capital (RMB '0,000)	Nature of business	Shareholding (%)		Reason for no longer being a subsidiary
					Direct	Indirect	
Tangshan Lerentang Pharmacy Chain Store Co., Ltd.	Tangshan	Tangshan	300	Commercial	-	100.00	Cancellation of company
Datong Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Datong	Datong	615	Commercial	-	100.00	Cancellation of company
Shanghai Guoda Changxin Pharmacy Co., Ltd.	Shanghai	Shanghai	30	Commercial	-	100.00	Cancellation of company
Hebei Yikang (a)	Shijiazhuang	Shijiazhuang	500	Commercial	-	100.00	Cancellation of company
Beijing Yangqiao Rongzhi Golden Elephant Pharmacy Company Limited	Beijing	Beijing	126	Commercial	-	50.79	Cancellation of company

(a) As at December 2018, Hebei Yikang's cancellation was approved, and was cancelled on 21 January 2019.

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Notes to financial statements (Continued)

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VII Interests in other entities

1. Interests in subsidiaries

(1) The composition of the Group

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB 0.000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Guilin	Guilin	Guilin	Commercial	2,000	-	100.00%	100.00%	Establishment
Sinopharm Baise	Baise	Baise	Commercial	3,500	-	100.00%	100.00%	Establishment
Sinopharm Holding Zhongshan Co., Ltd. (“Sinopharm Zhongshan”)	Zhongshan	Zhongshan	Commercial	3,000	-	100.00%	100.00%	Establishment
Sinopharm Guigang	Guigang	Guigang	Commercial	2,000	-	100.00%	100.00%	Establishment
Sinopharm Beihai	Beihai	Beihai	Commercial	1,500	-	100.00%	100.00%	Establishment
Sinopharm Holding Guangzhou Medical Treatment	Guangzhou	Guangzhou	Commercial	2,000	-	51.00%	51.00%	Establishment
Shenzhen Jianmin Pharmaceutical Co., Ltd. (“Sinopharm Jianmin”)	Shenzhen	Shenzhen	Commercial	2,000	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Shenzhen Traditional & Herbal Medicine Co., Ltd. (“Sinopharm Traditional & Herbal Medicine”)	Shenzhen	Shenzhen	Commercial	1,500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Shenzhen Logistics Co., Ltd. (“Shenzhen Logistics”)	Shenzhen	Shenzhen	Services	500	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangzhou Co., Ltd. (“Sinopharm Guangzhou”)	Guangzhou	Guangzhou	Commercial	355,325	100.00%	-	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Hengxing Co., Ltd. (“Sinopharm Hengxing”)	Guangzhou	Guangzhou	Commercial	9,600	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Yulin	Yulin	Yulin	Commercial	1,000	-	100.00%	100.00%	Business combinations involving entities under common control

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Notes to financial statements (Continued)

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital(RMB 0.000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Liuzhou	Liuzhou	Liuzhou	Commercial	2,053.06	-	51.00%	51.00%	Business combinations involving entities under common control
Guangdong Huixin Investment Co., Ltd. (“Huixin Investment”)	Guangzhou	Guangzhou	Service	500	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Foshan Co., Ltd. (“Sinopharm Foshan”)	Foshan	Foshan	Commercial	4,100	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Yuexing Co., Ltd. (“Sinopharm Yuexing”)	Guangzhou	Guangzhou	Commercial	23,000	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guangdong Logistics Co., Ltd. (“Guangdong Logistic”)	Guangzhou	Guangzhou	Service	1,300	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guangxi	Nanning	Nanning	Commercial	52,141	100.00%	-	100.00%	Business combinations involving entities under common control
Guangxi Logistic	Nanning	Nanning	Service	710.07	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Wuzhou	Wuzhou	Wuzhou	Commercial	1,000	-	99.90%	99.90%	Business combinations involving entities under common control
Sinopharm Dongguan	Dongguan	Dongguan	Commercial	7,300	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Zhanjiang	Zhanjiang	Zhanjiang	Commercial	13,100	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Yanfeng	Shenzhen	Shenzhen	Commercial	3,000	51.00%	-	51.00%	Business combinations involving entities not under common control
Sinopharm Meizhou	Meizhou	Meizhou	Commercial	4,800	-	100.00%	100.00%	Business combinations involving entities not under common control

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Huizhou	Huizhou	Huizhou	Commercial	3,800	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Zhaoqing	Zhaoqing	Zhaoqing	Commercial	4,000	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Jiangmen (a)	Jiangmen	Jiangmen	Commercial	6,000	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Shaoguan	Shaoguan	Shaoguan	Commercial	360	-	70.00%	70.00%	Business combinations involving entities not under common control
Sinopharm Holding Shantou Co., Ltd. ("Sinopharm Shantou")	Shantou	Shantou	Commercial	2,100	-	100.00%	100.00%	Business combinations involving entities not under common control
Foshan Nanhai Medicine Co., Ltd.	Foshan	Foshan	Commercial	7,000	-	100.00%	100.00%	Business combinations involving entities under common control
Foshan Nanhai Uptodate & Special Medicines Co., Ltd.	Foshan	Foshan	Commercial	4,000	-	100.00%	100.00%	Business combinations involving entities under common control
Foshan Nanhai Medicine Co., Ltd.	Foshan	Foshan	Commercial	4,000	-	100.00%	100.00%	Business combinations involving entities under common control
Guangdong Uptodate & Special Medicines	Guangzhou	Guangzhou	Commercial	5,000	-	100.00%	100.00%	Business combinations involving entities under common control
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	Guangzhou	Guangzhou	Commercial	3,000	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Zhuhai Co., Ltd. ("Sinopharm Zhuhai")	Zhuhai	Zhuhai	Commercial	3,000	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Holding Maoming Co., Ltd. ("Sinopharm Maoming")	Maoming	Maoming	Commercial	200	-	100.00%	100.00%	Business combinations involving entities not under common control
Sinopharm Holding GZ Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Commercial	588	-	51.00%	51.00%	Establishment
Sinopharm Holding GZ Medical Supply Chain Service Co., Ltd.	Guangzhou	Guangzhou	Commercial	320	-	51.00%	51.00%	Establishment
Sinopharm Holding Heyuan Co., Ltd. ("Sinopharm Heyuan")	Heyuan	Heyuan	Commercial	1,340	-	70.00%	70.00%	Business combinations involving entities not under common control
Sinopharm Holding Guoda Pharmacy Co., Ltd. (b)	Shanghai	Shanghai	Commercial	168,333	60.00%	-	60.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Chain Store Shanghai Co., Ltd.	Shanghai	Shanghai	Commercial	3,000	-	100.00%	100.00%	Business combinations involving entities under common control

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Beijing Guoda Pharmacy Chain Store Co., Ltd.	Beijing	Beijing	Commercial	1,000	-	100.00%	100.00%	Business combinations involving entities under common control
Tianjin Guoda Pharmacy Chain Store Co., Ltd.	Tianjin	Tianjin	Commercial	1,000	-	80.00%	80.00%	Business combinations involving entities under common control
Guangxi Guoda Pharmacy Consulting Chain Store Co., Ltd.	Nanning	Nanning	Commercial	300	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangdong Co., Ltd.	Shenzhen	Shenzhen	Commercial	5,000	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Guangxi Chain Co., Ltd.	Liuzhou	Liuzhou	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control
Zhejiang Guoda Pharmacy Co., Ltd.	Hangzhou	Hangzhou	Commercial	1,500	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Yangzhou Dadesheng Pharmacy Chain Store Co., Ltd.	Yangzhou	Yangzhou	Commercial	4,400	-	93.68%	93.68%	Business combinations involving entities under common control
Ningxia Guoda Pharmacy Chain Store Co., Ltd.	Yinchuan	Yinchuan	Commercial	7,000	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Nanjing Pharmacy Chain Store Co., Ltd.	Nanjing	Nanjing	Commercial	800	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shandong Pharmacy Chain Store Co., Ltd.	Linyi	Linyi	Commercial	2,900	-	55.00%	55.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shenyang Pharmacy Chain Store Co., Ltd.	Shenyang	Shenyang	Commercial	1,800	-	51.00%	51.00%	Business combinations involving entities under common control
Fujian Guoda Pharmacy Chain Store Co., Ltd.	Xiamen	Xiamen	Commercial	3,750	-	100.00%	100.00%	Business combinations involving entities under common control

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(All amounts in Renminbi “RMB” unless otherwise stated)

VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Anhui Guoda Pharmacy Chain Store Co., Ltd.	Hefei	Hefei	Commercial	1,000	-	60.00%	60.00%	Business combinations involving entities under common control
Quanzhou Guoda Pharmacy Chain Store Co., Ltd.	Quanzhou	Quanzhou	Commercial	2,000	-	51.00%	51.00%	Business combinations involving entities under common control
Shanxi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Taiyuan	Taiyuan	Commercial	2,000	-	85.00%	85.00%	Business combinations involving entities under common control
Sinopharm Holding Hunan Guoda Minshengtang Pharmacy Chain Co., Ltd.	Hengyang	Hengyang	Commercial	2,000	-	51.00%	51.00%	Business combinations involving entities under common control
Liyang Guoda People Pharmacy Chain Store Co., Ltd.	Liyang	Liyang	Commercial	2,500	-	80.00%	80.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Henan Pharmacy Chain Store Co., Ltd.	Pingdingshan	Pingdingshan	Commercial	1,500	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Inner Mengdia Pharmacy Chain Store Co., Ltd.	Hohhot	Hohhot	Commercial	5,000	-	96.70%	96.70%	Business combinations involving entities under common control
Sinopharm Hebei Lerentang Pharmacy Chain Store Co., Ltd.	Shijiazhuang	Shijiazhuang	Commercial	3,500	-	60.00%	60.00%	Business combinations involving entities under common control
Sinopharm Guoda Pharmacy Jiangmen Chain Co., Ltd.	Jiangmen	Jiangmen	Commercial	2,400	-	65.00%	65.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Shanxi Yiyuan Pharmacy Chain Store Co., Ltd.	Taiyuan	Taiyuan	Commercial	1,000	-	80.00%	80.00%	Business combinations involving entities under common control
Sinopharm Holding Xinjiang New & Special Medicines Chain Store Co., Ltd.	Urumqi	Urumqi	Commercial	612.24	-	51.00%	51.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda ForMe Medicines (Shanghai) Co., Ltd.	Shanghai	Shanghai	Commercial	6,655	-	97.00%	97.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda ForMe Pharmacy Chain Store Co., Ltd. (Formerly “Shanghai ForMe YiXing Pharmacy Chain Store Co., Ltd.”)	Shanghai	Shanghai	Commercial	5,000	-	99.76%	99.76%	Business combinations involving entities under common control

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Beijing Golden Elephant Pharmacy Medicine Chain Company Limited	Beijing	Beijing	Commercial	4,222.22	-	53.13%	53.13%	Business combinations involving entities under common control
Shanxi Tongfeng Pharmacy Logistics Co., Ltd.	Taiyuan	Taiyuan	Commercial	500	-	100.00%	100.00%	Business combinations involving entities under common control
Changzhi Guoda Wanmin Pharmacy Chain Store Co., Ltd.	Changzhi	Changzhi	Commercial	320	-	51.00%	51.00%	Business combinations involving entities under common control
Shanxi Guoda Wanmin Clinic Management Chain Co., Ltd.	Taiyuan	Taiyuan	Medical services	120	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Shanghong Qibao Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	100	-	51.00%	51.00%	Business combinations involving entities under common control
Zhejiang Intlmedicine Pharmacy Dongshan Co., Ltd.	Hangzhou	Hangzhou	Commercial	50	-	51.00%	51.00%	Business combinations involving entities under common control
Shanghai Guoda Dongsheng Pharmacy Co., Ltd.	Shanghai	Shanghai	Commercial	50	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Guoda Drug Store (Shenzhen) Chain Co., Ltd.	Shenzhen	Shenzhen	Commercial	1,080	-	100.00%	100.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Guangzhou Chain Co., Ltd.	Guangzhou	Guangzhou	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guodong Chinese Traditional Medicine Clinic Co., Ltd.	Shanghai	Shanghai	Medical clinic	20	-	100.00%	100.00%	Business combinations involving entities under common control
Shanghai Guoda Dongxin Pharmacy Chain Store Co., Ltd.	Shanghai	Shanghai	Commercial	30	-	100.00%	100.00%	Business combinations involving entities under common control

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Shanghai Yutaitang Chinese Traditional Medicine Clinic Co., Ltd.	Shanghai	Shanghai	Commercial	100	-	100.00%	100.00%	Business combinations involving entities under common control
Sanhe Liyang Golden Elephant Pharmacy Co., Ltd.	Langfang	Langfang	Commercial	1	-	100.00%	100.00%	Business combinations involving entities under common control
Xiaoyi Guoda Wanmin Baicao Tang Pharmacy Chain Store Co., Ltd.	Xiaoyi	Xiaoyi	Commercial	622.22	-	70.00%	70.00%	Business combinations involving entities under common control
Sinopharm Holding Guoda Pharmacy Hulun Buir Co., Ltd.	Hulun Buir	Hulun Buir	Commercial	1000	-	51.00%	51.00%	Business combinations involving entities under common control
ForMe Xuhui Sinopharm Holding Ulanqab Co., Ltd.	Shanghai	Shanghai	Commercial	25	-	100.00%	100.00%	Business combinations involving entities under common control
	Ulanqab	Ulanqab	Commercial	500	-	60.00%	60.00%	
Sinopharm Guoda Pharmacy Qinhuangdao Chain Co., Ltd.	Qinhuangdao	Qinhuangdao	Commercial	300	-	51%	51%	Business combinations involving entities under common control
Taishan Sinopharm Holding Guoda Qunkang Pharmacy Chain Store Co., Ltd.	Taishan	Taishan	Commercial	990	-	70.00%	70.00%	Business combinations involving entities under common control
Beijing Golden Elephant Fuxing Technology Co., Ltd.	Beijing	Beijing	Commercial	100	-	80.00%	80.00%	Business combinations involving entities under common control
Sinopharm Lerentang Shijiazhuang Pharmaceutical	Shijiazhuang	Shijiazhuang	Commercial	200	-	100.00%	100.00%	Business combinations involving entities under common control

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

VII. Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Subsidiaries	Principal place of business	Place of establishment	Nature of business	Registered capital (RMB'0,000)	Shareholding		Voting proportion	Ways of acquisition
					Direct	Indirect		
Sinopharm Holding Guoda Drug Store Manchuria Co., Ltd.	Manchuria	Manchuria	Commercial	50	-	51.00%	51.00%	Establishment
Sinopharm Guoda Drug Store Anshan Chain Co., Ltd.	Anshan	Anshan	Commercial	600	-	51.00%	51.00%	Establishment
Sinopharm Holding Guoda Yongsheng Drug Store (Shanghai) Co., Ltd.	Shanghai	Shanghai	Commercial	80	-	55.00%	55.00%	Establishment
Sanhe Lixin Golden Elephant Drugstore Co., Ltd.	Langfang	Langfang	Commercial	1	-	100.00%	100.00%	Establishment
Sinopharm Holding Foshan Medical Consumables Supply Chain Co., Ltd. (c)	Foshan	Foshan	Commercial	800	-	70.00%	70.00%	Establishment
Sinopharm Holding Medical Supply Chain Service (Guangxi) Co., Ltd. (d)	Nanning	Nanning	Commercial	2000	-	30.60%	30.60%	Establishment
Guoda Haohai (e)	Shanghai	Shanghai	Commercial	80	-	51.00%	51.00%	Establishment
Baiyi Pharmacy (f)	Nanning	Nanning	Commercial	200	-	51.00%	51.00%	Establishment
Sinopharm Hezhou (g)	Hezhou	Hezhou	Commercial	1000	-	100.00%	100.00%	Establishment
Guoda Zhengzhou (h)	Zhengzhou	Zhengzhou	Commercial	2000	-	60.00%	60.00%	Establishment
Guoda Ruijing (i)	Shanghai	Shanghai	Commercial	80	-	55.00%	55.00%	Establishment
Guoda Fujian (j)	Xiamen	Xiamen	Commercial	1500	-	100.00%	100.00%	Establishment
Sinopharm Qinzhou (k)	Qinzhou	Qinzhou	Commercial	1000	-	100.00%	100.00%	Establishment
Sinopharm Hechi (l)	Hechi	Hechi	Commercial	1000	-	100.00%	100.00%	Establishment
Sinopharm Huadu (m)	Guangzhou	Guangzhou	Commercial	1000	-	70.00%	70.00%	Business combinations involving entities not under common control
Shanxi Zhongao (n)	Taiyuan	Taiyuan	Commercial	1000	-	100.00%	100.00%	Business combinations involving entities not under common control
Taiyuan Tongxinli (o)	Taiyuan	Taiyuan	Commercial	560	-	100.00%	100.00%	Business combinations involving entities not under common control

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

- (a) On 13 March 2019, Sinopharm Jiangmen was renamed as “Sinopharm Holding (Jiangmen) Co., Ltd.”
- (b) Sinopharm Guoda brought in WBA investor in the form of increasing capital of RMB2.77 billion. Sinopharm Guoda had become an enterprise with foreign investor. Industrial and commercial registration was changed on 28 June 2018. Registered capital of Sinopharm Guoda is RMB1,680,000,000.00, which includes 60% equity amounting to RMB1,010,000,000.00 contributed by the Company, and a 40% equity amounting to RMB670,000,000.00 contributed by WBA investor. The delivery procedures were completed on 4 July 2018. By 16 July 2018, all the additional funds were received. According to the agreement, the Company still has controlling interest in Sinopharm Guoda, and WBA investor became a non-controlling shareholder.
- (c) On 30 January 2018, the Group and Shenzhen Qingniu Medical Investment Co., Ltd. accumulatively invested RMB5,600,000.00 and RMB2,400,000, respectively, to set up Sinopharm Holding Foshan Medical Consumables Supply Chain Co., Ltd.
- (d) On 4 January 2018, the Group, Guorun Medical Supply Chain Service (Shanghai) Co., Ltd. (“Guorun medical”) and Guangxi Deyiyuan Medical Investment Center (Limited partnership) jointly established Sinopharm Holding Medical Supply Chain Service (Guangxi) Co., Ltd., and accumulatively invested RMB6,120,000.00, RMB5,880,000.00 and RMB8,000,000.00, respectively. Guorun medical entrusted the Group with its voting rights, the Group now holds 60% voting rights of Sinopharm Holding Medical Supply Chain Service (Guangxi) Co., Ltd.
- (e) On 18 January 2018, the Group and Shanghai Linhong Medical instrument Co., Ltd. jointly established Guoda Haohai, accumulatively invested RMB408,000.00 and RMB392,000.00, respectively. As of the end of 2018, Shanghai Linhong Medical instrument Co., Ltd. has invested RMB392,000.00, and the Group completed the payment transaction on 15 February 2019.
- (f) On 24 April 2018, the Group and Baise Jianan Pharmaceutical Chain Co., Ltd. accumulatively invested RMB1,020,000.00 and RMB980,000, respectively, to set up Baiyi Pharmacy. After the establishment, the Group held 51% of equity interest in Baiyi Pharmacy.
- (g) On 23 April 2018, the Group invested RMB10,000,000.00 to set up Sinopharm Holding Hezhou Co., Ltd. As at the end of 2018, the Group invested RMB3,000,000.00.
- (h) On 12 August 2018, the Group and Henan Wanxitang Pharmacy Co., Ltd. (“Henan Wanxitang”) accumulatively invested RMB12,000,000.00 and RMB8,000,000.00, respectively to set up Guoda Zhengzhou. By the end of 2018, the Group invested RMB12,000,000.00 and Henan Wanxitang invested RMB3,000,000.00.

