Shenzhen Accord Pharmaceutical Co., Ltd.
Summary of Annual Report 2005

§1 Important Notes

1.1 Board of Directors and Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are neither material omissions nor errors which would render any statement misleading. The summary of the Annual Report is abstracted from the full text of the Annual Report and the investors are suggested to read the full text of the Annual Report for details.

1.2 No directors, supervisors and senior executives stated any objection for the correctness, accuracy and completeness of the contents of this report.

1.3 Independent director Mr. Sui Guangjun asked for a leave due to other business so did not attend the 11th Meeting of the 4th Board for examining Annual Report 2005, he entrusted in writing independent director Ms. Chen Shu to present and exert voting right on his behalf.

1.4 Shanghai Shu Lan Pan Certified Public Accountants audited the Company's Financial Report and issued a standard unqualified Auditors' Report for the Company.

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 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	Registered address: Shenzhen, China Office address: Accord Pharm. Bulg., Ba Gua Si Road No. 15, Futian District, Shenzhen, Guangdong Province
Post code	Post code of registered address: 518029 Post code of office address: 518029
Internet web site of the Company	www.szaccord.com.cn
E-mail of the Company	investor@szaccord.com.cn

2.2 Contact person and method

	Secretary of the Board of Directors
Name	Chen Changbing

Contact address	Accord Pharm. Bulg., Ba Gua Si Road No. 15, Futian District, Shenzhen, Guangdong Province
Telephone	+(86) 755 - 25875195
Fax	+(86) 755 - 25875166
E-mail	0028@szaccord.com.cn

§3 Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2005	2004	Increase/decrease over last year (%)	2003	
				After adjustment	Before adjustment
Income from main operation	1,635,568,517.10	1,576,085,283.69	3.77%	1,729,174,762.27	1,780,873,731.82
Total profit	41,619,934.83	25,657,456.44	62.21%	11,745,225.46	12,233,020.20
Net profit	35,765,331.72	27,254,148.36	31.23%	15,190,725.18	15,190,725.18
Net profit after deducting non-recurring gains and losses	35,956,065.32	23,700,002.32	51.71%	7,969,026.63	7,969,026.63
Net cash flow arising from operating activities	148,275,068.00	130,295,006.15	13.80%	68,016,376.91	81,221,254.92
	At the end of 2005	**At the end of 2004**	**Increase/decrease over last year (%)**	**At the end of 2003**	
				After adjustment	**Before adjustment**
Total assets	1,072,448,048.81	846,186,796.73	26.74%	984,428,227.33	1,008,326,556.03
Shareholder's equity (excluding minority interests)	393,721,269.08	358,197,820.37	9.92%	338,235,106.36	341,584,149.93

3.2 Major financial indexes

Unit: RMB

	2005	2004	Increase/decrease over last year (%)	2003	
				After adjustment	Before adjustment
Earnings per share	0.124	0.095	30.53%	0.053	0.053
Return on equity	9.08%	7.61%	Up 1.47%	4.49%	4.45%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	9.13%	6.62%	Up 2.51%	2.36%	2.33%
Net cash flow per share arising from operating activities	0.515	0.452	13.94%	0.236	0.282
	At the end of 2005	**At the end of 2004**	**Increase/decrease over last year (%)**	**At the end of 2003**	
				After adjustment	**Before adjustment**
Net assets per share	1.366	1.243	9.90%	1.174	1.185
Net assets per share after adjustment	1.342	1.193	12.49%	1.092	1.110

Items of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB

Items	Amount
1. Gains and losses rising from disposal of long-term equity investment, construction in-progress, fixed assets, intangible assets and other long-term assets	-1,471,198.52
2. Other various non-operating income and cost after deducting withdrawal of depreciation reserve based on Enterprise Accounting System of PRC	38,228.04
3. Switching back withdrawal of various depreciation reserve in previous year	1,244,585.81
4. Influenced amount by income tax	-2,348.93
Total	-190,733.60

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	35,765,331.72	41,398,507.70
Explanation on the difference	The difference was mainly due to balance amortization of equity investment rising from trading in used assets on new in previous years, as well as unconfirmed investment losses adjustment rising form excess deficit of subsidiaries in 2005.	

