Shenzhen Accord Pharmaceutical Co., Ltd.

Semi-annual Report 2004

August 2004

Contents

SECTION Ⅰ. Important Notice

1. The Board of Directors of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

2. This report was prepared in both Chinese and English. Should be there any difference in interpretation between the two versions, the Chinese version shall prevail.

3. No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or have objection for this report.

4. Due to business trip, Director Ms. Yuan Xueping were absent from the 28th meeting of the 3rd Board of Directors, in which the semi-annual report for 2004 was examined and respectively entrusted Director Mr. Guo Yuan to attend and vote on her behalf in written form.

5. The semi-annual financial report of the Company has not been audited.

6. Chairman of the Company Mr. Guo Yuan, General Manager Mr. Shi Jinming and Chief Financial Officer Ms. Lin Jing and Person in charge of Accounting Organ Ms. Lai Wanying hereby confirm that the Financial Report enclosed in the semi-annual report is true and complete.

Section II. Company Profile

I. Company information

1. Legal Name of the Company
   In Chinese: 深圳一致药业股份有限公司
   In English: Shenzhen Accord Pharmaceutical Co., Ltd.
   Abbr. of English name: Accord Pharm.
2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock: Accord Pharm./Accord Pharm.-B
   Stock Code: 000028/200028
3. Registered Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong
   Office Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong
   Post Code: 518029
   The Company's Internet Website: http://www.szaccord.com.cn
   E-mail: 0028@szaccord.com.cn
4. Legal Representative: Guo Yuan
5. Secretary of the Board: Chen Changbing
   Contact Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong
   Tel: +(86) 755 25875195
   Fax: +(86) 755 25875166
   E-mail: champion@szaccord.com.cn
6. Newspapers Chosen for Disclosing the Information of the Company: Securities Times and Ta Kung Pao
   Internet Website Appointed by CSRC for Publishing the Semi-annual Report: http://www. szse.cn or http://www.cninfo.com.cn
   The Place Where the Interim Report is Prepared and Placed: Secretariat of the Board of Directors

II. Major financial data and indexes

(I) Major accounting data and financial indexes

Items	Unit	At the end of report period	At the period-end of last year	Increase/decrease at the end of this report period compared with the year-begin (%)
Current assets	RMB	640,791,486.87	758,098,058.75	-15.47
Current liabilities	RMB	523,166,426.18	662,665,928.06	-21.05
Total assets	RMB	876,922,333.27	1,008,326,556.03	-13.03
Shareholders' equity (excluding minority interests)	RMB	351,810,658.76	341,584,149.93	2.99
Net assets per share	RMB/share	1.221	1.185	3.04
Net assets per share after adjustment	RMB/share	1.113	1.110	0.27
Items		**The report period (Jan.-Jun. 2004)**	**At the same period of last year**	**Increase/decrease in this report period compared with the same period of last year (%)**
Net profit	RMB	11,953,370.81	6,213,957.41	92.36
Net profit after deducting non-recurring gains and losses	RMB	11,838,004.74	6,259,915.39	89.11
Earnings per share	RMB/share	0.041	0.022	86.36
Return on equity	%	3.398	1.860	Up 1.54%
Net cash flow arising from operating activities	RMB	-7,317,280.66	-5,462,743.76	

Items of deducting non-recurring gains and losses	Amount (RMB)
Non-operating income	696,668.38
Non-operating expenses	581,302.31
Total non-recurring gains and losses	115,366.07

(II) Explanation on difference in net profit between domestic accounting statement and international accounting statement

The Company's net profit was respectively RMB 11,953,000 and RMB 11,503,000 as audited according to CAS and IAS. Reasons of difference are as follows:

	Net profit (RMB'000)
As reported under IAS	11,503
(1) Excess deficiency of subsidiaries	1,727

(2) Goodwill and its amortization	-1,277
As reported under Accounting System of Enterprise	11,953

Section III. Change in Share Capital and Particulars about Share Held by Main Shareholders

I. Particulars about change in share capital

In the report period, the Company's total shares and its structure remained unchanged.