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Notes to financial statements (Continued)

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(All amounts in Renminbi “RMB” unless otherwise stated)

VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

- (i) On 21 September 2019, the Group and Shanghai Runjian Technology Co., Ltd. jointly established Sinopharm Guoda Shanghai Ruijing Pharmacy Co., Ltd., and accumulatively invested RMB440,000.00 and RMB360,000.00, respectively. After establishment, the Group holds 55% of its equity. By the end of 2018, payment has been completed.
- (j) On 8 August 2018, the Group invested RMB15,000,000.00 to set up Guoda Fujian. After the establishment, the Company held 100% of equity interest in Guoda Fujian.
- (k) On 16 March 2018, the Group established Sinopharm Qinzhou, and the subscription of registered capital is RMB10,000,000.00. By the end of 2018, RMB1,500,000 has been paid.
- (l) On 28 February 2018, the Group established Sinopharm Hechi, and the subscription of registered capital is RMB10,000,000.00. By the end of 2018, RMB1,500,000 has been paid.
- (m) In April 2018, the Group acquired a 70% stake in Guangzhou Suihuahong Medicine Co., Ltd. for RMB16,380,000.00 to constitute a business combination involving enterprises not under common control. Afterwards, Guangzhou Suihuahong Medicine Co., Ltd. changed its name to Sinopharm Huadu. The acquisition was completed on 30 April 2018 and included in the consolidation scope of the Company.
- (n) In September 2018, the Group acquired a 100% stake in Shanxi Zhongao from Qiao Sanjiang and Li Huili for RMB450,651.60 to constitute a business combination involving enterprises not under common control. The acquisition was completed on 6th September 2018 and included in the consolidation scope of the Company.
- (o) The Group has acquired a 100% equity in Taiyuan Tongxinli for RMB3.39million from Beijing equity exchange in November 2018, which forms a business combination not involving enterprises under common control. Afterwards, Taiyuan Tongxinli becomes a wholly-owned subsidiary by the Group. This acquisition was completed on 20 November 2018, Taiyuan Tongxinli is now within the consolidation scope.

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VII Interests in other entities (Continued)

1. Interests in subsidiaries (Continued)

Details of the Group’s subsidiaries that have material non-controlling interests are set out below:
2018

	Percentage of equity interest held by non-controlling shareholders	Profit/(Loss) for this year attributable to non-controlling shareholders (RMB)	Dividend paid to non-controlling shareholders (RMB)	Accumulated balances of non-controlling interests at the date of the balance sheet (RMB)
Sinopharm Guoda	40.00%	37,217,681.23	-	1,683,633,057.85

The major financial information of the subsidiaries in the table above is stated below. These amounts are before elimination:

	Sinopharm Guoda
2018	
Current assets	7,467,662,962.46
Non-current assets	<u>1,567,755,313.41</u>
Total assets	<u>9,035,418,275.87</u>
Current liabilities	3,994,471,884.62
Non-current liabilities	<u>64,729,132.20</u>
Total liabilities	<u>4,059,201,016.82</u>
Operating revenue	10,878,025,717.94
Net profit	301,751,569.69
Total comprehensive income	<u>301,751,569.69</u>
Net cash flows from operating activities	<u>469,094,341.78</u>

2. Transaction resulting in changes in proportion of owners’ equity but without an impact on the control of a subsidiary

In 2018, Sinopharm Guoda brought in WBA investor in the form of increasing capital of RMB2.77 billion. According to the agreement, the Group is still in control and WBA investor becomes non-controlling shareholder.

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Notes to financial statements (Continued)

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VIII Interests in other entities (Continued)

3. Interests in associates

	Principal place of business	Place of incorporation	Nature of business	Shareholding(%)		Accounting
				Direct	Indirect	
Associates						
Shenzhen Main Luck Pharmaceutical Co., Ltd. ("Main Luck Pharmaceutical ")	Shenzhen	Shenzhen	Manufacturing	35.19	-	Equity
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	Suzhou	Suzhou	Manufacturing	33.00	-	Equity
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	49.00	-	Equity
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	Shenzhen	Shenzhen	Commercial	49.00	-	Equity
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	49.00	-	Equity
Shyndec Pharma	Shanghai	Shanghai	Manufacturing	16.28	-	Equity
Shanghai Dingqun	Shanghai	Shanghai		2.53	-	Equity
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	Shanghai	Shanghai	Commercial	-	26.00	Equity
Shanghai Liyi Pharmacy Co., Ltd	Shanghai	Shanghai	Commercial	-	35.00	Equity
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd.	Guangzhou	Guangzhou	Commercial	-	29.00	Equity
Dongyuan accord pharmaceutical chain Co., Ltd.	Heyuan	Heyuan	Commercial	-	45.00	Equity

Shyndec Pharma is an important associate as it is a strategic partner of the Group and is engaged in the production and sale of pharmaceutical products, and the Group adopted the equity method of accounting.

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Notes to financial statements (Continued)

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VII Interests in other entities (Continued)

3. Interests in associates (Continued)

The following table illustrates the summarised financial information in respect of Shyndec Pharma:

	2018	2017
Current assets	8,470,191,403.19	6,919,923,607.58
Non-current assets	<u>7,993,673,189.70</u>	<u>8,250,667,440.18</u>
Total assets	<u>16,463,864,592.89</u>	<u>15,170,591,047.76</u>
Current liabilities	6,568,480,863.79	5,390,426,266.96
Non-current liabilities	<u>1,452,099,931.65</u>	<u>2,132,391,027.26</u>
Total liabilities	<u>8,020,580,795.44</u>	<u>7,522,817,294.22</u>
Non-controlling interests	1,637,029,480.44	1,474,395,375.11
Shareholders' equity attributable to shareholders of the parent company	<u>6,806,254,317.01</u>	<u>6,173,378,378.43</u>
Group's share of net assets by proportion of ownership interests	<u>1,098,566,852.51</u>	<u>979,174,050.62</u>
Carrying amount of the investment	<u>1,098,566,852.51</u>	<u>979,174,050.62</u>
Operating revenue	11,320,781,393.69	8,517,753,726.31
Income taxes	223,956,645.87	135,212,306.15
Net profit	1,069,979,572.65	818,572,126.27
Total comprehensive income	1,069,979,572.65	818,572,126.27
Dividend received	<u>8,448,213.90</u>	<u>22,468,818.31</u>

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VII Interests in other entities (Continued)

3. Interests in associates (Continued)

The following table illustrates the summarised financial information in respect of Zhijun Medicine:

	2018	2017
Current assets	1,111,485,098.64	932,859,067.11
Non-current assets	<u>298,610,691.12</u>	<u>313,204,003.03</u>
Total assets	<u>1,410,095,789.76</u>	<u>1,246,063,070.14</u>
Current liabilities	659,931,220.07	623,252,398.32
Non-current liabilities	<u>24,953,965.28</u>	<u>28,845,526.50</u>
Total liabilities	<u>684,885,185.35</u>	<u>652,097,924.82</u>
Shareholders' equity attributable to shareholders of the parent company	<u>725,210,604.41</u>	<u>593,965,145.32</u>
Group's share of net assets by proportion of ownership interests	<u>355,353,196.15</u>	<u>291,042,921.20</u>
Carrying amount of the investment	<u>355,353,196.15</u>	<u>291,042,921.20</u>
Operating revenue	1,762,587,352.62	1,244,330,047.58
Income taxes	36,760,959.44	35,301,145.94
Net profit	249,839,856.17	237,188,794.15
Total comprehensive income	249,839,856.17	237,188,794.15
Dividend received	<u>58,111,254.57</u>	<u>-</u>

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Notes to financial statements (Continued)

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VIII Risks related to financial instruments

1. Classification of financial instruments

The carrying amounts of each category of financial instruments as at the date of financial position are as follows:

2018

Financial assets	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Mandatorily required		Mandatorily required	Designated	
Cash and cash equivalents	-	8,089,781,304.56	-	-	8,089,781,304.56
Notes receivable and trade receivables	-	10,126,398,302.15	567,775,275.40	-	10,694,173,577.55
Other receivables	-	643,493,359.32	-	-	643,493,359.32
Other non-current financial assets	140,000,000.00	-	-	-	140,000,000.00
Equity investments designated at fair value through other comprehensive income	-	-	-	13,685,760.00	13,685,760.00
	<u>140,000,000.00</u>	<u>18,859,672,966.03</u>	<u>567,775,275.40</u>	<u>13,685,760.00</u>	<u>19,581,134,001.43</u>

Financial liabilities

Financial liabilities at amortised cost

Short-term borrowings	2,597,652,702.43
Notes payables and trade payables	9,885,291,642.97
Other payables	1,539,436,971.93
Current portion of non-current liabilities	5,861,324.37
Long-term borrowings	31,600,000.00
Long-term payables	3,763,978.52
	<u>14,063,606,620.22</u>

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Notes to financial statements (Continued)

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VIII Risks related to financial instruments (Continued)

1. Classification of financial instruments (Continued)

2017

Financial assets	Borrowings and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	4,191,655,438.51	-	4,191,655,438.51
Notes receivable and trade receivables	9,093,607,443.96	-	9,093,607,443.96
Other receivables	657,932,499.65	-	657,932,499.65
Available-for-sale financial assets	-	13,685,760.00	13,685,760.00
	<u>13,943,195,382.12</u>	<u>13,685,760.00</u>	<u>13,956,881,142.12</u>
 Financial liabilities		 Other financial liabilities	
Short-term borrowings			1,561,354,521.64
Notes payable and trade payables			8,876,658,828.52
Other payables			1,030,329,660.02
Current portion of non-current liabilities			5,434,770.70
Long-term borrowings			31,600,000.00
Long-term payables			9,332,537.14
			<u>11,514,710,318.02</u>

2. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety

As at 31 December 2018, the Group had endorsed commercial bills receivable (the "Endorsed Bills") to certain of its suppliers in order to settle trade payables due to such suppliers of RMB 301,416.00 (31 December 2017: nil). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2018, the carrying value thereof was RMB170,013,427.11 (31 December 2017: RMB147,715,527.67). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights of the use of the Endorsed Bills, including the sales, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December 2018, the carrying value of trade payables settled by the Group totalled RMB170,314,843.11 (31 December 2017: RMB147,715,527.67).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

VIII Risks related to financial instruments (Continued)

2. Transfer of financial assets (Continued)

Transferred financial assets that are derecognized in their entirety in which continuing involvement exists

As at 31 December 2018, the Group had endorsed commercial bills receivable (the "Endorsed Bills") to certain of its suppliers in order to settle trade payables due to such suppliers of RMB568,118,674.84 (31 December 2017: RMB667,900,939.97). During the year, the Group operated a number of discounting business through several banks in China. At 31 December 2018, the carrying value thereof was RMB705,143,849.35 (31 December 2017: RMB367,011,030.59). The derecognized bills had a maturity of 1 to 12 months at the end of the reporting period. In accordance with the Law of Negotiable Instruments, the holders of the derecognized bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognized bills. Accordingly, it has derecognized the full carrying amounts of the derecognized bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the derecognized bills and the undiscounted cash flows to repurchase these derecognized bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognized bills are not significant.

During 2018, the Group has not recognized any gain or loss on the date of transfer. No gain or loss was recognized from derecognized financial assets in which the Continuing Involvement exists, both during the year or cumulatively.

During 2018, the Group has not recognized any gain or loss on the date of transfer of the derecognized bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively.

As part of its normal business, the Group entered into an trade receivable factoring arrangement (the "Arrangement") without recourse and transferred certain trade receivables to a bank. In the opinion of the directors, the Group has transferred substantially all risks and rewards under the arrangement. Accordingly, it has derecognized the full carrying amounts of the associated trade receivables. The original carrying value of the derecognized trade receivables transferred under the Arrangement that have not been settled as at 31 December 2018 amounted to RMB827,745,640.19 (31 December 2017: RMB525,614,331.67).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments

The Group's principal financial instruments comprise bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company's board of directors are responsible for planning and establishing the risk management framework of the Group, formulating risk management policies and related guidelines of the Group and supervising the implementation of risk management measures. The Group has already developed risk management policies to identify and analyse the risks faced by the Group, which have clearly identified specific risks, covering a lot of aspects such as market risk, credit risk and liquidity risk management. The Group regularly assesses the market environment and changes in the Group's business activities to determine whether or not to update the risk management policies and systems. The risk management of the Group shall be conducted by the operations and management department according to the policy approved by the Company's management. The operations and management department identifies, evaluates and avoids related risks by means of close cooperation with other business units of the Group.

To avoid the risk concentrating on a single industry, a specific area or a specific counterparty, the Group spreads financial instruments risk with diversified investments and business portfolio.

Credit risk

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the special approval of the credit control department of the Group.

Since cash and bank balances, bank acceptance bills receivable and derivative financial instruments are placed in the well-established banks with high credit ratings, the credit risk of these financial instruments is lower.

The other financial instruments of the Group include cash and bank and other receivables. The credit risk of these financial assets result from default of counterparty. The maximum credit exposure equals to the book value of these instruments.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments

Credit risk (Continued)

The Group applies standard credit clause for sale of goods to customers, at the same time purchase other goods from some of the major customers. Disclosures regarding maximum credit exposure on trade receivables are as follows:

	2018	2017
Trade receivable book value	10,733,695,012.29	9,137,532,909.37
Less: Bad debt provision	<u>(39,521,434.74)</u>	<u>(43,925,465.41)</u>
Carrying value	<u>10,694,173,577.55</u>	<u>9,093,607,443.96</u>

Amount payable to customer

The Group has agreement with customers stating that only in the circumstances of default in payment from the customer, can the Group use the payable balance of the same customer to offset receivables. Therefore, at every balance sheet date, the maximum credit risk exposure of the Group is the total amount of trade receivables less bad debt provision. Since payables cannot be offset within the balance sheet, the maximum credit risk exposure is without deducting the customer payable balance.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit risks are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VIII Risks related to financial instruments (Continued)

4. Risks of financial instruments

Credit risk (Continued)

Determination of significant increase in credit risk

At each reporting date, the group determines whether the credit risk of a financial asset has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In order to determine the change of expected default risk during the financial instrument's entire lifetime, the Group compares the default risk of financial instrument on the balance sheet date and on the initial recognition date base on a single financial instrument or financial instrument portfolio with similar default risk.

The Group determines that the credit risk of financial assets has significantly increased when one or more quantitative or qualitative criteria are met:

- quantitative criteria are mainly probability of default increasing more than a given % since initial recognition;
- qualitative criteria are mainly significant detrimental changes in the borrower's operating or financial conditions and early warning customer lists.
- The upper criteria is 30 days the borrowers default.

Definition of credit-impaired financial assets

In assessing whether a financial asset is credit-impaired, the Group considers both quantitative and qualitative information in line with internal credit risk management. The Group assesses whether a financial asset is credit-impaired by considering the following factors:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for security because of financial difficulties;
- financial assets purchased or sourced at large discounts indicating that credit losses have occurred.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

VIII Risks related to financial instruments (Continued)

5. Risks of financial instruments

Credit risk (Continued)

The impairment of financial assets may not be necessarily due to a single disparate event. The combined effects of multiple events may result in financial assets being credit-impaired.

Parameter of the expected credit loss model

Based on whether there is a significant increase in credit risk and whether the financial assets are credit-impaired, the Group recognizes impairment allowance for different assets using either 12-month expected credit losses or lifetime expected credit losses. The measurement of the ECL model is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The Group establishes the model by considering the quantitative analysis of historical statistics such as counterparty rating, the guarantee method, collateral category, repayment method, and also forward-looking information.

Definitions:

- The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic environment conditions, the Group's assessment of the probability of default is based on the calculation of the ECL model adjusted by forward-looking information.
- The loss given default (i.e. the magnitude of the loss if there is a default) refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration.
- The exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of the ECL both involve forward-looking information. The Group recognizes key economic ratios that influence credit risk and ECL by historical data analysis.

As at December 31 2018, there was no evidence of significant increase in credit risk (31 December 2017: nil).

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments (Continued)

Liquidity risk

The maturity analysis of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows, is as follows:

	31 December 2018				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	2,630,711,888.42	-	-	-	2,630,711,888.42
Notes and trade receivables	9,885,291,642.97	-	-	-	9,885,291,642.97
Other payables	1,539,436,971.93	-	-	-	1,539,436,971.93
Current portion of non-current liabilities	8,597,768.02	-	-	-	8,597,768.02
Long-term payables	-	4,424,279.85	563,159.02	-	4,987,438.87
Long-term borrowings	-	32,043,003.47	-	-	32,043,003.47
	14,064,038,271.34	36,467,283.32	563,159.02	-	14,101,068,713.68

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VIII Risks related to financial instruments (Continued)

3. Risks of financial instruments (Continued)

Liquidity risk (Continued)

The maturity analysis of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows, is as follows (Continued):

	31 December 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	1,574,233,015.06	-	-	-	1,574,233,015.06
Notes and trade receivables	8,876,658,828.52	-	-	-	8,876,658,828.52
Other payables	1,030,329,660.02	-	-	-	1,030,329,660.02
Current portion of non-current liabilities	8,597,768.02	-	-	-	8,597,768.02
Long-term payables	-	7,304,197.88	4,987,438.87	-	12,291,636.75
Long-term borrowings	-	1,293,570.14	32,043,003.47	-	33,336,573.61
	<u>11,489,819,271.62</u>	<u>8,597,768.02</u>	<u>37,030,442.34</u>	<u>-</u>	<u>11,535,447,481.98</u>

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Notes to financial statements (Continued)

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VIII Risks related to financial instruments (Continued)

6. Market risk

Interest rate risk

The Group's interest rate risk arises from long-term borrowings from banks. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2018, if the floating interest rates of the long-term interest-bearing borrowings increase or decrease by 50 base points, while other factors do not change, the Group's net income will decrease or increase by RMB118,500.00 (31 December 2017: if the floating interest rates of the long-term interest-bearing borrowings increase or decrease by 50 base points, while other factors do not change, the Group's net income will increase or decrease by RMB118,500.00).

