深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

Semi-annual Report 2006

August, 2006

Contents

SECTION I.   IMPORTANT NOTES

1. Board of Directors and the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives, 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.
2. This report has been compiled in both Chinese and English. Should be any ambiguity arise about the contents of the two versions, the Chinese version shall prevail.
3. No director, supervisor and senior executive 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.
4. All the directors attended the meeting for auditing the semi-annual report and voted by communication
5. The semi-annual financial report of the Company has not been audited.
6. 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.

SECTION II. COMPANY PROFILE

I. Company information

(1) Legal Name of the Company

In Chinese: 深圳一致药业股份有限公司

In English: Shenzhen Accord Pharmaceutical Co., Ltd.

Abbr. of English name: Accord Pharm.

(2) Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: G Accord Pharm. /Accord Pharm. B

Stock Code: 000028/200028

(3) Registered Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong

Office Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province

Post Code: 518029

The Company's Internet Website: http://www.szaccord.com.cn

E-mail: 0028@szaccord.com.cn

(4)Legal Representative: Chen Weigang

General Manager: Shi Jinming

(5) Secretary of the Board: Chen Changbing

Contact Address: Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province

Tel.: +(86) 755 25875195, 25875222

Fax: +(86) 755 25875410

E-mail: investor@szaccord.com.cn

(6)Newspapers Chosen for Disclosing the Information of the Company: Securities Times and Hong Kong Wen Wei Po

Internet Website Appointed by CSRC: http://www.szse.cn
http://www.cninfo.com.cn

The Place Where the Semi-Annual Report Is Prepared: Secretariat of the Board of Directors

II. Major financial data and indexes

(I) Major accounting data and financial indexes

Unit: RMB

	June 30, 2006	Dec. 31, 2005	Increase/decrease at the end of this report period compared with last report period （％）
Current assets	1,847,961,671.75	796,020,992.69	132.15
Current liabilities	1,903,878,959.22	677,926,779.73	180.84
Total assets	2,378,399,973.84	1,072,448,048.81	121.77
Ratio of Debts to Assets	81.16%	63.29%	Up 17.87 percentage
Shareholders' equity (excluding minority interests)	416,760,681.87	393,721,269.08	5.85
Net assets per share	1.446	1.366	5.86
Net assets per share after adjustment	1.41	1.34	5.22
	Jun. 1, 2006- June 30, 2006	Jun. 1, 2005- June 30, 2005	Increase/decrease in this report period compared with the same period of last year (%)
Net profit	47,636,718.85	19,300,281.44	146.82
Net profit after deducting non-recurring gains and losses	43,890,682.17	19,300,935.02	127.40
Earnings per share	0.165	0.067	146.27
Profit ratio of net assets	11.43%	5.11%	Increased 6.32 percentage
Net cash flow arising from operating activities	128,872,280.81	58,338,411.18	120.90
Cash flow arising from per share operating activities	0.45	0.20	125.00

【Note】**Items of non-recurring gains and losses deducted:**

Unit: RMB

Items of non-recurring gains and losses	**Amount**
Gains and losses from disposing long-term equity investment, fixed assets, construction in progress, intangible assets and other long-term assets	-78,009.55
Net income and expense from other non-operating activities	-183,999.87
Switching back of the provision for devaluation withdrawn in the previous years	4,065,213.16

Influence of income tax	-57,167.06
Total	3,746,036.68

(II) Explanation on the difference in the net profit items in the domestic accounting statement and the overseas accounting statement.

Unit: RMB

	Net profit	Net assets
Amount set according to the Accounting System for Business Enterprises	47,636,718.85	416,760,681.87
Adjusted according to the International Accounting Standards:		
Amortization of share investment balance	4,488,271.98	860,970.27
Unconfirmed investment losses adjustment	-7,429,383.38	
Others		-83,361.70
As reported under International Accounting Standards	44,695,607.45	417,538,290.44

Explanation on the differences: the net profit of the report period is RMB 44,696 calculated according to the International Accounting Standards, mainly because of the amortization of equity investment balance, as well as the adjustment of unconfirmed investment losses brought along by the above-quota loss of the subsidiaries in the report period.

(III) Supporting statement to the profit statement

According to No. 9 of Disclosure and Preparation on Rules for Publishing the Information of Security Companies promulgated by CSRC, respectively consolidate the profit ratio of the net asset and earnings per share from Jan. to Jun, 2006 in fully diluted and weighted average with the followings:

Profit of the report period	Profit ratio of the net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main businesses	71.43	71.29	1.033	1.033
Operating profit	14.31	14.28	0.207	0.207
Net profit	11.43	11.41	0.165	0.165
Net profit after deducting non-recurring gains and losses	10.53	10.51	0.152	0.152

SECTION III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHARES HELD BY MAIN SHAREHOLDERS

I. Particulars about change in share capital

1. In the report period, the Company's total shares remained unchanged.

2. Statement of change in share capital

Unit: share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Amount	Proportion (%)	New shares offering	Bonus share	Capitalization of Public reserve	Other	Sub- total	Amount	Proportion (%)
I. Restricted shares	178,378,200	61.90%		-16,465,680			-16,465,680	161,912,520	56.19%
1. State-owned shares									
2. State-owned legal person's shares	124,864,740	43.33%		-12,078,354			-12,078,354	112,786,386	39.14%
3. Other domestic shares	53,513,460	18.57%		-4,387,326			-4,387,326	49,126,134	17.05%
Including:									
Domestic legal person's shares	53,513,460	18.57%		-4,387,326			-4,387,326	49,126,134	17.05%
Domestic natural person's shares									
4. Foreign shares									
Including:									
Foreign legal person's shares									
Foreign natural person's shares									
II. Unrestricted shares	109,771,200	38.10%		16,465,680			16,465,680	126,236,880	43.81%
1. RMB Ordinary shares	54,885,600	19.05%		16,465,680			16,465,680	71,351,280	24.76%
2.Domestically listed foreign shares	54,885,600	19.05%					0	54,885,600	19.05%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	288,149,400	100.00%					0	288,149,400	100.00%

Explanation on the change of share capital: The change was brought by the performance of Share Merger Reform of the Company. The plan on Share Merger Reform of the Company has been approved in the relevant shareholders' meeting about A-share market of SMR of the Company dated April 14, 2006, and officially accomplished on April 28, 2006.

