Shenzhen Accord Pharmaceutical Co., Ltd.

Summary of Semi-Annual Report 2005

§1. Important Notes

1.1 The Board, along with all its directors, hereby assures that there are no false records, misleading statements or significant omissions in this report, and it would shoulder any individual as well as joint responsibility concerning to the authenticity, accuracy and completeness of the contents.

The Summary of Semi-Annual Report has been extracted from the full text of the Semi-Annual Report, which has been published in Juchao Website (http://www.cninfo.com.cn). For detailed information, it is suggested that the investors read the full text of the Semi-Annual Report carefully.

1.2 No director would claim that he or she could not guarantee the authenticity, accuracy or completeness of the report's contents or that he or she holds different opinions.

1.3 All the directors have attended the Board meeting on the examination and voting of this Semi-Annual Report through communication.

1.4 No auditing has been conducted in the report period.

1.5 Chairman of the Board Mr. Chen Weigang, General Manager Mr. Shi Jinming, and CFO Mr. Wei Pingxiao hereby declare that they would assure the authenticity and completeness of the financial accounting report in this Semi-Annual Report.

§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	
	Secretary of the Board of Directors	**Securities Affairs Representative**
Name	Chen Changbing	Jiao Qi
Contact address	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong
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2.2 Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the period-end of last year	Increase/decrease at the end of this report period compared with that at the end of last year（%）
Current assets	728,260,371.58	604,359,113.70	20.50%
Current liabilities	584,000,442.32	487,188,976.36	19.87%
Total assets	962,295,667.52	846,186,796.73	13.72%
Shareholders' equity (excluding minority interests)	377,495,225.20	358,197,820.37	5.39%
Net assets per share	1.310	1.243	5.39%
Net assets per share after adjustment	1.275	1.193	6.87%
	In this report period (Jan. to Jun.)	**The same period of last year**	**Increase/decrease in this report period year-on-year (%)**
Net profit	19,300,281.44	11,953,370.81	61.46%
Net profit after deducting non-recurring gains and losses	19,300,935.02	11,838,004.74	63.04%
Earnings per share	0.067	0.041	63.41%
Profit ratio of net assets	5.113	3.398	Increased by 1.715%
Net cash flow arising out of operating activities	58,338,411.18	-7,317,280.66	

2.2.2 Item of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Non-operating income	247,645.11
Non-operating expenses	248,298.69
Total	-653.58

2.2.3 Differences between CAS and IAS:

√Applicable ☐Inapplicable

Unit: RMB

	CAS	IAS
Net profit	19,300,281.44	20,057,767.12
Explanation on difference	The difference was mainly caused by the amortization of equity investment balance arising out of the assets replacement activities during the previous year, as well as the adjustment of unconfirmed investment losses brought along by the above-quota loss of the subsidiaries in the report period.	

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement of change in shares

☐Applicable √Inapplicable

3.2 Particulars about shares held by the top ten shareholders

Total shareholder at the end of report period	32,329					
Particulars about shares held by the top ten shareholders						
Shareholders' name (full name)	**Increase/ decrease in this report period**	**Holding shares at the period-end**	**Proportion (%)**	**Type of share (circulating or non-circulating)**	**Shares pledged or frozen**	**Nature of shareholder (state-owned shareholder or foreign-funded shareholder)**
SINOPHARM MEDICINE HOLDING CO., LTD.	0	124,864,740.00	43.33%	Non-circulating	0	State-owned shareholder
SHENZHEN BAO'AN DISTRICT SHIYAN TOWN ECONOMIC DEVELOPMENT CORPORATION	0	26,070,660.00	9.05%	Non-circulating	16,079,700.00	Legal person shareholder
SHENZHEN BAO'AN SHANGWU ECONOMIC DEVELOPMENT CO., LTD.	0	13,942,800.00	4.84%	Non-circulating	13,846,000.00	Legal person shareholder
SHENZHEN WANGZONG INDUSTRIAL CO., LTD.	0	5,303,200.00	1.84%	Non-circulating	0	Legal person shareholder
NANJING JUNYUE INVESTMENT CONSULTATING CO., LTD.	0	5,000,000.00	1.74%	Non-circulating	0	Legal person shareholder
WUXI HUAXIN INVESTMENT MANAGEMENT CO., LTD.	0	1,396,800.00	0.48%	Non-circulating	0	Legal person shareholder
SHANGHAI SHISHENG ENTERPRISE DEVELOPMENT CO., LTD.	0	1,000,000.00	0.35%	Non-circulating	0	Legal person shareholder
YAO JUN	Unknown	821,870.00	0.29%	Circulating		Shareholder of A-share in circulating
SHANGHAI HUAXIA YIFU INVESTMENT CO., LTD.	0	800,000.00	0.28%	Non-circulating	0	Legal person shareholder
CHEN YONG QUAN	Unknown	509,922.00	0.18%	Circulating		Shareholder of B-share in circulating