Increases in interest rates will increase the cost of new borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2018 and 2017, the Group did not enter into any interest rate swap agreements.

For the year ended 31 December 2018, the Group had long-term interest-bearing borrowings with floating interest rates amounting to RMB31,600,000.00 (31 December 2017: RMB31,600,000.00).

Currency risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to United States dollars and Hong Kong dollars. The Group's finance department at its headquarters is responsible for monitoring the amounts of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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VIII Risks related to financial instruments (Continued)

7. Capital management

The Company’s primary objective for managing capital is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business, maximize shareholders’ value and benefit related parties. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management adjusts the capital structure through adjusting dividend payments to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debts.

The Group’s total capital is the total shareholders’ equity in the balance sheet. The Group does not adopt an asset ratio as a compulsory factor to govern capital investment.

The gearing ratios of the Group as at the end of the reporting periods were as follows:

	2018	2017
Gearing ratio	<u>51.93%</u>	<u>55.57%</u>

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Notes to financial statements (Continued)

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IX Disclosure of fair value

1. Assets and liabilities at fair value
2018

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Continuous measurement of fair value				
Notes receivable	-	567,775,275.40	-	567,775,275.40
Other investment in equity instruments	-	13,685,760.00	-	13,685,760.00
Other non-current financial assets	-	-	140,000,000.00	140,000,000.00
	-	581,461,035.40	140,000,000.00	721,461,035.40

2017

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Continuous measurement of fair value				
Available-for-sale financial assets	-	13,685,760.00	-	13,685,760.00

2. Assets and liabilities disclosed at fair value

2018

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Long-term borrowings	-	31,600,000.00	-	31,600,000.00

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

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IX Disclosure of fair value (Continued)

2. Assets and liabilities disclosed at fair value (Continued)
2017

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
Long-term borrowings	-	31,600,000.00	-	31,600,000.00

3. Estimation of fair value

The following are book value and fair value of financial instruments of the Group excluding those that has immaterial different in book value and fair value:

	31 December 2018		1 January 2018		31 December 2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial liabilities						
Long-term borrowings	31,600,000.00	31,600,000.00	31,600,000.00	31,600,000.00	31,600,000.00	31,600,000.00

Management has assessed that the fair values of cash and cash equivalents, notes receivable, trade receivables, other receivables, short-term borrowings, notes payable, trade payables, other payables, and other current assets and liabilities, and current liabilities approximate to their carrying amounts largely due to the short remaining maturities of these instruments.

The financial controller of the Group takes the responsibility to formulate policies and procedures related to financial instrument fair value measurements and directly reports to the CFO and the audit committee. On each balance sheet date, the financial department analyses the variation of the fair value of financial instruments and determines the inputs applicable to valuation. The valuation is required to be approved by the CFO.

The fair values of financial assets and liabilities are the amount at which the instrument could be exchanged or debts could be settled in an arm's length transaction between knowledgeable and willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of short-term and long-term borrowings, and long-term payables have been calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar terms, credit risk and remaining maturities. As at 31 December 2018, the Group's own non-performance risk for short-term and long-term borrowings was assessed to be insignificant.

For an equity instrument of listed entities, the market price is used to determine fair value. For an equity instrument of non-listed entities, the market comparable company model is used to estimate fair value. The Group believes that estimated fair value by the valuation method is rational, and also the most sufficient value at the balance sheet date.

4. Unobservable inputs

A financial instrument that is measured at fair value with measurement of level 3 is insensitive to reasonable fluctuation of the unobservable inputs.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

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IX Disclosure of fair value (Continued)

5. Transfers between levels of fair value measurement
During the year, there were no transfers of fair value measurements between Level 1 and Level 2.

X Related party relationships and transactions

1. Parent

	Registered address	Nature of business	Share capital (RMB'0,000)	Proportion of ownership interest in the Company	Proportion of voting power in the Company
Sinopharm Group	Shanghai	Industrial investment holding, trustee of a pharmaceutical enterprise, asset reorganization, distribution and retail of medicines and pharmaceutical products, etc.	297,165.62	56.06%	56.06%

The ultimate controlling party of the Company is CNPGC.

2. Subsidiaries

Refer to Note VII (1) for details of subsidiaries.

3. Associates

Refer to Note VII (2) for details of associates.

4. Other related parties

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	Controlled by CNPGC
Huayi Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Huamiao Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guangdong Medi-World Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoxing (Foshan) Medicines Co., Ltd.	Controlled by CNPGC
Shandong Lu Ya Pharmaceutical Co., Ltd.	Controlled by CNPGC
Foshan Fengliaoxing Pharmaceutical Co., Ltd.	Controlled by CNPGC
Winteam Pharmaceutical Group Ltd.	Controlled by CNPGC
Chengdu Rongsheng Pharmacy Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Lanzhou Biotechnology Development Co., Ltd.	Controlled by CNPGC
Shanghai Shangsheng Biological Products Co., Ltd.	Controlled by CNPGC
Shantou Jinshi Powder Injection Co., Ltd.	Controlled by CNPGC

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X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Chengdu Institute of Biological Products Co.,Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	Controlled by CNPGC
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	Controlled by CNPGC
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Corporation	Controlled by CNPGC
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	Controlled by CNPGC
Sinopharm Yixin Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	Controlled by CNPGC
Sinopharm Wuhan blood products Co., Ltd.	Controlled by CNPGC
Fujian Chentian Jinling Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	Controlled by CNPGC
Sinopharm Group Chengdu Xinlibang Biological Products Co., Ltd.	Controlled by CNPGC
Foshan Dezhong Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guizhou Longlife Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Fengliaoxing Medical Hospital Co., Ltd.	Controlled by CNPGC
Sinopharm Group Fengliaoxing Traditional Chinese Medical Center Foshan Nanhai Co., Ltd.	Controlled by CNPGC
Beijing Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Group Financial Co.	Controlled by CNPGC
Sinopharm Group Guizhou Blood Products Co., Ltd.	Controlled by CNPGC
China National of Traditional&Herbal Medicine Co., Ltd.	Controlled by CNPGC
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	Controlled by CNPGC
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	Associate of CNPGC

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Notes to financial statements (Continued)

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X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Qinghai Pharmaceutical Factory Co., Ltd.	Associate of CNPGC
Jingfukang Pharmaceutical Group Co., Ltd.	Associate of CNPGC
Shanghai SinoMed Medicine Co., Ltd.	Associate of CNPGC
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	Associate of CNPGC
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Southwest Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhihuiminsheng (Tianjin) Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shenyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Lvliang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Jinzhong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Jincheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Mingdikang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanxi Zhidekang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yongzhou Co., Ltd.	Controlled by Sinopharm Group
China National Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guorui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	Controlled by Sinopharm Group

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Notes to financial statements (Continued)

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X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm holdings Beijing huahong co., Ltd	Controlled by Sinopharm Group
Sinopharm Holding Zhejiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinhua Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Sub Marketing Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Henan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pingdingshan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Anhui Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shandong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yantai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lunan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Rizhao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jinan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dezhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hainan Hongyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Fujian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Putian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zhangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Quanzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiamen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningxia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Inner Mongolia Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tongliao Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ulanqab Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hulun Buir Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ordos Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Xinjiang Special Drugs Kashgar Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Shanghai Meitai Medical Instruments Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangsu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Biological Products Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Taizhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yangzhou Medical Treatment Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lianyungang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanjing Wende Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yancheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Heilongjiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Shanghai Merro Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Sichuan Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Dalian Hecheng Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Changsha Co., Ltd.	Controlled by Sinopharm Group
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	Controlled by Sinopharm Group
Sinopharm (Guangzhou) Medical Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chengdu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Fujian Medical Examination Co., Ltd.	Controlled by Sinopharm Group
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei New & Special Medicines Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Co., Ltd.	Controlled by Sinopharm Group
Beijing Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiangxi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinjiang New & Special Gingsen Antler Medical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Chemical Reagent Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Hebei Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin North Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanping Newforce Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Shanghai Medicine Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	Controlled by Sinopharm Group
China National Pharmaceutical Logistics Co., Ltd.	Controlled by Sinopharm Group
Shanghai Tongyu Information Technology Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huangshi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hubei Hongyuan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jiaozuo Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xinxiang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wuhu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Lu'an Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Holding Suzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jining Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Liaocheng Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Yunnan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Honghe Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chuxiong Co., Ltd.	Controlled by Sinopharm Group
Yuxi Sinopharm Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Guanai Yuankang Pharmacy (Haikou) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Gansu Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Longyan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ningde Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nanchang Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Tongren Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Zunyi Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Guizhou Medical Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jilin Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Jilin Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Siping Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Wenzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Nantong Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huaian Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xuzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Hengshui Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Baoding Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Qinghai Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Medical Instrument Guizhou Qiannan Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guangdong Medicine Device Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Zhuhai Medical Instrument Co., Ltd.	Controlled by Sinopharm Group

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company name</u>	<u>Related party relationships</u>
Sinopharm Medical Instrument Foshan Co., Ltd.	Controlled by Sinopharm Group
Fujian Sinopharm Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Nanping Medical Instrument Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Guangxi Medical Equipment Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Ganzhou Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Xiangyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Xinxiang Chain Store Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Chongqing Ruimin Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Lerentang Zhangjiakou Medicine Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Pingliang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Deyang Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Guangdong Medical Examination Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited	Controlled by Sinopharm Group
Sinopharm Group Shanghai Co., Ltd.	Controlled by Sinopharm Group
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Controlled by Sinopharm Group
Xinjiang Baitong Property Service Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Guorun medical	Controlled by Sinopharm Group
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	Controlled by Sinopharm Group
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	Controlled by Sinopharm Group
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	Associate of Sinopharm Group
Jiangsu Lianhuan Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Sinopharm Health Online Co., Ltd.	Associate of Sinopharm Group
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	Associate of Sinopharm Group
Hubei Medical Group Co., Ltd.	Associate of Sinopharm Group
Sichuan Kang Daxin Pharmaceutical Co., Ltd.	Associate of Sinopharm Group
Ningbo Meishan bonded port area Qiling equity investment center LP	Associate of Sinopharm Group
Sinopharm Holding Financing Lease Co., Ltd.	Associate of Sinopharm Group
Shenzhen Wanwei Medicine Trading Co., Ltd.	Subsidiary of Main Luck Pharmaceutical
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Guilin South pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X Related party relationships and transactions (Continued)

4. Other related parties (Continued)

<u>Company Name</u>	<u>Related party relationships</u>
Shanghai Chaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Tibet Yaoyou Medicines Co.,Ltd.	Subsidiary of Fosun Pharm
Shenyang Hongqi Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	Subsidiary of Fosun Pharm
Chongqing Haisiman Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jinzhou AoHong Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharm
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Jiangsu Huanghe Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Suzhou Erye Pharmaceutical Limited Company	Subsidiary of Fosun Pharm
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd	Subsidiary of Fosun Pharm
Jiangxi Erye Medicine Marketing Co., Ltd.	Subsidiary of Fosun Pharm
Shanghai Transfusion Technology Co., Ltd.	Subsidiary of Fosun Pharm
Foshan Chancheng District Central Hospital	Subsidiary of Fosun Pharm
Foshan Chanyixing Medicine Development Co Ltd.	Subsidiary of Fosun Pharm
Foshan Chancheng Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharm
Shenzhen Qianda Medical Beauty Clinic	Subsidiary of Fosun Pharm
Shenzhen Heng Sheng Hosital	Subsidiary of Fosun Pharm
Foshan Shunde District Lecong Supply and Marketing group Shunketang Medicine Co., Ltd.	Subsidiary of Fosun Pharm
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Henan Wanxitang	Non-controlling interest of a subsidiary
Shenyang Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Lerentang Investment Group Co., Ltd.	Non-controlling interest of a subsidiary
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	Non-controlling interest of a subsidiary
Hunan Minshengtang Investment Co., Ltd.	Non-controlling interest of a subsidiary
Linyi Medical Group Co., Ltd.	Non-controlling interest of a subsidiary
Guangdong Jiyuantang Development Co., Ltd.	Non-controlling interest of a subsidiary
Zhang Zhenfang	Non-controlling interest of a subsidiary
Hangzhou Xihu Business Group Corporation	Non-controlling interest of a subsidiary
Shenzhen Jiufeng Investment Co., Ltd.	Non-controlling interest of a subsidiary
Taishan Qunkang Pharmacy Co., Ltd.	Non-controlling interest of a subsidiary
Heyuan Mairui Trading Co., Ltd.	Non-controlling interest of a subsidiary
Nanjing Yuanguang Trading Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Controlled by non-controlling interest of a subsidiary
Taishan Xiangranhui Trade Co., Ltd	Controlled by non-controlling interest of a subsidiary
Gu Jinhua	Family member of the non-controlling shareholder of a subsidiary
Gu Haiqun	Non-controlling interest of a subsidiary
Wang Yang	Controller of non-controlling interest of a subsidiary

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)****X Related party relationships and transactions (Continued)****5. Major transactions between the Group and its related parties****(1) Related party transactions – goods and services**

Purchase of goods and receiving of services from related parties

	2018 (RMB'0,000)	2017 (RMB'0,000)
Sinopharm Holding Sub Marketing Center Co., Ltd.	102,842.49	101,744.54
China National Medicines Co., Ltd.	47,447.25	38,102.01
Sinopharm Holding Shanxi Co., Ltd.	30,206.49	22,720.93
Sinopharm Holding Shanxi Co., Ltd.	17,803.27	15,849.65
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	17,772.72	21,237.87
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	15,730.42	15,540.66
Sinopharm Group Co., Ltd.	15,674.01	47,891.45
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	13,492.91	16,178.69
Sinopharm Holding Shenyang Co., Ltd.	12,615.36	10,902.50
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	10,590.47	7,288.02
Lanzhou Institute of Biological Products Co., Ltd.	8,556.00	6,978.00
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	7,968.25	6,890.74
Sinopharm Holding Lunan Co., Ltd.	7,867.79	5,007.91
Chongqing Yaoyou Pharmaceutical Co., Ltd.	5,425.64	3,529.40
Sinopharm Holding Yangzhou Co., Ltd.	5,080.96	4,561.71
Jinzhou AoHong Pharmaceuticals Co., Ltd.	4,655.26	-
Sinopharm Holding Beijing Co., Ltd.	4,166.01	4,502.72
Sinopharm Holding Inner Mongolia Co., Ltd.	3,765.52	3,428.82
Shenzhen Main Luck Pharmaceutical Co., Ltd.	3,664.44	3,815.55
Winteam Pharmaceutical Group Ltd.	3,425.51	2,037.17
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	3,425.05	2,865.65
Sinopharm Holding Pingdingshan Co., Ltd.	2,966.11	3,494.08
Sinopharm Holding Hunan Co., Ltd.	2,753.14	1,859.99
Sinopharm Holding Jiangsu Co., Ltd.	2,478.08	2,774.47
Shenzhen Wanwei Medicine Trading Co., Ltd.	2,360.76	2,617.88
Sinopharm Holding Fujian Co., Ltd.	2,235.91	2,748.83
Suzhou Erve Pharmaceutical Limited Company	2,097.57	-
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	1,927.59	2,274.90
Tibet Yaoyou Medicines Co., Ltd.	1,863.03	-

X. Related party relationships and transactions (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)**

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2018	2017
	(RMB'0,000)	(RMB'0,000)
Sinopharm (Guangzhou) Medical Equipment Co., Ltd.	1,732.81	-
Sinopharm Holding Xiamen Co., Ltd.	1,641.68	2,566.00
Sinopharm Group (Shenzhen) Pharmaceutical Co., Ltd.	1,550.59	458.11
Chengdu Rongsheng Pharmacy Co., Ltd.	1,544.99	2,515.11
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	1,523.54	906.15
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	1,485.99	809.83
Lanzhou Biological Technology Development Co., Ltd.	1,380.00	-
China National Pharmaceutical Foreign Trade Corporation	1,376.71	613.18
Sinopharm Group Medicine Logistic Co., Ltd.	1,374.70	1,511.51
Sinopharm Holding Henan Co., Ltd.	1,345.69	643.91
Sinopharm Holding Ningxia Co., Ltd.	1,303.98	1,260.94
Sinopharm Health Online Co., Ltd.	1,269.85	952.00
Shanghai Shangsheng Biological Products Co., Ltd.	1,225.55	885.46
Sinopharm Holding Suzhou Co., Ltd.	1,123.00	972.81
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	1,094.70	1,252.80
Sinopharm Chuan Kang Pharmaceutical Co., Ltd.	1,063.26	243.68
Yichang Humanwell Pharmaceutical Co., Ltd.	988.76	881.03
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	961.00	790.45
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	958.22	186.16
Sinopharm Holding Fuzhou Co., Ltd.	843.89	942.42
Sinopharm Group Guorui Medicine Co., Ltd.	815.71	82.70
China Otsuka Pharmaceutical Co., Ltd.	809.96	571.64
Sichuan Hexin Pharmaceutical Co., Ltd.	808.33	(0.03)
Sinopharm Holding Beijing Huahong Co., Ltd.	650.29	879.99
Jiangxi Erye Medicine Marketing Co., Ltd.	636.00	-
Sinopharm Holding Jinan Co., Ltd.	618.89	404.98