II. About shareholders

1. Ended Jun. 30, 2006, the Company had totally 23,923 shareholders, including

15,012 shareholders of A-share and 8,911 shareholders of B-share.

2. Particulars about shares held by the top ten shareholders (ended Jun. 30, 2006)

Unit: share

Total shareholder	23,923				
Particulars about shares held by the top ten shareholders					
Full Name of shareholder	Nature of shareholders	Proportion of shares held	Total amount of shares held	Amount of restricted shares held	Amount of shares pledged or frozen
SINOPHARM Medicine Holding Co., Ltd.	State-funded shareholder	39.14%	112,786,386	112,786,386	0
Shenzhen Baoan District Shiyan Town Economic and Development Corporation	Other	8.18%	23,556,516	23,556,516	0
Shenzhen Baoan Shangwu Economic and Development Co., Ltd.	Other	4.39%	12,655,772	12,655,772	11,646,000
JINGBO SECURITIES INVESTMENT FUND	Other	3.37%	9,721,207	0	Unknown
Shenzhen Wangzong Industrial Co., Ltd.	Other	1.76%	5,058,437	5,058,437	Unknown
Nanjing Junyue Investment and Consultation Co., Ltd.	Other	1.66%	4,769,231	4,769,231	Unknown
SHANGHAI PUDONG DEVELOPMENT BANK-GUANGFA XIAOPAN GROWTH STOCK SECURITEIS INVESTMENT FUND	Other	1.46%	4,200,715	0	Unknown
CHINA INDUSTRIAL AND COMMERCIAL BANK-YUE YUEN INVESTMENT FUND	Other	1.22%	3,509,886	0	Unknown
JINGFU SECURITIES INVESTMENT FUND	Other	0.95%	2,750,847	0	Unknown
Wuxi Huaxin Investment Management Co., Ltd.	Other	0.46%	1,332,332	1,332,332	Unknown

Particulars about the shares held by the top ten unrestricted shareholders		
Full Name of shareholder	Amount of unrestricted shares held(Share)	Type of shares
JINGBO SECURITIES INVESTMENT FUND	9,721,207	RMB common share
SHANGHAI PUDONG DEVELOPMENT BANK-GUANGFA XIAOPAN GROWTH STOCK SECURITEIS INVESTMENT FUND	4,200,715	RMB common share
CHINA INDUSTRIAL AND COMMERCIAL BANK-YUE YUEN INVESTMENT FUND	3,509,886	RMB common share
JINGFU SECURITIES INVESTMENT FUND	2,750,847	RMB common share
HSBC PRIVATE BANK (SUISSE) SA GENEVA	900,000	Domestic listed foreign share
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	840,835	Domestic listed foreign share

GUOTAI JUNAN SECURITIES HONG KOMG LIMITED	671,792	Domestic listed foreign share
PINPOINT CHINA FUND	629,617	Domestic listed foreign share
WUXI ENVIRONMENTAL PROTECTION COMPANY	600,000	RMB common share
HSU,FAN	528,300	Domestic listed foreign share
Explanation on associated relationship among the top ten shareholders or consistent actionist	Jingbo Securities Investment Fund and Jingfu Securities Investment Fund both belong to Dacheng Fund Management Co., Ltd., it is unknown that there exists no associated relationship or belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.	

3. Shares held by the top ten restricted shareholders and restricted conditions

Unit: Share

No.	Name of the restricted shareholders	Amount of the restricted shares held	Date to be listed	Amount of additional listed shares	Restricted condition
1	SINOPHARM Medicine Holding Co., Ltd.	112,786,386	April 29, 2008	28,814,940	(1)promised to be not listed in Stock Exchange within 24 months since the day of getting rights of listing for the original non-negotiable shares;(2)Promised that after 24 months of getting rights of listing for the original non-negotiable shares held, and sold the shares in the way of listing in Stock Exchange and the sales amount accounting for the total shares will not exceed 10% within 12 months; the transaction price could not be lower than 110% of weighted average of shares of the Company of 30 bargain days before the reform plan of ACCORD PHARMACEUTIC. (If since the implementation of Share Merger Reform to sales of shares of SINOPHARM Medicine, there are dispatching dividends, share offering, capitalization of public welfare into shares, the price will be taken ex-dividend.).
			April 29, 2009	83,971,446	
2	Shenzhen Baoan District Shiyan Town Economic and Development Corporation	23,556,516	April 29, 2007	14,407,470	Since the implementation of reform plan, it will not be listed for transaction or transferred within twelve months; with the expired date of last item, the original non-negotiable shares listed in Stock Exchange, the sales amount accounting for the total shares of the Company will not exceed 5% within 12 months, and 10% within 24 months.
			April 29, 2008	9,149,046	
3	Shenzhen Baoan	12,655,772	April 29, 2007	12,655,772	Since the implementation of reform plan, it

	District Shiyan Town Economic and Development Corporation				will not be listed for transaction or transferred within twelve months.
4	Shenzhen Wangzong Industrial Co., Ltd.	5,058,437	April 29, 2007	5,058,437	Since the implementation of reform plan, it will not be listed for transaction or transferred within twelve months.
5	Nanjing Junyue Investment and Consultation Co., Ltd.	4,769,231	2April 29, 2007	4,769,231	Since the implementation of reform plan, it will not be listed for transaction or transferred within twelve months.
6	Wuxi Huaxin Investment Management Co., Ltd.	1,332,332	April 29, 2007	1,332,332	Since the implementation of reform plan, it will not be listed for transaction or transferred within twelve months.
7	Shanghai Shisheng Enterprise Development Co., Ltd.	953,846	April 29, 2007	953,846	Since the implementation of reform plan, it will not be listed for transaction or transferred within twelve months.
8	Shanghai Huaxia Yifu Investment Management Co., Ltd.	800,000	April 29, 2007	800,000	Since the implementation of reform plan, it will not be listed for transaction or transferred within twelve months.

3. In the report period, the controlling shareholder of the Company remained unchanged.

The Company's controlling shareholder is Sinopharm Medicine Holding Co., Ltd., while the actual controller is China National Pharmaceutical Group Corporation.

SECTION IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

I. In the report period, directors, supervisors and senior executives of the Company did not hold the Company's shares.

II. Particulars about the changes in directors, supervisors and senior executives during the report period:

In the report period, the Company did not have newly engagement or dismissal in directors, supervisors and senior executives.