II. About shareholders

1. Ended June 30, 2004, the Company had totally 35,766 shareholders, including 25,388 shareholders of A-share and 10,378 shareholder of B-share.

2. Particulars about shares held by the top ten shareholders (ended June 30, 2004)

Total shareholder at the end of report period	35,766					
Particulars about shares held by the top ten shareholders						
Shareholders' name (full name)	Increase/ decrease in this report period (share)	Holding shares at the period-end (share)	Proportion (%)	Type of share (circulating or non-circulating)	Share pledged or frozen	Nature of shareholder (state-owned shareholder or foreign shareholder)
SHENZHEN INVESTMENT HOLDING CORPORATION	0	124,864,740	43.33	Non-circulating	0	State-owned share
SHENZHEN BAO'AN DISTRICT SHIYAN TOWN ECONOMIC AND DEVELOPMENT CORPORATION	0	26,070,660	9.05	Non-circulating	16,079,700	Legal person's share
SHENZHEN BAO'AN SHANGWU ECONOMIC AND DEVELOPMENT CO., LTD.	0	13,942,800	4.84	Non-circulating	13,846,000	Legal person's share
SHENZHEN WANGZONG INDUSTRIAL CO., LTD.	0	5,303,200	1.84	Non-circulating	Unknown	Legal person's share
NANJING JUNYUE INVESTMENT AND CONSULTATION CO., LTD.	0	5,000,000	1.74	Non-circulating	Unknown	Legal person's share
WUXI HUAXIN INVESTMENT MANAGEMENT CO., LTD.	0	1,396,800	0.48	Non-circulating	Unknown	Legal person's share
SHANGHAI SHISHENG ENTERPRISE DEVELOPMENT CO., LTD.	0	1,000,000	0.35	Non-circulating	Unknown	Legal person's share
SHANGHAI HUAXIA YIFU INVESTMENT CO., LTD.	0	800,000	0.28	Non-circulating	Unknown	Legal person's share
HAN WANG CHEN	Unknown	720,000	0.25	Circulating	Unknown	A-shares in circulating
SKANDIA GLOBAL FUNDS PLC	Unknown	513,478	0.18	Circulating	Unknown	Foreign shareholder

Explanation on associated relationship among the top ten shareholders or consistent action	Among the above top ten shareholders, there exists no associated relationship among state-owned shareholder and each shareholders of legal person's share, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For other shareholders of circulation share, the Company is unknown their relationship.

Particulars about shares held by the top ten shareholders of circulation share

Full name of Shareholders	**Number of circulation shares held at the period-end**	**Type (A-share, B-share, H-share and other)**
HAN WANG CHEN	720,000	A-share
SKANDIA GLOBAL FUNDS PLC	513,478	B-share
CHEN YONG QUAN	485,022	B-share
FAN HUI QIONG	484,900	B-share
JIANG XIAO MING	316,150	B-share
YANG YUAN ZHOU	294,500	B-share
LI DONG MEI	270,908	B-share
ZHANG YAN DONG	270,000	A-share
FANG JING DA	264,500	B-share
NBP/FRUCTILUX SICAV	226,200	B-share

Explanation on associated relationship among the top ten shareholders or consistent action	The Company is unknown whether there exists associated relationship or whether they belong to the consistent actor.
Explanation on the appointed period of holding shares which strategic investor or general legal person participates in the allotment of new shares	Naught

3. In the report period, the controlling shareholder of the Company remained unchanged.

On Feb. 28, 2004, Shenzhen Investment Holding Corporation, the first largest shareholder of the Company, signed the Stock Transfer Agreement with SINO-PHARM Holding Co., Ltd. on the transfer matters of 124,864,740 state-owned shares held by Shenzhen Investment Holding Corporation. SINO-PHARM Holding Co., Ltd. agreed to acquire 124,864,740 state-owned shares, and has paid assignment charge of the said stock according to the agreement. The work of reporting for approval related with the said acquisition is in progress; the relevant equity transfer procedure will be handled after replay of State-owned Assets Supervision and Administration Commission of the State Council and approval of CSRC. At the appointed time, SINO-PHARM Holding Co., Ltd. will become the controlling shareholder of the Company.

