深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

The Third Quarterly Report

2005

SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.
THE THIRD QUARTERLY REPORT FOR 2005

§1. Important Notice

1.1 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.
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.
1.4 The Financial Report of the third Quarterly Report was not audited.
1.5 Chairman of the Company Mr. Chen Weigang, General Manager Mr. Shi Jinming and Chief Financial Officer Mr. Wei Pingxiao hereby confirm that the Financial Report of the Quarterly Report is true and complete.

§2 Company profile

2.1 Brief information

Short Form of the Stock	Accord Pharm., Accord Pharm.-B	Short form before change (if has)	
Stock Code	000028/200028		
	Secretary of the Board	**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 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	End of the report period	**End of the last year**	**Increase/decrease of the end of report period than that of the end of last year (%)**
Total assets	950,184,764.95	846,186,796.73	12.29
Shareholders' equity (excluding minority interests)	385598393.81	358,197,820.37	7.65

Net assets per share	1.338	1.243	7.64
Net assets per share after adjustment	1.320	1.193	10.65
	The report period	**Year-begin to the end of report period**	**Increase/decrease of the report period compared with the same period of last year (%)**
Net cash flows arising from operating activities	-52,862,327.55	5,476,083.63	-204.83
Earnings per share	0.028	0.095	86.67
Earnings per share (Note)	0.028	-	-
Return on equity	2.09%	7.10%	Up 0.847
Return on equity after deducting non-recurring gains and losses (%)	2.26%	7.26%	Up 0.732

Items of non-recurring gains and losses	Amount
Non-operating income	272,753.29
Non-operating expenditure	906,044.77
Total	-633,291.48

2.2.2 Fianancial statement

2.2.2.1 Balance sheet

Unit: RMB

Domestic statement

Items	**Amount in the report period**		**Amount in the end of last year**	
	Consolidation	**Parent Company**	**Consolidation**	**Parent Company**
Current assets:				
Monetary funds	42,479,531.19	11,139,603.39	80,867,297.39	67,695,256.31
Short-term investment				
Notes receivable	20,690,741.76	4,116,951.97	21,078,697.51	877,715.36
Dividends receivable	517,540.03	517,540.03		
Interest receivable				
Accounts receivable	385,451,813.76	313,177,101.66	312,617,514.85	229,642,774.30
Other receivable	17,800,272.55	78,179,410.03	15,292,088.97	59,143,417.16
Accounts in advance	31,442,061.66	25,254,659.89	11,400,510.03	9,085,597.05
Subsidy receivable	324,171.69	324,171.69	324,171.69	324,171.69
Inventory	189,882,794.50	74,035,725.80	162,483,993.78	73,134,717.53
Expenses to be apportioned	363,457.74	209,946.18	294,839.48	217,839.48
Long-term credit				

investment due within one year				
Other current assets				
Total current assets	688,952,384.88	506,955,110.64	604,359,113.70	440,121,488.88
Long-term investment				
Long-term equity investment	80,503,969.78	304,400,610.30	57,131,077.30	260,044,682.77
Long-term credit investment				
Total long-term investment	80,503,969.78	304,400,610.30	57,131,077.30	260,044,682.77
Consolidation price variance	22,966,178.66		31,409,504.12	
Fixed assets				
Original value of fixed assets	238,484,555.77	88,007,461.76	255,367,806.88	86,736,802.57
Less: Accumulative depreciation	115,250,685.61	26,770,872.06	115,055,997.43	21,109,766.46
Net value of fixed assets	123,233,870.16	61,236,589.70	140,311,809.45	65,627,036.11
Less: Provision for devaluation of fixed assets	3,601,113.91	512,279.34	3,627,795.61	512,279.34
Net amount of fixed assets	119,632,756.25	60,724,310.36	136,684,013.84	65,114,756.77
Engineering material				
Construction in progress	58,948,800.05	31,604,961.59	40,962,584.89	31,604,961.59
Disposal of fixed assets	13,725.79	5,636.20		
Total fixed assets	178,595,282.09	92,334,908.15	177,646,598.73	96,719,718.36
Intangible and other assets:				
Intangible assets	1,615,504.84	1,574,334.32	2,215,859.06	2,034,967.24
Long-term expenses to be apportioned	517,623.36	354,704.45	4,834,147.94	494,763.80
Other long-term assets				
Total intangible and other assets	2,133,128.20	1,929,038.77	7,050,007.00	2,529,731.04
Deferred tax:				
Deferred tax-borrowing item				
Total assets	950,184,764.95	905,619,667.86	846,186,796.73	799,415,621.05
Current liabilities:				
Short-term loans	10,000,000.00	10,000,000.00	10,500,000.00	10,000,000.00
Notes payable	4,959,579.70	4,959,579.70	12,427,407.22	12,427,407.22