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 or others)**
YAO JUN	821,870.00	A-share
CHEN YONG QUAN	509,922.00	B-share
FAN HUI QIONG	484,900.00	B-share

WANG XIAO TIAN	369,278.00	B-share
EVER POINT INVESTMENTS LIMITED	366,099.00	B-share
YAO JIAN PING	327,800.00	A-share
CHEN ZE BING	311,800.00	B-share
JIANG XIAO MING	309,950.00	B-share
YANG YUAN ZHOU	294,500.00	B-share
FANG JING DA	265,400.00	B-share
Explanation on associated relationship among the top ten shareholders or consistent action	The Company does not know whether there exists associated relationship among these shareholders or whether they belong to consistent actors.	
Explanation on the appointed period of holding shares which strategic investor or general legal person participates in the allotment of new shares		
Name of shareholder	Time limit of shareholding	
Naught	Naught	

3.3 Particulars about change of the controlling shareholder and the actual controller of the Company

☐Applicable √Inapplicable

§4. Particulars about Directors, Supervisors and Senior Executives

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

☐Applicable √Inapplicable

§5. Discussion and Analysis of the Management

5.1 Statement of main operations classified according to industries and products

Unit: RMB’0000

Particulars about main businesses classified according to industries						
	Income from main operations	**Cost of main operations**	**Gross profit ratio (%)**	**Increase/decrease in income from main operations year-on-year (%)**	**Increase/decrease in cost of main operations year-on-year (%)**	**Increase/decrease in gross profit ratio year-on-year (%)**
Pharmaceutical industry	25,856.49	11,965.16	53.72%	3.71%	7.13%	Decreased by 1.49%
Pharmaceutical wholesale	76,757.83	73,690.55	4.00%	-2.68%	-2.13%	Decreased by 0.53%
Pharmaceutical retail	10,813.11	8,462.36	21.74%	-13.36%	-15.64%	Increased by 2.12%
Minus: sales among internal enterprises	34,265.83	34,265.83				
Total	79,161.60	59,852.24	24.39%	-1.74%	-1.33%	Decreased by 0.31%
Including: related	4,323.57	1,823.48	57.82%			

transactions						
Particulars about main businesses classified according to products						
Series of products of Cephalosporin	11,193.14	8,413.82	24.83%	-2.51%	21.77%	Decreased by 14.99%
Jian'er Qingjie Ye	1,481.73	494.26	66.64%	21.73%	-13.51%	Increased by 13.59%
Including: related transactions	366.76	193.04	47.37%			-
Pricing rules for related transactions		Related transactions has been conducted according to market price				

Notes: in the report period, the amount that the listed company has obtained from related transactions of selling products and offering labor service to the controlling shareholder and its shareholding subsidiaries was RMB 43.2357 million.

5.2 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Increase/decrease in income from main operations year-on-year (%)
Domestic sales	78,986.37	-0.24%
Oversea sales	175.23	-87.32%

5.3 Other operations exerting material influence on net profit

□Applicable √Inapplicable

5.4 Operation of share-holding companies

√□Applicable □Inapplicable

Unit: RMB'0000

Name of shareholding company		Shenzhen Wanle Pharmaceutical Co., Ltd		
Investment yield contributed in the report period		341.83	Proportion taking up the net profit of the listed company	17.71%
Shareholding company	Business scope	Development, research and production of anti-cancer medicines, famotidine injection and anti-virus injection, etc..		
	Net profit	1,310.09		

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

√Applicable □Inapplicable

1. The Company consolidated the statement of Shenzhen Sino-Western Pharmaceutical Co., Ltd., subsidiary of controlling company, according to principal of actual control right in the same period of last year, so the Company calculated investment income from this company would be in compliance with equity method.

2. The Company consolidated the statement of Shenzhen Wanle Pharmaceutical Co., Ltd. according to proportion in the same period of last year, so the Company calculated investment income from this company would be in compliance with equity method.

