Shenzhen Accord Pharmaceutical Co., Ltd.

Semi-annual Financial Report 2004

August 2004

Financial Report (Un-audited)

Balance sheet

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

Items	June 30, 2004		Dec.31, 2003	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	44,583,086.31	16,053,067.59	163,502,893.04	101,637,979.83
Short-term investment	4,080.00		4,080.00	
Notes receivable	11,411,333.90	500,000.00		
Dividends receivable				
Interest receivable				
Accounts receivable	358,729,188.00	253,388,158.40	326,662,316.63	266,161,740.68
Other receivable	33,615,652.73	98,571,048.60	46,026,669.18	44,470,782.87
Accounts in advance	9,972,962.53	7,117,160.07	5,383,899.53	2,448,202.50
Subsidy receivable	281,836.16	281,836.16	821,125.50	821,125.50
Inventory	181,844,387.40	77,669,165.04	215,298,635.50	93,583,489.39
Expenses to be apportioned	386,000.56	174,897.32	398,439.37	213,482.26
Long-term credit investment due within one year				
Other current assets	-37,040.72			
Total current assets	640,791,486.87	453,755,333.18	758,098,058.75	509,336,803.03
Long-term investment				
Long-term equity investment	44,722,020.36	241,544,512.75	47,140,088.46	253,540,612.10
Long-term credit investment	2,690.00		2,690.00	
Total long-term investment	44,724,710.36	241,544,512.75	47,142,778.46	253,540,612.10
Including: Consolidation price variance	39,228,527.70		41,947,753.80	
Fixed assets				
Original value of fixed assets	268,864,658.18	87,525,086.29	272,011,422.04	89,733,526.39
Less: Accumulative depreciation	115,186,784.23	18,672,125.90	108,257,622.86	15,302,608.20
Net value of fixed assets	153,677,873.95	68,852,960.39	163,753,799.18	74,430,918.19
Less: Provision for devaluation of fixed assets	3,637,396.50	512,279.34	3,836,427.11	709,026.66
Net amount of fixed assets	150,040,477.45	68,340,681.05	159,917,372.07	73,721,891.53
Engineering material				
Construction in progress	31,603,461.59	31,603,461.59	31,607,233.77	31,594,461.59
Disposal of fixed assets	267,310.77			
Total fixed assets	181,911,249.81	99,944,142.64	191,524,605.84	105,316,353.12
Intangible and other assets:				
Intangible assets	2,815,343.31	2,023,704.50	3,061,951.35	2,324,183.50
Long-term expenses to be apportioned	6,679,542.92	588,136.70	8,499,161.63	681,509.60
Other long-term assets				

Total intangible and other assets	9,494,886.23	2,611,841.20	11,561,112.98	3,005,693.10
Deferred tax:				
Deferred tax-borrowing item				
Total assets	876,922,333.27	797,855,829.77	1,008,326,556.03	871,199,461.35

Balance sheet

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

Items	June 30, 2004		Dec. 31, 2003	
	Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:				
Short-term loans	85,500,000.00	85,000,000.00	190,351,900.00	105,000,000.00
Notes payable	5,233,025.02		7,310,361.00	4,046,416.00
Accounts payable	224,198,780.18	206,379,106.00	284,752,340.17	232,396,103.60
Accounts received in advance	15,042,648.93		15,102,037.38	
Wage payable	6,592,252.02	4,347,654.56	12,698,816.36	7,554,456.68
Welfare funds payable	5,246,836.12	1,350,949.23	4,673,066.37	1,276,903.60
Dividends payable				
Taxes payable	36,693,256.36	9,991,108.07	26,947,186.39	8,125,063.78
Other duties payable	14,719.16	559.52	31,474.44	1,683.70
Other accounts payable	136,777,564.20	116,120,380.67	113,774,198.78	148,862,286.68
Accrued expenses	5,867,344.19	654,174.32	7,024,547.17	726,523.88
Projected liabilities				
Long-term liabilities due within 1 year	2,000,000.00			
Other current liabilities				
Total current liabilities	523,166,426.18	423,843,932.37	662,665,928.06	507,989,437.92
Long-term liabilities				
Long-term loans			2,000,000.00	
Bonds payable				
Long-term accounts payable				
Special accounts payable	800,000.00	800,000.00	800,000.00	800,000.00
Other long-term liabilities				
Total long-term liabilities	800,000.00	800,000.00	2,800,000.00	800,000.00
Deferred tax				
Deferred tax-credit item				
Total liabilities	523,966,426.18	424,643,932.37	665,465,928.06	508,789,437.92
Minority interests	1,145,248.33		1,276,478.04	
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Less: Restituted investment				
Net amount of paid-in capital (share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital public reserve	17,162,586.79	17,162,586.79	17,162,586.79	17,162,586.79
Surplus public reserve	40,860,055.19	40,860,055.19	40,860,055.19	40,860,055.19
Including: Statutory public welfare fund				
Retained profit	25,918,940.56	27,039,855.42	13,965,569.75	16,237,981.45
Loss of unconfirmed investment	-20,280,323.78		-18,553,461.80	
Balance difference of foreign currency				

translation				
Total owner's equity (shareholders' equity)	351,810,658.76	373,211,897.40	341,584,149.93	362,410,023.43
Total liabilities and owner's equity (shareholder's equity)	876,922,333.27	797,855,829.77	1,008,326,556.03	871,199,461.35

