Shenzhen Accord Pharmaceutical Co., Ltd.

The 1st Quarterly Report for 2006

§1 Important Notes

1.1 Board of Directors Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are neither material omissions nor errors which would render any statement misleading.
1.2 No directors stated any objection for the correctness, accuracy and completeness of the contents of this report.
1.3 All directors attended the Board meeting.
1.4 The financial report of the 1st Quarterly Report is unaudited in the report period..
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 the1st Quarterly Report is authentic and complete.

§2 Company Profile

2.1 Basic information

Short form of the stock	Accord Pharm., Accord Pharm.-B
Stock code	000028, 200028
	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	investor@szaccord.com.cn

2.2 Financial information

2.2.1 Main Accounting Highlights and Financial Indexes:

Unit: RMB

	At the end of the report period	At the end of the last year	Increase/decrease of the end of report period than that of the end of the last year (%)
Total assets	2,186,567,587.89	1,072,448,048.81	103.89%
Shareholders' equity (excluding minority interests)	412,698,949.69	393,721,269.08	4.82%
Net assets per share	1.432	1.366	4.83%
Net assets per share after adjustment	1.378	1.342	2.68%
	In the report period	Year begin to end of report period	Increase/decrease of the report period than that of the same period of the last year (%)
Net cash flow arising from operating activities	-78,614,930.71	-78,614,930.71	-529.7%
Earnings per share	0.082	0.082	110.26%
Return on equity	5.73%	5.73%	Up to 2.7 percentage
Return on equity after deducting non-recurring gains and losses	5.67%	5.67%	Up to 2.6 percentage

Items of non-recurring gains and losses	Amount
Gains and losses from disposal of long-term equity investment, construction in progress, intangible assets and other long-term assets.	285,500.00
Other non-operating income and costs after deducting routine withdrawal of capital depreciation reserve based on Enterprise Accounting Standards of the Company	1,236.28
Amount Influenced by income tax	-41,033.26
Total	245,703.02

2.2.2 Financial Statements

2.2.2.1

Balance Sheet

Mar. 31, 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd **Unit: RMB**

Assets	**Mar. 31, 2006**		**Dec. 31, 2005**	
	Consolidation	**Parent Company**	**Consolidation**	**Parent Company**
Current assets:				
Monetary funds	154,460,437.93	18,118,539.48	169,288,045.66	75,509,035.69
Short-term investment				

Notes receivable	66,626,704.11		26,624,529.36	
Dividends receivable	517,540.03	2,826,076.94	517,540.03	2,826,076.94
Interest receivable				
Accounts receivable	953,889,522.76	265,941,843.39	343,370,764.44	226,103,323.79
Other receivables	33,996,669.24	80,951,814.72	21,188,887.65	79,390,509.30
Payment in advance	27,222,157.32	23,351,379.16	23,533,697.28	16,474,647.61
Subsidy receivable	324,171.69	324,171.69	324,171.69	324,171.69
Inventories	454,525,507.64	98,839,445.76	209,691,744.63	91,774,981.89
Expenses to be apportioned	1,468,843.34	22,860.00	1,481,611.95	
Long-term credit investment within one year				
Other current assets				
Total current assets	1,693,031,554.06	490,376,131.14	796,020,992.69	492,402,746.91
Long-term investment:				
Long-term equity investment	112,007,956.46	423,225,608.74	76,253,572.46	287,092,973.30
Long-term credit investment				
Total long-term investment	112,007,956.46	423,225,608.74	76,253,572.46	287,092,973.30
Consolidated price difference	56,299,514.78		21,872,551.07	
Fixed assets:				
Fixed assets-original value	455,138,514.96	88,718,668.76	240,207,450.20	88,430,478.76
Less: Accumulated depreciation	186,976,096.02	30,639,264.79	119,744,857.80	28,723,623.95
Fixed assets-net value	268,162,418.94	58,079,403.97	120,462,592.40	59,706,854.81
Less: Provision for depreciation of fixed assets	4,901,113.91	512,279.34	3,601,113.91	512,279.34
Net fixed assets	263,261,305.03	57,567,124.63	116,861,478.49	59,194,575.47
Engineering materials				
Construction in progress	93,783,712.10	31,624,756.59	81,250,107.61	31,624,756.59
Disposal of fixed assets				
Total fixed assets	357,045,017.13	89,191,881.22	198,111,586.10	90,819,332.06
Intangible and other assets:				
Intangible assets	1,889,750.87	1,233,484.69	1,461,987.80	1,426,733.67
Long-term expenses to be apportioned	6,447,811.54	261,331.55	599,909.76	308,018.00
Other long-term assets	16,145,497.83			