SECTION V. DISCUSSION AND ANALYSIS OF THE MANAGEMENT

I. The overall operation of the Company in the report period

In the first half of 2006, with the guidance of principles "Consolidation, performance, innovation, promotion and advance", enclosed with the integrated target of Guangdong and Guangxi, the perfect efficiency management, and innovation idea, the

Company has obtained the predicted results in promoting the operation quality and building enterprise culture.
Since the Company purchased Sinopharm Medicine (Guangzhou) Co., Ltd in the year beginning, the operation areas expanded from Shenzhen to China Southern areas with the centre of Shenzhen, Guangzhou and Liuzhou; the asset scale and wholesale scale expanded rapidly, the area superiority gradually appeared, thus, the competitive force of the Company made progress such as in simple sales, efficient dispatch, allocation, retails and industry; and future strengthened on the basis of development of Southern areas.
In the report period, except Sinopharm Medicine (Guangzhou) Co., Ltd obtained great economic efficiency, the industrial operation of the Company sustainably grew, the skills in profit gaining of distribution made progress, the overall operation obtained better results. In the fist half of 2006, the income from main operation amounted to RMB 2.641 billion with an increase of 233.57% over the same period of last year; the total profit amounted to RMB 58,870,000 with an increase of 138.02% over the same period of last year; the net profit amounted to RMB 47,640,000 with an increase of 146.82% over the same period of last year. The profit ratio of net asset in Jan. to Jun. of the Company was 11.43%, and the Company realized earning per share amounting to RMB 0.165.

II. Analysis on the main operating results and financial status
(I) Scope of the Company's prime operations: research and producing of medicines; wholesale and chain retail of patent traditional Chinese medicine (TCM) and western medicine, Chinese Crude Drugs, biology product, bio-chemical medicine, health products and medical equipments. Prime operations of Sinopharm Medicine Holding (Guangzhou) Co. Ltd. controlled by the Company are distributing imported medicines and medicine of joint ventures as an agency.
(II) Formation of income from prime operations
1. Statement of prime operations classified according to industries or products

Unit: RMB

Prime operations classified according to industries						
Industries or products	**Income from prime operations**	**Cost of main operations**	**Gross profit ratio (%)**	**Increase/decrease in income from main operations compared with the last year (%)**	**Increase/decrease in cost of main operations compared with the last year (%)**	**Increase/decrease in gross profit ratio compared with the last year (%)**
Pharmaceutical industry	285,362,898.15	147,809,471.69	48.20	10.36	23.53	Down by 5.52
Pharmaceutical wholesale	2,781,599,120.63	2,651,027,172.67	4.69	262.39	259.75	Up by 0.69
Pharmaceutical retail	139,060,800.09	108,790,584.83	21.77	28.6	28.56	Up by 0.03

Others	4,843,216.7	2,161,612.92	—	—	—	—
Minus: sales among internal enterprises	570,251,873.20	570,682,064.77	—	—	—	—
Total	2,640,614,162.37	2,339,106,777.34	11.42	233.57	290.81	Down by 12.97
Including: related transactions	185,585,328.01	147,345,127.49	20.61	329.24	708.04	Down by 37.21
Prime operations classified according to products						
Isedyl cough syrup	150,233,058.70	26,568,475.39	82.32	25.22	14.92	Up by 1.59
Cef-series products	127,343,547.87	114,700,769.67	9.93	13.77	36.32	Down by 14.9
Including: affiliated transaction	45,399,350.44	10,899,718.10	75.99	—	—	—
Principle on pricing of affiliated transaction		Pricing of the Company's affiliated transaction are based on market price.				

Note: Sinopharm Medicine Holding (Guangzhou) Co. Ltd is newly consolidated in the statement in the period. Sinopharm Medicine Holding (Guangzhou) Co. Ltd is known for commercial cannibalization and so called Fast Wholesale. As gross profit margin of medicine commercial cannibalization and Fast Wholesale is relatively low, income from prime operations of medicine whole sale increased dramatically while consolidated gross profit margin dropped greatly.

2. Income from main operations classified according to areas (Unit: RMB)

areas	Income from prime operations	**Increase/decrease in income from prime operations over the same period of last year (%)**
Domestic sales	2,638,642,158.66	234.06%
Overseas sales	1,972,003.71	12.54%

Note: Sinopharm Medicine Holding (Guangzhou) Co. Ltd is newly consolidated in the statement in the period. Thus, domestic sales have achieved a large increase, mainly in Guangdong Province and Guangxi Province.

(III) Business operation of shareholding joint stock companies

Unit: RMB'0000

Name of joint stock companies		Shenzhen Main Luck Pharmaceuticals Inc.		
Income from investment of this period		365.05	Proportion in net profit of listed company	7.66%
Joint stock companies	Scope of business	Development, research, production and operation of Anti-cancer pharmaceuticals reparation, Famotichang injection and Anti-virus injection		
	Net profit	1,215.57		

<table>
<tr><td colspan="2">Name of joint stock companies</td><td colspan="3">Sinopharm Traditional Chinese Medicine (Shenzhen) Co. Ltd</td></tr>
<tr><td colspan="2">Income from investment of this period</td><td>29.25</td><td>Proportion in net profit of listed company</td><td>0.61%</td></tr>
<tr><td rowspan="2">Joint stock companies</td><td>Scope of business</td><td colspan="3">Producing of pieces, lotion, troche, capsule, the oral and compound and syrup; producing and sales of shampoo and hair cares, bath foam and cosmetics and hygienic products (antibacterial lotion); producing of plastic bottles</td></tr>
<tr><td>Net profit</td><td colspan="3">66.43</td></tr>
</table>

(IV) Brief analysis on financial status

1. Changes of main financial indexes in the report period (Unit: RMB)

Items	**Jan.-Jun. 2006**	**Jan.-Jun. 2005**	**Increase/decrease (%)**
Income from prime operations	2,640,614,162.37	791,615,992.22	233.57
Profit from prime operations	297,676,021.71	191,949,277.28	55.08
Net profit	47,636,718.85	19,300,281.44	146.82
Net increase in cash and cash equivalents	54,166,216.46	51,869,585.98	4.43
Items	**Amount at period-end**	**Amount at period-beginning**	**Increase/decrease (%)**
Total assets	2,378,399,973.84	1,072,448,048.81	121.77
Shareholders' equity	416,760,681.87	393,721,269.08	5.85

Notes:

(1) Increase in income from prime operations is due to the Company's purchase of Sinopharm Medicine Holding (Guangzhou) Co. Ltd., who's realized income from prime operations takes up 72.54% of that in the Company's consolidated statement.