Section IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

I. In the report period, directors, supervisors and senior executives of the Company did not hold the Company's shares.

II. Particulars about change in directors, supervisors and senior executives in the report period:

On Feb. 27, 2004, the 25th Meeting of the 3rd Board of Directors agreed that Director Su Yanwei and Director Qin Changsheng no longer concurrently took the post of General Manager and CFO respectively; the Meeting engaged Mr. Shi Jinming and Ms. Lin Jing as General Manager and CFO respectively at the same time. The public notice on resolution of the meeting was published on Securities Times and Ta Kung Pao dated Feb. 28, 2004.

Section V. Discussion and Analysis of the Management

I. Whole operation in the report period

1. In the report period, it was the interim when the Company's state-owned shares were transferred. All staff of the Company studied and caught the management concept and enterprise culture of SINOPHARM with consciousness that considering the overall condition and open psychology, transferred the idea and became realistic and enterprising, which made the Company's production and operation reach the expected objectives of being stably developing in the interim. Under the condition that the thought of staff was steady and enterprise's operation was stable, the Company realized income from main operation amounting to RMB 805.5987 million in the first half of the year, a decrease of 19.82% over the same period of last year (if eliminate the factor that Shenzhen Jian'an Pharmaceutical Company, originally affiliated wholly-owned enterprise, was not listed in the consolidated statements in the year, then income from main operations realized in the first half of the year only decreased by 0.25% over the last year); meanwhile, under the condition that the price of medicine continued to be low, profit from main operation amounting to RMB 197.9506 million was still realized, a decrease of 16.35% over the same period of last year (if considering the factor of Jian'an Company, then decrease by 5.87%).

In the aspect of pharmaceutical wholesale, the enterprise division of the Company represented the operating concept of "With purchase as the lead and with varieties as direction" through adjusting purchase system and revising partial business flow; realized the transfer concept through "Four changes" to enhance the services: firstly, change service attitude, actively communicate with customers and enhance the satisfaction; secondly, change the way of behavior and change "Sitting and waiting for Commerce" into "Searching for Commerce"; thirdly, change way of work from "Discussing principles" to "Dealing with concrete matters relating to work"; fourthly, change the management concept, emphasize the executive force and attach importance to results. Meanwhile, the enterprise division reinforced the management to accounts receivable, recent inventories and goods withdrawal and gained preliminary achievements.

In the aspect of pharmaceutical retail, Accord Chain Company made the Company reduce the losses by a relatively great margin in the respect of medicine retail through several measures such as developing the planning of commodity, conducting brand management, holding topic promotion, creating sample shop and enhancing service level etc..

In the aspect of pharmaceutical industry, Shenzhen Pharmaceutical Plant actively replied to the influence from policy price reduction of antibiotics, adjusted the sales strategy with market as direction, reinforced channel and terminal construction, walked road of refined products and enhanced the operating efficiency of market, which made sales volume of two leading varieties, namely “Federal Cough Syrup” and “Dali Xinzhen”, increased by 1.25 million pieces and 1.71 million pieces respectively over the same period of last year.

II. Analysis to main operating results and financial position

(I) Scope of main operations of the Company is manufacture, wholesale and chain retail of medicine. The leading products of medicine industrial enterprises are Federal Cough Syrup, Cefuroxime Sodium and Jian’er Qingjie Ye etc.. The wholesale and retail of medicine is mainly to distribute the medicine produced by the domestic and oversea factories with distribution variety reaching over 10,000 kinds and the sales market is mainly in Shenzhen and its adjacent areas.