Statement of Profit and Profit Distribution

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

Items	Jan.-Jun. 2004		Jan.-Jun. 2003	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Income from core business	805,598,687.87	455,538,850.67	1,004,722,165.49	484,514,986.26
Less: Cost of core business	606,580,415.66	432,489,765.05	766,587,856.50	452,351,036.60
Taxes and extras of core business	1,067,635.58	62,999.06	1,491,619.85	186,927.11
II. Profit of core business (Loss is listed with "-")	197,950,636.63	22,986,086.56	236,642,689.14	31,977,022.55
Add: Profit of other business (Loss is listed with "-")	9,289,401.72	2,903,736.49	4,753,446.05	1,074,726.87
Less: Operating expense	156,506,944.32	19,951,617.26	186,058,005.20	18,933,480.02
Administrative expense	31,645,986.99	8,612,655.53	42,173,232.71	9,413,886.01
Financial expense	2,703,144.76	2,035,387.12	3,778,449.07	1,472,292.56
III. Operating profit (Loss is listed with "-")	16,383,962.28	-4,709,836.86	9,386,448.21	3,232,090.83
Add: Investment earnings (Loss is listed with "-")	-2,869,889.07	16,023,711.58	-6,269,523.75	4,024,483.07
Subsidy income				
Non- operating income	696,668.38	299,000.00	1,285,865.52	36,340.00
Less: non-operating expenditure	581,302.31	180,141.14	1,331,823.50	1,078,956.49
IV. Total profits (Total loss is listed with "-")	13,629,439.28	11,432,733.58	3,070,966.48	6,213,957.41
Less: Income tax	3,534,160.16	630,859.61	2,221,243.97	
Add: Loss of unconfirmed investment	-131,229.71		5,502,013.75	
Less: Minority interests	1,726,861.98		137,778.85	
V. Net profit (Net loss is listed with "-")	11,953,370.81	10,801,873.97	6,213,957.41	6,213,957.41
Add: Undistributed profits at the year-begin	13,965,569.75	16,237,981.45	-1,225,155.43	-133,466.48
Other transfer-in				
VI. Profit available for distribution	25,918,940.56	27,039,855.42	4,988,801.98	6,080,490.93
Minus: appropriation of statutory surplus public reserve				
Appropriation of statutory public welfare funds				
Appropriation of employees' encouragement and welfare funds				
Appropriation of reserve funds				
Appropriation of enterprise development funds				
Profits' restoring to investments				
VII. Profits available for distribution to investors	25,918,940.56	27,039,855.42	4,988,801.98	6,080,490.93
Less: dividends of preference share payable				
Appropriation of arbitrary surplus public reserve				
Dividends of ordinary share payable				
Dividends of ordinary share converting into capital (share capital)				
VIII. Retained profit	25,918,940.56	27,039,855.42	4,988,801.98	6,080,490.93
Supplemental information:				

1. Income from selling or disposal branch and investee enterprise				
2. Losses due from natural disaster				
3. Increase (or decrease) of total profit due to the change of accounting policies				
4. Increase (or decrease) of total profit due to the change of accounting estimation				
5. Loss on debts reorganization				
6. Others				

Statement of Cash Flow

Jan.-Jun. 2004

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

Items	Consolidation	Parent Company
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	906,517,136.08	548,244,652.42
Write-back of tax received	2,223,379.76	2,223,379.76
Other cash received concerning operating activities	50,873,961.86	30,695,175.91
Subtotal of cash inflow arising from operating activities	959,614,477.70	581,163,208.09
Cash paid for purchasing commodities and receiving labor service	709,981,857.74	531,050,198.40
Cash paid to/for staff and workers	78,953,219.72	15,347,783.55
Taxes paid	39,327,810.79	4,057,866.51
Other cash paid concerning operating activities	138,668,870.11	110,399,532.57
Subtotal of cash outflow arising from operating activities	966,931,758.36	660,855,381.03
Net cash flows arising from operating activities	-7,317,280.66	-79,692,172.94
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		17,080,037.46
Net cash received from disposal of fixed, intangible and other long-term assets	789,508.00	576,000.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	789,508.00	17,656,037.46
Cash paid for purchasing fixed, intangible and other long-term assets	5,067,998.41	1,824,859.00
Cash paid for investment		
Other cash paid concerning investing activities	12,768.84	
Subtotal of cash outflow from investing activities	5,080,767.25	1,824,859.00
Net cash flows arising from investing activities	-4,291,259.25	15,831,178.46
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	76,089,400.00	75,000,000.00
Other cash received concerning financing activities	10,092.74	
Subtotal of cash inflow from financing activities	76,099,492.74	75,000,000.00
Cash paid for settling debts	180,397,900.00	95,000,000.00
Cash paid for dividend and profit distributing or interest paying	2,985,225.83	1,723,917.76
Other cash paid concerning financing activities	27,633.73	
Subtotal of cash outflow from financing activities	183,410,759.56	96,723,917.76
Net cash flows arising from financing activities	-107,311,266.82	-21,723,917.76
IV. Influence on cash due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-118,919,806.73	-85,584,912.24

Statement of Cash Flow (Con.)