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2018	2017
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	575.07	370.93
Shyndec Pharma	545.56	86.51
Sinopharm Yixin Pharmaceutical Co., Ltd.	542.65	-
Jiangsu Lianhuan Pharmaceutical Co., Ltd.	538.61	-
Sinopharm Holding Changzhou Co., Ltd.	519.14	877.84
Sinopharm Holding Wuxi Co., Ltd.	501.02	365.10
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	492.19	864.11
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	459.70	372.16
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	399.79	78.21
Sinopharm Holding Jinzhou Co., Ltd.	386.83	260.33
Sinopharm Holding Shandong Co., Ltd.	382.90	-
Shantou Jinshi Powder Injection Co., Ltd.	374.45	0.25
Shenyang Hongqi Pharmaceutical Co., Ltd.	356.58	173.38
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	353.38	403.31
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	344.11	221.06
Guizhou Tongjitang Pharmaceutical Co., Ltd.	324.11	252.37
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	295.73	170.25
Shandong Lu Ya Pharmaceutical Co., Ltd.	290.93	741.87
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	289.84	360.29
Shanghai Merro Pharmaceutical Co., Ltd.	265.31	1,098.20
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	249.14	273.26
Sinopharm Holding Yancheng Co., Ltd.	248.87	248.55
Sinopharm Holding Heilongjiang Co., Ltd.	220.67	-
Shanghai Chaohui Pharmaceutical Co., Ltd.	216.02	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	205.84	291.59
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	204.05	104.40
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	179.93	227.57
Sinopharm Holding Shanxi Jinzhong Co., Ltd.	179.83	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2018	2017
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Putian Co., Ltd.	173.77	212.86
Sinopharm Holding Tongliao Co., Ltd.	172.34	87.00
Shanghai Meitai Medical Instruments Co., Ltd.	166.41	-
Sinopharm Holding Tianjin Co., Ltd.	163.00	799.37
Guangdong Medi-World Pharmaceutical Co., Ltd.	160.50	39.88
Huayi Pharmaceutical Co., Ltd.	159.06	-
Sinopharm Holding Zhihuiminsheng (Tianjin) Pharmaceutical Co., Ltd.	153.65	-
Sinopharm Holding Dalian Co., Ltd.	146.37	238.38
Jingfukang Pharmaceutical Group Co., Ltd.	144.26	-
Shanghai Tongyu Information Technology Co., Ltd.	142.34	174.25
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd.	134.98	17.76
Sinopharm Holding Hulun Buir Co., Ltd.	134.06	2,552.36
Sinopharm Holding Yantai Co., Ltd.	130.34	-
Sinopharm Holding Anhui Co., Ltd.	125.53	59.02
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	118.51	-
Sinopharm Group Southwest Medicine Co., Ltd.	116.31	5.08
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	115.92	198.58
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	113.90	91.65
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	107.89	136.59
China National Pharmaceutical Industry Co., Ltd.	107.14	37.39
Sinopharm Holding Lianyungang Co., Ltd.	98.55	-
Anhui Jingfang Pharmaceutical Co., Ltd.	92.62	103.19
Sinopharm Lerentang Qinhuangdao Medicine Co., Ltd.	91.62	94.47
Hunan Dongting Pharmaceutical Co., Ltd.	91.25	41.31
Sinopharm Weiqida Pharmaceutical Co., Ltd.	89.28	-
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	81.80	1.22
Sinopharm Holding Quanzhou Co., Ltd.	79.67	152.62
Sinopharm Holding Changsha Co., Ltd.	73.39	50.72

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2018	2017
	(RMB'0,000)	(RMB'0,000)
Chengdu Institute of Biological Products Co.,Ltd.	66.32	-
Guilin South pharmaceutical Co., Ltd.	61.69	-
Fujian Chentian Jinling Pharmaceutical Co., Ltd.	60.62	-
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	57.34	6.21
Sinopharm Holding Zhejiang Co., Ltd.	44.13	-
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	42.10	16.28
Sinopharm Holding Dezhou Co., Ltd.	36.03	44.25
Sinopharm Holding Ulanqab Co., Ltd.	35.33	32.21
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	34.82	7.38
Sinopharm Holding Yangzhou Biological Products Co., Ltd.	33.60	-
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	33.25	5.04
Sinopharm Holding Dalian Hecheng Co., Ltd.	33.17	3.29
Sinopharm Group Shanxi Co., Ltd.	32.67	118.75
Shanghai SinoMed Medicine Co., Ltd.	31.93	-
Jiangsu Huanghe Pharmaceutical Co., Ltd.	28.64	-
Sinopharm Holding Rizhao Co., Ltd.	24.76	267.85
Sinopharm Holding Hainan Co., Ltd.	24.14	-
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	17.44	5.62
Sinopharm Wuhan blood products Co., Ltd.	17.04	-
Sinopharm Holding Taizhou Co., Ltd.	16.31	16.76
Sinopharm Holding Nanjing Wende Pharmaceutical Co.,Ltd.	15.28	-
Henan Wanxitang	13.03	-
Sinopharm Holding Shanxi Zhidekang Medicine Co., Ltd.	12.86	-
Qinghai Pharmaceutical Factory Co., Ltd.	12.51	-
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	11.88	21.35
China National Pharmaceutical Logistics Co., Ltd.	9.08	6.71
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	8.20	25.23
Sinopharm Holding Guizhou Co., Ltd.	7.37	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2018	2017
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Shanxi Lvliang Co., Ltd.	5.76	-
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	5.32	5.39
Sinopharm Holding Yangzhou Medical Treatment Equipment Co., Ltd.	5.23	-
Sinopharm Lerentang Tangshan Medicine Co., Ltd.	4.76	5.23
Sinopharm Holding Yongzhou Co., Ltd.	3.72	3.84
Chongqing Haisiman Pharmaceutical Co., Ltd.	3.29	3,157.33
Sinopharm Holding Hainan Hongyi Co., Ltd.	3.15	-
Sinopharm Fengliaoqing (Foshan) Medicines Co., Ltd.	2.86	-
Sinopharm Holding Shanxi Mingdikang Medicine Co., Ltd.	2.72	-
Sinopharm Holding Shanxi Jincheng Co., Ltd.	2.42	-
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	1.61	-
Sinopharm Holding Zhangzhou Co., Ltd.	1.20	-
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	1.04	0.56
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	0.71	-
Zhijun Suzhou	0.30	0.14
Beijing Huamiao Traditional Chinese Medicine Technology and Project Development Centre	0.26	-
Sinopharm Group Sichuan Medicines Co., Ltd.	0.24	-
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	0.03	-
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	-	145.06
Sinopharm Holding Chengdu Co., Ltd.	-	124.80
Sinopharm Fujian Medical Examination Co., Ltd.	-	68.04
Guizhou Longlife Pharmaceutical Co., Ltd.	-	64.81
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	-	57.42
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	-	40.04
Sinopharm Holding Hubei New & Special Medicines Co., Ltd.	-	34.38

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Purchase of goods and receiving of services from related parties (Continued)

	2018	2017
	(RMB'0,000)	(RMB'0,000)
Sinopharm Holding Hubei Co., Ltd.	-	27.50
Shanghai Transfusion Technology Co., Ltd.	-	21.50
Beijing Tongyu Information Technology Co., Ltd.	-	17.54
Sinopharm Holding Jiangxi Co., Ltd.	-	15.93
Sinopharm Group Chengdu Xinlibang Biological Products Co., Ltd.	-	10.56
Sinopharm Holding Xinjiang New & Special Gingsen Antler Medical Co., Ltd.	-	10.17
Sinopharm Group Chemical Reagent Co., Ltd.	-	9.23
Sinopharm Hebei Medical Instrument Co., Ltd.	-	4.72
Sinopharm Holding Tianjin North Medicine Co., Ltd.	-	4.67
Sinopharm Holding Nanping Newforce Co., Ltd.	-	3.61
Foshan Dezhong Pharmaceutical Co., Ltd.	-	3.46
Sinopharm Group Shanghai Medicine Device Co., Ltd.	-	3.14
Sinopharm Holding Jinhua Co., Ltd.	-	3.09
Sinopharm Holding Chongqing Co., Ltd.	-	0.92
Sinopharm Holding Ordos Co., Ltd.	(1.38)	4.76
	<u>405,277.59</u>	<u>394,534.98</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2018 (RMB'0,000)	2017 (RMB'0,000)
Sinopharm Group Co., Ltd.	13,127.67	2,920.98
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	9,917.50	12,310.89
Foshan Chancheng Pharmaceutical Co., Ltd.	8,713.35	6,961.50
Sinopharm Holding Hainan Co., Ltd.	6,157.07	6,641.94
Sinopharm Holding Hainan Hongyi Co., Ltd.	4,734.71	5,221.78
Sinopharm Holding Sub Marketing Center Co., Ltd.	2,234.24	2,311.90
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	2,222.76	2,998.11
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	2,069.07	2,441.19
Sinopharm Holding Wenzhou Co., Ltd.	2,052.01	2,801.62
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	1,952.87	1,909.51
Sinopharm Holding Beijing Huahong Co., Ltd.	1,921.41	2,599.43
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	1,903.16	467.21
Sinopharm Zhuhai Medical Instrument Co., Ltd.	1,736.10	1.14
Shenzhen Heng Sheng Hosital	1,711.70	-
Sinopharm Holding Henan Co., Ltd.	1,684.79	2,707.85
Sinopharm Group Southwest Medicine Co., Ltd.	1,657.77	1,975.09
Sinopharm Holding Nantong Co., Ltd.	1,608.96	2,274.99
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	1,596.99	4,070.87
Sinopharm Sichuan Pharmaceutical Co., Ltd.	1,545.73	4,466.51
Sinopharm Holding Beijing Co., Ltd.	1,441.53	4,672.13
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	1,225.58	3,978.45
Sinopharm Holding Shandong Co., Ltd.	1,078.15	5,315.11
China National Medicines Co., Ltd.	1,023.03	1,269.66
Foshan Chancheng District Central Hospital	947.72	777.97
Sinopharm Holding Yunnan Co., Ltd.	770.29	2,396.95
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	740.10	447.12
Sinopharm Holding Yangzhou Co., Ltd.	725.68	988.43
Sinopharm Holding Shanxi Co., Ltd.	580.44	343.72
Sinopharm Holding Hubei Co., Ltd.	518.05	5,641.21
Foshan Chanyixing Medicine Development Co Ltd.	432.38	287.00
Sinopharm Holding Jilin Co., Ltd.	432.10	420.33
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	411.91	12.45

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2018 (RMB'0,000)	2017 (RMB'0,000)
Shanghai Liyi Drug Store Co., Ltd	343.80	225.13
Shanghai Merro Pharmaceutical Co., Ltd.	323.19	529.23
Sinopharm Holding Fujian Co., Ltd.	302.61	469.70
Sinopharm Holding Anhui Co., Ltd.	255.38	120.77
Sinopharm Holding Hunan Co., Ltd.	253.22	391.75
Sinopharm Holding Dalian Co., Ltd.	242.63	218.46
Sinopharm Holding Guizhou Co., Ltd.	236.34	708.51
Sinopharm Holding Gansu Co., Ltd.	214.52	455.43
Sinopharm Holding Tianjin Co., Ltd.	208.79	1,146.02
Sinopharm Holding Shanxi Co., Ltd.	190.23	774.50
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	186.77	65.11
Yuxi Sinopharm Medicine Co., Ltd.	157.01	24.96
Sinopharm Holding Chengdu Co., Ltd.	97.59	171.42
Sinopharm Holding Zhejiang Co., Ltd.	92.13	899.68
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	85.74	163.77
Sinopharm Holding Wuxi Co., Ltd.	84.68	53.75
Sinopharm Holding Shenyang Co., Ltd.	79.41	415.35
Sinopharm Holding Dalian Hecheng Co., Ltd.	77.07	106.35
Sinopharm Group Shanxi Co., Ltd.	72.08	102.04
Sinopharm Holding Ningxia Co., Ltd.	71.31	1,031.39
Sinopharm Holding Jiangxi Co., Ltd.	69.07	123.41
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	68.89	47.12
Sinopharm Group Medicine Logistic Co., Ltd.	65.21	156.84
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	57.14	1.96
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	45.82	26.29
Sinopharm Holding Changzhou Co., Ltd.	43.58	191.15
Sinopharm Holding Qinghai Co., Ltd.	41.59	194.00

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2018 (RMB'0,000)	2017 (RMB'0,000)
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	40.59	44.11
Sinopharm Holding Wuhu Co., Ltd.	40.22	10.80
Sinopharm Holding Zunyi Co., Ltd.	35.43	-
Sinopharm Holding Heilongjiang Co., Ltd.	35.21	341.74
Sinopharm Holding Inner Mongolia Co., Ltd.	29.70	72.68
Sinopharm Holding Yongzhou Co., Ltd.	28.54	25.71
Sinopharm Holding Chongqing Co., Ltd.	28.21	23.62
Sinopharm Holding Ulanqab Co., Ltd.	27.10	9.29
Sinopharm Holding Tianjin North Medicine Co., Ltd.	26.69	-
Sinopharm Holding Jiaozuo Co., Ltd.	24.79	-
Sinopharm Holding Ningde Co., Ltd.	23.88	50.41
Sinopharm Holding Guizhou Medical Equipment Co., Ltd.	19.15	-
Sinopharm Holding Hubei Hongyuan Co., Ltd.	18.54	-
Sinopharm Holding Jilin Chain Store Co., Ltd.	18.32	-
Shenzhen Qianda Medical Beauty Clinic	17.73	-
Sinopharm Holding Nanping Newforce Co., Ltd.	16.91	38.97
Sinopharm Holding Tongren Co., Ltd.	16.66	-
Sinopharm Holding Putian Co., Ltd.	15.06	92.30
Sinopharm Holding Honghe Co., Ltd.	13.47	-
Sinopharm Holding Huaian Co., Ltd.	12.87	67.17
Sinopharm Holding Suzhou Co., Ltd.	12.84	2.44
Sinopharm Holding Lu'an Co., Ltd.	12.84	4.87
Sinopharm Fengliaoqing Medical Hospital Co., Ltd.	10.65	7.36
Sinopharm Jienuo Medical Treatment Service Guangdong Co., Ltd.	10.38	3.30
Sinopharm Holding Longyan Co., Ltd.	9.09	18.30
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	8.01	12.31

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2018 (RMB'0,000)	2017 (RMB'0,000)
Sinopharm Holding Xinxiang Co., Ltd.	7.76	-
Sinopharm Medical Instrument Guizhou Qiannan Co., Ltd.	6.65	-
Sinopharm Holding Siping Co., Ltd.	5.65	-
Sinopharm Holding Fuzhou Co., Ltd.	5.08	1,108.68
Sinopharm Holding Huangshi Co., Ltd.	4.52	13.51
Sinopharm Holding Chuxiong Co., Ltd.	3.84	-
Sinopharm Holding Hulun Buir Co., Ltd.	3.79	722.69
Sinopharm Holding Xuzhou Co., Ltd.	3.39	-
Sinopharm Group Guangxi Medical Equipment Co., Ltd.	3.16	-
Sinopharm Holding Liaocheng Co., Ltd.	2.60	-
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.	2.26	-
Sinopharm Holding Jining Co., Ltd.	1.90	-
Fujian Sinopharm Medical Instrument Co., Ltd.	1.84	-
Sinopharm Lerentang Baoding Medicine Co., Ltd.	1.30	-
Sinopharm Guanai Yuankang Pharmacy (Haikou) Co., Ltd.	1.24	-
Sinopharm Lerentang Hengshui Medicine Co., Ltd.	1.21	-
Foshan Shunde District Lecong Supply and Marketing group Shunketang Medicine Co., Ltd.	1.14	-
Guizhou Tongjitang Pharmaceutical Co., Ltd.	1.12	-
Sinopharm Holding Fengliaoqing (Foshan) Traditional & Herbal Medicine Co., Ltd.	1.07	-
Sinopharm Medical Instrument Foshan Co., Ltd.	1.03	-
Sinopharm Group Guangdong Medicine Device Co., Ltd.	0.97	73.42
Sinopharm Nanping Medical Instrument Co., Ltd.	0.93	-
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	0.63	12.18
Sinopharm Holding Nanchang Chain Store Co., Ltd.	0.54	-
Winteam Pharmaceutical Group Ltd.	0.20	0.71
Sinopharm Group Fengliaoqing Traditional Chinese Medical Center Foshan Nanhai Co., Ltd.	0.15	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions – goods and services (Continued)

Sale of goods and rendering of services

	2018 (RMB'0,000)	2017 (RMB'0,000)
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	0.11	2.28
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Co., Ltd.	0.09	-
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	0.01	-
Sinopharm (Guangzhou) Medical Equipment Co., Ltd.	-	22,418.89
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	-	118.89
Hubei Medical Group Co., Ltd.	-	59.46
Sinopharm Holding Zhangzhou Co., Ltd.	-	57.47
Sinopharm Holding Changsha Co., Ltd.	-	28.32
China Otsuka Pharmaceutical Co., Ltd.	-	15.38
Sinopharm Holding Ganzhou Co., Ltd.	-	14.67
Sinopharm Holding Xiangyang Co., Ltd.	-	11.87
Sinopharm Xinxiang Chain Store Co., Ltd.	-	11.72
Shenzhen Wanwei Medicine Trading Co., Ltd.	-	3.88
Sichuan Kang Daxin Pharmaceutical Co., Ltd.	-	3.32
China National Pharmaceutical Group Corporation	-	1.90
Shenzhen Main Luck Pharmaceutical Co., Ltd.	-	1.83
Sinopharm Holding Chongqing Ruimin Pharmaceutical Co., Ltd.	-	1.69
Sinopharm Lerentang Zhangjiakou Medicine Co., Ltd.	-	1.23
Sinopharm Health Online Co., Ltd.	-	1.07
Beijing Beishengyan Biological Products Co., Ltd.	-	0.77
Sinopharm Holding Pingliang Co., Ltd.	-	0.65
Sinopharm Holding Deyang Co., Ltd.	-	0.62
Sinopharm Holding Xiamen Co., Ltd.	-	0.19
Sinopharm Guangdong Medical Examination Co., Ltd.	-	0.08
Sinopharm Holding Quanzhou Co., Ltd.	(0.86)	217.20
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	(1.44)	37.94
Sinopharm Holding Lunan Co., Ltd.	(12.68)	95.09
	<u>83,442.70</u>	<u>126,310.11</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(2) Related party asset trusteeship

2018

Type of an asset under trusteeship	Beginning date of trusteeship	Ending date of trusteeship	Pricing basis for trusteeship income	Trusteeship income recognized (RMB'0,000)
Ningbo Meishan bonded port area Qiling equity investment center LP	15 June 2018	31 December 2020	Trusteeship agreement	51.69

(3) Related party transactions - leases

As the lessor

Type of assets under leases	Income from leases in 2018 (RMB'0,000)	Income from leases in 2017 (RMB'0,000)
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	120.76	98.86
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	57.14	31.62
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited.	17.01	-
China National Medicines Co., Ltd.	4.57	4.57
Sinopharm Group Medicine Logistic Co., Ltd.	-	15.40
Sinopharm Holding Sub Marketing Center Co., Ltd.	-	4.57
	199.48	155.02

As the lessee

Type of assets under leases	Expenses from leases in 2018 (RMB'0,000)	Expenses from leases in 2017 (RMB'0,000)
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	1,092.38	909.64
Shenyang Pharmaceutical Co., Ltd.	762.69	616.14
Sinopharm Group Medicine Logistic Co., Ltd.	750.00	778.86
China National Pharmaceutical Group Shanghai Co., Ltd.	747.27	671.06
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	732.78	853.74
Sinopharm Group Medicine Logistic Co., Ltd.	708.00	708.00
Lerentang Investment Group Co., Ltd.	540.00	511.19
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	481.11	479.75

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(3) Related party transactions - leases

As the lessee (continued)

	Type of assets under leases	Expenses from leases in 2018 (RMB'0,000)	Expenses from leases in 2017 (RMB'0,000)
Hunan Minshengtang Investment Co., Ltd.	Building	453.25	309.67
Linyi Medical Group Co., Ltd.	Building	384.50	406.10
Sinopharm Holding Yangzhou Co., Ltd.	Building	372.57	372.57
Guangdong Jiuantang Pharmaceutical Co., Ltd.	Building	193.15	120.59
Nanjing Yuanguang Trading Co., Ltd.	Building	169.97	157.72
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	Building	94.03	94.03
Taishan Xiangranhui Trade Co., Ltd.	Building	91.13	85.04
Zhang Zhenfang	Building	80.50	80.50
Sinopharm Holding Shanxi Co., Ltd.	Building	62.74	59.84
Wang Yang	Building	52.57	52.57
Sinopharm Holding Beijing Co., Ltd.	Building	52.46	45.32
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	Building	46.94	46.94
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	Building	36.85	36.85
Gu Jinhua	Building	35.76	35.76
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	Building	30.84	50.09
China National Medicines Co., Ltd.	Building	30.38	35.71
Hangzhou Xihu Business Group Corporation	Building	26.56	25.30
Shenzhen Jiufeng Investment Co., Ltd.	Building	25.59	21.00
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	Building	24.71	25.52
Gu Haiqun	Building	17.45	-
Sinopharm Guoda Taishan Qunkang Pharmacy Chain Store Co., Ltd.	Equipment	14.85	-
Xinjiang Baitong Property Service Co., Ltd.	Building	10.82	7.82
Sinopharm Group Co., Ltd.	Building	6.54	51.98
Sinopharm Holding Fujian Co., Ltd.	Building	1.31	0.48
Taishan Qunkang Pharmacy Co., Ltd.	Building	-	15.74
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Building	-	2.70
		<u>8,129.70</u>	<u>7,668.22</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(4) Related party transactions - guarantees

The Group has no related party guarantees not yet fulfilled this year and in 2017.