(II) Formation of income from main operations

1. Statement of main operations classified according to industries or products

Unit: RMB

Industries or products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Pharmaceutical industry	249,325,246.65	111,684,157.13	55.21	10.56	12.27	Down 0.68%
Pharmaceutical commerce	913,518,241.22	853,292,555.37	6.59	-21.25	-18.71	Down 2.91%
Minus: sales among internal enterprises	357,244,800.00	358,396,296.84				
Total	805,598,687.87	606,580,415.66	24.70	-19.82	-20.87	Up 1%
Including: related transactions	256,410.26	248,717.95	3.00	-88.95	-88.95	
Toubao products	114,814,521.90	69,094,690.54	39.82	4.54	17.44	Down 6.61%
Jian’er Qingjie Ye	12,172,399.56	5,714,830.84	53.05	15.00	14.25	Up 0.31%

Including: related transactions	-	-	-	-	-	-
Pricing rules for related transactions		Transactions conducted according to market price				

Note: In the report period, amount of related transactions that the Company sold goods to its controlling and subsidiaries was RMB 256,410.26.

2. Income from main operations classified according to areas (Unit: RMB)

Items	Income from main operations	Increase/decrease in income from main operations over the same period of last year (%)
Domestic sales	791,778,191.34	-15.37
Oversea sales	13,820,496.53	-80.02
Total	805,598,687.87	-19.82

Note: Domestic sales areas were mainly in Shenzhen.

(III) Brief analysis to financial position

In the report period, changes in main financial indexes (Unit: RMB)

Items	Jan.-Jun. 2004	Jan.-Jun. 2003	Increase/decrease (%)
Income from main operations	805,598,687.87	1,004,722,165.49	-19.82
Cost of main operations	197,950,636.63	236,642,689.14	-16.35
Net profit	11,953,370.81	6,213,957.41	92.36
Net increase in cash and cash equivalents	-118,919,806.73	43,530,484.68	-
Items	Amount at period-end	Amount at period-beginning	Increase/decrease (%)
Total assets	876,922,333.27	1,008,326,556.03	-13.03
Shareholders' equity	351,810,658.76	341,584,149.93	2.99

Notes:

(1) The main reason for decrease in income from main operations was that the consolidated statements in the same period of last year included data of Shenzhen Jian'an Pharmaceutical Company, originally affiliated wholly-owned enterprise, which was not listed into the consolidated statement this year. This index was basically the same if this factor was eliminated.

(2) Profit from main operations decreased, especially income from main operations decreased, which was mainly because that Jian'an Pharmaceutical Company was not listed in the statements on one hand, on the other hand, gross profit ratio decreased due to decrease in price of medicine.

(3) Main reasons for increase in net profit: ① Shenzhen Pharmaceutical Plant, an

affiliated enterprise of the Company, increased in its benefits. ②Shenzhen Jian'an Pharmaceutical Company, originally affiliated enterprise, was no longer listed in the consolidated statements and the Company did not calculate investment earnings to Shenzhen Modern Computer Company (these two companies were both in losses in the same period of last year), which made the investment earnings of the Company increase by a great margin; ③Shenzhen Accord Pharmaceutical Chain Co., Ltd., an affiliated enterprise of the Company, operated in a better and better way; ④Three expenses decreased by relatively great margin over the same period of last year.

(4) Net increase in cash and cash equivalents decreased, which was mainly because that the Company refunded the expired bank loans this year.

(5) Total assets decreased, which was mainly because that the Company refunded bank loans.

(6) Shareholder' equity increased, which was mainly due to net profit realized in the period.

(IV) In the report period, there was no operating business affecting material influence on net profit.

(V) Problems and difficulties from the operation

In the first half year of 2004, National Development and Reform Commission would reduce the price of 24 kinds of anti-infection medicines as a whole, with average decrease of 30%. This was the 12th time for the State to reduce the price in policy and brought a certain influence on the operation of pharmaceutical enterprises. The Company would continue to reduce the cost, control the expense and enhance operating scale so as to reply market changes and safeguard profitability capability.

III. Investments of the Company

In the report period, the Company had no investment project or the proceeds raised through shares offering in previous years continuing to the period.