§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
		Subtotal	
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 of 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 of 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 and the top ten shareholders holding shares in circulation

Unit: share

Total number of shareholders at the end of report period			31,026		
Particulars about shares held by the top ten shareholders					
Full name of Shareholders	**Nature of shareholder**	**Proportion of shares held**	**Total of shares held**	**Numbers of non-circulating shares held**	**Number of share pledged/ frozen**
SINOPHARM Medicine Holding Co., Ltd.	State-owned shareholder	43.33%	124,864,740	124,864,740	0
Shenzhen Baoan District Shiyan Town Economic and Development Corporation	Other	9.05%	26,070,660	26,070,660	16,079,700
Shenzhen Baoan Shangwu Economic and Development Co., Ltd.	Other	4.84%	13,942,800	13,942,800	13,846,000
Shenzhen Wangzong Industrial Co., Ltd.	Other	1.84%	5,303,200	5,303,200	0
Nanjing Junyue Investment and Consultation Co., Ltd.	Other	1.74%	5,000,000	5,000,000	0
Wuxi Huaxin Investment Management Co., Ltd.	Other	0.48%	1,396,800	1,396,800	0
Shanghai Shisheng Enterprise Development Co., Ltd.	Other	0.35%	1,000,000	1,000,000	0
Shanghai Huaxia Yifu Investment Co., Ltd.	Other	0.28%	80,000	80,000	0
CHEN YONGQUAN	Other	0.17%	509,922	0	0
FAN HUIQIONG	Other	0.17%	484,900	0	0

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 of shares**
CHEN YONG QUAN	509,922	Domestically listed foreign share

FAN HUI QIONG	484,900	Domestically listed foreign share
YAO JIAN PING	341,800	RMB Common share
EVERPOINT INVESTMENTS LIMITED	320,000	Domestically listed foreign share
CHEN ZE BING	313,400	Domestically listed foreign share
JIANG XIAO MING	309,950	Domestically listed foreign share
WU XIN	300,000	RMB Common share
YANG YUAN ZHOU	294,500	Domestically listed foreign share
ZHANG YAN DONG	270,000	RMB Common share
NI WEI	210,100	Domestically listed foreign share
Explanation on associated relationship among the top ten shareholders of circulation share	The Company had no idea about the relationship among the top ten shareholders of circulation shares.	

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

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

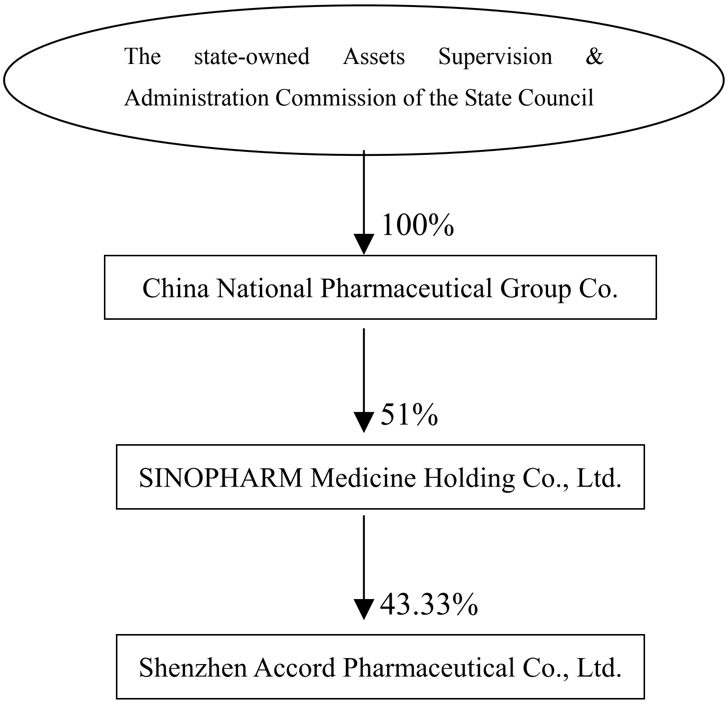
I. The controlling shareholder of the Company
Name of the controlling shareholder: SINOPHARM. Medicine Holding Co., Ltd.
Legal representative: Zheng Hong
Date of foundation: Jan. 8, 2003
Registered capital: RMB 1,027,953,725
Nature of economic: state-owned holding company
Business scope: the wholesale 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 and their payments

