Shenzhen Accord Pharmaceutical Co., Ltd.
Summary of Annual Report 2004

§1 Important Notes

1.1 Board of Directors of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) 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.
1.2 No directors stated any objection for this report.
1.3 Independent Directors, Mr. Sui Guangjun, and Mr. Zoujun didn't attend 6th meeting of the 4th Board to examine the annual report due to certain reasons, and they entrusted Independent Directors, Ms. Peng Juan and Mr. Yin Jumin to attend the meeting and vote on their behalf in written form.
1.4 Domestic Shanghai Shu Lan Pan Certified Public Accountants and overseas Horwath Certificated Public Accountants audited the Company's Financial Report and issued a standard unqualified Auditors' Report for the Company respectively.
1.5 Chairman of the Company Mr. Chen Weigan, General Manager Mr. Shi Jinming and Chief Financial Officer Mr. Wei Pingxiao and Person in charge of Accounting Organ Ms. Lai Wanying hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

§2 Company Profile

2.1 Basic information

Short form of the stock	Accord Pharm., Accord Pharm.-B
Stock code	000028, 200028
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	No. 15, Ba Gua Si Road, Futian District, Shenzhen
Post code	518029
Internet web site of the Company	www.szaccord.com.cn
E-mail of the Company	0028@szaccord.com.cn

2.2 Contact person and method

	Secretary of the Board of Directors	Representative in charge of

		Securities Affairs
Name	Chen Changbing	Jiao Qi
Contact address	No. 15, Ba Gua Si Road, Futian District, Shenzhen	No. 15, Ba Gua Si Road, Futian District, Shenzhen
Telephone	+(86) 755 - 25875195	+(86) 755 - 25875198
Fax	+(86) 755 - 25875166	+(86) 755 - 25875166
E-mail	investor@szaccord.com.cn	investor@szaccord.com.cn

§3 Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2004	2003		2002		Increase/decrease over last year(%)
		After adjustment	Before adjustment	After adjustment	Before adjustment	
Income from main operation	1,576,085,283.69	1,729,174,762.27	1,780,873,731.82	1,832,513,852.58	1,869,937,562.72	-8.85%
Total profit	25,657,456.44	11,745,225.46	12,233,020.20	1,692,138.26	2,077,597.65	118.45%
Net profit	27,254,148.36	15,190,725.18	15,190,725.18	4,922,754.72	4,922,754.72	79.41%
Net profit after deducting non-recurring gains and losses	23,700,002.32	7,969,026.63	7,969,026.63	-4,919,633.37	-4,919,633.37	197.40%
Net cash flow arising from operating activities	130,295,006.15	68,016,376.91	81,221,254.92	20,885,877.66	28,764,746.58	91.56%
	At the end of 2004	**At the end of 2003**		**At the end of 2002**		**Increase/decrease from the end of previous year (%)**
Total assets	846,186,796.73	984,428,227.33	1,008,326,556.03	1,040,928,928.79	1,052,596,979.41	-14.04%
Shareholder's equity (excluding minority interests)	358,197,820.37	338,235,106.36	341,584,149.93	333,335,056.95	333,335,056.95	5.90%

3.2 Major financial indexes

Unit: RMB

	2004	2003		2002		Increase/decrease over last year (%)
		After adjustment	Before adjustment	After adjustment	Before adjustment	
Earnings per share	0.095	0.053	0.053	0.017	0.017	79.25
Return on equity	7.61%	4.49%	4.45%	1.48%	1.48%	Up 3.12%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	6.62%	2.36%	2.34%	-1.48%	-1.48%	Up 4.26%
Net cash flow per share arising	0.452	0.236	0.282	0.072	0.100	91.53

from operating activities						
	At the end of 2004	**At the end of 2003**		**At the end of 2002**		**Increase or decrease from the end of previous year（%）**
Net assets per share	1.243	1.174	1.185	1.157	1.157	5.88
Net assets per share after adjustment	1.193	1.092	1.110	0.997	0.997	9.25

Items of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB

Items of non-recurring gains and losses	**Amount**
All items of subsidy	4,369,765.00
Net amount of non-operating income and expenses after deducting impairment losses withdrawn	-815,618.96
Total	3,554,146.04

3.3 Difference in net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√Applicable ☐Inapplicable

Unit: RMB

	CAS		IAS
Net profit	27,254,148.36		19,906,494.57
Explanation on the difference	(1) Registration fee of trademark (2) Goodwill and related amortization (3) Adjustment losses for unconfirmed investment (4) Adjustment investment for subsidiary	8,950.00 81,843.09 -7,870,720.04 432,273.16	

§4 Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share (Unit: share)

	Before the change	**Increase / decrease in this time (+, -)**	**After the change**
I. Unlisted Shares			
1. Sponsors' shares	150,935,400	0	150,935,400
Including: State-owned share	124,864,740	0	124,864,740
Domestic legal person's shares	26,070,660	0	26,070,660
Foreign legal person's shares	0	0	0
Others	0	0	0
2. Raised legal person's shares	27,442,800	0	27,442,800
3. Inner employees' shares	0	0	0
4. Preference shares or others	0	0	0
Total unlisted shares	178,378,200	0	178,378,200