(2) Increase in profit from prime operations is mainly because of increase in income from prime operations. On the one hand, the Company has brought Sinopharm Medicine Holding (Guangzhou) Co. Ltd.; on the other hand, gross profit margin decreased as sales increase overwhelmed decrease of medicine price.

(3) Increase in net profit is mainly due to: Firstly, Sinopharm Medicine Holding (Guangzhou) Co. Ltd has achieved a positive profit—net profit contributed to the Company from the purchasing day to period-end is RMB 20,011,500. Secondly, operation of the Company subsidiary, Shenzhen Pharmacy, is been improved steadily, with sales of prime leading products blooming and profit growing.

(4) Increase in total assets is mainly because of the Company's purchase of Sinopharm Medicine Holding (Guangzhou) Co. Ltd. Total assets of Sinopharm Medicine Holding (Guangzhou) Co. Ltd. is RMB 1,359,000,000 at the end of the report period.

(5) Increase of shareholders' equity was mainly caused by the net profit realized in this period.

2. Explanation on changes in profitability of prime operations (gross profit margin) compared with last year

The Company consolidates statement of Sinopharm Medicine Holding (Guangzhou) Co. Ltd from Jan. 1, 2006 on. Sinopharm Medicine Holding (Guangzhou) Co. Ltd is know for commercial cannibalization and Fast Wholesale。In area of medicine business, gross profit margin of medicine commercial cannibalization and Fast Wholesale is relatively low. Due to changes in scope of consolidation, gross profit margin is down by 11.29% (11.42% in this period).

3. Explanation on changes in profit components compared with the previous year

Item	Jan. – Jun. 2006		Jan. – Dec. 2005		Increase/decrease in proportion in total profit (%)
	Amount(Yuan)	Proportion in total profit (%)	Amount(Yuan)	Proportion in total profit (%)	
Profit from prime operations	297,676,021.71	505.64	370,982,909.93	891.36	-385.72
Profit from other operations	16,467,878.37	27.97	23,109,566.19	55.52	-27.55
Expense in the period	254,503,042.90	432.30	352,318,601.21	846.51	-414.21
Investment income	-507,273.09	-0.86	-83,885.09	-0.20	-0.66
Net profit from non- business operation	-262,009.42	-0.45	-70,054.99	-0.17	-0.28
Total profit	58,871,574.67	100.00	41,619,934.83	100.00	0.00

Note:

(1) Proportion of profit from prime operations to total profit: 891.36% in the previous year; 505.64% in this period, mainly because Sinopharm Medicine Holding (Guangzhou) Co. Ltd, whose profit from prime operations is relatively low is newly consolidated in the statement in the period.

(2) Proportion of expense in the period to total profit: 846.51% in the previous year; 432.3% in this period, mainly because conformity of Guangdong market and Guangxi market started to benefit the Company. Along with rapid growth of total profit, decrease in expenses of Shenzhen Accord Pharmaceutical Co.,Ltd and Sinopharm Medicine Holding (Guangzhou) Co. Ltd also helped.

(3) Total profit increased rapidly, mainly because Sinopharm Medicine Holding (Guangzhou) Co. Ltd has achieved a positive profit. Subsidiary industrial companies with relatively strong profit ability have been growing steadily. Profit ability of distribution has also been improved. Total profit of this period is delighting compared with the same period of the previous year.

(V) No other operating business exerting material influence on net profit happened in this period.

(VI) Working plan for the second half year

1. Three focused tasks: (1) Developing all-round integration of Guangdong market and Guangxi market, reforming the structure, the management and control mode as well as the process. Establishing four functional centers in headquarter of Accord: operating center, financing center, human resources center and administrative center; establish stratagem-oriented multidivisional structure, shaping four business parts: distribution, chaining, pharmacy and logistic. (2) Making sure research base constructing and removement of the subsidiary Shenzhen Pharmacy will be finely finished in time. (3) Quicken the step in looking for industry, distribution and chaining projects to extend the scale of business and market, forming a "pan- Accord Situation" in South China to make the Company stronger, larger and living a long life.
2. Segmenting operating measures and improving operating quality: further improving budget management system, system process and performance appraisal system.
3. Further improving finance management and controlling: by integrating resources and business operating of Guangdong market and Guangxi market, forming a uniformed management on finance, capital, budget and finance information gradually.
4. Perfecting operating system of human resources: on basis of successful implementation of performance appraisal and salary switching, furthering ability assessment system, establishing training integral and assessment system, inspiring passion and potential ability of the stuff by optimizing performance appraisal system to fulfill the Company's need of human resources.

III. Investments of the Company

(I) Major Equity Investments

1. On Jun. 21, 2005, the Company signed the Agreement of Equity Transfer with controlling shareholder Sinopharm Medicine Holding Co. Ltd, which is about purchasing a stake of 90% in Sinopharm Medicine Holding (Guangzhou) Co. Ltd. On basis of audit on equity of relative shareholders of the transferred bid on Base Day (Apr. 30, 2005) by Shinewing Certified Public Accountants, a 16% premium is fixed to be the purchase price—RMB 106,731,100. The Company has performed payment of the first installment RMB 60,000,000 on Jan. 12, 2006. The other RMB 46,731,100 was repaid on May 19, 2006.By the end of the report period, transferring of involved equity has been well finished.
2. On Mar. 28, 2006, Proposal on Acquiring a Stake of 49% in Guangdong Sun Dragon Co. Ltd Controlled by Sinopharm was passed in the 11th Meeting of the 4th Board of Directors. The original investment of RMB 9,800,000 will be the reference for price fixing of the purchase by the Company, which was approved by general meeting of shareholders of the Company on May 22, 2006. Register procedure of equity transferring was completed in the end of Jul. 2006.

(II) Expending of Raised Capital

1. In the report period, the Company had not raised any proceeds or that extended from the previous period.
2. Actual progress of important projects invested with capital not through raising:
In the report period, medicine R&D and production base removement of the Company's subsidiary Shenzhen Pharmacy has been smoothly carried out. Tasks such as base building have been finished. By the end of the report period, 45% of total

budget investment of the project—accumulatively RMB 104,000,000 has been performed. The second half year is estimated to be the ending period of engineering receiving. All equipments will be fixed and machine debugging, training, commissioning and validating will be executed..