Total intangible and other assets	24,483,060.24	1,494,816.24	2,061,897.56	1,734,751.67
Deferred taxes:				
Debit of deferred tax				
Total assets	2,186,567,587.89	1,004,288,437.34	1,072,448,048.81	872,049,803.94
Current liabilities:				
Short-term loans	209,800,000.00	10,000,000.00	10,000,000.00	10,000,000.00
Notes payable	151,575,351.03	50,714,335.90	41,850,930.83	41,850,930.83
Accounts payable	854,446,402.07	263,165,011.40	334,334,823.97	267,050,720.43
Accounts received in advance	15,270,369.16	89,666.29	25,804,370.45	60,723.30
Wages payable	32,404,244.69	12,274,359.71	50,353,654.37	15,866,058.79
Welfare funds payable	7,976,480.56	1,370,617.88	5,315,887.56	1,486,505.30
Dividends payable				
Taxes payable	1,495,593.51	511,147.99	5,903,780.81	-947,922.12
Other duties payable	87,390.28	2,193.91	51,511.89	479.34
Other accounts payable	424,143,880.30	211,661,772.58	196,669,571.70	109,188,644.36
Expenses drawn in advance	17,693,107.63	5,798,823.72	7,642,248.15	1,863,887.92
Long-term liability within one year				
Other current liability				
Total current liabilities				
Long-term liability	1,714,892,819.23	555,587,929.38	677,926,779.73	446,420,028.15
Long-term loans				
Stock payable				
Long-term payables				
Special payables	3,917,415.15			
Other long-term liability	1,000,000.00	800,000.00	800,000.00	800,000.00
Total long-term liability	23,085,874.07			
Deferred taxes	28,003,289.22	800,000.00	800,000.00	800,000.00
Deferred credit				
Total liabilities				
Minority interest	1,742,896,108.45	556,387,929.38	678,726,779.73	447,220,028.15
Owners’ equity (or Shareholders’ equity):	30,972,529.75			
Actual Share capital (equity)				
Less: returned investment	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Net actual share capital (equity)				
Capital public reserve	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Surplus public reserve	17,741,872.48	17,741,872.48	17,741,872.48	17,741,872.48
Including: Statutory	71,732,731.22	50,136,125.19	71,732,731.22	50,136,125.19

public welfare funds				
Undistributed profit	10,270,488.26	3,092,023.33	10,270,488.26	3,092,023.33
Including: cash dividends	69,757,460.12	91,873,110.29	46,112,373.80	68,802,378.12
Unconfirmed investment losses				
Exchange balance of foreign currency	-34,682,514.13		-30,015,108.42	
Total shareholders' equity				
Total owners' equity (shareholders' equity)	412,698,949.69	447,900,507.96	393,721,269.08	424,829,775.79
Total liabilities and owner's equity	2,186,567,587.89	1,004,288,437.34	1,072,448,048.81	872,049,803.94

Legal representative: Chen Weigang Chief Financial Officer: Wei Xiaoping
Charger of accounting organ: Chi Guoguang