(5) Related party transactions – borrowings and lendings

Borrowings

2018	Category	Amount (RMB'0,000)	Inception	Maturity
Group Financial Co.	Discount on commercial acceptance notes	56,552.71	6 February 2018-21 December 2018	25 March 2018-31 May 2019
Group Financial Co.	Discount on bank acceptance notes	12,435.12	23 May 2018-29 November 2018	12 June 2018-12 May 2019
China National Pharmaceutical Group Corporation	Long-term borrowings	3,160.00	24 May 2017	24 May 2020
Guorun medical	Short-term borrowings	<u>320.00</u>	27 June 2018	18 October 2018
		<u>72,467.83</u>		
2017	Category	Amount (RMB'0,000)	Inception	Maturity
Group Financial Co.	Discount on commercial acceptance notes	48,244.70	19 January 2017-22 December 2017	25 March 2017-30 April 2018
Group Financial Co.	Discount on bank acceptance notes	22,580.26	22 January 2017-21 August 2017	6 March 2017-31 January 2018
China National Pharmaceutical Group Corporation	Long-term borrowings	<u>3,160.00</u>	24 May 2017	24 May 2020
		<u>73,984.96</u>		

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(5) Related party transactions – borrowings and lendings (Continued)

Lendings

Fund lending		Amount		Inception	Maturity
2018	Category	(RMB'0,000)			
Zhijun Suzhou	Entrusted Loan	<u>4,400.00</u>		26 January 2018	25 January 2019

Fund lending		Amount		Inception	Maturity
2017	Category	(RMB'0,000)			
Zhijun Suzhou	Entrusted Loan	<u>4,400.00</u>		4 January 2017	4 January 2018

(6) Related party asset transfer

	Type of transaction	2018 (RMB'0,000)	2017 (RMB'0,000)
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of a fixed asset	43.07	397.39
Shanghai Tongyu Information Technology Co., Ltd.	Purchase of a intangible asset	28.30	77.13
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	Purchase of construction in progress	<u>-</u>	<u>33.42</u>
		<u>71.37</u>	<u>507.94</u>

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Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

(7) Other related party transactions

Remuneration for key management personnel

	2018 (RMB'0,000)	2017 (RMB'0,000)
	<u>1,211.25</u>	<u>1,182.00</u>

Interest expense

Related party	Category	2018 RMB'0,000	2017 RMB'0,000
Group Financial Co.	Payment of notes discount interest	649.32	722.46
Sinopharm Holding Financing Lease Co., Ltd.	Payment of financing lease interest	114.13	158.23
Sinopharm Holding Financing Lease Co., Ltd. China National Pharmaceutical Group Corporation	Accounts receivable factoring interest payable	273.04	-
Guorun medical	Payment of loan interest	129.36	132.97
Group Financial Co.	Interest on short-term borrowings	5.07	-
	Payment of loan interest	-	68.86
		<u>1,170.92</u>	<u>1,082.52</u>

Interest income

Related party	Category	2018 RMB'0,000	2017 RMB'0,000
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	Entrusted loan interest	324.69	190.75
Group Financial Co.	Deposit interest	57.27	49.36
Shyndec Pharma	Interest income of land deposit	-	4.76
		<u>381.96</u>	<u>244.87</u>

Accounts receivable factoring

	2018 RMB'0,000	2017 RMB'0,000
Sinopharm Holding Financing Lease Co., Ltd.	<u>21,436.14</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

5. Major transactions between the Group and its related parties (Continued)

Notes (RMB'0,000):

(1) Related party transactions - sale of goods and rendering of services

- (a) During the current year, the Group purchased goods from related parties at the market price amounting to RMB402,230.16 (2017: RMB391,610.70).
- (b) During the current year, the related parties rendered services to the Group at the market price amounting to RMB3,047.43 (2017: RMB2,924.28).
- (c) During the current year, the Group sold goods to related parties at the market price amounting to RMB 82,255.02 (2017: RMB124,942.19).
- (d) During the current year, the Group rendered services to related parties at the market price amounting to RMB1,187.68 (2017: RMB1,367.92).

(2) Asset trusteeship

In 2018, the Group invested in Jinlin Tianhe Medicine Technology Co., Ltd. through trusteeship with Ningbo Meishan bonded port area Qiling equity investment center LP, and according to the management right trusteeship agreement, the Group recognized trusteeship revenue of RMB51.69 (2017: nil).

(3) Related party transactions - leases

- (a) During the current year, the Group leased buildings and equipment to related parties and recognized income of RMB199.48 (2017: RMB155.02) according to the agreements.
- (b) During the current year, the Group leased buildings and equipment from related parties and an expense of RMB 8,129.70 (2017: RMB7,668.22) was incurred according to the lease.

(4) Related party transactions - guarantees

- (a) During the current year, the Group had no related party guarantees that are not yet completed.

(5) Related party transactions - borrowings

- (a) During the current year, the Group borrowed RMB72,467.83 at annual interest rates ranging from 3.70% to 5.40% from related parties (2017: RMB73,984.96 at rates ranging from 3.90% to 5.30%).
- (b) During the current year, the Group lent RMB4,400 to related parties at an annual interest rate of 8.00% (2017: RMB4,400 to related parties at an annual interest rate of 4.57%).

(6) Related party transactions - asset transfer

- (a) During the current year, the Group purchased long-term assets from related parties at a negotiated price amounting to RMB71.37 (2017: RMB 507.94).
- (b) During the current year, the Group has not sold any long-term assets to related parties (2017: nil).

(7) Other major related party transactions

- (a) During the current year, the Group incurred emoluments (including those paid in cash, in kind and in other forms) for key management personnel with an amount of RMB 1,211.25 (2017: RMB 1,182.00).
- (b) During the current year, the Group has paid borrowing interest, entrusted loan interest, etc. to related parties in the amount of RMB1,170.92 (2017: RMB1,082.52).
- (c) During the current year, the Group has received deposit interest from related parties in the amount of RMB 381.96 (2017: RMB244.87).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties

	2018 RMB'0,000	2017 RMB'0,000
As lessee		
China National Pharmaceutical Group Shanghai Co., Ltd.	4,552.56	4,032.80
Shenyang Pharmaceutical Co., Ltd.	3,250.00	700.00
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	1,433.00	2,580.00
Linyi Medical Group Co., Ltd.	880.35	429.97
Guangdong Jiyuantang Development Co., Ltd.	854.72	-
Sinopharm Holding Yangzhou Co., Ltd.	782.40	1,173.60
Hunan Minshengtang Investment Co., Ltd.	699.98	841.86
Lerentang Investment Group Co., Ltd.	677.00	527.00
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	505.16	162.11
Nanjing Yuanguang Trading Co., Ltd.	297.00	463.09
Taishan Xiangranhui Trade Co., Ltd.	270.41	527.54
Gu Jinhua	257.05	289.06
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	234.47	877.80
Shaoguan Wujiang District Muyang Medicine Information Consultant Co., Ltd.	161.25	263.09
Sinopharm Group Co., Ltd.	121.29	173.28
Sinopharm Holding Beijing Co., Ltd.	120.00	166.42
Gu Haiqun	87.81	-
Zhang Zhenfang	80.50	80.50
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	71.22	-
China National Medicines Co., Ltd.	63.00	94.50
Hangzhou Xihu Business Group Corporation	60.04	87.93
Wang Yang	55.20	110.40
Shenzhen Jiufeng Investment Co., Ltd.	55.00	78.00
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	48.44	45.31
Taishan Qunkang Pharmacy Co., Ltd.	43.42	53.36
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	41.23	52.89
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	13.78	40.69
Xinjiang Baitong Property Service Co., Ltd.	9.66	-
Sinopharm Holding Fujian Co., Ltd.	1.38	2.65
Sinopharm Holding Shanxi Co., Ltd.	-	49.14
	<u>15,727.32</u>	<u>13,902.99</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

6. Commitments between the Group and related parties (Continued)

	2018 RMB'0,000	2017 RMB'0,000
As lessor		
Zhijun Medicine	111.67	35.14
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited.	56.08	-
Zhijun Trade	28.57	28.57
Sinopharm Group Medicine Logistic Co., Ltd.	-	16.94
	<u>196.32</u>	<u>80.65</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties

	2018 RMB'0,000		2017 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Trade receivables				
Foshan Chancheng Pharmaceutical Co., Ltd.	3,988.81	23.50	2,193.41	17.54
Sinopharm Group Co., Ltd.	3,226.31	-	1,536.95	-
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	1,196.65	-	1,789.72	-
Sinopharm Holding Hainan Co., Ltd.	660.76	-	1,421.52	-
Sinopharm Health Online Co., Ltd.	654.36	-	942.23	-
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	537.29	-	880.99	-
Sinopharm Holding Hainan Hongyi Co., Ltd.	537.01	-	809.20	-
Sinopharm Group Southwest Medicine Co., Ltd.	509.09	-	1.66	-
Sinopharm Holding Beijing Huahong Co., Ltd.	400.96	-	50.68	-
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	398.65	-	215.80	-
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	383.93	-	737.09	-
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	314.32	-	363.73	-
Shenzhen Heng Sheng Hosital	267.49	-	-	-
Foshan Chancheng District Central Hospital	244.04	1.28	252.92	1.27
Foshan Chanyixing Medicine Development Co Ltd.	174.38	0.94	67.37	0.24
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	170.43	-	38.06	-
Sinopharm Holding Jilin Co., Ltd.	149.97	-	56.57	-
China National Medicines Co., Ltd.	145.42	-	267.63	-
Sinopharm Holding Wenzhou Co., Ltd.	126.16	-	115.83	-
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	117.86	-	13.07	-
Sinopharm Sichuan Pharmaceutical Co., Ltd.	108.19	-	66.30	-
Sinopharm Holding Henan Co., Ltd.	103.63	-	115.48	-
Sinopharm Holding Shanxi Co., Ltd.	102.87	-	120.09	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	98.65	-	100.57	-
Sinopharm Holding Beijing Co., Ltd.	88.88	-	9.00	-
Shanghai Merro Pharmaceutical Co., Ltd.	88.45	-	61.27	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	77.25	-	432.31	-
Sinopharm Holding Hunan Co., Ltd.	56.93	-	4.40	-
Sinopharm Holding Yangzhou Co., Ltd.	54.03	-	129.61	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2018 RMB'0,000		2017 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Trade receivables (continued)				
Sinopharm Holding Anhui Co., Ltd.	22.14	-	3.36	-
Sinopharm Holding Shandong Co., Ltd.	21.10	-	58.81	-
Sinopharm Holding Tianjin Co., Ltd.	20.04	-	13.56	-
Yuxi Sinopharm Medicine Co., Ltd.	18.25	-	14.60	-
Sinopharm Holding Gansu Co., Ltd.	17.69	-	-	-
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	16.46	-	12.50	-
Sinopharm Holding Wuxi Co., Ltd.	15.76	-	6.12	-
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	14.46	-	6.77	-
Sinopharm Holding Dalian Co., Ltd.	14.43	-	54.15	-
Sinopharm Group Medicine Logistic Co., Ltd.	13.97	-	18.92	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	12.67	-	16.89	-
Sinopharm Holding Shenyang Co., Ltd.	12.31	-	-	-
Guangdong Jie Nuo	12.04	-	-	-
Sinopharm Holding Qinghai Co., Ltd.	9.63	-	2.73	-
Sinopharm Group Tianjin North Co., Ltd.	9.14	-	-	-
Sinopharm Holding Inner Mongolia Co., Ltd.	9.02	-	-	-
Shanghai Liyi Drug Store Co., Ltd	7.64	-	3.56	-
Sinopharm Holding Shanxi Co., Ltd.	6.84	-	3.65	-
Sinopharm Holding Hubei Co., Ltd.	6.83	-	274.90	-
Sinopharm Holding Nantong Co., Ltd.	6.65	-	170.41	-
Hubei Medical Group Co., Ltd.	6.20	-	11.37	-
Sinopharm Group Shanxi Co., Ltd.	5.85	-	12.75	-
Sinopharm Holding Heilongjiang Co., Ltd.	5.00	-	5.00	-
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	3.96	-	2.00	-
Sinopharm Holding Xuzhou Co., Ltd.	3.49	-	-	-
Sinopharm Holding Yunnan Co., Ltd.	2.77	-	103.54	-
Shanghai Guoda Lingyun Pharmacy Co., Ltd.	1.75	-	27.02	-
Sinopharm Fengliaoxing Medical Hospital Co., Ltd.	1.68	0.01	0.46	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2018 RMB'0,000		2017 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Trade receivables (continued)				
Sinopharm Holding Guizhou Co., Ltd.	1.60	-	17.10	-
Sinopharm Medical Instrument Foshan Co., Ltd.	1.19	-	-	-
Sinopharm Xinxiang Chain Store Co., Ltd.	0.21	-	2.01	-
Sinopharm Guanai Yuankang Pharmacy (Haikou) Co., Ltd.	0.15	-	-	-
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.	0.13	-	-	-
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	0.11	-	0.68	-
Sinopharm Group Fengliaoqing Traditional Chinese Medical Center Foshan Nanhai Co., Ltd.	0.07	-	-	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	-	-	280.45	-
Sinopharm Holding Ningxia Co., Ltd.	-	-	110.50	-
Sinopharm Holding Hulun Buir Co., Ltd.	-	-	98.28	-
Sinopharm Holding Zhejiang Co., Ltd.	-	-	71.64	-
Sinopharm Holding Changzhou Co., Ltd.	-	-	48.33	-
Sinopharm Holding Fujian Co., Ltd.	-	-	18.01	-
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	-	-	15.55	-
Sinopharm Holding Chengdu Co., Ltd.	-	-	14.48	-
Sinopharm Holding Jiangxi Co., Ltd.	-	-	12.96	-
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	-	-	7.30	-
Linyi Medical Group Co., Ltd.	-	-	0.25	-
China National Pharmaceutical Foreign Trade Corporation	-	-	0.13	-
	<u>15,284.00</u>	<u>25.73</u>	<u>14,314.20</u>	<u>19.05</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2018 RMB'0,000		2017 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Notes receivable				
Sinopharm Holding Financing Lease Co., Ltd.	20,245.61	-	-	-
Sinopharm Holding Hainan Co., Ltd.	1,203.54	-	365.09	-
Sinopharm Holding Hainan Hongyi Co., Ltd.	1023.45	-	-	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	314.44	-	-	-
Sinopharm Holding Shandong Co., Ltd.	124.17	-	-	-
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	114.84	-	-	-
Sinopharm Group Shanxi Co., Ltd.	107.79	-	-	-
Sinopharm Holding Henan Co., Ltd.	103.26	-	150.00	-
Sinopharm Holding Shenyang Co., Ltd.	42.25	-	-	-
Sinopharm Holding Fujian Co., Ltd.	40.00	-	-	-
Sinopharm Holding Anhui Co., Ltd.	39.01	-	-	-
Sinopharm Holding Shanxi Co., Ltd.	35.95	-	50.00	-
Sinopharm Holding Jilin Co., Ltd.	27.41	-	-	-
Sinopharm Holding Chengdu Co., Ltd.	20.13	-	-	-
Sinopharm Holding Ningxia Co., Ltd.	17.66	-	-	-
Sinopharm Holding Gansu Co., Ltd.	16.32	-	-	-
Foshan Chancheng Pharmaceutical Co., Ltd.	-	-	814.96	-
Sinopharm Holding Nantong Co., Ltd.	-	-	224.00	-
Sinopharm Group (Tianjin) Eastern Bokang Pharmaceutical Co., Ltd.	-	-	16.16	-
Sinopharm Holding Inner Mongolia Co., Ltd.	-	-	13.62	-
Sinopharm Holding Dalian Hecheng Co., Ltd.	-	-	11.69	-
	<u>23,475.83</u>	<u>-</u>	<u>1,645.52</u>	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2018		2017	
	RMB'0,000		RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Other receivables				
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	4,400.00	-	4,400.00	-
Shyndec Pharma	791.34	-	12,518.17	-
Sinopharm Group Medicine Logistic Co., Ltd.	249.42	-	139.88	-
Henan Wanxitang	109.90	-	-	-
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	10.98	0.06	1.71	0.03
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	10.00	-	10.00	-
Sinopharm Health Online Co., Ltd.	8.18	-	107.14	-
Sinopharm Larentang Hebei Medical Instrument Trade Co., Ltd.	4.85	-	4.85	-
Sinopharm Holding Jiaozuo Co., Ltd.	3.02	-	-	-
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	1.87	-	-	-
Sinopharm Holding Fujian Co., Ltd.	0.55	-	-	-
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	0.50	0.10	0.50	0.05
Sinopharm Holding Shanxi Co., Ltd.	-	-	10.00	-
	<u>5,590.61</u>	<u>0.16</u>	<u>17,192.25</u>	<u>0.08</u>