Name	Title	Sex	Age	Office term	Shares held at the year-begin (share)	Shares held at the year-end (share)	Reason of change	Total payments drew from the Company in the report period (RMB'0000)	Drawing payment from shareholder's company or other related units or not
Chen Weigang	Chairman of the Board	Male	47	Jan. 13, 2005 – Sep. 28, 2007	0	0		0.00	Yes
Wu Ai'ming	Director	Male	36	Jan. 13, 2005 – Sep. 28, 2007	0	0		0.00	Yes
Zuo Jie	Director	Male	34	Jan. 13, 2005 – Sep. 28, 2007	0	0		0.00	Yes
Shi Jinming	Director, General Manager	Male	38	Jan. 13, 2005 – Sep. 28, 2007	0	0		40.00	No

Yin Jumin	Director	Male	57	Sep. 28, 2004 – Sep. 28, 2007	0	0		0.00	Yes
Zou Jun	Director	Male	34	Sep. 28, 2004 – Sep. 28, 2007	0	0		0.00	Yes
Chen Shu	Independent Director	Female	51	Sep. 28, 2004 – Sep. 28, 2007	0	0		6.00	No
Sui Guangjun	Independent Director	Male	44	Sep. 28, 2004 – Sep. 28, 2007	0	0		6.00	No
Peng Juan	Independent Director	Female	41	Sep. 28, 2004 – Sep. 28, 2007	0	0		6.00	No
Zhu Dixin	Supervisor	Male	58	Jan. 13, 2005 – Jan. 13, 2008	0	0		24.00	No
Shen Tianfang	Supervisor	Male	56	Jan. 13, 2005 – Jan. 13, 2008	0	0		21.00	No
Zhao Junpeng	Supervisor	Male	37	Jan. 13, 2005 – Jan. 13, 2008	0	0		0.00	Yes
Ou Jianneng	Deputy General Manager	Male	47	Jan. 13, 2005 – Sep. 28, 2007	0	0		30.00	No
Tian Guoshu	Deputy General Manager	Male	51	Jan. 13, 2005 – Sep. 28, 2007	0	0		30.00	No
Yan Zhigang	Deputy General Manager	Male	46	Jan. 13, 2005 – Sep. 28, 2007	0	0		30.00	No
Lin Xinyang	Deputy General Manager	Male	41	Jan. 13, 2005 – Sep. 28, 2007	0	0		30.00	No
Wei Pingxiao	Financial chief supervisor	Male	42	Dec. 7, 2004 – Sep. 28, 2007	0	0		30.00	No
Total	-	-	-	-			-	253.00	-

§ 6. Report of the Board of Directors

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

In 2005, it is the first year of substantive operation for State-controlling into the Company. Taking around the ideas of "Taking care of the life, protecting the health" and the policies of "Persisting in the quality management, striving for one famous enterprise"; building integrated operation platform with conformity of the administrative structure and property reorganization of the Company; optimizing unceasingly the business flow and interior controlling system; strengthening the control in the expenses; transforming the management ideas; and promoting the operation quality of the Company. Under the environment of drop of profit-gaining in medicine, three businesses of the Company still kept fast development and completed the management target the Company preplanned.

In the aspect of pharmaceuticals wholesaling, the Company integrated the internal resources, adjusted the organization structure, strengthened credit administration to realize effective sales, optimized the supply chain system of "Purchase-Flow-Sale", realized advantageous supplements in type and sales network of large shareholder Sinopharm Medicine Holding Co., Ltd with new structures and business operation of the Company; and stabilized Medicine top one in the Shenzhen Market.

In the aspect of manufacturing pharmaceuticals industry, with the influence of policy dropping in the price of antibiotic drugs, the Company adjusted timely the marketing strategies, promoted unceasingly the sales scale and market shares; meanwhile, emphasized the development and sales scales of antibiotic products, expanded positively the marketing network, and the management achievements were upgraded.