2.2.2.2

Profit and Profit Distribution Statement

Jan.-Mar., 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd **Unit: RMB**

Item	**January – March, 2006**		**January – March, 2005**	
	Consolidation	**Parent Company**	**Consolidation**	**Parent Company**
I. Income from core business	1,236,185,475.53	222,720,375.56	364,712,158.22	218,753,215.10
Less: Cost of core business	1,096,853,878.64	212,980,092.16	269,623,789.66	209,417,276.86
Taxes and extras of core business	1,795,323.96	0.00	624,572.49	49,858.59
II. Profit from core business (losses listed as "-")	137,536,272.93	9,740,283.40	94,463,796.07	9,286,079.65
Add: Profit from other businesses (losses listed as "-")	6,422,784.91	1,512,720.94	4,844,540.48	877,045.78
Less: Operating expenses	73,308,032.86	2,875,301.99	66,359,178.65	7,935,815.13
Administrative expenses	39,405,741.44	13,709,235.75	18,502,416.92	6,476,146.11
Financial expenses	4,125,774.78	-48,164.77	121,112.60	57,593.81
III. Operating profit (losses listed as "-")	27,119,508.76	-5,283,368.63	14,325,628.38	-4,306,429.62
Add: Investment income (losses listed as "-")	-869,221.58	28,340,952.62	-268,411.69	15,493,756.19
Subsidy income				
Non-operating income	305,648.20	13,248.18	53,343.20	3,315.33
Less: Non-operating expenditure	18,911.92	100.00	240,127.15	156.00
IV. Total profit (losses listed as "-")	26,537,023.46	23,070,732.17	13,870,432.74	11,190,485.90
Less: Income tax	6,381,694.69		2,860,372.38	
Minority shareholders' gains and losses	1,383,231.93			
Add: unconfirmed investment losses occurred in the report period	4,872,989.48		180,425.54	

V. Net profit (losses listed as "-")	23,645,086.32	23,070,732.17	11,190,485.90	11,190,485.90
Add: undistributed profit at the year-begin	46,112,373.80	68,802,378.12	15,553,905.74	37,534,638.95
Other transfer-in				
VI. Profit available to distribute	69,757,460.12	91,873,110.29	26,744,391.64	48,725,124.85
Less: withdrawal of statuary surplus reserve				
Withdrawal of statuary welfare reserve				
Withdrawal of employee rewards and welfare funds				
Withdrawal of storage funds				
Withdrawal of enterprise development funds				
Profit returned to investment				
VII. Profit available to distribute for investors	69,757,460.12	91,873,110.29	26,744,391.64	48,725,124.85
Less: the preferred dividends payable				
Withdrawal of free surplus reserve				
Common dividends payable				
Common dividends transferred into equity				
VIII. Undistributed profit	69,757,460.12	91,873,110.29	26,744,391.64	48,725,124.85
Profit statement (supplementary information)				
1. income from sales or disposal of department or invested organs				
2. losses from natural disaster				
3. increase/decrease of total profit due to change of accounting policy				
4. increase/decrease of total profit due to change of accounting evaluation				
5. losses from liability reorganization				
6. others				

Legal representative: Chen Weigang　　　　Chief Financial Officer: Wei Xiaoping

Charger of accounting organ: Chi Guoguang

2.2.2.3

Consolidate Cash Flows Statement

January – March, 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd　　　　**Unit: RMB**

	Jan.-Mar., 2006	
Items	**Consolidation**	**Parent Company**
I. Cash flows arising from operating activities:		

Cash received from selling commodities and providing labor services	1,285,870,477.07	216,620,799.47
Tax return received	324,991.19	0.00
Other cash received concerning operating activities	19,439,070.72	2,214,245.16
Subtotal of cash inflows	1,305,634,538.98	218,835,044.63
Cash paid for purchasing commodities and receiving labor service	1,199,402,740.06	250,499,629.45
Cash paid to / for staff and workers	69,382,489.41	9,576,559.09
Taxes paid	39,205,105.39	388,651.84
Other cash paid concerning operating activities	76,259,134.83	7,259,016.14
Subtotal of cash outflows	1,384,249,469.69	267,723,856.52
Net cash flows arising from operating activities	-78,614,930.71	-48,888,811.89
II. Cash flows arising from investing activities:		
Cash received from taking back investment		
Cash received from obtaining investment profit		
Net cash received from disposal of fixed, intangible and other long-term assets	8,000.00	
Other cash received concerning investing activities		
Subtotal of cash inflows	8,000.00	0.00
Cash paid for purchasing fixed, intangible and other long-term assets	11,836,729.24	285,610.00
Cash paid for investment	115,729,012.63	60,000,000.00
Other cash paid concerning investing activities	-100,439,546.68	0.00
Subtotal of cash outflows	27,126,195.19	60,285,610.00
Net cash flows arising from investing activities	-27,118,195.19	-60,285,610.00
Ⅲ. Cash flows arising from financing activities		
Cash received by absorbing investment		
Cash received from loans	85,000,000.00	
Other cash received concerning financing activities	76,705,634.27	51,638,537.93
Subtotal of cash inflows	161,705,634.27	51,638,537.93
Cash paid for settling debts	64,000,000.00	
Cash paid for dividends and profit distributing or interest paying	4,362,450.70	-145,387.75
Other cash paid concerning financing activities	673,975.85	
Subtotal of cash outflows	69,036,426.55	-145,387.75
Net cash flows arising from financing activities	92,669,207.72	51,783,925.68
IV. Influence of fluctuation in exchange rate on cash		
V. Net increase of cash and cash equivalents	-13,063,918.18	-57,390,496.21
Supplementary information:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	23,645,086.32	23,070,732.17
Add: Allotted provision for depreciation of assets	-110,672.57	95,365.31
Depreciation of fixed assets	5,005,879.86	1,915,640.84
Amortization of intangible assets	-427,763.07	193,248.98
Amortization of long-term expenses to be apportioned	-5,837,738.10	46,686.45
Decrease of expenses to be apportioned (Less: increase)	-1,445,926.65	-22,860.00
Increase of expenses drawn in advance (Less: decrease)	11,456,209.74	3,934,935.80