IV. Explanation and Estimates on Changes in Accumulative Net Profit from Year-beginning to the Next Report Period-end

Market and scope of business expand due to the purchase of 90% stake in Sinopharm Medicine Holding (Guangzhou) Co. Ltd. Thus, operating income achieved a relatively great increase compared with the same period of the previous year. The Company estimates that consolidated net profit of Jan. to Sep. 2006 is up by 100% to 150% compared with the same period of the previous year.

SECTION VI. SIGNIFICANT EVENTS

I. Actual Situation of Company Administration

The Company's administration basically accords with relative regulations on limited companies administration by China Securities Supervision Commission. The Company has established structure of legal person's governance in accordance with Code of Corporate Governance for Listed Companies. The Company strictly follows rules of Company Law, Securities Law, Articles of Association and other relative laws and regulations. In the report period, the Company continues to optimizing the company's inner control system. Considering its actual situation, the Company has revised the Company's Articles of Association has revised the Company's Articles of Association in accordance with newly revised Company Law, Securities Law, Rules for the General Meetings of Shareholders of Listed Companies, Guidance on Articles of Association of Listed Companies and Stock Listing Rules of Shenzhen Securities Exchange (2006 Amendment) etc..

II Profit Distribution Plan and Its Implementation

Profit distribution plan 2005 was passed in the General Meeting of Shareholders 2005 held on May 22, 2006. Totaled 288,149,400 shares, RMB 0.38 will be distributed to every 10 shares (tax included)—cash dividends amounts to RMB 10,949,677.20 totally. The left profit distributable for shareholders RMB 286,556.44 will distributed in future years. Public capital reserves will not be transferred to equity in the period.

At present, profit distribution has been finished.

III. Material Lawsuits and Arbitrations

In the report period, there existed neither significant lawsuits, arbitrations involved with the Company nor any material lawsuits, arbitrations occurred in previous periods and lasted into the report period.

IV. Daily related transactions

Affiliated transactions in purchase or sale of commodity

Unit: RMB (Yuan)

Items	**Name of companies**	**Occurred amount**	**Proportion in income (cost) from prime operations**

		Jan.-Jun., 2006	Jan.-Jun., 2005	Jan.-Jun., 2006	Jan.-Jun., 2005
Sale of goods	Affiliated company	185,585,328.01	43,235,744.15	7.03％	5.46％
Purchase of goods	Affiliated company	484,736,905.99	25,544,124.24	20.72％	4.27％

Note: Sinopharm Medicine Holding Co. Ltd. is newly consolidated in the statement in this period. Affiliated transactions in the report period are mainly involved with controlling shareholder and the subsidiaries. Compared with estimation on affiliated transactions of the 11th Meeting of the 4th Board of Directors, goods purchasing from affiliated parities takes up 50% of the total, while sales, 58%. Great difference does not exist in any of the Two.

V. Significant Contracts and the Implementation

(I) Entrustments, contracts and leases

In the report period, the Company has no significant custody, contract or lease of other companies, nor vice visa occurred in the report period or occurred in previous period and lasted in the report period.

(II) Significant Guarantees

Unit: RMB'0000

External guarantees (excluding subsidiaries)						
warrantee	Agreement signing day	Amount	Type	Term	Fully implemented or not	Affiliated or not
Total amount in the report period				0.00		
Total balance at period-end (A)				0.00		
Guarantees for subsidiaries						
Total amount for subsidiaries in the report period				15,600.00		
Total balance for subsidiaries at period-end (B)				15,904.00		
Total amount of guarantees (including subsidiaries)						
Total amount（A+B）				15,904.00		
Proportion of guarantees to net assets of the Company				38.16%		
Including:						
Guarantees for shareholders, actual controller and affiliated parties（C）				0.00		
Direct or indirect guarantees for those whose liability/asset ratio is over 70%（D）				0.00		
Guarantees whose total amount is more than 50% of net assets（E）				0.00		
Total of the aforementioned three guarantees*（C+D+E）				0.00		

The Company performs no external guarantee at present.

(III) Related financial claims and liabilities

Unit: RMB'0000

Affiliated parties	Funds offered to related parties	Funds offered to the listed company by related parties

	Amount occurred	Balance	Amount occurred	Balance
Accounts receivable from affiliated units (lender)	24512.70	7637.05		
Other accounts receivable from affiliated units (lender)	796.76	29.32		
Accounts payable to affiliated units (borrower)			54424.43	11483.63
Other accounts payable to affiliated units (borrower)			18673.11	14053.60
Total	25309.46	7666.37	73097.54	25537.23

Occurred amount of funds provided by listed company to controlling shareholder or its subsidiaries in the period is RMB 239,276,900; balance, RMB 73,762,600. The Company has not provided any non-operating funds to the controlling shareholder or its subsidiaries.

(IV) Entrustment of cash assets management

In the report period, the Company has not entrusted others with cash assets management, nor had it done so in previous periods and lasted into the report period.

(V) Implementation of Commitments

Special commitments by the former shareholders of non-tradable shares in Reform of Non-tradable Shares and the implementation

Shareholders	Special Commitments	Contract implementation	Commitment implementation
SINOPHARM MEDICINE HOLDING CO., LTD.	1. Not selling original non-tradable equities through stock exchange in 24 months from the day they become tradable. 2. Original non-tradable equities sold after the 24 months through stock exchange take up no more than 10% of the Company's total shares in the following 12 months, and the price is no lower than 110% of the stock weighted average price of the 30 trading days before Accord Pharmaceutical's Board of Directors publish the reform plan (from the day of implementing Non-tradable Shares Reform to the day when Sinopharm Medicine Holding sells equities, Ex Warrant/Ex Dividend on the price will be implemented if dividend, allotment or transferring of public capital to equity and so on happens).	Requirements of implementation have not been fulfilled.	Implementing
SHENZHEN BAO'AN DISTRICT SHIYAN TOWN ECONOMIC DEVELOPMENT CORPORATION	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out; on basis of the aforementioned time limited, original non-tradable equities sold through stock exchange take up no more than 5% of the Company's total shares in the following 12 months;	Requirements of implementation have not been fulfilled.	Implementing