In the aspect of pharmaceuticals retailing, Accord Chain was in ultra-saturated retail sales terminal market and keen competition environment. On the one hand, the Company adjusted the type structures; on the other hand, continued to develop the medicine chain networks in Pearl Delta; enhanced the market coverage; took actively the measures like promotion activities, enhancement of service level, taking in special counter products; researching for new growth of profits and obtained obvious economic results and market effects.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

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	50,787.09	24,886.55	51.00%	11.32%	19.55%	-3.37%
Medical wholesale	169,199.65	162,430.54	4.00%	2.06%	2.53%	-0.44%
Medical retail	22,126.98	17,524.66	20.80%	-4.06%	-2.81%	-1.02%
Less: Counteracting between internal industries	78,556.86	78,599.42	-	-	-	-
Total	163,556.85	126,242.33	22.81	3.77	4.95	-0.87
Including: related transactions	11,278.08	5,455.84	51.62	223.48	211.49	1.86
Notes: 1. The price of related transactions were on the basis of market price. 2. Combining the Jan. to Oct. sales of Chinese and Western Medicine Industry in 2004, excluding 2005; influence the sales income of decreasing of RMB67,943,000; combining the Jan. to Dec. sales of Chinese and Western Medicine Industry in 2004, combining the Jan. to July sales of Chinese Medicine Factory in 2005, influence the sales income of decreasing RMB22,289,300; if excluding the reason of consolidating sheet and calculated on calibration, 2004 actual income of the Company amounted to RMB1,485,853,000 .RMB149,715,500 increased in the report period compared to the last period, and the ratio of increasing was 10.08%.						
Main operations classified according to industries						
Isedyl cough syrup	24,299.84	4,632.63	80.94%	49.74%	38.10%	1.61%
Cef. Series of products	22,865.11	18,509.95	19.05%	-3.34%	26.38%	-19.03%

Jian'er antipyretic liquid	1,795.87	623.09	65.30%	-35.75%	-49.16%	9.15%
Including: related transactions	7,350.14	1,637.97	77.72	118.70	97.97	2.34
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.					

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	163,195.80	4.61%
Oversea sales	361.06	-77.48%

6.4 Application of the raised proceeds

□Applicable √Inapplicable

Particulars about changed projects:

□Applicable √Inapplicable

6.5 Application of the proceeds not raised through shares offering

√Applicable □Inapplicable

Unit: RMB'0000

Name of project	Amount of project	Progress of project	Income of project
Project of Medicine R& D Base	23,000.00	Ended the report period, costing for this project amounted to RMB 40,267,700 in the report period and totaled 49,625,400 and accounting for 21%	The project has not been accomplished yet ended the report period.
Total	23,000.00	-	-

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

□Applicable √Inapplicable

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

√Applicable □Inapplicable

With the principle of taking the lower amount of the two was adopted in the profit distribution promulgated by CAS and IAS. In 2005, profits for distribution were amounted to RMB 17,134,827.17.According to the related laws and the Articles of Association, the profit distribution plan for 2005 was as follows: after 10% net profit appropriating as statutory reserve amounted to RMB 3,932,395.69 confirmed by CAS and 5% net profit appropriating as statutory reserve amounted to RMB 1,966,197.84confirmed by CAS, in the report period, the profit for distribution of the shareholders were amounting to RMB 11236233.64. Calculated on the released shares of 288,149,400, cash dividends for every 10 share was RMB 0.38(including tax), and the total amount for cash dividend was amounting to RMB 10,949,677.20; the surplus of profits for distribution amounted to RMB 286,556.44 and were transferred to annual distribution. The Company did not convert capital reserve into share capital.
The said distribution plan should be submitted to the 2005 Annual Shareholders' General Meeting for consideration.