II. Listed Shares			
1. RMB ordinary shares	54,885,600	0	54,885,600
2.Domestically listed foreign shares	54,885,600	0	54,885,600
3. Overseas listed foreign shares	0	0	0
4. Others	0	0	0
Total listed shares	109,771,200	0	109,771,200
III. Total shares	288,149,400	0	288,149,400

4.2 Statement of shares held by the top ten shareholders

Total number of shareholders at the end of report period				34,023		
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	**Increase / decrease in the report year (share)**	**Shares held at the year-end (share)**	**Proportion (%)**	**Type of shares (Circulating/Non-circulating)**	**Number of share pledged/ frozen (share)**	**Nature of shareholders (State-owned shareholder/foreign shareholder)**
SINOPHARM Medicine Holding Co., Ltd.	124,864,740	124,864,740	43.33	Non-circulating		State-owned shareholder
Shenzhen Baoan District Shiyan Town Economic and Development Corporation	0	26,070,660	9.05	Non-circulating	16,079,700	Other
Shenzhen Baoan Shangwu Economic and Development Co., Ltd.	0	13,942,800	4.84	Non-circulating	13,846,000	Other
Shenzhen Wangzong Industrial Co., Ltd.	0	5,303,200	1.84	Non-circulating		Other
Nanjing Junyue Investment and Consultation Co., Ltd.	0	5,000,000	1.74	Non-circulating		Other
Wuxi Huaxin Investment Management Co., Ltd.	0	1,396,800	0.48	Non-circulating		Other
Shanghai Shisheng Enterprise Development Co., Ltd.	0	1,000,000	0.35	Non-circulating		Other
Shanghai Huaxia Yifu Investment Management Co., Ltd.	0	800,000	0.28	Non-circulating		Other
HAN WANG CHEN	Unknown	720,000	0.25	Circulating		A-share in circulation
CHEN YONG QUAN	Unknown	509,922	0.18	Circulating		Foreign shareholder

Particulars about shares held by the top ten shareholders of circulation shares		
Shareholders' name (full name)	**Number of circulation shares held at the year-end**	**Type (A-share, B-share, H-share and other)**
HAN WANG CHEN	720,000	A-share
CHEN YONG QUAN	509,922	B-share
FAN HUI QIONG	484,900	B -share

DENG XIU HE	434,500	A-share
CHEN ZE BING	311,800	B -share
JIANG XIAO MING	309,950	B -share
YANG YUAN ZHOU	294,500	B -share
LI DONG MEI	270,908	B -share
ZHANG YAN DONG	270,000	A-share
WAN JING DA	265,400	B -share
Explanation on associated relationship among the top ten shareholders of circulation share	Among the top ten shareholders of circulation share, the Company is unknown their relationship.	

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

√Applicable ☐Inapplicable

Name of new holding shareholder	SINOPHARM Medicine Holding Co., Ltd.
Name of new actual controller	China National Pharmaceutical Group Co.
Date of change	Date of new holding shareholder changing：Dec. 10, 2004 Date of new actual controller changing：Nov. 30, 2004
Date and newspaper of holding shareholder changing	Dec. 11, 2004 Securities Times and Hong Kong Ta Kung Pao
Date and newspaper of actual controller changing	Nov. 30, 2004 Securities Times and Hong Kong Ta Kung Pao

4.3.2 Introduction to the situation of controlling shareholder and other actual controller

I. The controlling shareholder of the Company

Name of the controlling shareholder: SINOPHARM. Medicine Holding Co., Ltd.

Legal representative: Zheng Hong

Date of foundation: Jan. 8, 2003

Registered capital: RMB 1,027,953,725

Nature of economic: state-owned holding company

Business scope: the wholesale of Chinese patent medicines (including ginseng, pilose antler and silver mushroom), chemical material, a chemical agent, antibiotics, biochemical, biological, diagnosis drug, industry investment, entrusted management and assets reorganization of pharmaceutical enterprises, domestic trade (barring specific permission), logistics supply and relevant consultant services (in right of exequatur to run if refers to permission operation).