Accounts payable	297,162,024.84	252,721,733.23	268,549,787.77	218,503,610.55
Accounts received in advance	12,155,017.27	109,165.87	19,412,923.35	4,617.52
Wage payable	8,869,304.10	7,479,089.72	13,424,867.53	7,241,115.30
Welfare funds payable	2,144,493.79	1,007,764.33	3,614,591.08	1,274,025.47
Dividends payable				
Taxes payable	4,618,294.56	1,100,939.34	6,352,615.05	2,056,911.82
Other duties payable	41,034.84	728.31	122,605.02	68,811.79
Other accounts payable	214,128,687.16	209,230,400.17	145,695,235.21	158,149,871.32
Accrued expenses	9,707,934.88	2,699,016.23	5,088,944.13	845,049.76
Accrued liabilities				
Long-term liabilities due within 1 year			2,000,000.00	
Other current liabilities				
Total current liabilities	563,786,371.14	489,308,416.90	487,188,976.36	410,571,420.75
Long-term liabilities				
Long-term loans				
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	800,000.00	800,000.00
Deferred tax				
Deferred tax-credit				
Total liabilities	564,586,371.14	490,108,416.90	487,988,976.36	411,371,420.75
Minority interests		100,000.00		
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	17,741,872.48	17,741,872.48	17,741,872.48	17,741,872.48
Surplus public reserve	66,525,867.56	44,618,288.87	66,525,867.56	44,618,288.87
Including: Statutory public welfare fund	8,555,270.80	1,252,744.56	8,555,270.80	1,252,744.56
Retained profits	42,920,956.40	64,901,689.61	15,553,905.74	37,534,638.95
Including：Cash dividends				
Loss of unconfirmed	-29,739,702.63		-29,773,225.41	

investment				
Balance difference of foreign currency translation				
Total owner's equity (shareholders' equity)	385,598,393.81	415,411,250.96	358,197,820.37	388,044,200.30
Total liabilities and owner's equity (shareholder's equity)	950,184,764.95	905,619,667.86	846,186,796.73	799,415,621.05

2.2.2.2 Statement of income and profit distribution in the report period

Unit: RMB

Domestic statement

Items	The report period (Jul. – Sep. 2005)		The same period of last year (Jul. – Sep. 2004)	
	Consolidated	Parent company	Consolidated	Parent company
Ⅰ. Income from main operations	401,061,567.24	270,564,672.63	431,624,862.81	246,953,086.98
Less: Cost of main operations	313,973,264.52	258,030,555.38	328,875,356.67	235,438,089.56
Taxes and affixations	461,723.15	26,179.10	766,804.25	60,820.28
Ⅱ. Profit from main operations (Loss is listed with "-")	86,626,579.57	12,507,938.15	101,982,701.89	11,454,177.14
Add: Other operating profit (Loss is listed with "-")	5,835,082.32	877,317.78	4,187,590.79	619,640.56
Less: Selling expenses	59,439,956.68	6,009,652.28	80,192,415.25	9,526,557.97
Administrative expenses	25,018,286.65	12,996,322.33	16,497,855.47	4,303,130.75
Financial expenses	-234,683.89	177,829.85	813,803.87	1,093,304.84
Ⅲ. Operating profit (Loss is listed with "-")	8,238,102.45	-5,798,548.53	8,666,218.09	-2,849,175.86
Add: Investment income (Loss is listed with "-")	1,617,949.22	14,398,937.25	-3,127,705.58	7,921,664.83
Subsidy income				
Non-operating income	25,108.18	20,786.14	45,000.00	3,600.00
Less: Non-operating expenses	657,746.08	554,405.64	1,033,680.73	551,076.46
Ⅳ.Total profit (Total loss is listed with "-")	9,223,413.77	8,066,769.22	4,549,831.78	4,525,012.51
Less: Income tax	1,134,182.36		1,844,321.04	-0.02
Less: Minority interests			-518,367.63	
Add: Unconfirmed investment losses	-22,462.19		1,196,615.31	
Ⅴ. Net profit (Net loss is listed with "-")	8,066,769.22	8,066,769.22	4,420,493.68	4,525,012.53
Add: Retained earnings at the year-beginning				
Other transfer-ins				
Ⅵ.Profit available for distribution	8,066,769.22	8,066,769.22	4,420,493.68	4,525,012.53
Less: Statutory surplus reserve				
Statutory public welfare reserve				
Staff's bonus and welfare fund reserve				