Interest receivable

	2018	2017
	RMB'0,000	RMB'0,000
Zhijun Suzhou	<u>184.66</u>	<u>6.14</u>

	2018		2017	
	RMB'0,000		RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Advances to suppliers				
Sinopharm Holding Shanxi Co., Ltd.	389.10	-	550.24	-
Hunan Minshengtang Investment Co., Ltd.	334.93	-	267.04	-
Sinopharm Holding Shanxi Co., Ltd.	333.03	-	28.80	-
Sinopharm Group Co., Ltd.	230.83	-	196.35	-
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	164.33	-	202.50	-
Chengdu Rongsheng Pharmacy Co., Ltd.	141.66	-	0.06	-
Chongqing Yaoyou Pharmaceutical Co., Ltd.	93.13	-	-	-
Linyi Medical Group Co., Ltd.	77.54	-	-	-
Jiangxi Erye Medicine Marketing Co., Ltd.	72.98	-	-	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2018		2017	
	Amount	RMB'0,000 Provision for bad debts	Amount	RMB'0,000 Provision for bad debts
Advances to suppliers (continued)				
Sinopharm Holding Shanxi Lvliang Co., Ltd.	66.00	-	-	-
Pharmaceutical Marketing Co., Ltd.	60.94	-	-	-
Sinopharm Group Guizhou Blood Products Co., Ltd.	53.60	-	-	-
Sinopharm Group Chuankang Pharmaceutical Co., Ltd.	34.68	-	-	-
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	28.25	-	26.44	-
Shenyang Hongqi Pharmaceutical Co., Ltd.	23.72	-	-	-
Guizhou Tongjitang Pharmaceutical Co., Ltd.	22.72	-	-	-
Nanjing Yuanguang Trading Co., Ltd.	16.97	-	16.82	-
Zhijun Medicine	13.94	-	-	-
Sinopharm Holding Beijing Co., Ltd.	12.38	-	11.75	-
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	10.35	-	-	-
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.	7.89	-	-	-
China National Medicines Co., Ltd.	7.88	-	18.30	-
Shyndec Pharma	5.78	-	-	-
Chengdu Institute of Biological Products Co.,Ltd.	4.87	-	-	-
Anhui Jingfang Pharmaceutical Co., Ltd.	4.56	-	-	-
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	4.54	-	4.27	-
Taishan Xiangranhui Trade Co., Ltd.	3.95	-	-	-
Xinjiang Baitong Property Service Co., Ltd.	1.69	-	1.09	-
Jinzhou AoHong Pharmaceuticals Co., Ltd.	1.65	-	2,013.70	-
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	1.57	-	-	-
Guilin South pharmaceutical Co., Ltd.	1.10	-	2.00	-
Winteam Pharmaceutical Group Ltd.	0.93	-	1.92	-
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	0.18	-	-	-
Sinopharm Group Luya (Shandong) Pharmaceutical Co., Ltd.	0.14	-	-	-
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	0.12	-	-	-
Sinopharm Holding Fujian Co., Ltd.	0.02	-	0.55	-
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd	0.01	-	-	-
Sinopharm Holding Shenyang Co., Ltd.	-	-	133.49	-
Shanghai Shangsheng Biological Products Co., Ltd.	-	-	127.13	-
Sinopharm Group Guorui Medicine Co., Ltd.	-	-	27.91	-
Gu Jinhua	-	-	7.84	-
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	-	-	2.52	-
Sinopharm Holding Suzhou Co., Ltd.	-	-	0.77	-

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

7. Amounts due from related parties (Continued)

	2018 RMB'0,000		2017 RMB'0,000	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Advances to suppliers (continued)				
Sinopharm Holding Yangzhou Co., Ltd.	-	-	0.41	-
Sinopharm Holding Hunan Co., Ltd.	-	-	0.31	-
Sinopharm Holding Tianjin Distribution Center Co., Ltd.	-	-	0.17	-
Sinopharm Holding Sub Marketing Center Co., Ltd.	-	-	0.10	-
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	-	-	0.02	-
	<u>2,227.96</u>	<u>-</u>	<u>3,642.50</u>	<u>-</u>
Other non-current assets				
		2018 RMB'0,000		2017 RMB'0,000
Hunan Minshengtang Investment Co., Ltd.		<u>351.92</u>		<u>-</u>

Amounts due from related parties are interest-free, unsecured with no fixed term on repayment, except that notes receivable from related parties have fixed terms of repayment.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)****X. Related party relationships and transactions (Continued)****8. Amounts due to related parties**

	2018 RMB'0,000	2017 RMB'0,000
Trade payables		
Sinopharm Holding Sub Marketing Center Co., Ltd.	10,426.28	14,390.85
China National Medicines Co., Ltd.	4,835.29	2,836.25
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	1,825.99	1,974.28
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	1,503.86	1,000.33
Sinopharm Group Co., Ltd.	1,373.23	4,520.40
Fresenius Kabi Huarui Pharmaceuticals Co., Ltd.	1,047.00	1,600.39
Shenzhen Main Luck Pharmaceutical Co., Ltd.	856.57	652.05
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	840.23	779.69
Tibet Yaoyou Medicines Co.,Ltd.	834.66	-
Sinopharm Holding Yangzhou Co., Ltd.	763.04	598.71
Sinopharm Holding Beijing Co., Ltd.	747.80	114.89
Sinopharm Holding Jiangsu Co., Ltd.	674.53	773.08
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	630.92	408.96
Winteam Pharmaceutical Group Ltd.	629.45	129.10
Sinopharm Holding Fujian Co., Ltd.	448.46	371.76
Shenzhen Wanwei Medicine Trading Co., Ltd.	421.91	424.01
Sinopharm Holding Shenyang Co., Ltd.	401.60	-
Sinopharm Holding Pingdingshan Co., Ltd.	360.33	817.83
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	355.05	135.06
Chongqing Yaoyou Pharmaceutical Co., Ltd.	350.68	545.00
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	308.04	279.27
Sinopharm Holding Ningxia Co., Ltd.	300.77	280.94
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	292.21	114.17
Jinzhou AoHong Pharmaceuticals Co., Ltd.	242.29	-
Sinopharm Holding Inner Mongolia Co., Ltd.	222.59	266.45
Henan Wanxitang	205.36	-
Chengdu Rongsheng Pharmacy Co., Ltd.	194.73	-
Yichang Humanwell Pharmaceutical Co., Ltd.	193.61	262.01
Sinopharm Holding Suzhou Co., Ltd.	187.18	65.70
Sinopharm Holding Shanghai Likang Pharmaceutical Co., Ltd.	175.52	49.50
Sinopharm Holding Xiamen Co., Ltd.	171.08	400.65
China Otsuka Pharmaceutical Co., Ltd.	157.17	107.38
Sinopharm Lerentang Hebei Medical Instrument Trade Co., Ltd.	151.90	170.81
Sinopharm Holding Beijing Huahong Co., Ltd.	149.86	127.75

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)****X. Related party relationships and transactions (Continued)****8. Amounts due to related parties (Continued)**

	2018 RMB'0,000	2017 RMB'0,000
Trade payables (continued)		
Sinopharm Holding Changzhou Co., Ltd.	148.46	15.63
Sinopharm Holding Henan Co., Ltd.	144.12	152.65
Jiangsu Lianhuan Pharmaceutical Co., Ltd.	132.13	-
Foshan Fengliaoqing Pharmaceutical Co., Ltd.	125.43	138.01
Shenyang Hongqi Pharmaceutical Co., Ltd.	119.18	39.48
Sinopharm Holding Xinjiang Xinte Karamay Pharmaceutical Co., Ltd.	113.38	48.24
Sinopharm Group Guorui Medicine Co., Ltd.	105.71	3.46
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	105.07	15.03
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	96.69	80.36
Huayi Pharmaceutical Co., Ltd.	96.14	-
Sinopharm Holding Shanxi Co., Ltd.	94.51	24.45
Sinopharm Holding Heilongjiang Co., Ltd.	92.21	-
Sinopharm Holding Beijing Kangchen Bio-Pharmaceutical Co., Ltd.	91.72	109.58
Sinopharm Holding Tongliao Co., Ltd.	87.26	44.09
Sinopharm Holding Xinjiang Special Drugs Western Pharmaceutical Co., Ltd.	79.54	32.18
Wuhan Zhonglian Pharmaceutical Group Co., Ltd.	56.05	52.68
Jiangsu Fuxing Pharmaceutical Trading Co., Ltd.	54.91	18.38
Sinopharm Holding Jinzhou Co., Ltd.	53.10	52.02
Shyndec Pharma	51.15	1.28
Fujian Chentian Jinling Pharmaceutical Co., Ltd.	50.56	-
Sinopharm Holding Wuxi Co., Ltd.	49.27	23.49
Sinopharm Xinjiang Korla Pharmaceutical Co., Ltd.	47.25	-
Sichuan Hexin Medicine Co., Ltd.	45.45	-
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	39.89	19.73
Beijing Huamiao Pharmaceutical Co., Ltd.	37.21	33.99
Chengdu Institute of Biological Products Co., Ltd.	37.08	-
Sinopharm Holding Hulun Buir Co., Ltd.	36.44	290.22
China National Pharmaceutical Industry Co., Ltd.	36.38	5.23
Shanghai Transfusion Technology Co., Ltd.	35.21	25.15
Sinopharm Holding Kashi New & Special Drugs Co., Ltd.	35.07	15.55
Guizhou Tongjitang Pharmaceutical Co., Ltd.	34.28	55.75
Sinopharm Holding Fuzhou Co., Ltd.	32.87	99.60
Shanghai Chaohui Pharmaceutical Co., Ltd.	31.18	0.89
Guangdong Medi-World Pharmaceutical Co., Ltd.	29.76	24.88

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)****X. Related party relationships and transactions (Continued)****8. Amounts due to related parties (Continued)**

	2018 RMB'0,000	2017 RMB'0,000
Trade payables (continued)		
Suzhou Erye Pharmaceutical Limited Company	27.83	-
Sinopharm Holding Lianyungang Co., Ltd.	27.61	-
Hunan Dongting Pharmaceutical Co., Ltd.	26.54	11.01
Jiangxi Erye Medicine Marketing Co., Ltd.	26.26	-
Jiangsu Huanghe Pharmaceutical Co., Ltd.	26.12	5.33
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Co., Ltd.	25.51	36.39
Shantou Jinshi Powder Injection Co., Ltd.	24.54	-
Sinopharm Holding Dezhou Co., Ltd.	23.36	23.94
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.	21.30	4.61
Sinopharm Group Southwest Medicine Co., Ltd.	19.50	-
Sinopharm Holding Yancheng Co., Ltd.	19.02	0.10
Sinopharm Holding Jinan Co., Ltd.	18.93	7.17
Jingfukang Pharmaceutical Group Co., Ltd.	18.44	-
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	18.37	210.66
Sinopharm Holding Dalian Co., Ltd.	18.25	8.02
Lanzhou Institute of Biological Products Co., Ltd.	18.00	-
Sinopharm Yixin Pharmaceutical Co., Ltd.	17.59	-
Sinopharm Wuhan blood products Co., Ltd.	17.04	-
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.	16.55	3,750.48
Anhui Jingfang Pharmaceutical Co., Ltd.	16.52	27.53
Sinopharm Group Yibin Pharmaceuticals Co., Ltd.	15.00	2.30
Sinopharm Holding Shanxi Zhidekang Medicine Co., Ltd.	14.00	-
China National Pharmaceutical Foreign Trade Corporation	12.29	203.51
Sinopharm Shantou Jinshi Pharmaceutical Co., Ltd.	10.27	5.53
Sinopharm Holding Nanjing Wende Pharmaceutical Co., Ltd.	10.24	-
Sinopharm Holding Taizhou Co., Ltd.	9.95	9.50
Foshan Dezhong Pharmaceutical Co., Ltd.	9.88	9.88
The Fourth Pharmaceutical Co., Ltd. of Zhonglian Group	9.71	7.71
Shanghai SinoMed Medicine Co., Ltd.	9.26	-
Pudong New Area of Shanghai Pharmaceutical Medicine Ltd.	9.15	79.84
Shanghai Merro Pharmaceutical Co., Ltd.	9.03	31.16

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)****X. Related party relationships and transactions (Continued)****8. Amounts due to related parties (Continued)**

	2018 RMB'0,000	2017 RMB'0,000
Trade payables (continued)		
Sinopharm Holding Beijing Tianxing Puxin Biological Medical Co., Ltd.	8.45	4.24
Sichuan Jiangyouzhongbafuzi Technology Development Co., Ltd.	8.00	0.86
Sinopharm Holding Hainan Co., Ltd.	7.27	-
Sinopharm Holding Lunan Co., Ltd.	7.16	15.29
Sinopharm ShanXi Ruifulai Pharmaceutical Co., Ltd.	6.31	6.31
Sinopharm Holding Quanzhou Co., Ltd.	6.29	10.70
Sinopharm Holding Ulanqab Co., Ltd.	6.12	13.36
Sinopharm Holding Zhejiang Co., Ltd.	5.85	5.55
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	5.71	3.09
Sinopharm Holding Yangzhou Medical Treatment Equipment Co., Ltd.	5.59	-
Shandong Lu Ya Pharmaceutical Co., Ltd.	5.28	150.75
Sinopharm Holding Yangzhou Biological Products Co., Ltd.	5.02	2.49
Qinghai Pharmaceutical Factory Co., Ltd.	3.30	-
Sinopharm Holding Shanxi Mingdikang Medicine Co., Ltd.	2.72	-
Sinopharm Holding Sanyi Medicine (Wuhu) Co., Ltd.	2.55	7.44
Sinopharm Holding Biopharmaceutical (Tianjin) Co., Ltd.	2.05	2.05
Sinopharm Holding Yongzhou Co., Ltd.	1.99	3.02
Sinopharm Holding Anhui Co., Ltd.	1.86	-
Sinopharm Group Shanghai Medicine Device Co., Ltd.	1.66	1.66
Sinopharm Holding Liaocheng Co., Ltd.	1.62	1.62
Sinopharm Holding Tianjin Co., Ltd.	1.56	8.86
Sinopharm Holding Shandong Co., Ltd.	1.09	-
Sinopharm Holding Rizhao Co., Ltd.	1.02	-
Sinopharm Xinjiang Pharmaceutical Co., Ltd.	0.97	2.77
Sinopharm Holding Hunan Co., Ltd.	0.77	14.86
Sinopharm Holding Putian Co., Ltd.	0.71	14.98
Sinopharm Holding Zhangzhou Co., Ltd.	0.55	-
Sinopharm Holding Shanxi Jincheng Co., Ltd.	0.38	-
Sinopharm Group Sichuan Medicines Co., Ltd.	0.27	-
Sinopharm Holding Ordos Co., Ltd.	0.18	5.56

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2018 RMB'0,000	2017 RMB'0,000
Trade payables (continued)		
Changchun Changsheng Gene Pharmaceutical Co., Ltd.	0.15	1.42
Sinopharm Prospect Dentech (Beijing) Co., Ltd.	0.15	0.12
Guilin South pharmaceutical Co., Ltd.	0.12	0.12
Sinopharm Holding Huaideju Pharmaceutical (Xiamen) Co., Ltd.	0.11	0.11
Beijing Huasheng Pharmaceutical Biotechnology Development Co., Ltd.	0.06	0.06
Shenzhen Zhijun Pharmaceutical Trade Co., Ltd.	0.05	0.05
Shanghai Shyndec Pharmaceutical Marketing Co., Ltd.	0.01	56.64
Chongqing Haisiman Pharmaceutical Co., Ltd.	0.01	43.84
Sinopharm Fengliaoqing (Foshan) Medicines Co., Ltd.	0.01	0.01
Sinopharm Holding Chengdu Co., Ltd.	-	10.41
Guizhou Longlife Pharmaceutical Co., Ltd.	-	10.36
Sinopharm Holding Jiangxi Co., Ltd.	-	3.04
Sinopharm Holding Tianjin North Medicine Co., Ltd.	-	1.93
Sinopharm Hebei Medical Instrument Co., Ltd.	-	0.36
Sinopharm Holding Chongqing Co., Ltd.	-	0.01
	<u>35,352.88</u>	<u>40,457.88</u>
	2018 RMB'0,000	2017 RMB'0,000
Notes payable		
Sinopharm Holding Sub Marketing Center Co., Ltd.	23,006.74	9,132.03
Sinopharm Holding Shenyang Co., Ltd.	7,689.40	4,021.54
Sinopharm Holding Shanxi Co., Ltd.	6,792.66	9,682.92
China National Medicines Co., Ltd.	2,665.46	822.34
Sinopharm Le-Ren-Tang Medicine Co., Ltd.	2,207.62	2,037.61
Sinopharm Holding Inner Mongolia Co., Ltd.	2,045.98	-
Sinopharm Holding Shanxi Co., Ltd.	1,834.00	2,993.17
Sinopharm Holding Lerentang Pharmaceutical Co., Ltd.	1,465.05	266.94
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	1,388.77	-
Sinopharm Holding Lunan Co., Ltd.	859.63	-
Sinopharm Lerentang Shijiazhuang Medicine Co., Ltd.	814.83	418.00
Sinopharm Holding Fujian Co., Ltd.	701.10	629.45
Lanzhou Institute of Biological Products Co., Ltd.	623.62	2,160.00
Chongqing Yaoyou Pharmaceutical Co., Ltd.	553.83	672.23
Sinopharm Holding Xiamen Co., Ltd.	536.20	857.37