5.6 Explanation on reasons of material changes in profitability of main operations (gross profit ratio) compared with that of the last year

□Applicable √Inapplicable

5.7 Analysis on reasons of material changes in profit structure compared with the previous year

√Applicable □Inapplicable

Reasons for the large-margin increase of indexes such as the operation achievement and profit composition, etc. mainly are: ① The sales of the leading products produced by the Company's subordinate Shenzhen Pharmaceutical Factory has continued to maintain a promising momentum, and efficiency has advanced; ② The operation of the Company's subordinate Shenzhen Accord Pharmaceutical Chain Co., Ltd has headed towards the good, and began to turn an unfavourable balance into a favourable one; ③ Thanks to the measures on the management of expense budget set by the Company at the beginning of the year, expenses have been under reasonable control, and three expenses have decreased year-on-year.

5.8 Application of the raised proceeds

5.8.1 Use of the raised proceeds

□Applicable √Inapplicable

5.8.2 Particulars about the projects changed

□Applicable √Inapplicable

5.9 The modification plan of Board to the business plan for the second half of the year

□Applicable √Inapplicable

5.10 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

√Applicable □Inapplicable

Estimates of operation achievement	□Loss √Large-margin concurrent increase □Large-margin concurrent decrease □Making up deficit
Explanation of the achievement estimates (reasons, uncertainty, and influence of the achievement estimates)	Thanks to the positive effects beginning to show under the Company's "reforming, adjusting and upgrading" measure, the operation budget for the upper half year of 2005 has been carried out well and the production and operation have been healthy and stable. It is estimated that the Company's net profit made between January and September would increase by 50% year-on-year.

5.11 Explanation of the Management on "Qualified Opinion" from the Certified Public Accountants in the report period

□Applicable √Inapplicable

5.12 Explanation of the Management on changes and disposal of the issues involved in “Qualified Opinion” from the Certified Public Accountants in the last year

□Applicable √Inapplicable

§6. Significant Events

6.1 Purchases and sales of assets and assets restructure

6.1.1 Assets purchased

□Applicable √Inapplicable

6.1.2 Assets sold

□Applicable √Inapplicable

6.1.3 Progress of the events and their influence on the Company’s operating results and financial status in the report period after the report on assets restructure or public notice on acquisition and sales of assets being published

(1) According to the resolution on increasing investment and shares of Shenzhen Chinese Medicine General Factory passed at the 6th meeting of the 4th Board of Directors on Apr. 18, 2005, the Company and Sinopharm Medicine Holding Co., Ltd. signed an Agreement on Increasing Investment and Shares on Jun. 1, 2005. According to this agreement, the registered capital of this factory would be increased to RMB 50 million after the system change, of which the Company would take the estimated value of Shenzhen Chinese Medicine General Factory amounting to RMB 23.6972 million as its investment and hold 47.39% shares correspondingly, while Sinopharm Medicine Holding Co., Ltd. would invest in cash totaling RMB 26.3028 million and hold 52.61% shares. The factory had been renamed as Sinopharm Medicine Holding Shenzhen Chinese Medicine Co., Ltd. Relevant industrial and commercial registration of the change is under way right now.

(2) On Jun. 21, 2005, the Company signed a Share Transfer Agreement with principal shareholder Sinopharm Medicine Holding Co., Ltd.. The Company would buy 90% shares of Sinopharm Medicine Holding Guangzhou Co., Ltd. held by Sinopharm Medicine Holding Co., Ltd. at the price of RMB 106.7311 million. This significant assets purchase belonged to related transaction and had been examined and approved at the 8th meeting of the 4th Board of Directors on Jun. 21, 2005. Relevant work conducted for the CSRC’s approval is under way.

The aforesaid issues had borne no influence on the operation achievement or financial status of the Company in the report period.

6.2 Guarantees

□Applicable √Inapplicable

6.3 Current related credits and liabilities

√Applicable □Inapplicable

Unit: RMB’0000

Name of related party	Relationship with the listed company	Capital provided to related parties by the listed company		Capital provided by related parties to the listed company	
		Amount occurred	Balance	Amount occurred	Balance
Accounts receivable from related units (lender)	Sharing the same controlling shareholder	5,036.66	2,009.56	0.00	0.00
Other accounts receivable from related units (lender)	Affiliated company	0.00	29.02	0.00	0.00
Accounts payable to related units (borrower)	Sharing the same controlling shareholder	0.00	0.00	2,554.62	768.78
Other accounts payable to related units (borrower)	Sharing the same controlling shareholder	0.00	0.00	2,632.01	2,630.72
Total		5,036.66	2,038.58	5,186.63	3,399.50

Including: the amount of money provided by the Company to the shareholding company and its subsidiaries totaled RMB 50.3666 million, with a balance of RMB 20.3858 million.