The Company made profit but did not present preplan on cash profit distribution.
□Applicable √Inapplicable

§7. Significant Events

7.1 Purchase of assets

√Applicable □Inapplicable

Unit: RMB'0000

The other party of transaction	Assets purchased	Date of purchasing	Price of purchasing	Net profit contributed to the Company from purchasing date to the end of 2005	Related transaction or not	Explanation on price setting	Assets rights concerned transferred ownership fully or not	Credit and liability concerned shifted fully or not
SINOPHARMMedicine Holding Co., Ltd.	90% share equity of SINOPHARM Medicine (Guangzhou) Holding Co., Ltd.	Jan 12, 2006	10,673.11	0.00	Yes	Exchange Price setting based on audition for shareholder's equity against to transfer target by Shinewing CPAs dated Base Day (April 30, 2005), premium up to 16%	Yes	Yes

7.2 Sales of assets

√Applicable □Inapplicable

Unit: RMB'0000

The other party of	Assets sold	Sales date	Sales price	Net profit contributed	Gains and losses rising	Related transactio	Explanation on price setting	Assets rights	Credit and liability

transaction				to the Company from sales date to the end of 2005	from sales	n or not		concerned transferred ownership fully or not	concerned shifted fully or not
Shantou Xinyuan Trade Co., Ltd.	21% share equity held from Shenzhen Jian'an Medicine Co., Ltd.	Oct 20,2005	225.12	16.06	-136.29	No	The sales were on the basis of net assets after appraisal and confirmation on files with taking the base day May 31, 2005 of the transferring of Jian An Medicine Co., Ltd. The transferring price was RMB 2,250,000, deducting the equity cost of RMB 3,250,000 and accumulative investment income of RMB -1,100,000; and the actual transferring income was RMB 100,000. RMB 580,000 of provision for capital investment calculated into capital reserve and RMB 880,000 of capital investment balance to be amortized of Jian'an Co. during the investment period were switched into the current losses and gains on time, thus the losses of carrying value amounted to RMB 1,360,000.	Yes	Yes

7.1 & 7.2 items concerned resulting in influence on the continuity of the Company's business and the stability of the managers

According to the development strategy of striving bigger and stronger enterprise and general guideline of "Grasping leading industry, Setting free small industry", the Company purchased and sold the assets. The purchasing assets was highly correlated with the industry of medicine, sales of assets was to reduce the potential risks of the Company. The matters concerned did no have impact on the continuity of business and stability of management.

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)

Total amount of guarantee in the report period	
Total balance of guarantee at the end of the report period	
Guarantee of the Company for the controlling subsidiaries	
Total amount of guarantee for controlling subsidiaries in the report period	2,380.86
Total balance of guarantee for controlling subsidiaries at the end of the report period	2,380.86
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)	
Total amount of guarantee	2,380.86
The proportion of the total amount of guarantee in the net assets of the Company	6.05%
Including:	
Amount of guarantee for shareholders, actual controller and its related party	0.00
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly	0.00
Total amount of guarantee in net assets of the Company exceeded 50%	0.00
Total amount of the aforesaid three guarantees	0.00

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.	2,682.91	1.64%	13.28	0.01%
Sinopharm Medicine Holding Shenyang Co., Ltd.	1,748.05	1.07%	0.00	0.00%
Sinopharm Medicine Holding Guangzhou Co., Ltd.	1,709.85	1.05%	4,580.22	3.49%
Sinopharm Medicine Holding Tianjin Co., Ltd.	1,714.17	1.05%	0.00	0.00%
Sinopharm Medicine Guoda Pharmacy Co., Ltd.	994.96	0.61%	28.23	0.02%
Shenzhen Chinese and Western Pharmaceutical Company	697.94	0.43%	534.77	0.41%
Guangdong Guoda Pharmacy Franchise Co., Ltd.	588.06	0.36%	0.00	0.00%
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	512.47	0.31%	0.00	0.00%
Sinopharm Medicine Holding Xinlong (Guangdong) Co., Ltd.	350.32	0.21%	413.03	0.31%
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	69.97	0.04%	0.00	0.00%
Guangdong Nanfang Medicine Corporation	56.05	0.03%	96.93	0.07%