	no mare than 10% within 24 months.		
SHENZHEN BAO’AN SHANGWU ECONOMIC DEVELOPMENT CO., LTD.	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.	Requirements of implementation have not been fulfilled.	Implementing
SHENZHEN WANGZONG INDUSTRIAL CO., LTD.	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.	Requirements of implementation have not been fulfilled.	Implementing
NANJING JUNYUE INVESTMENT CONSULTATING CO., LTD.	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.	Requirements of implementation have not been fulfilled.	Implementing
WUXI HUAXIN INVESTMENT MANAGEMENT CO., LTD.	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.	Requirements of implementation have not been fulfilled.	Implementing
SHANGHAI SHISHENG ENTERPRISE DEVELOPMENT CO., LTD.	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.	Requirements of implementation have not been fulfilled.	Implementing
SHANGHAI HUAXIA YIFU INVESTMENT CO., LTD.	Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.	Requirements of implementation have not been fulfilled.	Implementing

(VI) Other important contracts

The Company signed a RMB 130,000,000 guarantee contract with Bank of China—Guangdong Branch, providing guarantee for debts under banker’s credit financing of Sinapharm Medicine Holding (Guangzhou) Co. Ltd. The Company had no other important contracts other than this one.

VI. Certified Public Accountants engaged by the Company

In the report period, the Company continued to engage Shu Lun Pan Certified Public Accountants Co., Ltd. and Horwath Certified Public Accountants as the auditing institutions for the year 2006 according to the decision of the Shareholders’ General Meeting.

VII. The semi-annual financial report of the Company has not been audited.

VIII. In the report period, neither the Company nor the Board or its directors have been inspected by the CSRC, nor have received any administrative punishments or circulating criticism, nor have them been publicly criticized by Shenzhen Stock Exchange.

IX. Index for Information Disclosure

Notices published by the Company in Securities Times, Hong Kong Wen Wei Po, website of Shenzhen Stock Exchange (http://www.szse.cn) and Juchao website (http://www.cninfo.com.cn) are as follows:

(I) Notice on Non-tradable Shares Reform dated Mar. 6, 2006;

(II) Notice on holding A shareholders’ meeting related to Non-tradable Shares Reform, notice on holding investors’ online meeting related to Non-tradable Shares Reform, Board of Directors’ letter on collecting entrusted voting and summary of Non-tradable Shares Reform manual dated Mar. 13, 2006.

(III) Notice on consulting proposal of Non-tradable Shares Reform and the adjustment

of the proposal dated Mar. 22, 2006.
(IV) Summary of annually report 2005 (A share and B share), notice on resolution of the 11th meeting of the 4th Board of Directors, notice on daily affiliated transactions, notice on affiliated transaction about purchasing equity, notice on external investment, notice on resolution of the 3rd meeting of the 4th Supervisors' Committee, notice on holding shareholders' annual general meeting 2005 and notice on estimated increase of performance of the 1st quarter of year 2006 dated Mar. 31, 2006.
(V) The first notice on related shareholders' meeting on Non-tradable Shares Reform dated Apr. 6, 2006.
(VI) Notice on shareholders of non-tradable shares' releasing on parts of frozen deposit equities dated Apr. 8, 2006.
(VII) Notice on approval by the State-owned Assets Supervision and Administration Commission of the State Council on the Company's proposal on Non-tradable Shares Reform, the secondary suggestive notice on related shareholders' meeting on Non-tradable Shares Reform dated Apr. 12, 2006.
(VIII) Notice on voting result of related shareholders of A shares' meeting on Non-tradable Shares Reform dated Apr. 15, 2006.
(IX) First quarter report of year 2006 (A share and B share) and notice on estimated increase in performance of the second half year 2006 dated Apr. 18, 2006.
(X) Notice on implementing proposal of Non-tradable Shares Reform, notice on change of short form of A-share stock and notice on changes in shares structure dated Apr. 26, 2006.
(XI) Notice on adding proposals in shareholders general meeting 2005 dated May 11, 2006.
(XII) Notice on resolution of shareholders general meeting 2005 dated May 23, 2006.
(XIII) Notice on dividend distribution 2005 dated Jul. 2006.
(XIV) Notice on amendment on semi-annual performance estimation of 2006 dated Jul. 2006.

Section VII Financial Report (Un-audited)

Balance sheet

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

Items		Jun. 30, 2006		Dec. 31, 2005	
		Consolidation	Parent Company	Consolidation	Parent Company
Current assets:					
Monetary funds		223,454,262.12	39,276,224.09	169,288,045.66	75,509,035.69
Short-term investment					
Notes receivable		43,502,432.38		26,624,529.36	
Dividend receivable		517,540.03	1,003,652.66	517,540.03	2,826,076.94
Interest receivable					
Accounts receivable		1,049,971,125.69	277,214,246.46	343,370,764.44	226,103,323.79
Other receivables		43,418,598.52	84,550,902.09	21,188,887.65	79,390,509.30
Accounts in advance		22,920,381.24	28,204,775.56	23,533,697.28	16,474,647.61
Subsidy receivable		324,171.69	324,171.69	324,171.69	324,171.69
Inventories		462,215,899.18	81,711,819.06	209,691,744.63	91,774,981.89
Expenses to be apportioned		1,637,260.90	26,127.50	1,481,611.95	
Long-term bonds investment due within one year					
Other current assets					
Total current assets		1,847,961,671.75	512,311,919.11	796,020,992.69	492,402,746.91
Long-term investment:					
Long-term equity investment		109,380,881.69	376,490,616.91	76,253,572.46	287,092,973.30
Long-term credit investment					
Total long-term investment		109,380,881.69	376,490,616.91	76,253,572.46	287,092,973.30
Including: consolidation variance		54,281,007.08		21,872,551.07	
Fixed assets:					
Fixed assets-original value		453,580,086.18	88,264,985.26	240,207,450.20	88,430,478.76
Less: accumulative depreciation		189,902,720.07	32,048,716.14	119,744,857.80	28,723,623.95
Fixed assets-net value		263,677,366.11	56,216,269.12	120,462,592.40	59,706,854.81
Less: provision for devaluation of fixed assets		4,901,113.91	512,279.34	3,601,113.91	512,279.34
Fixed assets-net amount		258,776,252.20	55,703,989.78	116,861,478.49	59,194,575.47
Engineering material					
Construction in progress		137,743,634.81	31,624,756.59	81,250,107.61	31,624,756.59

Disposal of fixed assets		14,536.50			
Total fixed assets		396,534,423.51	87,328,746.37	198,111,586.10	90,819,332.06
Intangible and other assets:					
Intangible assets		2,867,610.18	1,092,054.06	1,461,987.80	1,426,733.67
Long-term expenses to be apportioned		6,795,259.03	214,645.10	599,909.76	308,018.00
Other long-term assets		14,860,127.68			
Total intangible and other assets		24,522,996.89	1,306,699.16	2,061,897.56	1,734,751.67
Deferred tax					
Deferred tax-debit					
Total assets		2,378,399,973.84	977,437,981.55	1,072,448,048.81	872,049,803.94

Balance sheet (Con.)