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2018 RMB'0,000	2017 RMB'0,000
Notes payable (continued)		
Jiangsu Wanbang Pharmacy Marketing Co., Ltd.	481.74	220.77
Sinopharm Holding Hunan Co., Ltd.	311.41	-
Lanzhou Biological Technology Development Co., Ltd.	300.00	-
Main Luck Pharmaceutical	287.74	-
Chengdu Rongsheng Pharmacy Co., Ltd.	267.35	176.00
Shenzhen Wanwei Medicine Trading Co., Ltd.	240.24	149.57
Sinopharm Holding Shanxi Instrument Branch Co., Ltd.	198.12	205.14
Sinopharm Holding Jinan Co., Ltd.	188.00	24.00
China OTSUKA Pharmaceutical Co., Ltd.	179.36	-
Sinopharm Holding Jinzhou Co., Ltd.	161.13	64.74
Sinopharm Holding Ningxia Co., Ltd.	141.38	170.00
Sinopharm Group Co., Ltd.	118.36	6,068.19
Sinopharm Holding Changzhou Medical Logistics Center Co., Ltd.	100.00	-
Sinopharm Holding Dalian Co., Ltd.	95.02	29.51
Sinopharm Holding Yangzhou Co., Ltd.	62.65	-
Sinopharm Holding Putian Co., Ltd.	61.45	59.41
Shenyang Hongqi Pharmaceutical Co., Ltd.	60.22	78.00
Sinopharm Group Guizhou Blood Products Co., Ltd.	53.60	-
Jiangsu Lianhuan Pharmaceutical Co., Ltd.	52.21	-
Shanghai Blood Transfusion Technology Co., Ltd.	50.30	-
Shyndec Pharma	47.58	-
Sinopharm Yixin Pharmaceutical Co., Ltd.	39.41	-
Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.	35.66	-
Sinopharm Group Zhijun(Shenzhen) Pharmaceutical Co., Ltd.	32.57	12.33
Sinopharm Holding Fengliaxing (Foshan) Traditional & Herbal Medicine Co., Ltd.	32.03	-
Chongqing Haisiman Pharmaceutical Co., Ltd.	27.57	355.69
Sinopharm Group Rongsheng Pharmaceutical Co., Ltd.	22.33	17.01
Sinopharm Holding Quanzhou Co., Ltd.	17.09	45.70
Jingfukang Pharmaceutical Group Co., Ltd.	15.11	-
Winteam Pharmaceutical Group Ltd.	11.13	6.85
Fujian Chentian Jinling Pharmaceutical Co., Ltd.	10.06	-
Sinopharm Holding Heilongjiang Co., Ltd.	3.13	-
Guizhou Tongjitang Pharmaceutical Co., Ltd.	-	98.03
Anhui Jingfang Pharmaceutical Co., Ltd.	-	34.83
Sinopharm Group Zhijun (Shenzhen) PingShan Pharmaceutical Co., Ltd.	-	15.78
	<u>56,888.84</u>	<u>41,525.15</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2018 RMB'0,000	2017 RMB'0,000
Other payables		
Shanghai Dingqun	1,000.00	-
Sinopharm Chongqing Pharmaceutical and Medical Industry Design Institute	594.30	-
Sinopharm Holding Financing Lease Co., Ltd.	442.50	-
Shenyang Pharmaceutical Co., Ltd.	441.92	609.25
Sinopharm Group Co., Ltd.	370.64	58.40
Zhang Zhenfang	231.00	150.50
Sinopharm Group Medicine Logistic Co., Ltd.	227.83	412.88
Sinopharm Group Shanghai Co., Ltd.	166.04	-
China National of Traditional&Herbal Medicine Co., Ltd.	130.00	130.00
Pingdingshan Pusheng Pharmaceutical Co., Ltd.	124.64	123.58
Heyuan Mairui Trading Co., Ltd.	67.24	-
Shanghai Beiyi Guoda pharmaceutical Co. Ltd.	56.62	49.67
Sinopharm Holding Tianjin Binhai Pharmaceutical Co., Ltd.	33.98	113.73
Shyndec Pharma	32.80	50.35
Linyi Medical Group Co., Ltd.	5.14	86.21
Sinopharm Group Xinjiang Special Drugs National Pharmaceutical Co., Ltd.	4.18	46.64
Sinopharm Holding Sub Marketing Center Co., Ltd.	3.78	3.78
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited	3.00	0.69
Sinopharm Group Medicine Logistic Co., Ltd. Guangzhou Branch	1.87	-
China National Pharmaceutical Logistics Co., Ltd.	1.03	0.74
Lerentang Investment Group Co., Ltd.	-	302.78
Beijing Golden Elephant Fosun Pharmaceutical Co., Ltd.	-	20.00
Shenzhen Jiufeng Investment Co., Ltd.	-	18.00
China National Scientific Instruments & Materials Imp/Exp Shenzhen Co., Ltd.	-	3.75
	<u>3,938.51</u>	<u>2,180.95</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.**Notes to financial statements (Continued)****For the Year ended 31 December 2018****(All amounts in Renminbi “RMB” unless otherwise stated)****X. Related party relationships and transactions (Continued)****8. Amounts due to related parties (Continued)**

	2018 RMB'0,000	2017 RMB'0,000
Advances from customers		
Sinopharm Sichuan Pharmaceutical Co., Ltd.	112.31	73.96
Sinopharm Health Online Co., Ltd.	41.61	-
Sinopharm Holding Nantong Co., Ltd.	14.32	-
Sinopharm Holding Hunan Co., Ltd.	8.78	7.74
Sinopharm Holding Hunan Weian Pharmacy Medicine Chain Company Limited.	6.73	-
Sinopharm Holding Jiangxi Co., Ltd.	3.43	-
Sinopharm Holding Inner Mongolia Co., Ltd.	2.30	-
Sinopharm Hulunbuir Co., Ltd.	2.12	-
Sinopharm Holding Yunnan Co., Ltd.	1.19	-
Sinopharm Holding Quanzhou Co., Ltd.	1.01	-
Sinopharm Zhuhai Medical Instrument Co., Ltd.	0.37	1.15
Sinopharm Group Guangdong Medicine Device Co., Ltd.	0.16	-
China National Pharmaceutical Foreign Trade Corporation	0.15	1,250.54
Sinopharm Holding Chengdu Co., Ltd.	0.09	0.13
Sinopharm Holding Chongqing Co., Ltd.	0.08	0.08
Sinopharm Medical Instrument Guizhou Qiannan Co., Ltd.	0.01	-
Sinopharm Group Southwest Medicine Co., Ltd.	-	67.67
Sinopharm Holding Nanping Newforce Co., Ltd.	-	29.58
Sinopharm Holding Shenyang Co., Ltd.	-	1.01
Sinopharm Holding Suzhou Co., Ltd.	-	0.77
Sinopharm Group Co., Ltd.	-	2.13
Sinopharm Holding Gansu Co., Ltd.	-	2.89
Sinopharm Holding Qinghai Co., Ltd.	-	0.35
Sinopharm Holding Beijing Co., Ltd.	-	234.91
Sinopharm Holding Shandong Co., Ltd.	-	251.57
Sinopharm Holding Lunan Co., Ltd.	-	6.28
	<u>194.66</u>	<u>1,930.76</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

X. Related party relationships and transactions (Continued)

8. Amounts due to related parties (Continued)

	2018 RMB'0,000	2017 RMB'0,000
Interest payable		
China National Pharmaceutical Group Corporation	<u>3.90</u>	<u>3.90</u>
Entrusted borrowings		
China National Pharmaceutical Group Corporation (Note)	<u>3,160.00</u>	<u>3,160.00</u>
Note: Sinopharm Group Co. entrusted Group Financial Co. with this borrowing to the Group.		
Short-term borrowings		
Group Financial Co.	<u>12,242.64</u>	<u>14,771.55</u>
Other non-current liabilities		
Sinopharm Group	<u>3,506.17</u>	<u>3,506.17</u>
Current portion of long-term borrowings		
Sinopharm Holding Financing Lease Co., Ltd.	<u>586.13</u>	<u>543.48</u>
Long-term payables		
Sinopharm Holding Financing Lease Co., Ltd.	<u>376.40</u>	<u>933.25</u>

Amounts due to related parties were interest-free and unsecured, with no fixed terms of repayment.

9. Cash deposit with a related party

	2018 RMB'0,000	2017 RMB'0,000
Group Financial Co.	<u>212.54</u>	<u>15,674.09</u>

In years 2018 and 2017, the interest rates for the deposit ranged from 0.35% to 1.15% above the benchmark interest rate.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XI. Commitments and contingencies

1. Commitments

(1) **Capital commitments**

Capital expenditures contracted for at the balance sheet date but not recognized in the balance sheet are analyzed as follows:

	31 December 2018	31 December 2017
	RMB'0,000	RMB'0,000
Capital commitments	42.16	600.45
Investment commitments (Note)	<u>6,000.00</u>	<u>14,000.00</u>
	<u><u>6,042.16</u></u>	<u><u>14,600.45</u></u>

Note: According to the Sinopharm Holding document [Sinopharm Zongtou[2017]No.97], the Company can subscribe fund shares from Ningbo Meishan bonded port area Qiling equity investment center LP with RMB200 million to indirectly subscribe to the industry fund. The investors contribute year by year in batch. The fund manager will send out payment notification to investors according to the actual progress of the project and the investors will commit to complete the payment in 3 years. 30% was paid in 2017, amounting to RMB60 million, and 40% was paid in 2018, amounting to RMB80 million. The remaining payment amount is RMB60 million.

(2) **Operating lease commitments**

The future minimum lease payments due under the signed irrevocable operating lease contracts are summarized as follows:

	31 December 2018	31 December 2017
	RMB'0,000	RMB'0,000
Within one year	43,365.94	49,860.66
Between 1 and 2 years	37,635.38	39,575.48
Between 2 and 3 years	31,071.82	29,537.37
Over 3 years	<u>37,142.17</u>	<u>51,138.78</u>
	<u><u>149,215.31</u></u>	<u><u>170,112.29</u></u>

2. Contingencies

As of the balance sheet date, there were no contingencies that the Group was required to disclose.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XII. Events after the balance sheet date

Pursuant to the resolution of the General Meeting of the Shareholders on 23 April 2019, the Company paid a cash dividend of RMB4.00 for every 10 shares to all shareholders. Calculated on the basis of 428,126,983 shares in issue, with an aggregate amount of RMB171,250,793.20. This resolution had yet to be approved by the shareholders' meeting.

XIII. Other significant events

1. Segment reporting

Operating segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable operating segments as follows:

- a) The Head Office, which is mainly engaged in the investment and management of businesses;
- b) Pharmaceutical distribution segment, which is mainly engaged in the distribution of medicine and pharmaceutical products to customers;
- c) Retail pharmacy segment, which is the management of the operation of Guoda Pharmacy;

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measurement of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs, dividend income, non-operating income, non-operating expense, investment income, as well as the Head Office and corporate expenses are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used in the transactions carried out with third parties at the then prevailing market prices.

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIII Other significant events (Continued)

1. Segment reporting (Continued)

Operating segments (Continued)

Operating segment information as at and for the year ended 31 December 2018 is as follows:

	Head Office	Pharmaceutical distribution	Retail Pharmacy	Elimination between segments	Total
Operating revenue	9,273,843.07	32,757,389,882.07	10,878,025,717.94	(522,303,921.85)	43,122,385,521.23
Incl: Revenue from external customers	7,639,065.85	32,237,174,455.73	10,877,571,999.65	-	43,122,385,521.23
Revenue from inter-segment transactions	1,634,777.22	520,215,426.34	453,718.29	(522,303,921.85)	-
Interest income	86,156,915.62	36,903,104.11	42,112,312.72	(84,052,825.82)	81,119,506.63
Interest expense	(24,418,425.35)	(254,353,316.36)	(537,310.58)	84,052,825.82	(195,256,226.47)
Share of profits of associates	319,909,375.15	(1,700,728.31)	1,695,243.63	-	319,903,890.47
Asset impairment	-	(2,029,159.28)	(715,446.08)	-	(2,744,605.36)
Credit impairment losses	3,348.72	903,349.81	(1,205,178.08)	-	(298,479.55)
Depreciation and amortization	(1,214,260.43)	(70,320,317.76)	(134,575,834.22)	-	(206,110,412.41)
Gross profit	693,877,930.80	935,088,852.44	410,585,068.82	(360,622,494.53)	1,678,929,357.53
Income taxes	(2,797,055.83)	(218,867,690.72)	(108,833,499.13)	-	(330,498,245.68)
Net profit	691,080,874.97	716,221,161.72	301,751,569.69	(360,622,494.53)	1,348,431,111.85
Total assets	11,206,677,509.70	18,246,104,939.73	9,035,418,275.87	(9,557,900,205.33)	28,930,300,519.97
Total liabilities	(2,203,816,484.92)	(12,743,275,454.62)	(4,059,201,016.82)	3,981,768,929.44	(15,024,524,026.92)
Long-term equity investments in associates	1,861,606,283.58	6,802,156.19	11,985,346.33	-	1,880,393,786.10
Accrual of other non-current assets except long-term equity investments	78,652,882.95	34,828,145.45	68,564,604.37	-	182,045,632.77

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIII Other significant events (Continued)

1. Segment reporting (Continued)

Operating segments (Continued)

Operating segment information as at and for the year ended 31 December 2017 is as follows:

	Head Office	Pharmaceutical distribution	Retail Pharmacy	Elimination between segments	Total
Operating revenue	8,375,742.95	31,521,345,695.17	10,030,768,869.22	(297,096,879.93)	41,263,393,427.41
Incl: Revenue from external customers	7,021,273.74	31,225,603,284.45	10,030,768,869.22	-	41,263,393,427.41
Revenue from inter-segment transactions	1,354,469.21	295,742,410.72	-	(297,096,879.93)	-
Interest income	78,376,603.70	18,691,863.52	10,604,984.72	(72,661,252.46)	35,012,199.48
Interest expense	(11,006,890.78)	(193,254,315.97)	(4,232,925.04)	72,661,252.46	(135,832,879.33)
Share of profits of associates	263,091,955.14	(939,857.11)	1,673,736.53	-	263,825,834.56
Asset impairment	(146,475.86)	(3,552,384.94)	1,228,164.06	-	(2,470,696.74)
Depreciation and amortization	(1,147,598.64)	(64,987,392.18)	(113,674,431.89)	-	(179,809,422.71)
Gross profit	621,606,951.14	837,969,445.75	360,840,066.95	(354,387,490.03)	1,466,028,973.81
Income taxes	(12,769,846.38)	(197,854,401.55)	(98,665,879.79)	-	(309,290,127.72)
Net profit	608,837,104.76	640,115,044.20	262,174,187.16	(354,387,490.03)	1,156,738,846.09
Total assets	10,764,738,889.92	15,163,227,958.07	5,468,132,363.83	(9,052,455,684.05)	22,343,643,527.77
Total liabilities	(2,423,748,087.76)	(10,185,768,194.29)	(3,514,929,235.96)	3,708,304,747.38	(12,416,140,770.63)
Long-term equity investments in associates	1,631,826,385.89	8,502,884.50	10,290,102.70	-	1,650,619,373.09
Accrual of other non-current assets except long-term equity investments	61,523,479.15	19,193,113.59	76,785,603.09	-	157,502,195.83

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIII Other significant events (Continued)

2. Leases

As the lessor

Refer to Note V (12) for details of fixed assets leased out as operation leases.

As the lessee

Finance leases: At 31 December 2018, the balance of the unrecognized finance charge was RMB 840,006.58 (2017: RMB1,981,269.40), which was amortized using the effective interest rate method over each reporting period within the lease term. According to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are presented as follows:

	2018	2017
Less than 1 year (Including 1 year)	7,304,197.88	7,304,197.93
1 to 2 years (Including 2 years)	4,424,279.85	7,304,197.93
2 to 3 years (Including 3 years)	563,159.02	4,575,859.90
Over 3 years	-	411,578.82
	<u>12,291,636.75</u>	<u>19,595,834.58</u>

Fixed assets under finance leases, see Note V (12).

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements

1. Notes receivable and trade receivables

	31 December 2018	31 December 2017
Notes receivable	63,870,980.39	64,799,618.07
Trade receivables	631,236,593.94	480,467,760.92
	695,107,574.33	545,267,378.99

Notes receivable

	31 December 2018	31 December 2017
Trade acceptance notes	34,154,774.75	47,539,487.69
Bank acceptance notes	29,716,205.64	17,260,130.38
	63,870,980.39	64,799,618.07

	31 December 2018		31 December 2017	
	Derecognized	Not Derecognized	Derecognized	Not Derecognized
Trade acceptance notes	-	-	-	-
Bank acceptance notes	47,235,156.38	-	-	-
	47,235,156.38	-	-	-

As at 31 December 2018 and 31 December 2017, no notes were converted into accounts receivable due to the drawer's inability to settle the notes on the maturity date.

Trade receivables

The credit period for trade receivables normally ranges from 0 to 90 days. Trade receivables are interest-free.

The aging of trade receivables and the related provision for bad debts is analyzed below:

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	631,236,593.94	-	480,467,760.92	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	117,320.70	(117,320.70)
	631,236,593.94	-	480,585,081.62	(117,320.70)

Changes in provision for bad debts are presented as follows:

	Opening balance	Written off in the year	Closing balance
2018	117,320.70	(117,320.70)	-
2017	117,320.70	-	117,320.70

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

1. Notes receivable and trade receivables (Continued)

Trade receivables (Continued)

Carrying amount of trade receivables that affected the changes in provision this year is as follows:

	31 December 2018			
	Carrying amount		Bad debt provisions	
	Amount	Porportion	Amount	Porportion
Items for which provision for bad debt is recognized by group (credit risk characteristics)	613,389,652.64	97.17%	-	0.00%
Items for which provision for bad debt is recognised separately	17,846,941.30	2.83%	-	0.00%
	<u>631,236,593.94</u>	<u>100.00%</u>	<u>-</u>	<u>0.00%</u>

	31 December 2017			
	Carrying amount		Bad debt provisions	
	Amount	Proportion	Amount	Proportion
Items for which provision for bad debt is recognized by group (aging)	480,467,760.92	99.98%	-	-
Not individually significant Items for which provision for bad debt is recognized separately	117,320.70	0.02%	(117,320.70)	100.00%
	<u>480,585,081.62</u>	<u>100.00%</u>	<u>(117,320.70)</u>	<u>0.02%</u>

	31 December 2018			31 December 2017		
	Estimated default amount	Expected credit loss rate	Expected credit loss in entire lifetime	Amount	Proportion	Provision for bad debts
Within 1 year	<u>613,389,652.64</u>	0.00%	<u>-</u>	<u>480,467,760.92</u>	0.00%	<u>-</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

1. Notes receivable and trade receivables (Continued)

Trade receivables (Continued)

The actual write-off trade receivables in 2018 are analyzed as follows

	Nature	Amount	Reason	Occurred by transactions between related party
Client A	Payment for goods	116,855.40	Non-recoverable	No
Client B	Payment for goods	<u>465.30</u>	Non-recoverable	No
		<u>117,320.70</u>		

In 2018, the Company factored a small portion of trade receivables at amortised cost to financial institutions. The amount of trade receivables derecognized is RMB145,129,500.06, amount of loss recognised through financial expense is RMB1,527,611.20.