II. Particulars about the actual controller:

Name of the actual controller: China National Pharmaceutical Group Co. Headquarter

Legal representative: Zheng Hong

Date of foundation: Mar. 1, 1988

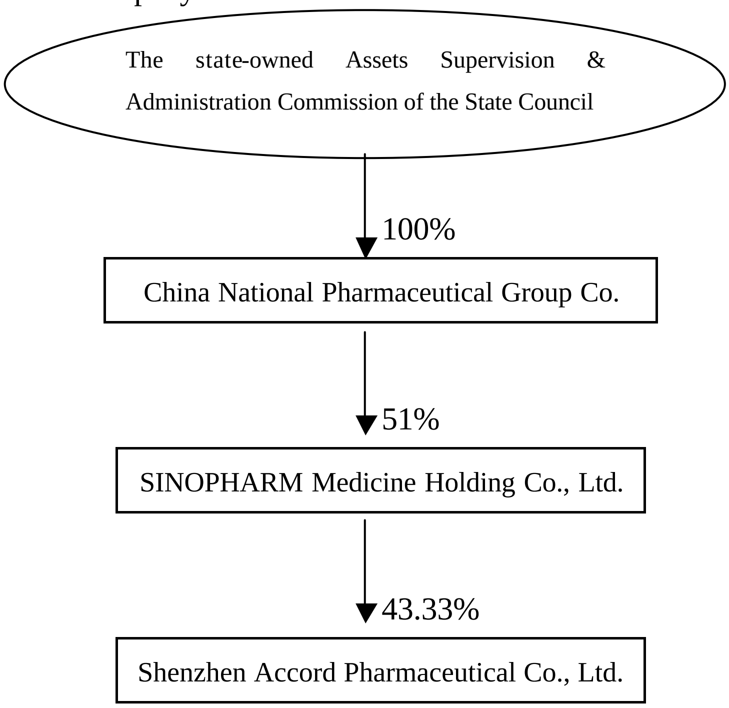
Registered capital: RMB 857,490,000

Nature of economic: state-owned sole company

Business scope: entrusted management and assets reorganization of pharmaceutical

enterprises, consultant service of medicine industry investment project, holding exhibition and fair of surgical appliance, the wholesale of Chinese medicine, Chinese patent medicines, Chinese medicine herb in pieces, chemical material medicine, a chemical agent, antibiotics, biochemical, biological. The underling exclusively invested company and controlling subsidiary of China National Pharmaceutical Group Co. Headquarter includes: China Medicine Industry Co., SINOPHARM Medicine Co., Ltd., China Medicine Foreign Trade Co., China Medical Appliance Co., China Drugs Group, SINOPHARM Medicine Holding Co., Ltd., SINOPHARM Exhibition Co., Ltd., Sichuan Antibiotics Industrial Institute of China Medicine Group Headquarter, Union Engineering Co. of China National Pharmaceutical Group Co. and SINOPHARM Advertising Co., Ltd..

4.3.3 The property and controlling relationship between the actual controller of the Company and the Company is as follows:



§5 Particulars About Directors, Supervisors, Senior Executives

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

Name	Title	Sex	Age	Office term	Shares held at the year-begin (share)	Shares held at the year-end (share)	Reason of change
Chen Weigang	Chairman of the Board	Male	46	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Wu Ai'ming	Director	Male	35	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Zuo Jie	Director	Male	33	Jan. 13, 2005 – Sep. 28, 2007	0	0	

Shi Jinmin	Director, general manager	Male	37	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Yin Juming	Director	Female	56	Sep. 28, 2004 – Sep. 28, 2007	0	0	
Zou Jun	Director	Male	33	Sep. 28, 2004 – Sep. 28, 2007	0	0	
Chen Shu	Independent Director	Female	50	Sep. 28, 2004 – Sep. 28, 2007	0	0	
Sui Guangjun	Independent Director	Male	43	Sep. 28, 2004 – Sep. 28, 2007	0	0	
Peng Juan	Independent Director	Female	40	Sep. 28, 2004 – Sep. 28, 2007	0	0	
Zhu Dixin	Convener of the supervisory Committee	Male	57	Jan. 13, 2005 – Jan. 13, 2008	0	0	
Shen Tianfang	Supervisor	Male	55	Jan. 13, 2005 – Jan. 13, 2008	0	0	
Zhao Junpeng	Supervisor	Male	36	Jan. 13, 2005 – Jan. 13, 2008	0	0	
Ou Jianneng	Deputy General Manager	Male	46	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Tian Guoshu	Deputy General Manager	Male	50	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Yan Zhigang	Deputy General Manager	Male	45	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Lin Xinyang	Deputy General Manager	Male	40	Jan. 13, 2005 – Sep. 28, 2007	0	0	
Wei Pingxiao	Financial chief supervisor	Male	41	Dec. 7, 2004 – Sep. 28, 2007	0	0	
Chen Changbing	Secretary of the Board of Directors	Male	37	Sep. 28, 2004 – Sep. 28, 2007	0	0	

5.2 Particulars about directors and supervisors holding the post in Shareholding Company

√Applicable ☐Inapplicable

Name	Name of Shareholding Company	Title in Shareholding Company	Office term	Drawing the payment from the Shareholding Company (Yes / No)
Chen Weigang	SINOPHARM Medicine Holding Co., Ltd.	General manager	Jan. 1, 2003 till now	No
Wu Aimin	SINOPHARM Medicine Holding Co., Ltd.	Financial chief supervisor	Jul. 1, 2003 till now	No
Zuo Jie	SINOPHARM Medicine Holding Co., Ltd.	Section chief	May 1, 2003 till now	No