Fund reserve				
Business development fund				
Profits capitalized on return of investments				
Ⅶ. Profit available for distribution to investors	8,066,769.22	8,066,769.22	4,420,493.68	4,525,012.53
Less: dividend for preferred shares payable				
Discretionary reserves				
Dividends for ordinary shares				
Dividends for ordinary shares converted to share capital				
Ⅷ. Retained earnings	8,066,769.22	8,066,769.22	4,420,493.68	4,525,012.53
Statement of profit (supplemental information)				
1. Profit from selling or disposing branch or investee				
2. Losses from 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				

2.2.2.3 The profit and the profit distribution at the year-beginning to the end of report period

Unit: RMB

Domestic statement

Items	Year-begin to the end of report period		The same period of last year	
	Consolidated	Parent company	Consolidated	Parent company
Ⅰ. Income from main operations	1,192,677,559.46	738,977,844.89	1,237,223,550.68	702,491,937.65
Less: Cost of main operations	912,495,635.22	707,068,072.67	935,455,772.33	667,927,854.61
Taxes and affixations	1,606,067.39	90,883.62	1,834,439.83	123,819.34
Ⅱ. Profit from main operations (Loss is listed with “-”)	278,575,856.85	31,818,888.60	299,933,338.52	34,440,263.70
Add: Other operating profit (Loss is listed with “-”)	16,306,343.17	2,576,197.94	13,476,992.51	3,523,377.05
Less: Selling expenses	194,077,261.89	21,487,925.82	236,699,359.57	29,478,175.23
Administrative expenses	68,620,437.55	29,423,918.99	48,143,842.46	12,915,786.28
Financial expenses	-417,356.75	459,213.32	3,516,948.63	3,128,691.96
Ⅲ. Operating profit (Loss is listed with “-”)	32,601,857.33	-16,975,971.59	25,050,180.37	-7,559,012.72
Add: Investment income (Loss is listed with “-”)	1,988,466.75	44,873,467.56	-5,997,594.65	23,945,376.41
Subsidy income				
Non-operating income	272,753.29	24,116.33	741,668.38	302,600.00
Less: Non-operating expenses	906,044.77	554,561.64	1,614,983.04	731,217.60
Ⅳ.Total profit (Total loss is listed with “-”)	33,957,032.60	27,367,050.66	18,179,271.06	15,957,746.09

Less: Income tax	6,570,396.36		5,378,481.20	630,859.59
Less: Minority interests			-649,597.34	
Add: Unconfirmed investment losses	-19,585.58		2,923,477.29	
Ⅴ. Net profit (Net loss is listed with "-")	27,367,050.66	27,367,050.66	16,373,864.49	15,326,886.50
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	42,920,956.40	64,901,689.61	30,339,434.24	31,564,867.95
Less: Statutory surplus reserve				
Statutory public welfare reserve				
Staff's bonus and welfare fund reserve				
Fund reserve				
Business development fund				
Profits capitalized on return of investments				
Ⅶ. Profit available for distribution to investors	42,920,956.40	64,901,689.61	30,339,434.24	31,564,867.95
Less: dividend for preferred shares payable				
Discretionary reserves				
Dividends for ordinary shares				
Dividends for ordinary shares converted to share capital				
Ⅷ. Retained earnings	42,920,956.40	64,901,689.61	30,339,434.24	31,564,867.95
Statement of profit (supplemental information)				
1. Profit from selling or disposing branch or investee				
2. Losses from 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				

2.2.2.4 Statement of cash flow in the year-begin to the end of report period

Unit: RMB

Domestic Statement

Items	Year-begin to end of report period	
	Consolidation	Parent Company
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	1,272,887,352.91	793,263,328.46