As at 31 December 2018, the top five trade receivables by customer are as follows:

	Amount	Bad debt provision amount	% of the total trade receivables
Top 1 Account receivable	56,790,226.23	-	9.00%
Top 2 Account receivable	49,842,887.24	-	7.90%
Top 3 Account receivable	48,119,276.57	-	7.62%
Top 4 Account receivable	39,009,115.37	-	6.18%
Top 5 Account receivable	<u>25,049,643.33</u>	-	<u>3.97%</u>
	<u>218,811,148.74</u>	-	<u>34.67%</u>

As at 31 December 2017, the top five trade receivables by customer are as follows:

	Amount	Bad debt provision amount	% of the total trade receivables
Top 1 Account receivable	24,643,967.32	-	5.13%
Top 2 Account receivable	21,996,337.82	-	4.58%
Top 3 Account receivable	19,000,801.45	-	3.95%
Top 4 Account receivable	16,314,089.41	-	3.40%
Top 5 Account receivable	<u>14,585,666.08</u>	-	<u>3.03%</u>
	<u>96,540,862.08</u>	-	<u>20.09%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables

	31 December 2018	31 December 2017
Interest receivable	7,550,877.07	1,844,294.10
Other receivables	1,534,430,006.43	1,516,037,945.71
	1,541,980,883.50	1,517,882,239.81

Interest receivable

	31 December 2018	31 December 2017
Deposits	3,697,083.33	-
Entrusted borrowings	3,853,793.74	1,844,294.10
	7,550,877.07	1,844,294.10

There was no interest receivable past due this year.

Other receivable

The other receivables by category are listed below:

	31 December 2018	31 December 2017
Amounts due from subsidiaries	1,469,192,387.91	1,324,203,206.47
Receivable from equity transaction	8,980,000.00	8,980,000.00
Deposit	1,449,978.94	1,864,394.68
Others	63,817,941.16	190,984,334.86
	1,543,440,308.01	1,526,031,936.01
Less: provision for bad debts	(9,010,301.58)	(9,993,990.30)
	1,534,430,006.43	1,516,037,945.71

The aging of other receivables and related provision for bad debts is analyzed below:

	31 December 2018	31 December 2017
Within 1 year	1,526,170,858.55	1,460,168,464.26
1 to 2 years	8,167,507.65	55,703,411.59
2 to 3 years	67,906.60	168,407.25
Over 3 years	9,034,035.21	9,991,652.91
	1,543,440,308.01	1,526,031,936.01

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables (Continued)

The changes in bad debt provision for other receivables based on the entire lifetime expected credit losses are as follows:

	Entire lifetime expected credit losses (Individually assessed)	Entire lifetime expected credit losses (Collectively assessed)	Total	
Balance at 1 January 2018	9,973,703.95	20,286.35	9,993,990.30	
Balance at 1 January 2018 during the period	-	-	-	
--Transfer to the Stage 2	-	-	-	
--Transfer to the Stage 3	-	-	-	
--Reverse to the Stage 2	-	-	-	
--Reverse to the Stage 1	-	-	-	
Provisions during the period	-	14,505.33	14,505.33	
Reversal during the period	(993,703.95)	(4,490.10)	(998,194.05)	
Write-back during the period	-	-	-	
Write-off during the period	-	-	-	
Other	-	-	-	
	<u>8,980,000.00</u>	<u>30,301.58</u>	<u>9,010,301.58</u>	
	31 December 2017			
	Carrying amount		Bad debt provision	
	Amount	%	Amount	%
Individually significant and subject to separate impairment assessment	134,161,658.92	8.79%	(8,980,000.00)	6.69%
Receivable accounts with similar credit risk	1,390,860,253.14	91.14%	(20,286.35)	0.00%
Individually not significant but individually evaluated for impairment	<u>1,010,023.95</u>	<u>0.07%</u>	<u>(993,703.95)</u>	<u>98.38%</u>
	<u><u>1,526,031,936.01</u></u>	<u><u>100.00%</u></u>	<u><u>(9,993,990.30)</u></u>	<u><u>0.65%</u></u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables (Continued)

As at 31 December 2017, impairment provision for other receivables which are individually significant is analyzed as follows:

	Amount	Bad debt provision	Rate	Assessment for impairment
Modern Pharma	125,181,658.92	-	-	Other receivable from a related party, no uncertainty in recoverability
Shenzhen Yinghai Technology Investment Co., Ltd.	<u>8,980,000.00</u>	<u>(8,980,000.00)</u>	<u>100.00%</u>	Uncertainty in recoverability
	<u>134,161,658.92</u>	<u>(8,980,000.00)</u>	<u>6.69%</u>	

Provisions for impairment of the receivables which have similar credit risk are analyzed below:

	31 December 2017		
	Carrying amount	Bad debt provision	
	Amount	Amount	Rate
Within 1 year	1,390,627,820.33	-	-
1 to 2 years	62,396.60	3,119.83	5.00%
2 to 3 years	168,407.25	16,840.73	10.00%
Over 3 years	<u>1,628.96</u>	<u>325.79</u>	<u>20.00%</u>
	<u>1,390,860,253.14</u>	<u>20,286.35</u>	<u>0.00%</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

2. Other receivables (Continued)

As at 31 December 2018, the accumulated top five other receivables by analysis by customer are analysed below:

	Nature	Amount	Aging	% of the total other receivable	Bad debt provision
Sinopharm Guangxi	Entrusted loans	201,000,000.00	Within 1 year	13.02%	-
Sinopharm Yuexing	Entrusted loans	190,700,000.00	Within 1 year	12.36%	-
Sinopharm Dongguan	Entrusted loans	131,000,000.00	Within 1 year	8.49%	-
Sinopharm Zhangjiang	Entrusted loans	124,000,000.00	Within 1 year	8.03%	-
Sinopharm Meizhou	Entrusted loans	76,700,000.00	Within 1 year	4.97%	-
		<u>723,400,000.00</u>		<u>46.87%</u>	<u>-</u>

As at 31 December 2017, the accumulated top five other receivables by analysis by customer are analysed below:

	Nature	Amount	Aging	% of the total other receivables	Bad debt provision
Sinopharm Yuexing	Entrusted loans	162,700,000.00	Within 1 year	10.66%	-
Sinopharm Zhangjiang	Entrusted loans	157,000,000.00	Within 1 year	10.29%	-
South Pharm & Trade	Entrusted loans	150,000,000.00	Within 1 year	9.83%	-
	Pingshan Base		Within 2 year		
Modern Pharma	Project fund	125,181,658.92		8.20%	-
Sinopharm Dongguan	Entrusted loans	121,000,000.00	Within 1 year	7.93%	-
		<u>715,881,658.92</u>		<u>46.91%</u>	<u>-</u>

3. Long-term equity investments

	31 December 2018	31 December 2017
Investments in subsidiaries (a)	5,594,679,427.58	5,594,679,427.58
Investments in associates (b)	<u>1,878,157,264.66</u>	<u>1,625,556,656.98</u>
	<u>7,472,836,692.24</u>	<u>7,220,236,084.56</u>
Less: Provision for impairment of long-term equity investments	<u>(39,930,000.00)</u>	<u>(39,930,000.00)</u>
	<u>7,432,906,692.24</u>	<u>7,180,306,084.56</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2018

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

3. Long-term equity investments (Continued)

(a) Subsidiaries

	Original investment cost	1-Jan-18	Increases in investment cost	31-Dec-18	Equity interest held (%)	Voting rights held (%)
Sinopharm Jianming	45,054,911.04	60,054,911.04	-	60,054,911.04	100	100
Sinopharm Shenzhen Material	5,400,000.00	15,450,875.93	-	15,450,875.93	100	100
Shenzhen Logistics	900,000.00	5,019,062.68	-	5,019,062.68	100	100
Sinopharm Guangzhou	58,283,114.68	1,565,440,323.63	2,023,249,393.17	3,588,689,716.80	100	100
Sinopharm Hengxing	8,421,544.08	91,763,288.00	-91,763,288.00	-	100	100
Sinopharm Liuzhou	21,407,965.79	21,407,965.79	-21,407,965.79	-	51	51
Sinopharm Dongguan	2,742,000.00	72,942,000.00	-72,942,000.00	-	100	100
Huixin Investment	109,416,937.72	64,416,937.72	-64,416,937.72	-	100	100
Guangdong Logistics	1,269,502.30	13,596,006.21	-13,596,006.21	-	100	100
Sinopharm Yuexing	16,459,326.27	243,459,326.27	-243,459,326.27	-	100	100
Sinopharm Foshan	6,995,065.51	45,995,065.51	-45,995,065.51	-	100	100
Sinopharm Guangxi	33,048,985.28	504,048,985.28	21,407,965.79	525,456,951.07	100	100
Sinopharm Zhanjiang	1,369,864.65	131,769,864.65	-131,769,864.65	-	100	100
Sinopharm Yanfeng	38,207,800.00	38,207,800.00	-	38,207,800.00	51	51
Sinopharm Meizhou	4,481,900.00	51,281,900.00	-51,281,900.00	-	100	100
Sinopharm Huizhou	20,939,177.19	36,644,200.00	-36,644,200.00	-	100	100
Sinopharm Zhaoqing	5,060,000.00	43,060,000.00	-43,060,000.00	-	100	100
Sinopharm Jiangmen	56,000,000.00	106,000,000.00	-106,000,000.00	-	100	100
Sinopharm Zhongshan	10,000,000.00	30,000,000.00	-30,000,000.00	-	100	100
Sinopharm Shaoguan	13,580,000.00	13,580,000.00	-13,580,000.00	-	70	70
Sinopharm Shantou	7,490,000.00	23,990,000.00	-23,990,000.00	-	100	100
Guangdong South Pharmaceutical Foreign Trade Co., Ltd.	401,922,976.68	401,922,987.18	-401,922,987.18	-	100	100
Guangdong Uptodate & Special Medicines	144,682,822.34	144,682,822.34	-144,682,822.34	-	100	100
Guoda Pharmacy	1,361,800,110.0	1,361,800,110.06	-	1,361,800,110.06	100	100
Foshan Nanhai Medicine Co., Ltd.	462,682,298.0	462,682,298.01	462,682,298.01	-	100	100
Sinopharm Maoming	8,300,000.00	8,300,000.00	-8,300,000.00	-	100	100
Sinopharm Zhuhai	10,362,740.00	37,162,697.28	-37,162,697.28	-	100	100
		5,594,679,427.56		5,594,679,427.56	-	

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

3. Long-term equity investments (Continued)

(b) Associates

	Movement					At end of the year (Book value)	Provision for impairment at end of the year
	At beginning of the year (Carrying amount)	Investment	Profit or loss under the equity method Note XVI(5)	Dividend declared	Other changes in equity		
Main Luck Pharmaceutical	239,046,738.14	-	79,054,915.54	-52,785,000.00	-	265,316,653.68	-
Zhijun Suzhou	39,930,000.00	-	-	-	-	-	-39,930,000.00
Zhijun Medicine	291,042,921.20	-	122,421,529.52	-58,111,254.57	-	355,353,196.15	-
Zhijun Trade	7,676,142.69	-	1,719,647.21	-664,795.03	-	8,730,994.87	-
Pingshan Medicine	68,686,804.33	-	27,325,603.71	9,719,480.71	-	86,292,927.33	-
Shyndec Pharma	979,174,050.62	-	108,241,749.04	8,448,213.90	19,599,266.75	1,098,566,852.51	-
Shanghai Dingqun(i)	-	20,000,000.00	3,966,640.12	-	-	23,966,640.12	-
	1,625,556,656.98	20,000,000.00	342,730,085.14	-129,728,744.	19,599,266.75	1,838,227,264.66	-39,930,000.00

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

3. Long-term equity investments (Continued)

Notes:

- (i) On May 2018, the Company jointly established Shanghai Dingqun with Ningbo Meishan bonded port area Qiling equity investment center LP, subscribing 2.53% and 97.47% shareholdings, respectively. According to the Articles of Association, the board of directors of Shanghai Dingqun consisted of three directors and one of them was appointed by our Company. Each director shall represent one vote on the board's decisions, which shall be adopted if they are voted for by a simple majority of all the members of the board. Therefore, the Company has significant influence over Shanghai Dingqun, and thus it is considered as an associate of the Company.

4. Sales and cost of sales

	2018		2017	
	Revenue	Cost	Revenue	Cost
Main operations	3,462,663,349.53	3,306,117,780.86	3,334,525,451.83	3,205,231,939.72
Other operating	18,783,527.40	11,450,860.13	12,301,689.25	6,436,707.30
	<u>3,481,446,876.93</u>	<u>3,317,568,640.99</u>	<u>3,346,827,141.08</u>	<u>3,211,668,647.02</u>

Revenue from and cost of main operations

Revenue from and cost of main operations analyzed by industry are set out below:

	2018		2017	
	Revenue from main operations	Cost of main operations	Revenue from main operations	Cost of main operations
Medical wholesale and retail	<u>3,462,663,349.53</u>	<u>3,306,117,780.86</u>	<u>3,334,525,451.83</u>	<u>3,205,231,939.72</u>

Other operating income and expenses

Other operating income and expenses analyzed by industry are set out below:

	2018		2017	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Rental income	8,866,469.65	1,873,143.18	6,626,331.17	807,977.46
Rendering of services	8,798,227.83	8,131,512.38	4,616,650.60	4,529,535.37
Others	1,118,829.92	1,446,204.57	1,058,707.48	1,099,194.47
	<u>18,783,527.40</u>	<u>11,450,860.13</u>	<u>12,301,689.25</u>	<u>6,436,707.30</u>

CHINA NATIONAL ACCORD MEDICINES CORPORATION LTD.

Notes to financial statements (Continued)

For the Year ended 31 December 2017

(All amounts in Renminbi “RMB” unless otherwise stated)

XIV Notes to key items of the company financial statements (Continued)

4. Sales and cost of sales (Continued)

Breakdown of operating revenue and cost by type of product:

	2018		2017	
	Revenue	Cost	Revenue	Cost
Medicines	3,368,695,671.79	3,218,415,198.43	3,260,604,951.00	69,473,875.85
Medical appliance	93,967,677.74	87,702,582.43	73,920,500.83	1,040,629,765.23
Other	18,783,527.40	11,450,860.13	12,301,689.25	2,101,565,005.94
	<u>3,481,446,876.93</u>	<u>3,317,568,640.99</u>	<u>3,346,827,141.08</u>	<u>3,211,668,647.02</u>

All sales revenue was domestic for the year 2018.

Revenue and cost of main operations

2018

Timing of revenue recognition

Revenue recognised at a point in time

Sales of goods

3,462,663,349.53

Revenue recognised within a time period

Providing services

9,917,057.75

Rental income

8,866,469.65

3,481,446,876.93

In 2018, the Company has recognised contract liabilities in total of RMB4,182,083.40 through the sale of goods and provision of services. Information about the Company's obligations are as follows:

The Company recognises revenue when goods are delivered, and will receive payment within 30-210 days.

The Company recognises revenue after providing services, and will receive payment within 30-210 days.

The expected revenue recognition time for the Company's contract obligations above is 2019.

5. Investment income

	2018	2017
Gain on long-term equity investments under the cost method	361,514,454.31	354,422,188.02
Gain on long-term equity investments under the equity method (Note XIV(3)(b))	<u>342,730,085.14</u>	<u>286,535,212.21</u>
	<u>704,244,539.45</u>	<u>640,957,400.23</u>

Supplementary information to financial statements

1. Schedule of non-recurring profit or loss

	Amount for 2018
Gains and losses on disposal of non-current assets, including write-off of an accrued asset impairment	7,048,337.10
Government grants recognized in the income statement for the current year, except for those closely related to the ordinary operation of the Company which the Group enjoyed constantly according to the allotment standards or quantitative criteria of the country	30,098,383.86
The investment cost of an enterprise to acquire a subsidiary, an associate and a joint venture, which is less than profits derived from the fair value of the identifiable net assets of the invested unit when investing	729.29
Reversal of bad debt provision for trade receivables that were tested for impairment individually	5,301,091.66
Profit or loss from outward entrusted loans	3,246,925.69
Revenue from a trustee operation	516,929.44
Non-operating income and expenses other than the aforesaid items	5,069,438.37
Other	1,445,926.01
	<u>52,727,761.42</u>
Impact on income tax	(12,137,071.11)
Impact on non-controlling interests after tax	<u>(5,820,221.92)</u>
	<u>34,770,468.39</u>

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss (2008) (“Explanatory announcement No.1”) from the CSRC, non-recurring profit or loss refers to those arising from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgements on the performance and profitability of an enterprise.

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Supplementary information to financial statements (Continued)

2. Return on equity (“ROE”) and earnings per share (“EPS”)

	Weighted average ROE (%)	Basic EPS (RMB) Basic (Note 1)
2018		
Net profit attributable to the ordinary shareholders of the parent	11.56	2.83
Net profit after deducting non-recurring profit or loss attributable to the Company’s ordinary shareholders of the parent	11.22	2.75
2017		
Net profit attributable to the ordinary shareholders of the parent	11.91	2.47
Net profit after deducting non-recurring profit or loss attributable to the ordinary shareholders of the parent	11.66	2.42

The above-mentioned return on net assets and earnings per share were calculated according to the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (revision 2010) issued by the CSRC.

Note 1: There were no potential dilutive ordinary shares for the year ended 31 December 2018 (2017: Nil) and hence no presentation of diluted EPS were provided.

Section XII. Documents Available for Reference

1. Accounting Statements carried with the signature and seals of legal representative, chief financial officer and person in charge of accounting;
2. Original auditing report with seal of the CPA and signature & seal of the registration accountant;
3. Original text of all documents of the Company as well as manuscript of the announcement disclosed in reporting period on *Securities Times*, *China Securities Journal* and *Hong Kong Commercial Daily* appointed by the CSRC;
4. Original text of the annual report with signature of the Chairman;
5. The Place Where the document placed: Office of Secretariat of the Board of Directors, Sinopharm Accord Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen

China National Accord Medicines Corporation Ltd
Legal representative: Lin Zhaoxiong
25 April 2019