Shi Jinming	SINOPHARM Medicine Holding (Guangzhou) Co., Ltd.	General manager	Apr. 1, 2003 till now	No
Yin Junmin	Shenzhen Shiyan Town Investment Management Co., Ltd.	Financial Chief supervisor	Jan. 1, 1996 till now	No
Zou Jun	Shenzhen Wangzong Industrial Co., Ltd.	Executive director	May 1, 2001 till now	No
Zhao Junpeng	Shenzhen Baoan Shangwu Economic and Development Co., Ltd.	Chairman Of the Board	Jan. 1, 2001 till now	No

5.3 Particulars about the annual payment of directors, supervisors and senior executives

Unit: MB'0000

Total annual payment	167.65
Total annual payment of the top three directors and supervisors drawing the highest payment	0.00
Total annual payment of the top three senior executives drawing the highest payment	82.96
Allowance of independent director	6 per person/ year
Other treatment of independent directors	The expenses that independent directors attended the Board meeting and shareholders' general meeting are reimbursed according to the Company's regulations.
Name of directors and supervisors receiving no payment or allowance from the Company	In the report period, the chairman of the Board, Mr. Chen Weigang, director, Mr, Wu Ai'min, Mr. Zuo Jie, Mr. Yin Jumin and Mr. Zou Jun, and supervisor Mr. Zhao Junpeng drew no remuneration from the Company, Mr. Shi Jinming, director and GM, drew no remuneration from the Company.
Scope of payment	Number of persons
Below RMB 200,000	1
RMB 200,000 – RMB 300,000	3
RMB 300,000 – RMB360, 000	2

§6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

The report period was transition period of state-owned shares transfer of the Company. Taking interests of the whole into account, with opening mind, all staff of the Company learned and understood management concept and enterprise culture of Sinopharm Medicine Holding Co., Ltd., changed ideas, were pragmatically and enterprisingly devoted to exploiting market, strengthening marketing, and promoting service, which helped production and operation of the Company attain to expecting objective of stable and developing transition period, and obtain better operating results.

In the aspect of pharmaceuticals wholesaling, the Company adjusted operating mechanism of enterprise department, revised and consummated partial business flow to embodying operating concept of "purchase leaded, kind directed"; promoted service and achievements through changing service attitude, behavior way, working method, and management ideas; meanwhile the emphasized on key result areas and key performance index to develop operating and management work, which obtained certain achievements.

In the aspect of manufacturing pharmaceuticals industry, oriented by the market, Shenzhen Pharmaceutical Factory actively reacted to impact brought from policy price-declining of antibiotic pharmaceuticals, adjusted marketing strategies, put emphasis on channel and terminal construction, adopted refined products strategy, promoted market operating efficiency, which helped sales of lead products for the whole year increased by a relative big margin year-on year.

In the aspect of pharmaceuticals retailing, through various measures including developing goods planning, conducting brand management, holding theme promotion, setting up sample store and feature store, Accord Chain Company helped the Company operate consistently well in the aspect of pharmaceuticals retailing and obtain achievements in making profits from losses.

6.2 Statement of main operations classified according to industries or products

Unit: RMB

Main operations classified according to industries						
Classified according to 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 (%)
Medical industry	45,620.96	20,816.22	54.37	0.73	4.35%	Down 1.58%
Medical wholesale	165,784.09	158,426.40	4.44	-10.70	-10.69%	Down 0.01%
Medical retail	23,062.64	18,030.98	21.82	-15.08	-15.36%	Up 0.26%
Less: Counteracting between internal industries	76,859.16	76,990.49	-	-	-	-
Total	157,608.53	120,283.11	23.68	-8.85	-9.79	Up 0.79%
Including: related transactions	3,486.53	1,751.53	49.76	864.44	433.51	Up 45.76%
Note: related transaction in the report period was amount of new controlling shareholder, Sinopharm Medicine Holding Co., Ltd. and its subsidiaries; related transactions in 2003 was amount of Shenzhen Nanshan Pharmaceuticals Company, subsidiary of original controlling shareholder, Shenzhen Investment Holding Corporation.						
Main operations classified according to industries						
Western medicine	40,476.02	18,319.74	54.74	15.32	17.59	Down 0.87%
Chinese medicine	5,319.49	2,566.10	51.76	2.06	-7.98	Up 5.27%

Including: related transactions	3,360.82	1,744.62	48.09	829.66	402.70	Up 44.09%
Pricing principle	Market price adopted					
Necessity and durative of related transactions	1.Related transactions of the Company, with making profit as objective, transacted fairly based on market price, accorded with market economy principles. 2. Related transactions took small part of the total sales amount, which didn't impact the Company severely. 3. To enlarge market share and decrease costs, relevant related transactions of the Company would be necessary and durative.					