Write-back of tax received		
Other cash received concerning operating activities	59,287,759.05	9,342,589.74
Subtotal of cash inflow arising from operating activities	1,332,175,111.96	802,605,918.20
Cash paid for purchasing commodities and receiving labor service	1,060,802,463.56	793,276,099.98
Cash paid to/for staff and workers	92,740,230.33	22,618,481.58
Taxes paid	59,454,737.62	6,672,788.08
Other cash paid concerning operating activities	113,701,596.82	16,206,561.80
Subtotal of cash outflow arising from operating activities	1,326,699,028.33	838,773,931.44
Net cash flows arising from operating activities	5,476,083.63	-36,168,013.24
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	2,668,957.01	207,049.77
Net cash received from disposal of fixed, intangible and other long-term assets	171,050.00	3,600.00
Other cash received concerning investing activities	486,499.32	
Subtotal of cash inflow from investing activities	3,326,506.33	210,649.77
Cash paid for purchasing fixed, intangible and other long-term assets	31,836,182.99	1,314,409.19
Cash paid for investment		
Other cash paid concerning investing activities	38,482,722.66	
Subtotal of cash outflow from investing activities	70,318,905.65	1,314,409.19
Net cash flows arising from investing activities	-66,992,399.32	-1,103,759.42
Ⅲ. Cash flows arising from financing activities		
Cash received from absorbing investment	26,302,800.00	100,000.00
Cash received from loans		
Other cash received concerning financing activities	14,984.20	1,001,264.97
Subtotal of cash inflow from financing activities	26,317,784.20	1,101,264.97
Cash paid for settling debts	2,500,000.00	
Cash paid for dividend and profit distributing or interest paying	688,206.94	385,145.23
Other cash paid concerning financing activities	1,027.77	20,000,000.00
Subtotal of cash outflow from financing activities	3,189,234.71	20,385,145.23
Net cash flows arising from financing activities	23,128,549.49	-19,283,880.26
IV. Influence on cash due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-38,387,766.20	-56,555,652.92

Supplement information of cash flow:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	27,367,050.66	27,367,050.66
Add: Withdrawal of provision for devaluation of assets	2,323,109.23	295,092.38
Depreciation of fixed assets	13,465,648.77	5,719,612.55
Amortization of intangible assets	600,354.22	538,382.92
Amortization of long-term expenses to be apportioned	4,316,524.58	140,059.35
Decrease of expenses to be apportioned (Less: increase)	-68,618.26	7,893.30
Increase of accrued expenses (Less: decrease)	4,618,990.75	1,853,966.47
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	11,784.56	-5,636.20
Loss on rejection of fixed assets	83,061.33	
Financial expenses	-417,356.75	459,213.32
Investment loss (less: income)	-1,988,466.75	-44,873,467.56
Deferred tax- credit item (Less: debit)		
Decrease of inventories (Less: increase)	-27,398,800.72	-901,008.27
Decrease of receivables in operating (less: increase)	-115,554,739.10	-138,665,222.55
Increase of payables in operating (less: decrease)	98,097,955.53	111,896,050.39
Other	19,585.58	
Income of minority shareholders in this period		
Net cash flows arising from operating activities	5,476,083.63	-36,168,013.24
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	42,479,531.19	11,139,603.39
Less: Balance of cash at the period -begin	80,867,297.39	67,695,256.31
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	-38,387,766.20	-56,555,652.92

2.3 Total shareholders at the end of report period and particulars about shares held by the top ten shareholders of circulation share

Total shareholders at the end of report period	30,849	
Particulars about shares held by the top ten shareholders of circulation share		
Name of shareholders (full name)	Holding circulation shares at the period-end	Type (A-share, B-share, H-share or other)
CHEN YONG QUAN	509,922.00	B-share
YAO JUN	508,150.00	A-share
FAN HUI QIONG	484,900.00	B-share
WANG QIU YUN	440,000.00	A-share
YAO JIAN PING	327,800.00	A-share
WANG YAN YAN	326,619.00	A-share
EVER POINT INVESTMENTS LIMITED	320,000.00	B-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

§3. Discussion and analysis of the Management

3.1 Brief analysis of the whole status of operating activities of the Company in the report period

To obtain the annual objectives, the Company tried to push and improve all works seriously and effectively. In the report period, the Company worked in good order and all the operations continued to keep good conditions of development with the first half of year. From the first quarter to third quarter of 2005, the Company totally realized an income from core business of RMB 1,192,680,000, decreased by 3.6% compared to last year (excluded change of the consolidated scope, the income increased by 6.68% compared to the same period of last year); the profit from core business amounted to RMB 278,580,000, increased by 7.78% compared to the same period of last year; the total profit amounted to RMB 33,960,000, increased by 85.57% compared to the same period of last year, which mainly because the sales of pharmaceutical industry increased and the pharmaceutical retails have turned losses into gains. In the first three quarters of 2005, the Company has gained net profits of RMB 27,370,000, and the earnings per share were RMB 0.095.