Sinopharm Medicine Holding Shanxi Co., Ltd.	47.44	0.03%	0.00	0.00%
China National Pharmaceutical Group Northwest Medicine Co., Ltd.	38.46	0.02%	0.00	0.00%
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	26.24	0.02%	0.00	0.00%
China National Pharmaceutical Group Guangzhou Company	13.97	0.01%	0.00	0.00%
Shanghai Donghong Medicine Co., Ltd.	13.25	0.01%	0.00	0.00%
Sinopharm Medicine Holding Nanning Co., Ltd.	9.58	0.01%	0.00	0.00%
Shanghai Guoda Pharmacy Franchise Co., Ltd.	4.14	0.00%	0.00	0.00%
Shanxi Guoda Pharmacy Franchise Co., Ltd.	0.25	0.00%	0.00	0.00%
Guangdong Yuexing Medicine Co., Ltd.	0.00	0.00%	2,790.21	2.13%
China National Medicines Corporation Ltd.	0.00	0.00%	484.90	0.37%
Shenzhen Main Luck Pharmaceutical Inc.	0.00	0.00%	85.65	0.07%
Sinopharm Medicine Holding Shenzhen TCM	0.00	0.00%	43.27	0.03%
China Medicine Group Company	0.00	0.00%	36.94	0.03%
Total	11,278.08	6.90%	9,107.43	6.94%

Including: the amount of related transaction Company selling products and supplying labors for controlling shareholders and its subsidiaries amounting to RMB 105,801,400 in the report period

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
Sinopharm Medicine Holding Shanghai Co., Ltd.	3,094.42	645.78	30.60	1.98
Sinopharm Medicine Holding Tianjin Co., Ltd.	2,072.44	0.00	0.00	0.00
Sinopharm Medicine Holding Guangzhou Co., Ltd.	2,000.52	253.16	10,034.34	665.77
Sinopharm Medicine Holding Guoda Pharmacy Co., Ltd.	1,147.80	374.40	52.52	12.60
Shenzhen Chinese and Western Pharmaceutical Company	827.37	155.25	1,380.55	129.58
Guangdong Guoda Pharmacy Franchise Co., Ltd.	684.42	481.53	0.00	12.33
Sinopharm Medicine Holding Hubei Xinlong Co., Ltd.	640.79	0.00	0.00	0.00
Sinopharm Medicine Holding Shenyang Co., Ltd.	617.29	1.85	0.00	0.00
Sinopharm Medicine Holding Guangdong	421.30	164.49	879.67	15.37

Xinlong Co., Ltd.				
Guangdong Nanfang Medicine Corporation	182.99	0.00	235.57	5.74
China National Pharmaceutical Group Southwest Medicine Co., Ltd.	81.86	3.51	0.00	0.00
China National Pharmaceutical Group Shanghai Likang Medicine Co., Ltd.	57.10	0.00	0.00	0.00
Sinopharm Medicine Holding Shanxi Co., Ltd.	55.50	32.42	0.00	0.00
Sinopharm Medicine Holding Nanning Co., Ltd.	11.21	11.21	0.00	0.00
Shanghai Guoda Pharmacy Franchise Co., Ltd.	5.62	0.00	0.00	0.00
Dongyuan Accord Pharm. Franchise Co.,Ltd.	0.00	98.29	0.00	0.00
Guangdong Yuexing Medicine Co., Ltd.	0.00	0.00	4,789.65	1,483.79
Sinopharm Medicine Holding Shenzhen TCM	0.00	0.00	744.30	107.87
China National Medicines Corporation Ltd.	0.00	0.00	1,074.57	46.41
China Medicine Group Company	0.00	0.00	43.22	24.22
Shenzhen Main Luck Pharmaceutical Inc.	0.00	0.00	173.79	29.95
Sinopharm Shanghai Waigaoqiao Medicine Co., Ltd.	0.00	0.00	0.00	3.19
Shenzhen Nanshan Medicine Company	0.00	0.00	0.00	0.00
Total	11,900.63	2,221.89	19,438.78	2,538.80

Including: in the report period, the capital amount the listed company provided to controlling shareholder and its subsidiaries was RMB 110,732,600 and the balance was RMB 19,683,500.