Of which, in the report period, the Company sold products and provided labor services for holding shareholders and its subsidiary, the amount of related transaction of which was RMB 34,865,300

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Domestic sales	156,005.02	-7.06%
Oversea sales	1,603.50	-68.36%

6.4 Particulars about the customers of purchase and sales

Unit: RMB'0000

Total amount of purchase of the top five suppliers	15,827.11	Proportion in the total amount of purchase	13.16%
Total amount of sales of the top five sales customers	17,613.60	Proportion in the total amount of sales	11.18%

6.5 Operation of share-holding companies

√Applicable ☐Inapplicable

Unit: RMB'0000

Name of the share-holding company	Shenzhen Wanle Pharmaceuticals Co., Ltd.		
Investment earnings contributed in the period	639.10	Proportion in net profit of the listed company	23.45%
Share-holding company	Business scope	Development, research, production and operation of Anti-cancer pharmaceuticals reparation, Famotichang injection and Anti-virus injection	
	Net profit	2,051.26	

6.6 Explanation on reasons of material changes in main operations and its structure

☐Applicable √Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

☐Applicable √Inapplicable

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

√Applicable ☐Inapplicable

Main reason for increase of net profit: ① Shenzhen Pharmaceuticals Factory operated well and sales of the lead products increased a lot; ② commercial enterprises actively exploited profit increasing points, which resulted in increase of profit from other business lines year-on-year; ③ the Company decreased capital occupation and returned bank loan, which resulted in decreased of financial expenses; ④ In 2003, after the Company transferred out equity of Shenzhen Modern Computer Co., Ltd. and Shenzhen Jian'an Pharmaceuticals Co., Ltd., the losses of the Company decreased year-on-year.

Analysis to reasons of material changes in the whole financial position than that in the last year

☐Applicable √Inapplicable

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

☐Applicable √Inapplicable

6.10 Completion of the profit estimation

☐Applicable √Inapplicable

6.11 Completion of the business plan

☐Applicable √Inapplicable

6.12 Application of the raised proceeds

☐Applicable √Inapplicable

Particulars about the changed projects

☐Applicable √Inapplicable

6.13 Application of the proceeds not raised through shares offering

☐Applicable √Inapplicable

6.14 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants

☐Applicable √Inapplicable

6.15 Business plan as of the next year of the Board of Directors (If it has)

☐Applicable √Inapplicable

Profit estimation of the next year

☐Applicable √Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

√Applicable ☐Inapplicable

Audited by Shanghai Shu Lun Pan Certified Public Accountants for A shares and confirmed, the Company realized a net profit amounting to RMB 27,254,148.36 in

2004, after offsetting the losses over the previous years amounting to RMB 2,214,346.16, the profit available for distribution to shareholders was RMB 25,039,802.20 in the year. According to the provisions in the Articles of Association of the Company, after being appropriated 10% of net profit as statutory surplus reserve amounting to RMB 6,323,930.97 (including subsidiaries) and 5% of net profit as statutory welfare funds amounting to RMB 3,161,965.49 (including subsidiaries), the profit available for distribution to shareholders was RMB 15,553,905.74 in the year. Audited by Horwath Certified Public Accountants for B shares and confirmed, the Company's accumulative losses was RMB 35,375,000 in the previous years; the Company realized a net profit amounting to RMB 19,907,000 in 2004, after appropriating statutory surplus reserve of RMB 9,486,000, the accumulative losses of RMB 24,954,000 still not offset. According to the lower principal, the Board of Directors of the Company decided not to distribute profits or convert capital reserve into share capital in 2004. The said distribution plan should be submitted to the 2004 Annual Shareholders' General Meeting for consideration.

6.17 In the report period, the Company made profits but did not propose Dividend Distribution Preplan

√Applicable ☐Inapplicable

The reason why the Company made profits but did not propose Dividend Distribution Preplan	Utilization and using plan of retained profit of the Company
The retained profit was too few to carry out cash distribution.	Be Used to tamp the operation foundation of the Company, increase accumulation and expand operation scope.

§ 7. Significant Events

7.1 Purchase of assets

√Applicable ☐Inapplicable

7.2 Sales of assets

√Applicable ☐Inapplicable

7.3 Significant guarantees

√Applicable ☐Inapplicable

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Shenzhen Modern Computer Co.,	Feb. 9, 2004	1,655.30	Joint responsibility guarantee	One year	No	No

Ltd.						
Shenzhen Modern Computer Co., Ltd	Dec. 24, 2002	2,321.21	Joint responsibility guarantee	Two years	Yes	No
Total amount of guarantee in the report period				1,655.30		
Total balance of guarantee at the end of the report period				1,655.30		
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period				0.00		
Total balance of guarantee for controlling subsidiaries at the end of the report period				0.00		
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee				3,976.51		
The proportion of the total amount of guarantee in the net assets of the Company				11.10%		
Particulars about the guarantees out of line						
Total amount of guarantee for other related parties, which the Company or controlling shareholders held less than 50%				3,976.51		
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70%				0.00		
Proportion of total amount of guarantee in net assets of the Company exceeded 50% (Yes of No)				No		
Total amount of guarantee breaking regulations				3,976.51		

Note: Of the above guarantees, guarantee amounting to RMB 23,212,100 was removed on Jan. 7, 2005; guarantee amounting to RMB 16553000 was not removed on Feb. 9, 2005, because the guaranteed didn't settle the loan amounting to RMB 2984300. The Company was transacting removal procedures in further step.