6.4 Material lawsuits and arbitrations

☐Applicable √Inapplicable

6.5 Other significant events and analysis on their influences and solutions

☐Applicable √Inapplicable

§7. Financial Report

7.1 Auditing opinion

Financial Report	√Unaudited ☐Audited

7.2 Financial statement

7.2.1 Statement of Profit and Profit Distribution

Domestic Statement

Unit: RMB

Items	The report period		The same period of the last year	
	Consolidated	Parent company	Consolidated	Parent company
Ⅰ. Income from main operations	791,615,992.22	468,413,172.26	805,598,687.87	455,538,850.67
Less: Cost of main operations	598,522,370.70	449,037,517.29	606,580,415.66	432,489,765.05
Tax and additional of main businesses	1,144,344.24	64,704.52	1,067,635.58	62,999.06
Ⅱ. Profit from main operations (Loss is listed with "-")	191,949,277.28	19,310,950.45	197,950,636.63	22,986,086.56
Add: Other operating profit (Loss is listed	10,471,260.85	1,698,880.16	9,289,401.72	2,903,736.49

with “-”)				
Less: Operating expenses	134,637,305.21	15,478,273.54	156,506,944.32	19,951,617.26
Management expenses	43,602,150.90	16,427,596.66	31,645,986.99	8,612,655.53
Financial expenses	-182,672.86	281,383.47	2,703,144.76	2,035,387.12
Ⅲ. Operating profit (Loss is listed with “-”)	24,363,754.88	-11,177,423.06	16,383,962.28	-4,709,836.86
Add: Investment income (Loss is listed with “-”)	370,517.53	30,474,530.31	-2,869,889.07	16,023,711.58
Subsidy income				
Non-operating income	247,645.11	3,330.19	696,668.38	299,000.00
Less: Non-operating expenses	248,298.69	156.00	581,302.31	180,141.14
Ⅳ.Total profit (loss is listed with “-”)	24,733,618.83	19,300,281.44	13,629,439.28	11,432,733.58
Less: Income tax	5,436,214.00		3,534,160.16	630,859.61
Gains and losses of minority shareholders			-1,726,861.98	
Add: unconfirmed investment losses	2,876.61		131,229.71	
Ⅴ. Net profit (loss is listed with “-”)	19,300,281.44	19,300,281.44	11,953,370.81	10,801,873.97
Add: Retained earnings at the year-beginning	15,553,905.74	37,534,638.95	13,965,569.75	16,237,981.45
Other transfer-ins				
Ⅵ.Profit available for distribution	34,854,187.18	56,834,920.39	25,918,940.56	27,039,855.42
Less: Statutory surplus reserve				
Statutory public welfare reserve				
Employee bonus and welfare funds				
Reserve funds				
Enterprise development funds				
Profit put into investment				
Ⅶ. Profit available for distribution to investors	34,854,187.18	56,834,920.39	25,918,940.56	27,039,855.42
Less: dividend for preference shares payable				
Discretionary surplus reserves				
Dividends for ordinary shares				
Dividends for ordinary shares converted into capital (or share capital)				
Ⅷ. Retained earnings	34,854,187.18	56,834,920.39	25,918,940.56	27,039,855.42
Profit Statement (Supplemental information)				
1. Profit from selling or disposing branches or invested units				
2. Losses due to natural disaster				
3. Increase (or decrease) in total profit due to the changes of accounting policies				
4. Increase (or decrease) in total profit due to the changes of accounting estimation				
5. Loss on debts restructure				

6. Others				

7.3 Notes to financial report

7.3.1 If there have been any changes to the accounting policy and accounting estimates, or modification of accounting errors, give the relevant contents, reasons and the influenced numbers.

□Applicable √Inapplicable

7.3.2 If there have been any changes to the consolidation scope of the financial statement, give the reasons and the influenced numbers.

□Applicable √Inapplicable

Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.
Aug. 5, 2005