Capital occupied and pay-off scheme

□Applicable √Inapplicable

7.5 Entrusted finance

□Applicable √Inapplicable

7.6 Implementation of commitments

7.6.1 Commitment of Share Merger Reform

1. Content of commitment

On Nov.14, 2005, the principal shareholder Sinopharm Medicine Holding Co., Ltd issued Commitment on Share Merger Reform of Shenzhen Accord Pharmaceutical Co.,Ltd, in which after the approval of the proposal of significant assets reorganization on purchasing 90% equity of Sinopharm Medicine Holding Guangzhou Co., Ltd. In the Shareholder meeting of the Company, the relevant Share Merger Reform would begin, and the relevant plans would be submitted to State-owned Assets Supervision and Administration Commission of the State Council for approval within three months after the publishing of Notice of shareholders' meeting

2. Implementation of commitment

On March 6, 2005, the Company released the notice on Share Merger Reform, issued the plans on Share Merger Reform on March 13, 2006 and adjustment plan on Share Merger Reform on March 22, 2006. The Company informed that it would hold the shareholders' meeting of A-shares on Apr. 14, 2006.

3. Commitment violation

□Applicable √Inapplicable

7.6.2 Other commitments

√Applicable □Inapplicable

On Feb.18, 2004 Purchase and Sales Agreement was signed between the original principal shareholder Shenzhen Investment& Management Corporation and Sinopharm Medicine Holding Co., Ltd, of which Sinopharm Medicine Holding Co., Ltd committed that the assets and business of its Guangzhou Branch were merged into the Company and carry out resource integration. Since June, 2005, the reorganization between the related parties began, and at the end of 2005 it was completely finished.

7.7 Significant lawsuits and arbitrations

□Applicable √Inapplicable

§8.Report of the Supervisory Committee

√Applicable □Inapplicable

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 2005 had objectively

and truly reflected the Company's financial status and operation achievements, and agreed with the standard unqualified Auditors' Reports issued by Shu Lun Pan Certified Public Accountants Co., Ltd. and Horwath Certified Public Accountants.
4. In the report period, the significant related transaction on the purchasing of significant assets between the Company and the larger shareholder did not do harm to the interest of the Company and its shareholders. 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
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

9.5 Explanation on change of consolidated scope compared with the latest annual report
√Applicable □Inapplicable

From Jan. to Oct. of 2004, 26% equity of another shareholder of Shenzhen Chinese and Western Pharmaceutical Company entrusted the Company to vote and the entrusting period will last to the date of changing legal representative. On Nov.11, 2004, the legal representative of the Company changed, thus the Company actually operated the Shenzhen Chinese and Western Pharmaceutical Company from Jan. to Oct. of 2004 and consolidated its profit distribution and cash flow statement of Jan. to Oct. of 2004, and in the report period, it did not consolidate the statements.
The wholly-owned subsidiary of the Company, Shenzhen Traditional Medicine Plant were changed into Shenzhen Traditional Medicine Co., Ltd, the registered capital was changed to RMB 50,000,000 of which 47.39% equity was held by the Company and 52.61% was held by Sinopharm Medicine Holding Co., Ltd. Thus, in the report period, it just consolidated profit distribution and cash flow statements of Jan. to June of 2005, in 2004 it consolidated Year-end balance sheet and Annual profit distribution and cash flow statements.
In Sep., 2005, the Company established Shenzhen Accord Logistics Co., Ltd, of which 90% equity was held by the Company and 10% equity was held by Shenzhen Pharmaceutical Plant. In the report period, it did not bring into the scope of consolidation.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

(Expressed in Renminbi thousands)

	2005 RMB'000	2004 RMB'000
Turnover	1,635,569	1,576,085
Cost of sales	(1,264,585)	(1,205,295)
Gross profit	370,984	370,790
Other operating revenue	25,403	29,275
Selling and distribution costs	(248,325)	(294,613)
Administrative expenses	(105,648)	(76,668)
Other operating expenses	(552)	(1,817)
Profit from operations	41,862	26,967
Finance costs	(401)	(7,192)
Share of results of associates	6,707	6,406
Loss on disposal of an associate	(673)	-
Profit before taxation	47,495	26,181
Taxation	(6,096)	(6,944)
Profit for the year	41,399	19,237
Attributable to:		
Equity holders of the parent	41,399	19,907
Minority interests	-	(670)
Profit attributable to shareholders	41,399	19,237
Earnings per share	RMB0.144	RMB0.069

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

(Expressed in Renminbi thousands)