Section VI. Significant Events

I. Actual situation of the Company's administration

In the report period, the Company normatively operated strictly according to Company Law and Securities Law. According to the requirements of Administration Rules of Listed Companies, the Company actively developed every item of administration work and continuously consummated legal person's administration structure.

The 3rd Board of Directors and 3rd Supervisory Committee of the Company expired. The Company would change the Board of Directors and the Supervisory Committee recently.

II. The Company would neither conduct profit distribution nor convert public capital reserve into share capital in the first half of 2004.

III. Material lawsuits and arbitrations

In the report period, there existed no significant lawsuits and arbitrations about the Company.

IV. Significant purchase, sale and reorganization of assets

In the report period, the Company had no significant purchase and sale and reorganization of assets.

V. Significant related transaction issues

(I) Related transaction from purchase and sale of commodity

Items	Name of companies	Occurred amount		Proportion in income (cost) from main business	
		Jan.-Jun., 2004	Jan.-Jun., 2003	Jan.-Jun., 2004	Jan.-Jun., 2003
Sale of goods	Related companies	256,410.26	2,319,960.29	0.03	0.23
Purchase of goods	Related companies	790,366.15	1,151,432.47	0.13	0.15

(II) Credit and liability between the Company and the related parties

Items	Name of companies	Amount		Proportion in net amount of receivable and payable	
		Jan.-June, 2004	Jan.-June, 2003	Jan.-June, 2004	Jan.-June, 2003
Accounts receivable	Related companies	16,420,437.58	15,715,318.72	4.58	4.81
Accounts payable	Related companies	1,309,874.93	4,607,745.64	0.58	2.59
Other accounts receivable	Related companies	18,103,959.54	17,532,883.66	53.86	38.09
Other accounts payable	Related companies	1,524,812.05	373,416.37	1.11	0.33

VI. Significant contracts and their implementations

(I) Entrustment, contract and lease

In the report period, the Company has no significant custody, contract and lease of other companies and vice visa occurred in the report period or occurred in previous period and lasted in the report period.

(II) Significant guarantee

Unit: RMB’0000

Name of the Company guaranteed	Date of happening	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Shenzhen Modern Computer Manufacture Co., Ltd.	Feb. 9, 2004	1,660.00	Joint liabilities guarantee	Feb. 9, 2004-Feb. 9, 2005	No	No
Shenzhen Modern Computer Manufacture Co., Ltd.	Dec. 20, 2002	2,507.00	Joint liabilities guarantee	Dec. 20, 2002-Dec. 31, 2004	No	No
Shenzhen Investment Holding Corporation	Sep. 24, 2002	2,500.00	Joint liabilities guarantee	Sep. 24, 2002-Sep. 24, 2003	No	Yes

Shenzhen Jian'an Pharmaceutical Company	Nov. 28, 2003	1,000.00	Guarantee of joint and several liability	Nov. 28, 2003 – Nov. 28, 2004	No	Yes
Total amount of guarantee				7,667.00		
Total balance of guarantee				7,667.00		
Including: total balance of related guarantee				3,500.00		
Total amount of guarantee the listed company provided for its share-controlling subsidiaries				7,667.00		
Total amount of guarantee breaking regulations				0.00		
Proportion of total amount of guarantee in net assets of the Company				21.79%		

Notes:

1. The Company provided guarantee amounting to RMB 16.60 million for Modern Computer Company and this guarantee was originally USD 4000 thousand (equivalent to RMB 33.20 million). According to the provisions in Equity Transfer Agreement signed by the Company and Shenzhen Yinghai Technology Investment Co., Ltd. for transfer of 45.9% equity of Shenzhen Modern Computer Company, ended Mar. 2, 2004, Yinghai Technology had released the Company's guarantee liability for the said USD 2000 thousand and RMB 20 million.
2. The Company provided guarantee for comprehensive credit limit of Shenzhen Jian'an Pharmaceutical Company amounting to RMB 10 million and Jian'an Company was still the wholly-owned affiliated enterprise of the Company when the Company approved this guarantee. After the restructure, Shantou Guangshan Packing Co., Ltd., the shareholder of this company, has issued anti-guarantee letter for this credit guarantee. Ended the present, this company has still not used this credit limit.