7.4 Significant related transactions

7.4.1 Current related purchase and sale

√Applicable ☐Inapplicable

Unit: RMB'0000

Related parties	Selling products and providing service to related parties		Purchasing products and accepting service to related parties	
	Transaction amount	Proportion in the same kind of transaction amount	Transaction amount	Proportion in the same kind of transaction amount
Sinopharm Medicine Holding Shanghai Co., Ltd.	2,333.17	1.48	20.39	0.03
China National Group Corporation of Medicines Shanghai Likang Pharmaceutical Co., Ltd.	53.87	0.03	-	-

Shanghai Guoda Pharmacy Franchise Co., Ltd.	5.13	0.00	-	-
Sinopharm Medicine Holding Tianjin Co., Ltd.	142.14	0.09	-	-
Sinopharm Medicine Holding Guangzhou Co., Ltd.	3.46	0.00	2,680.93	2.23
Guangzhou Southern Pharmaceutical Company	11.48	0.01	31.54	0.03
Guangdong Guoda Chain Drugstore Co., Ltd.	136.26	0.09	-	-
Shaanxi Guoda Chain Drugstore Co., Ltd.	0.25	0.00	-	-
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	165.36	0.10	-	-
China National Group Corporation of Medicines Guoda Pharmacy Co., Ltd.	7.89	0.01	-	-
China National Group Corporation of Medicines S. W. Co., Ltd.	76.29	0.05	-	-
China National Group Corporation of Medicines Hangzhou Xinya Co., Ltd.	3.72	0.00	-	-
China National Group Corporation of Medicines Shaanxi Pharmaceutical Co., Ltd.	12.74	0.01	-	-
China National Medicines Shenyang Company	296.06	0.19	-	-
Shaanxi Yiyue Chinese Medicine Co., Ltd.	36.09	0.02	-	-
China National Medicines Shanxi Company	57.77	0.04	-	-%
Shenzhen Chinese and Western Pharmaceutical Company	144.85	0.09	213.18	0.18
Shenzhen Wanle Pharmaceuticals Co., Ltd.	-	-	31.13	0.03
Shenzhen Trust Pharmaceuticals Co., Ltd.	-	-	27.78	0.02
Guangzhou New and Special Pharmaceuticals Co., Ltd.	-	-	38.27	0.03
Total	3,486.53	2.21	3,043.22	2.53

7.4.2 Current related credits and liabilities

√Applicable ☐Inapplicable

Unit: RMB'0000

Related parties	Supply funds to related parties		Related parties supplied funds to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Shenzhen Pharmaceuticals Production and Supply Company	-	-	2,905.86	-
Total	-	-	2,905.86	-

Including: in the report period, the capital amount the listed company provided to controlling shareholder and its subsidiaries was RMB 0.00 and the balance was RMB 0.00.

7.5 Entrusted assets

□Applicable √Inapplicable

7.6 Implementation of commitment items

□Applicable √Inapplicable

7.7 Significant lawsuit and arbitration

□Applicable √Inapplicable

7.8 Particulars about the performance of obligations of Independent Directors

Particulars about the independent directors attending the Board

Name of Independent Directors	This year times of attending the Board meeting	Presence in person	Entrusted presence (times)	Absence (Times)	Notes
Sui Guangjun	4	4	0	0	
Chen Shu	4	4	0	0	
Peng Juan	4	4	0	0	

Particulars about the independent directors proposed different opinions about the relevant matters of the Company

□Applicable √Inapplicable

§8.Report of the Supervisory Committee

√Applicable □Inapplicable

The Supervisory Committee had strictly supervised over the Company's operation and decision-making in 2004, and expressed independent opinions concerning relevant issues as follows:

1. In the report year, the Supervisory Committee supervised over the Company's various work in terms of the procedures of holding the Shareholders' General Meeting and the Board of Directors, resolutions, implementation of the resolutions of the Shareholders' General Meeting by the Board of Directors, the Company's production and operation and management of decision-making according to the law, regulations and Articles of Association, and believed the Company had abided by the Company Law and the Articles of Association in terms of management and operation and ensured its operation according to law.

2. The Supervisory Committee supervised over the duties performed by the directors and senior executives and believed that in daily operation and administration, they

were patient and responsible, made decisions in scientific and reasonable way and the procedure of decision-making was normative and legal. They had neither violated the laws, regulations, Articles of Association and resolutions of the Shareholders' General Meeting, nor had they abused their posts and rights or done harm to the interests of shareholders, the Company or employees.