	2005 RMB'000	2004 RMB'000
Non-current assets		
Property, plant and equipment	118,840	143,544
Construction in progress	76,568	40,963
Interests in associates	53,373	24,069
Goodwill	19,348	23,476
Other investments	284	284
	268,413	**232,336**
Current assets		
Inventories	209,692	162,484
Accounts receivable and other receivables	370,772	338,410
Amounts due from related companies	16,729	8,529
Prepayments	28,216	11,521
Cash and bank balances	169,288	80,867
	794,697	**601,811**
Current liabilities		
Bank loans - due within one year	10,000	12,500
Accounts payable, other payables and accruals	616,947	444,053
Receipts in advance	25,804	19,413
Amounts due to related companies	19,760	7,184
Tax payable	588	2,385
	673,099	**485,535**
Net current assets	**121,598**	**116,276**
Net assets	**390,011**	**348,612**
Representing:		
Share capital	**288,149**	**288,149**
Reserves	**101,862**	**60,463**
Total equity	**390,011**	**348,612**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

(Expressed in Renminbi thousands)

	Share capital RMB'000 (Note 17)	Capital reserve RMB'000	Statutory and discretionary surplus reserve fund RMB'000 (Note 18)	Retained earnings RMB'000	Attributable to equity holders of the parent RMB'000	Minority interest RMB'000	Total Equity RMB'000
At 1 January 2004	288,149	18,891	57,040	(35,375)	328,705	1,276	329,981
Profit for the year	-	-	-	19,907	19,907	(670)	19,237
Change of status from a subsidiary to an associate	-	-	-	-	-	(606)	(606)
Profit appropriations	-	-	9,486	(9,486)	-	-	-
At 31 December 2004	288,149	18,891	66,526	(24,954)	348,612	-	348,612
Profit for the year	-	-	-	41,399	41,399	-	41,399
Transfer on reorganisation of a subsidiary	-	-	(692)	692	-	-	-
Profit appropriations	-	-	5,898	(5,898)	-	-	-
At 31 December 2005	288,149	18,891	71,732	11,239	390,011	-	390,011

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2005

(Expressed in Renminbi thousands)

	2005 RMB'000	**2004 RMB'000**
Operating activities		
Profit before taxation	47,495	26,181
Adjustments for:		
Interest income	(2,041)	(3,948)
Interest expenses	308	6,524
Depreciation	23,389	26,321
Loss on disposal of property, plant and equipment	34	480
Amortisation of goodwill	-	3,913
Goodwill written off	718	2,155
Provision for impairment on revaluation of property, plant and equipment and construction in progress	228	62
Share of results of associates	(6,707)	(6,406)
Gain on disposal of an associate	(45)	-
Loss on short term investments	-	5
Provision for impairment in value of other investments	-	50
Cash flow from operations before changes in working capital	63,379	55,337
(Increase)/decrease in inventories	(52,658)	37,343
(Increase)/decrease in accounts receivables, other receivables and amounts due from related parties	(51,065)	1,415
Increase in prepayments	(17,345)	(6,171)
Increase in accounts payable, other payables and accruals receipts in advance and amounts due to related companies	231,246	48,032
Cash generated from operating activities	173,557	135,956
Interest paid	(308)	(6,524)
Income taxes paid	(6,958)	(7,418)
Net cash generated from operating activities	**166,291**	**122,014**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

(Expressed in Renminbi thousands)

	Notes	2005 RMB'000	2004 RMB'000
Investing activities			
Interest received		2,041	3,948
Dividend received		2,669	4,168
Purchase of property, plant and equipment		(9,073)	(6,008)
Proceeds from disposal of property, plant and equipment		206	1,542
Payment for construction in progress		(35,638)	(10,546)
Proceeds from disposal of an associate		2,251	-
Proceeds from disposal of other investments		-	2
Cash outflow on change of status of a consolidated subsidiary to an associate		(37,826)	(3,933)
Net cash used in investing activities		**(75,370)**	**(10,827)**
Financing activities			
New bank loans raised		10,000	119,005
Repayment of bank loans		(12,500)	(295,000)
Net cash used in financing activities		**(2,500)**	**(175,995)**
Net increase/(decrease) in cash and cash equivalents		**88,421**	**(64,808)**
Cash and cash equivalents, at beginning of year		**80,867**	**145,675**
Cash and cash equivalents, at end of year		**169,288**	**80,867**