7.4 Related credits and liabilities current

√Applicable ☐Inapplicable

Unit: RMB'000

Related parties	Supply funds to related parties		Related parties supplied funds to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Shenzhen Medical Trading Company	100.00	67.54		
Total amount	100.00	67.54		

Including: in the report period, the listed company did not provide capital to the controlling shareholder and its subsidiaries. In July, Shenzhen Pharmaceutical Trade Company refunded loan amounting to RMB 320,000 and there still left RMB 355,400 to be refunded.

(III) Entrusting others to manage cash assets

The Company did not entrust others to management its cash assets in the report period or occurred in previous period but lasting in the report period.

(IV) Other material contract

The Company had no other material contract in the report period.

VII. Commitment of the Company or shareholders holding over 5% shares of the Company

1. The report period, the shareholders holding over 5% equity (including 5%) of the Company have not commitment events with possible influence on operation result and financial status occurred in the report period or occurred in previous period and lased in the report period.

2. In the report period, the controlling shareholder Shenzhen Investment Holding Corporation signed Share Equity Transfer Agreement with China National Medicines Company about 124,864,740 state-owned shares of the Company held by Shenzhen Investment Holding Corporation. The share equity transfer was approved by State-owned Assets Supervision and Administration Commission of the State Council. The relevant work about application for exempting offer purchasing obligation to CSRC was still in progress.

VIII. The capital occupation by the Controlling Shareholder and related parties and payback commitment

The controlling shareholder Shenzhen Investment Holding Corporation didn't occupy the assets of the Company.

The related enterprise Shenzhen Medical Production and Supply Company occupied the capital of the Company. Ended Mar. 31, 2004, the balance that Shenzhen Medical Production and Supply Company should pay the Company was amounted to RMB 29,058,600 (including non-current occupation amounting to RMB 16,414,400 and current payment of commodities amounting to RMB 12,644,200). According to the clearing plan presented by Shenzhen Medical Production and Supply Company, the Company committed to pledge commercial housing about RMB 21 million before Aug. 31, 2004 and pledge share equity of other joint stock companies for the rest liabilities.

IX. Special explanation and independent opinions on the external guarantee, guarantee out of line, capital occupation and implementing relevant regulations in the accumulated and the current period by independent directors

As independent directors of Shenzhen Accord Pharmaceutical Co., Ltd., according to the requirements of Notification on Standardizing the Capital Current between Listed Companies and the Related Parties and Several Problems about the External Guarantee of Listed Companies (ZJF[2003] No. 56), we checked seriously the external guarantee and capital occupation by related parties accumulated and in the current period. Now the independent opinions given were as follows:

1. Problem of external guarantee. Anti-guarantee provided for controlling shareholder Shenzhen Investment Holding Corporation by the Company and Guarantee provided for the affiliated company Shenzhen Modern Computer Manufacture Co., Ltd. didn't accord with the spirit of CSRC [2003] No. Document. In the report period, joint liabilities responsibilities of USD 2 million and RMB 20 million were discharged. For the rest guarantee, the Company actively transacted discharges issues with other relevant parties.

2. Problem of capital occupied by related parties. Through the unremitting efforts of the Board and management, the actively asking for discharge by every way, the

Company retrieved majority of capital occupation, which helped the balance of capital occupies at present decreased sharply compared with that of the beginning of capital replacement. As independent directors, we have acknowledged the contents of Proposal on Discharging Capital Occupation of Accord Occupation Pharmaceutical submitted by the related party of the Company Shenzhen Pharmaceutical Production and Supply Corporation, considering the actual situation of the Company. We believed, in the discharging proposal submitted by Shenzhen Pharmaceutical Production and Supply Corporation, the arrangement of pledging the real estate and share equity for debts were practical and feasible. Implementation the commitment of the proposal would effectively resolve the historical residuals of capital occupation of Accord Pharmaceutical by Shenzhen Pharmaceutical Production and Supply Corporation. In the process of implementation, the Company should strictly accorded with the requirements of Notification on Standardizing the Capital Current between Listed Company and the Related Parties and Several Problems about External Guarantee of Listed Company promulgated by CSRC and State-owned Assets Supervision and Administration Commission of the State Council, evaluated the assets for canceling out the debts and fulfilled the statutory examination and approval procedures.