Losses on disposal of fixed, intangible and other long-term assets (Less: income)	-8,000.00	
Loss on rejection of fixed assets	237,437.60	
Financial expenses	4,125,774.78	-48,164.77
Losses on investment (Less: income)	869,221.58	-28,340,952.62
Deferred taxes – credit item (Less: debit item)	0.00	0.00
Decrease of inventories (Less: increase)	-241,178,031.93	-7,064,463.87
Decrease of receivables in operating (Less: increase)	-659,845,320.36	-43,926,929.42
Increase of payables in operating (Less: decrease)	788,113,165.44	1,257,949.24
Others	-4,597,485.28	
Minority gains and lossses	1,383,231.93	
Net cash flows arising from operating activities	-78,614,930.71	-48,888,811.89
2. Investment and financing activities involving no cash incomings / outgoings:		
Debts transferred into capital		
Convertible bonds of the Company due within 1 year		
Renting fixed assets for financing purpose		
3. Net increase of cash and cash equivalents:		
Balance of cash at end of the period	154,460,437.93	18,118,539.48
Less: Balance of cash at beginning of the period	167,524,356.11	75,509,035.69
Add: Balance of cash equivalents at end of the period		
Less: Balance of cash equivalents at beginning of the period		
Net increase of cash and cash equivalents	-13,063,918.18	-57,390,496.21

Legal representative: Chen Weigang   Chief Financial Officer: Wei Xiaoping
Charger of accounting organ: Chi Guoguang

2.3 Total number of shareholders in the end of the report period and shares held by the top ten shareholders of tradable share

Total number of shareholders at the end of report period		28,379
Particulars about shares held by the top ten shareholders of circulation shares		
Shareholders' name (full name)	**Number of circulation shares held at the period-end**	**Type (A, B, H or other types)**
Wuhan Ruipu Investment Co., Ltd	1,059,450	A
YE JUN	843,000	A
DBS VICKERS(HONG KONG) LTD	840,835	B
Jinxin Securities Investment Fund	781,701	A
CHEN YONG QUAN	509,922	B
Guangfa Securities Co., Ltd	504,593	A
FAN HUI QIONG	484,900	B
EVER POINT INVESTMENT LIMITED	483,011	B
ZHANG ZHI HUA	400,000	B
XU FANG	393,016	B