3. The Supervisory Committee believed the Financial Report of 2004 had objectively and truly reflected the Company's financial status and operation achievements, and agreed with the standard unqualified Auditors' Reports furnished by Shu Lun Pan Certified Public Accountants Co., Ltd. and Horwath Certified Public Accountants.

4. In the report period, the Company had no significant related transactions and the prices of other related transactions had been set based on the market principle and been fair. No actions that would do harm to the interest of the Company had been discovered.

§9. Financial Report

9.1 Auditor's opinions

Auditor's opinions: Standard unqualified auditor's opinions

9.2 Financial statement

(Attached back)

9.3 Explanation on changes of accounting policy, accounting estimation and settlement compared with the latest annual report

☐Applicable √Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

√Applicable ☐Inapplicable

(1) When combining statements each year, the Company had not restored the withdrawal of statutory surplus reserve and public welfare fund withdrawn by subsidiaries according to their investment proportion, and this had not conformed to relevant regulations concerning combined statements. Taking this matter as a significant accounting error, the Company had made corrections according to retroactive adjustment approach. This retroactive adjustment had led to a decrease amounting to RMB 16,179,915.91 of the total retained profit, and an increase amounting to RMB 16,179,915.91 of total surplus reserve at the beginning of 2004 as stated in the Combined Balance Sheet of the Company, while net assets at the year-begin had not been influenced.

(2) The Company held 35.19% share equity of the subordinate affiliated enterprise Shenzhen Main Luck Pharmaceuticals Inc.. However, the Company had been taking this company as a joint-venture enterprise in previous years, and combined its Accounting Statement using the proportion method. According to the regulations of documents such as the Business Accounting System, Business Accounting Rules-Investment, CKZI (1995) No. 11 Notice on the Publish and Issuance of Provisional Regulations on the Combination of Accounting Statement, and CKEZI (96) No. 2 Return to the Instruction Request on the Combined Range of Combined Sheet issued by the Ministry of Finance, etc., this company should be taken as an affiliated enterprise, calculated according to equity method only, and should not be

listed in the combined range.

The Company had taken this matter as a significant accounting error and made corrections using retroactive adjustment method. This retroactive adjustment had led to the decrease amounting to RMB 20,549,285.13 of total assets and total liabilities at the beginning of 2004 respectively, but the net assets at the year-begin and net profit of 2003 had not been influenced.

(3) The net assets of the wholly-owned subsidiary of the Company Shenzhen Accord Pharm Chain Store Co., Ltd. turned minus in 2003, and the Company had written off the book value of the long-term equity investment for it down to zero according to Business Accounting System. However, when compiling the Combined Sheet 2003, the Company had not written off the book value of the long-term investment for it down to zero, leaving out the equity investment balance amounting to RMB 3,349,043.57 uncancelled.

The Company had taken this matter as a significant accounting error and made corrections according retroactive adjustment method. This retroactive adjustment had led to a decrease amounting to RMB 3,349,043.57 of the long-term equity investment, and an increase of RMB 3,349,043.57 of the uncertain investment loss at the beginning of 2004.

9.5 Explanation on change of consolidated scope compared with the latest annual report

√Applicable ☐Inapplicable

1. In the annual report of last year, the Company consolidated Jan.- May statements of original wholly subsidiary Shenzhen Jian'an Pharmaceuticals Co., Ltd.. After share equity was transferred in May, 2003, shares held by the Company decreased to 21%, and the Company had no actual control rights. Investment income of it would be accounted by equity method.

2. In the annual report of last year, according to actual control principle, the Company consolidated statements of Shenzhen Chinese and Western Pharmaceuticals Co., Ltd., controlling subsidiary. From November of the report period, the Company had no actual control, so investment income of it would be accounted by equity method.

3. In the report period, subsidiaries of the Company, Shenzhen Pharmaceuticals Co. Ltd. and Shenzhen Pharmaceuticals Factory jointly invested and set up Shenzhen Accord Medicine Co., Ltd., respectively held 75% and 25% equity of it. From November, the Company consolidated the statements of this company.

Board of Directors of

Shenzhen Accord Pharmaceutical Co., Ltd.

Apr. 20, 2005

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004
(Expressed in Renminbi thousands)

	Notes	2004 RMB'000	2003 (Restated) RMB'000
Turnover	4	1,576,085	1,729,175
Cost of sales		(1,205,295)	(1,335,906)
Gross profit		370,790	393,269
Other operating revenue	5	29,275	25,229
Selling and distribution costs		(294,613)	(311,057)
Administrative expenses		(76,668)	(75,275)
Other operating expenses		(1,817)	(3,118)
Profit from operations	6	26,967	29,048
Finance costs	7	(7,192)	(11,868)
Share of results of associates		6,991	5,131
Loss on disposal of an associate		-	(3,560)
Gain on disposal of a subsidiary		-	980
Profit before taxation		26,766	19,731
Taxation	8	(7,529)	(5,472)
Profit before minority interests		19,237	14,259
Minority interests		670	86
Profit for the year		19,907	14,345
Earnings per share	9	RMB0.069	RMB0.050