3. The controlling shareholder of the Company didn’t occupy the capital of the Company;

4. In the current period, there was no newly incurred external guarantee; there was no capital newly occupied.

X. Engagement of Certified Public Accountants

In the report period, the Company didn’t make decisions on reengaging or changing CPAs in 2004.

XI. The semi-annual financial report of the Company was not audited.

XII. Information indexes of other significant events

In the report period, the Company published public notices in Securities Times, Hong Kong Ta Kung Pao and Internet Website of Shenzhen Stock Exchange http://www.szse.cn and http://www.cninfo.com.cn:

1. On Jan. 7, 2004, Public notice on resolutions of 24th Meeting of 3rd Board about canceling inefficient inventories of subsidiaries after verification and long-term investment, and Public notice on Providing Guarantee Comprehensive Credit amounting to USD 4 million for Shenzhen Modern Computer Manufacture Co., Ltd. and on Transferring Share Equity of Shenzhen Modern Computer Manufacture Co., Ltd.;

2. On Jan. 30, 2004, Suggestive Public Notice on Plan of Stated-owned Share Equity Transfer of the Company;

3. On Feb. 4, 2004, Public notice on Signing Frame Agreement about Stated-owned Share Equity Transfer Issues between the Controlling Shareholder of the Company and China National Medicines Company;

4.On Feb. 6, 2004, Public notice on Stated-owned Share Equity Transfer Compensation of the Company;

5.On Feb. 20, 2004, Public notice on Signing Normative Agreement about

Stated-owned Share Equity Transfer Issues between the Controlling Shareholder of the Company and China National Medicines Company, and Report on Changes in Shares Held by Shareholders of Accord Pharmaceutical and the Summary of Purchasing Report;

6. On Feb. 28, 2004, Public notice on Resolution of 25th Meeting of the 3rd Board on Engaging General Manager and CFO and Report of the Board to All Shareholders about Purchasing Matters;

7. On Apr. 10, 2004, 2003 Annual Report of the Company and its Summary (A-share, B-share) and Public Notice on Resolution of 26th Meeting of 3rd Board and Notification on Holding 2003 Shareholders' General Meeting;

8. On Apr. 24, 2004, 1st Quarterly Report 2004 of the Company and its Summary (A-share, B-share);

9. On May 21, 2004, Public Notice on the Resolutions of 2003 Shareholders' General Meeting of the Company;

10. On Jun. 2, 2004, Public Notice on Short term Loan amounting to RMB 35 million of the Company;

11. On Jul. 6, 2004, Public Notice on Clearing Plan about the Related Party Occupying Capital;

12. On Jul. 15, 2004, Public Notice on Approval of State-owned Assets Supervision and Administration Commission of the State Council on Stated-owned Shares Transfer of the Company.

Section VII. 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

Section VIII. Documents Available for Reference

1. Accounting statements carried with signatures and seals of the legal representative, chief financial supervisor and person in charge of accounting affairs;
2. Originals of all documents and manuscripts of public notices of the Company disclosed in public in Securities Times and Ta Kung Pao designated by CSRC in the report period;
3. Original of Semi-annual Report with signature of Chairman of the Board.
4. The depositary of documents: Secretariat of the Company, AP Building, No. 15 Ba Gua 4th Rd., Futian Dis., Shenzhen
5. The report is prepared in Chinese and English. Shall there exist any differences between the two versions, Chinese version shall prevail.

Chairman : Guo yuan
Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.
Aug. 12, 2004