Jan.-Jun. 2004

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

Items	Consolidation	Parent Company
Supplement information:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	11,953,370.81	10,801,873.97
Add: Withdrawal of provision for devaluation of assets		
Loss of unconfirmed investment	-1,726,861.98	
Depreciation of fixed assets	10,518,134.35	3,840,335.93
Amortization of intangible assets	818,437.68	300,479.00
Amortization of long-term expenses to be apportioned	3,980,735.37	93,372.90
Decrease of expenses to be apportioned (Less: increase)	35,869.18	38,584.94
Increase of accrued expenses (Less: decrease)	-1,153,404.57	-72,349.56
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	-1,181.19	113,984.18
Loss on rejection of fixed assets		
Financial expenses	2,790,871.99	2,035,387.12
Investment loss (less: income)	2,869,889.07	-16,023,711.58
Deferred tax- credit item (Less: debit)		
Decrease of inventories (Less: increase)	33,776,883.62	15,914,324.35
Decrease of receivables in operating (less: increase)	-21,215,040.25	-45,956,351.68
Increase of payables in operating (less: decrease)	-54,803,196.21	-50,778,102.51
Other	4,969,441.18	
Income of minority shareholders in this period	-131,229.71	
Net cash flows arising from operating activities	-7,317,280.66	-79,692,172.94
2. Investment and financing activities with no cash incomings/outgoings involved		
Capital transferred from debts		
Convertible company bonds due within one year		
Fixed assets leasing for financing		
3. Net increase of cash and cash equivalents:		
Balance of cash at the period-end	44,583,086.31	16,053,067.59
Less: Balance of cash at the period -begin	163,502,893.04	101,637,979.83
Add: Balance of cash equivalents at the period -end		
Less: Balance of cash equivalents at the period -begin		
Net increase of cash and cash equivalents	-118,919,806.73	-85,584,912.24

Statement of Provision for Devaluation of Assets

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. June 30, 2004

Items	Balance at the begin of the period	Increase in this year	Decrease in this year			Balance at the end of the period
①	②	③	Switching back due to assets price recovery④	Switching out due to other reason⑤	Total ⑥	⑦
I. Total of provision for bad debts	14,549,195.11	--	-	666,320.90	666,320.90	13,882,874.21
Including: Accounts receivable	7,163,891.64	--	-	665,987.24	665,987.24	6,497,904.40
Other receivable	7,385,303.47	--	-	333.66	333.66	7,384,969.81
II. Total of provision for falling price of short-term investment	-	-	-	-	-	-
Including: Stock investment	-	-	-	-	-	-
Bond investment	-	-	-	-	-	-
III. Provision for falling price of inventory	8,196,123.14	--	-	314,221.91	314,221.91	7,881,901.23
Including: Raw material	82,277.30	-	-	-	-	82,277.30
Work in process		-	-	-	-	-
Finished goods	129,675.67	-	-	36,144.41	36,144.41	93,531.26
Merchandise inventory	774,781.58	-	-	-	-	774,781.58
Low price consumable commodity		-	-	-	-	-
Commodity issued on instalment	6,919,630.14	-	-	-	-	6,919,630.14
Packing	289,758.45	-	-	278,077.50	278,077.50	11,680.95
Other	-	-	-	-	-	-
IV. Total of provision for devaluation of long-term investment	-	-	-	-	-	-
Including: Long-term equity investment	-	-	-	-	-	-
Long-term credit investment	-	-	-	-	-	-
V. Total of provision for devaluation of fixed assets	3,836,427.11	-	-	199,030.61	-	3,637,396.50
Including: Building	2,063,013.88	-	-	-	-	2,063,013.88
Machinery and equipment	74,664.99	-	-	2,283.29	-	72,381.70
Equipment of conveyance	483,011.72	-	-	-	-	483,011.72
Electronic equipment	1,174,978.92	-	-	190,982.29	-	983,996.63
Other equipment	40,757.60	-	-	5,765.03	-	34,992.57
VI. Provision for devaluation of intangible assets	-	-	-	-	-	-
Including: Patent right	-	-	-	-	-	-
Trademark right	-	-	-	-	-	-

VII. Provision for devaluation of construction in progress	1,850,000.00	-	-	-	-	1,850,000.00
VIII. Provision for devaluation of commission loan	-	-	-	-	-	-
IX. Total	28,431,745.36	--	-	1,179,573.42	1,179,573.42	27,252,171.94