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

Items		June 30, 2006		Dec. 31, 2005	
		Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:					
Short-term loans		184,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00
Notes payable		290,443,564.14	94,988,280.63	41,850,930.83	41,850,930.83
Accounts payable		934,293,611.26	283,490,245.67	334,334,823.97	267,050,720.43
Accounts received in advance		18,678,369.03	41,495.93	25,804,370.45	60,723.30
Wage payable		36,631,249.20	15,108,357.70	50,353,654.37	15,866,058.79
Welfare funds payable		9,190,071.27	1,433,133.24	5,315,887.56	1,486,505.30
Dividends payable		10,949,677.20	10,949,677.20		
Taxes payable		5,559,030.48	1,191,470.73	5,903,780.81	-947,922.12
Other duties payable		516,179.85	63,783.14	51,511.89	479.34
Other accounts payable		393,351,024.66	92,628,817.98	196,669,571.70	109,188,644.36
Accrued expenses		20,266,182.13	5,699,294.10	7,642,248.15	1,863,887.92
Projected liabilities					
Long-term liabilities due within 1 year					
Other current liabilities					
Total current liabilities		1,903,878,959.22	515,594,556.32	677,926,779.73	446,420,028.15
Long-term liabilities					
Long-term loans					
Bonds payable					
Long-term accounts payable		2,309,276.90			
Special accounts payable		1,000,000.00	800,000.00	800,000.00	800,000.00
Other long-term liabilities		23,085,874.07			
Total long-term liabilities		26,395,150.97	800,000.00	800,000.00	800,000.00
Deferred tax					
Deferred tax-credit item					
Total liabilities		1,930,274,110.19	516,394,556.32	678,726,779.73	447,220,028.15
Minority interests		31,365,181.78			
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		71,732,731.22	50,136,125.19	71,732,731.22	50,136,125.19
Including: Statutory public welfare fund				10,270,488.26	3,092,023.33
Retained profit		76,375,586.20	105,016,027.56	46,112,373.80	68,802,378.12
Add: Loss of unconfirmed investment		-37,238,908.03		-30,015,108.42	
Balance difference of foreign currency translation					
Total owner's equity (shareholders' equity)		416,760,681.87	461,043,425.23	393,721,269.08	424,829,775.79
Total liabilities and owner's equity (shareholder's equity)		2,378,399,973.84	977,437,981.55	1,072,448,048.81	872,049,803.94

Statement of Profit and Profit Distribution

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

Items	Jan.-Jun. 2006		Jan.-Jun. 2005	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Income from core business	2,640,614,162.37	587,719,870.26	791,615,992.22	468,413,172.26
Less: Cost of core business	2,339,106,777.34	560,867,253.94	598,522,370.70	449,037,517.29
Taxes and extras of core business	3,831,363.32	116,744.71	1,144,344.24	64,704.52
II. Profit of core business (Loss is listed with "-")	297,676,021.71	26,735,871.61	191,949,277.28	19,310,950.45
Add: Profit of other business (Loss is listed with "-")	16,467,878.37	3,040,899.07	10,471,260.85	1,698,880.16
Less: Operating expense	165,966,915.12	10,899,685.73	134,637,305.21	15,478,273.54
Administrative expense	78,563,323.24	21,713,682.42	43,602,150.90	16,427,596.66
Financial expense	9,972,804.54	587,928.99	-182,672.86	281,383.47
III. Operating profit (Loss is listed with "-")	59,640,857.18	-3,424,526.46	24,363,754.88	-11,177,423.06
Add: Investment earnings (Loss is listed with "-")	-507,273.09	50,548,726.97	370,517.53	30,474,530.31
Subsidy income	-	-		
Non- operating income	470,581.38	42,168.79	247,645.11	3,330.19
Less: non-operating expenditure	732,590.80	3,042.66	248,298.69	156.00
IV. Total profits (Total loss is listed with "-")	58,871,574.67	47,163,326.64	24,733,618.83	19,300,281.44
Less: Income tax	15,685,955.79		5,436,214.00	
Add: Loss of unconfirmed investment	7,429,383.38			
Less: Minority interests	2,978,283.41		2,876.61	
V. Net profit (Net loss is listed with "-")	47,636,718.85	47,163,326.64	19,300,281.44	19,300,281.44
Add: Undistributed profits at the year-begin	46,112,373.80	68,802,378.12	15,553,905.74	37,534,638.95
Other transfer-in	-6,423,829.25			
VI. Profit available for distribution	87,325,263.40	115,965,704.76	34,854,187.18	56,834,920.39
Minus: appropriation of statutory surplus public reserve				
Appropriation of statutory public welfare funds				
Appropriation of employees' encouragement and welfare funds				
Appropriation of reserve funds				
Appropriation of enterprise development funds				
Profits' restoring to investments				
VII. Profits available for distribution to investors	87,325,263.40	115,965,704.76	34,854,187.18	56,834,920.39
Less: dividends of preference share payable				
Appropriation of arbitrary surplus public reserve				
Dividends of ordinary share payable	10,949,677.20	10,949,677.20		

Dividends of ordinary share converting into capital (share capital)				
VIII. Retained profit	76,375,586.20	105,016,027.56	34,854,187.18	56,834,920.39
Supplemental information:				
1. Income from selling or disposal branch and investee enterprise				
2. Losses due from natural disaster				
3. Increase (or decrease) of total profit due to the change of accounting policies				
4. Increase (or decrease) of total profit due to the change of accounting estimation				
5. Loss on debts reorganization				
6. Others				