3.1.1 Particulars about core industries or products taking over 10% of the total amount of income from core business or profit of core business

√Applicable ☐Inapplicable

Unit: RMB’0000

Main operations classified according to industries			
	Income from core business	**Cost of core business**	**Gross profit ratio (%)**
Pharmaceutical industry	38,196.00	18,570.24	51.38
Pharmaceutical wholesale	119,367.31	114,497.26	4.08
Pharmaceutical retail	16,139.42	12,617.03	21.82

Less: Sales of inner enterprises	54,434.97	54,434.97	
Including: related transaction	7,609.52	3,706.14	51.30
Main operations classified according to products			
Head spore series products	17,189.75	13,442.25	21.80
Jian Er Qing Jie Ye	1,795.87	623.09	65.30
Including: related transaction	434.05	227.54	47.58

3.1.2 Seasonal or periodic characteristic of the operation of the Company

□Applicable √Inapplicable

3.1.3 Profit structure in the report period

□Applicable √Inapplicable

3.1.4 Material changes in core business and its structure than that of the last report period and reasons

√Applicable □Inapplicable

Compared to the last report, the proportion of the Company holding the shares to its original subsidiary company---Shenzhen General Zhongyao Factory has decreased (after structural reform, it has renamed " Sinopharm Medicine Holding Co., Ltd.). According to the relevant regulations, the relevant income, cost and profit in this August and September of the Company did not bring into the scope of the consolidated statement.

3.1.5 Material changes in profitability of core business (gross profit ratio) than that of the last report period and reasons

□Applicable √ Inapplicable

3.2 Significant events and analysis to their influences and solutions

□Applicable √ Inapplicable

3.3 Changes in accounting policy, accounting estimate and consolidated scope and significant accounting errors and reasons

√Applicable □Inapplicable

1. In the report period, the Company has taken Structural reform on its original name Shenzhen General Zhongyao Factory, and then its percentage of holding shares was up to 47.39% according to non-consolidated balance sheet in the prescribed period. The total assets of Shenzhen General Zhongyao Factory in the year beginning amounted to RMB 39,528,900, which included the flow capital amounting to RMB 10,641,400 and net fixed assets amounting to RMB 15,329,600.

2. The relevant income, cost and profit of the subsidiary company-- Shenzhen General Zhongyao Factory in the year beginning to the end of July has brought into the scope of the consolidated profit statement.

3. The cash flow statement in the year beginning to the end of July of original name Shenzhen General Zhongyao Factory has brought into the scope of cash flow

statement of the Company. The cash balance of the end of July amounting to RMB 38,482,700 has reflected in the item “ Cash of paying other activities concerning investment”.
4. The original name Shenzhen General Zhongyao Factory has received the investment fund amounting to RMB 26,300,000 from Sinopharm Medicine Holding Co., Ltd., and it should be lain over because of the unfinished industrial and commercial procedure. In the report period, once the procedure finished, the cash flow would be transferred from the item “ Cash from the other activities concerning operations” into “ Cash from the investment”; in the report period, the adjustment of account have influenced that the net cash flow from the operation has decreased RMB 26,300,000.

3.4 Relevant explanations from the Board of Directors and the Supervisory Board in the event of being audited and produced “Nonstandard Opinion”

□Applicable √Inapplicable

3.5 Forecasting of accumulated net profit from the beginning of the year to the end of the next report period probably to be in deficiency or warning of its great changes than that of the same period of last year and reasons

□Applicable √Inapplicable

3.6 Roll adjustments of the Company to the disclosed annual business plan or budget

□Applicable √Inapplicable

3.7 Special commitment made by original shareholders of circulation during the period of Share Merger Reform and its implementation

□Applicable √Inapplicable

Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.
October 28, 2005