§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

The Company and its subsidiaries are engaged in the manufacturing and sales of uncompounded medicinal chemicals, Chinese traditional medicine; the wholesale and retails of western medicine, chemical reagent, traditional Chinese medicine, Chinese patent medicine and medical instruments; service of storage, transportation, and cargo packing. In the report period, the main operation regions of the Company is expanding from Shenzhen to South China which took Shenzhen, Guangzhou and Liuzhou as the center with radiation of Guangdong and Guangxi province; thus, the competitive abilities of the Company improved in sales in hospitals, commercial allocation, rapid logistics and retails of medicines. In the report period, in the aspect of medicine manufactures, the Company continued to strengthen the control in cost, positively expand the marketing network, thus, the income from main operation and total profits increased, and gained good achievements; in the aspect of commercial retails of medicine, due to purchase of Sinopharm Medicine Holding (Guangzhou) Co., Ltd, the Company coordinately improved the management efficiency and strengthened the competitive power on the basis of complements of products, thus, the income from main operation and profit from main operation doubly increased; in the retails of medicine, including the expansion of the market coverage of pharmacy chains networks, the Company continued to adjust the products structures and take measures to develop new growth of profit, and the market shares enhanced gradually. In the report period, the Company obtained good achievements, realized RMB 1.236 billion in income from main operation with a increase of 238.95% over the same time of last year, Sinopharm Medicine Holding (Guangzhou) Co., Ltd realized RMB 856 million, the profit from main operation was RMB 138 million with a increase of 45.60% over the same period of last year; the total profit amounted to RMB 26,537,000 with a increase of 91.32% over the same time of last year, net profits amounted to RMB 23,645,100 with a increase of 111.3% over the same time of last year. In the first quarter of 2006, the Company realized RMB 0.082 for each share with 5.73% on return on equity.

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

Classified according to industries			
	Income from main operations	Cost of main operations	Gross profit ratio (%)
Medical industry	14,034.29	7,175.76	48.87%
Medical wholesale	120,814.87	115,238.60	4.62%

Medical retail	7,311.78	5,861.11	19.84%
Less: Internal sales	18,542.39	18,590.08	
Consolidation	123,618.55	109,685.39	11.27%
Including: Related transactions	8,400.40	7,135.35	15.06%
Classified according to products			
Isedyl cough syrup	7,500.09	1,356.62	81.91%
Cef. Series of products	5,889.40	5,246.75	10.91%
Including: Related transactions	2,284.96	508.69	77.74%

3.1.2 Seasonal and periodicity characteristics of the operation

□Applicable √Inapplicable

3.1.3 Profit formation of the report period (Changes and explanations of reason on profit from main operation, profit from other operation, period expense, investment earnings, subsidy income, net amount of non-operating income and expense, proportion in the total amount of profit over last period)

√Applicable □Inapplicable

Item	Jan.-Mar. 2006		Otc.-Mar. 2005		Increase/decrease (%)
	Amount (RMB)	Proportion in the total amount of profit (%)	Amount (RMB)	Proportion in the total amount of profit (%)	
Profit from main operations	137,536,272.93	518.28	92,407,053.08	1,205.90	-687.62
Profit from other operations	6,422,784.91	24.20	6,803,223.02	88.78	-64.58
Period expense	116,839,549.08	440.29	90,038,258.52	1,174.99	-734.70
Investment earnings	-869,221.58	-3.28	-2,072,351.84	-27.04	23.77
Subsidy income					
Net amount of non-operating income and expenses	286,736.28	1.08	563,236.49	7.35	-6.27
Total amount of profit	26,537,023.46	100.00	7,662,902.23	100.00	0.00

Explanation of reasons for changes compared with same period of last year:

1. The proportion of profit from main operation in the total profits changed, mainly because of consolidating the statement of Sinopharm Medicine Holding (Guangzhou) Co., Ltd and influenced by its low profit ration from main operation.

2. The proportion of profit from other operation in total profit changed, mainly because the total profit increased fast in the report period, which showed the profitability of the Company increased.

3. The proportion of period expense in total profits changed, mainly because the total profit increased a lot, and the expense ratio of new-consolidated Sinopharm Medicine

Holding (Guangzhou) Co., Ltd was relatively low.
4. The proportion of investment income in total profit changed, mainly because the treatment on the equity of Shareholding Company in last report period caused the losses of investment returns.
5. Total profit increased a lot, mainly because the new-consolidated Sinopharm Medicine Holding (Guangzhou) Co., Ltd gained profits in the report period; in addition, industrial enterprise with high profitability belonging to the Company continuously kept good development trend, the total profit increased a lot compared to last report period.