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004
(Expressed in Renminbi thousands)

	Notes	2004 RMB'000	2003 (Restated) RMB'000
Non-current assets			
Property, plant and equipment	10	143,544	166,459
Construction in progress	11	40,963	31,595
Interest in a subsidiary not consolidated	12	-	68
Interests in associates	13	24,069	21,291
Goodwill	14	23,476	29,544
Other investments		284	337
		232,336	249,294
Current assets			
Inventories	15	162,484	210,728
Accounts receivable and other receivables		338,410	333,952
Amounts due from related companies	23(c)	8,529	29,341
Prepayments		11,521	5,350
Other investments		-	4
Cash and bank balances		80,867	145,675
		601,811	725,050
Current liabilities			
Bank loans - due within one year	16	12,500	190,000
Accounts payable, other payables and accruals		444,053	429,362
Receipts in advance		19,413	15,102
Amounts due to related companies		7,184	5,040
Tax payable		2,385	2,859
		485,535	642,363
Net current assets		116,276	82,687
Total assets less current liabilities			

carried forward		348,612	331,981
Non-current liabilities			
Long-term bank borrowings – due after one year	16	-	(2,000)
Minority interests		-	(1,276)
		348,612	328,705
Representing:			
Share capital	17	288,149	288,149
Reserves		60,463	40,556
Shareholders' funds		348,612	328,705

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004
(Expressed in Renminbi thousands)

		Reserves				
	Share capital RMB'000 (Note 17)	**Capital reserve RMB'000**	**Statutory reserve RMB'000** (Note 18)	**Accumulated loss RMB'000**	**Total Reserve RMB'000**	**Tot RMB'00**
Balance at 31 December 2002						
- As previously reported	288,149	17,489	40,861	(33,541)	24,809	312,95
- Prior year adjustment (Note 19(i))		-	10,544	(10,544)	-	
- As restated	288,149	17,489	51,405	(44,085)	24,809	312,95
Net profit for the year	-	-	-	14,345	14,345	14,34
Addition during the year	-	1,402	-	-	1,402	1,40
Income appropriation	-	-	5,635	(5,635)	-	
Balance at 31 December 2003	288,149	18,891	57,040	(35,375)	40,556	328,70
Balance at 31 December 2003						
- As previously reported	288,149	18,891	40,861	(19,196)	40,556	328,70
- Prior year adjustment (Note 19(i))	-	-	16,179	(16,179)	-	
- As restated	288,149	18,891	57,040	(35,375)	40,556	328,70
Net profit for the year	-	-	-	19,907	19,907	19,90
Income appropriation	-	-	9,486	(9,486)	-	
Balance at 31 December 2004	288,149	18,891	66,526	(24,954)	60,463	348,61

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004
(Expressed in Renminbi thousands)

	2004 RMB'000	2003 (Restated) RMB'000
Operating activities		
Profit before taxation	26,766	19,731
Adjustments for:		
Interest income	(3,928)	(3,429)
Interest expenses	6,524	11,227
Depreciation	26,321	27,775
Gain on disposal of property, plant and equipment	480	(216)
Amortisation of goodwill	3,913	4,391
Goodwill written off	2,155	-
Provision for impairment on revaluation of property, plant and equipment and construction in progress	62	1,850
Share of results of associates	(6,991)	(5,131)
Disposal of subsidiaries	-	2,580
Loss on short term investments	5	-
Provision for impairment in value of other investments	50	-
Cash flow from operations before changes in working capital	55,357	58,778
Decrease/(increase) in inventories	37,343	(33,947)
Decrease/(increase) in accounts receivables and other receivables and amount due from related parties	1,415	(97,703)
(Increase)/decrease in prepayments	(6,171)	2,240
Increase in accounts payable, other payables and accruals receipts in advance and amounts due to related companies	48,032	176,522
Cash generated from operating activities	135,976	105,890
Interest paid	(6,524)	(11,227)
Income taxes paid	(7,418)	(5,602)

Net cash generated from operating activities		122,034	89,061
Investing activities			
Interest received		3,928	3,429
Dividend received		4,168	-
Purchase of property, plant and equipment		(6,008)	(36,602)
Proceeds from disposal of property, plant and equipment		1,542	652
Payment for construction in progress		(10,546)	-
Proceeds on disposal of a subsidiary		-	(4,241)
Proceeds from disposal of associates		-	9,100
Proceeds from disposal of other investments		2	-
Cash outflow on change of status of a consolidated subsidiary to an associate	20	(3,933)	-
Net cash used in investing activities		(10,847)	(27,662)
Financing activities			
New bank loans raised		119,005	152,337
Repayment of bank loans		(295,000)	(168,152)
Net cash used in financing activities		(175,995)	(15,815)
Net (decrease)/increase in cash and cash equivalents		(64,808)	45,584
Cash and cash equivalents, at beginning of year		145,675	100,091
Cash and cash equivalents, at end of year		80,867	145,675