Statement of Cash Flow

Jan.-Jun. 2006

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

Items	Consolidation	Parent Company
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,748,716,301.17	628,421,533.45
Write-back of tax received	324,991.19	
Other cash received concerning operating activities	46,800,248.94	6,999,033.66
Subtotal of cash inflow arising from operating activities	2,795,841,541.30	635,420,567.11
Cash paid for purchasing commodities and receiving labor service	2,337,618,657.96	572,776,168.74
Cash paid to/for staff and workers	110,664,295.04	14,111,723.31
Taxes paid	81,564,946.12	3,397,371.61
Other cash paid concerning operating activities	137,121,361.37	16,383,512.93
Subtotal of cash outflow arising from operating activities	2,666,969,260.49	606,668,776.59
Net cash flows arising from operating activities	128,872,280.81	28,751,790.52
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	2,822,107.65	49,220,671.96
Net cash received from disposal of fixed, intangible and other long-term assets	115,280.45	76,630.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	2,937,388.10	49,297,301.96
Cash paid for purchasing fixed, intangible and other long-term assets	60,369,492.76	397,098.70
Cash paid for investment	62,020,565.95	106,731,100.00
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	122,390,058.71	107,128,198.70
Net cash flows arising from investing activities	-119,452,670.61	-57,830,896.74
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	104,000,000.00	
Other cash received concerning financing activities	73,878,148.43	79,478,957.93
Subtotal of cash inflow from financing activities	177,878,148.43	79,478,957.93
Cash paid for settling debts	108,800,000.00	
Cash paid for dividend and profit distributing or interest paying	21,648,710.89	152,582.55
Other cash paid concerning financing activities	2,678,170.80	86,480,080.76
Subtotal of cash outflow from financing activities	133,126,881.69	86,632,663.31
Net cash flows arising from financing activities	44,751,266.74	-7,153,705.38
IV. Influence on cash due to fluctuation in exchange rate	-4,660.48	
V. Net increase of cash and cash equivalents	54,166,216.46	-36,232,811.60

Statement of Cash Flow (Con.)

Jan.-Jun. 2006

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

Items	Consolidation	Parent Company
Supplement information:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	47,636,718.85	47,163,326.64
Add: Withdrawal of provision for devaluation of assets	-3,240,230.98	1,406,978.52
Loss of unconfirmed investment	-7,429,383.38	
Depreciation of fixed assets	10,177,121.91	3,815,823.75
Amortization of intangible assets	-1,405,622.38	388,284.81
Amortization of long-term expenses to be apportioned	-6,195,349.27	93,372.90
Decrease of expenses to be apportioned (Less: increase)	-155,648.95	-26,127.50
Increase of accrued expenses (Less: decrease)	12,623,933.98	3,835,406.18
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	-27,224.83	-76,630.00
Loss on rejection of fixed assets	-42,841.53	
Financial expenses	9,972,804.54	587,928.99
Investment loss (less: income)	507,273.09	-50,548,726.97
Deferred tax- credit item (Less: debit)		
Decrease of inventories (Less: increase)	-252,524,154.55	10,063,162.83
Decrease of receivables in operating (less: increase)	-745,094,659.10	-69,408,421.93
Increase of payables in operating (less: decrease)	1,061,091,260.00	81,457,412.30
Other		
Income of minority shareholders in this period	2,978,283.41	
Net cash flows arising from operating activities	128,872,280.81	28,751,790.52
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	223,454,262.12	39,276,224.09
Less: Balance of cash at the period -begin	169,288,045.66	75,509,035.69
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	54,166,216.46	-36,232,811.60

Statement of Provision for Devaluation of Assets

June 30, 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

Items	Balance at the begin of this year	Increase in this year	Decrease in this year			Balance at the end of the period
①	②	③	Switching back due to assets price recovery④	Switching out due to other reason⑤	Total ⑥	⑦
I. Total of provision for bad debts	16,339,578.40	19,227,661.96		8,407,660.53	8,407,660.53	27,159,579.83
Including:Accounts receivable	10,605,407.20	11,304,291.72		5,959,632.42	5,959,632.42	15,950,066.50
Other receivable	5,734,171.20	7,923,370.24		2,448,028.11	2,448,028.11	11,209,513.33
II. Total of provision for falling price of short-term investment						
Including: Stock investment						
Bond investment						
III. Provision for falling price of inventory	14,315,933.14	2,797,203.28		442,229.43	442,229.43	16,670,906.99
Including: Raw material	26,504.94					26,504.94
Work in process						-
Finished goods	984,095.30					984,095.30
Merchandise inventory	1,158,425.96	2,797,203.28		442,229.43	442,229.43	3,513,399.81
Low price consumable commodity						-
Commodity issued on instalment	12,146,906.94					12,146,906.94
Packing						-
Other						-
IV. Total of provision for devaluation of long-term investment	521,027.36	954,173.26				1,475,200.62
Including: Long-term equity investment	521,027.36	954,173.26				1,475,200.62
Long-term credit investment						-
V. Total of provision for	3,601,113.91	1,300,000.00				4,901,113.91

devaluation of fixed assets						
Including: Building	2,063,013.88	1,300,000.00				3,363,013.88
Machinery and equipment						
Equipment of conveyance	482,114.08					482,114.08
Electronic equipment	1,055,985.95					1,055,985.95
Other equipment						-
VI. Provision for devaluation of intangible assets						-
Including: Patent right						-
Trademark right						-
VII. Provision for devaluation of construction in progress	1,850,000.00					1,850,000.00
VIII. Provision for devaluation of commission loan						-
Total	36,627,652.81	15,485,370.96		56,222.42	56,222.42	52,056,801.35

Section VIII. Documents Available for Reference

1. Accounting statements carried with signatures and seals of the legal representative, chief financial supervisor and person in charge of accounting affairs;
2. Originals of all documents and manuscripts of public notices of the Company disclosed in public in Securities Times and Wen Wei Po designated by CSRC in the report period;
3. Original of Semi-annual Report with signature of Chairman of the Board.
4. The place where the semi-annual report is prepared: Secretariat of the Company, AP Building, No. 15 Ba Gua 4th Rd., Futian Dis., Shenzhen
5. The report is prepared in Chinese and English. Shall there exist any differences between the two versions, Chinese version shall prevail.

Chairman: Chen Weigang
Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.

August 11, 2006