3.1.4 Explanation of reason and material change of core business and its structure compared with the previous year
□Applicable √Inapplicable

3.1.5 Explanation of reason and material change of profitability capability of core business (gross profit ratio) compared with the previous year
√Applicable □Inapplicable

Since Jan. 1, 2006, the Company began to consolidate the statement of Sinopharm Medicine Holding (Guangzhou) Co., Ltd. The main business scope of Sinopharm Medicine Holding (Guangzhou) Co., Ltd includes commercial allocation, sales in hospital, rapid logistics and retails of medicine, especially with advantages in commercial allocation and rapid logistics. In the commercial domain of medicine, the gross ratio of commercial allocation and rapid logistics are low. In the report period, the comprehensive gross ratio of Sinopharm Medicine Holding (Guangzhou) Co., Ltd was 5.15%, and the income from main operation the Company realized accounted for 69.23% in the consolidated statement of the Company.
Compared to the same time of last year, Shenzhen Traditional Medicine General Plant did not bring into the consolidated statement; however it belongs to the industry of medicine and its gross ratio of sales is relatively high.

3.2 Analysis and explanation of significant events and their influence and solutions
√Applicable □Inapplicable

The 11th meeting of the 4th Board of the Company estimated routine related transactions with related enterprises for purchasing and selling products in 2006. It’s estimated in 2006 the amount of related transactions for purchasing commodities from related parties was amounting to RMB 960 million(mainly Sinopharm Medicine Holding (Guangzhou) Co., Ltd purchased from related enterprises estimated amounting to RMB 940 million in 2006); it’s estimated in 2006 the amount of related transactions for selling commodities to related parties was amounting to RMB 320 million(mainly Sinopharm Medicine Holding (Guangzhou) Co., Ltd sold commodities to related parties, estimated amounting to RMB 220 million in 2006).
In the report period, it actually occurred RMB 233,937,100(including Sinopharm Medicine Holding (Guangzhou) Co., Ltd occurred RMB 229,763,400, taking

17.46% of the same kind of transaction; in the report period, the actually occurred amount fro selling commodities to related parties amounting to RMB 84,004,000(including Sinopharm Medicine Holding (Guangzhou) Co., Ltd occurred RMB 60,003,100), taking 6.8% of the same kind of transaction. Compared with the estimation, the amount for purchasing commodities from related parties and the amount for selling products to related parties didn't vary obviously.

Non-operating capital occupied and pay-off scheme

□Applicable √Inapplicable

3.3 Particulars about accounting policies, accounting estimation, change of consolidated scope and significant accounting errors and explanation of reasons

√Applicable □Inapplicable

1. Compared with the beginning of the year, the accounting policies, accounting estimation, and consolidation scope added Sinopharm Medicine Holding (Guangzhou) Co., Ltd. In Jan., 2006, the Company finished the legal procedure on purchasing 90% equity of Sinopharm Medicine Holding (Guangzhou) Co., Ltd, and began the consolidated statement from Jan. 1, 2006. 2. Compared with the beginning of the year, the accounting policies, accounting estimation, the consolidation scope changed as follows: ①In the report period, the consolidation scope did not include Shenzhen Traditional Medicine General Plant(it conducted Share Merger Reform and changed its name to Sinopharm Medicine Holding (Guangzhou) Co., Ltd last August; the shares held by the Company reduced 47.39%, then did not consolidate the statement of the Company); ②In the report period, the consolidation scope added Sinopharm Medicine Holding (Guangzhou) Co., Ltd.

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Qualified Opinion"

□Applicable √Inapplicable

3.5 Estimation of 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 of reason

√Applicable □Inapplicable

In the report period, the income from main operation increased 238.95% over the same period of last year; net profits increased 111.30% over the same period of last year. The Company estimated that the first half of 2006, the accumulative net profits will obtain larger increase with 50% to 100%. The mains reasons are as follows: ①Sinopharm Medicine Holding (Guangzhou) Co., Ltd was brought into the scope pf consolidation, in the recent 2 years; the company developed rapidly, and had certain ability of growth and well profitability. ② It is estimated that the products of medicine sold rapidly, and the operations kept good development trend.

3.6 Rolling adjustment of annual business plan or budget ever disclosed

□Applicable √Inapplicable

Board of Directors

Shenzhen Accord Pharmaceutical Co., Ltd.

Apr. 18, 2006