Shenzhen Accord Pharmaceutical Co., Ltd.

THE THIRD QUARTERLY REPORT 2006

§1. Important Notice

1.1 The Board of Directors and the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company), along with its directors, supervisors and senior executives hereby confirm that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.

1.2 No director, supervisor or senior executive stated that he (she) could not ensure the correctness, accuracy and completeness of the contents nor had objection of this report.

1.3 name list of un-presented directors

Name of un-presented directors	Reasons for not attending the Board meeting	Name of entrustee
Wu Aimin	Due to other business arrangement	Shi Jinming
Zuo Jie	Due to other business arrangement	Shi Jinming
Yin Jumin	Due to other arrangement	Zhou Jun
Chen Shu	Due to other arrangement	Sui Guangjun

1.4 The Financial Report of the Third Quarterly Report 2006 has not been audited.

1.5 Chairman of the Company Mr. Chen Weigang, General Manager Mr. Shi Jinming and Chief Financial Officer Mr. Wei Pingxiao hereby confirm that the Financial Report of the third Quarterly Report 2006 is true and complete.

§2 Company profile

2.1 Brief information

Short Form of the Stock	Accord Pharm./ Accord Pharm.-B	Short form before change (if has)	G Accord Pharm./ Accord Pharm.-B
Stock Code	000028/200028		
	Secretary of the Board		
Name	Chen Changbing		
Contact address	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong		
Tel.	+（86）755 25875195		
Fax	+（86）755 25875147		
E-mail	investor@szaccord.com.cn		

2.2 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	End of the report period	**End of the last year**	**Increase/decrease of the end of report period than that of the end of last year (%)**
Total assets	2,473,769,173.11	1,072,448,048.81	130.67%
Shareholders' equity (excluding minority interests)	440,902,667.54	393,721,269.08	11.98%
Net assets per share	1.530	1.366	12.01%
Net assets per share after adjustment	1.486	1.342	10.73%
	The report period	**Year-begin to the end of report period**	**Increase/decrease of the report period compared with the same period of last year (%)**
Net cash flows arising from operating activities	50,464,088.06	179,336,368.87	195.46%
Earnings per share	0.063	0.228	125.00%
Return on equity	4.11%	14.92%	Up 2.02 percentage
Return on equity after deducting non-recurring gains and losses (%)	4.12%	14.07%	Up 1.86 percentage

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	190,988.13
Other non-operating income and costs after deducting routine withdrawal of capital depreciation reserve based on Enterprise Accounting Standards of the Company	-490,680.17
Switching back of the provision for devaluation withdrawn in the previous years	4,065,213.16
Influence of income tax	-45,402.27
Total	3,720,118.85

2.2.2 Financial statement

2.2.2.1 Balance sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd Sep. 30, 2006 Unit: RMB

Items	**At the end of the report period**		**The same period of last year**	
	Consolidated	**Parent company**	**Consolidated**	**Parent company**
Current assets:				
Monetary funds	193,333,291.87	34,168,271.57	169,288,045.66	75,509,035.69
Short-term investment				
Notes receivable	31,266,796.52	2,341,154.79	26,624,529.36	
Dividends receivable	517,540.03	1,003,652.66	517,540.03	2826,076.94
Interest receivable				
Accounts receivable	1,144,948,430.14	289,293,129.09	343,370,764.44	226,103,323.79
Other receivable	39,285,210.91	136,392,687.26	21,188,887.65	79,390,509.30
Accounts in advance	36,494,970.58	44,250,003.17	23,533,697.28	16,474,647.61
Subsidy receivable	324,171.69	324,171.69	324,171.69	324,171.69
Inventory	470,536,990.17	82,858,350.84	209,691,744.63	91,774,981.89

Expenses to be apportioned	1,946,443.81	10,451.00	1,481,611.95	
Long-term credit investment due within one year				
Other current assets				
Total current assets	1,918,653,845.72	590,641,872.07	796,020,992.69	492,402,746.91
Long-term investment				
Long-term equity investment	109,880,286.95	408,621,427.20	76,253,572.46	287,092,973.30
Long-term credit investment				
Total long-term investment	109,880,286.95	408,621,427.20	76,253,572.46	287,092,973.30
Consolidation price variance	52,262,499.38		21,872,551.07	
Fixed assets				
Original value of fixed assets	458,344,033.74	88,261,770.84	240,207,450.20	88,430,478.76
Less: Accumulative depreciation	195,798,826.89	33,850,357.68	119,744,857.80	28,723,623.95
Net value of fixed assets	262,545,206.85	54,411,413.16	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
Net amount of fixed assets	257,644,092.94	53,899,133.82	116,861,478.49	59,194,575.47
Engineering material				
Construction in progress	162,315,198.76	31,624,756.59	81,250,107.61	31,624,756.59
Disposal of fixed assets				
Total fixed assets	419,959,291.70	85,523,890.41	198,111,586.10	90,819,332.06
Intangible and other assets:				
Intangible assets	3,027,106.28	1,459,018.67	1,461,987.80	1,426,733.67
Long-term expenses to be apportioned	6,792,314.73	167,958.65	599,909.76	308,018.00
Other long-term assets	15,456,327.73			
Total intangible and other assets	25,275,748.74	1,626,977.32	2,061,897.56	1,734,751.67
Deferred tax:				
Deferred tax-borrowing item				
Total assets	2,473,769,173.11	1,086,414,167.00	1,072,448,048.81	872,049,803.94
Current liabilities:				
Short-term loans	61,800,000.00	10,000,000.00	10,000,000.00	10,000,000.00
Notes payable	399,841,752.43	136,062,275.73	41,850,930.83	41,850,930.83
Accounts payable	964,218,475.13	276,597,135.16	334,334,823.97	267,050,720.43
Accounts received in advance	39,512,082.22	42,447.71	25,804,370.45	60,723.30
Wage payable	41,017,601.38	12,777,172.82	50,353,654.37	15,866,058.79
Welfare funds payable	8,152,823.68	1,291,241.80	5,315,887.56	1,486,505.30
Dividends payable				
Taxes payable	-6,903,896.09	58,917.32	5,903,780.81	-947,922.12
Other duties payable	168,630.27	17,864.98	51,511.89	479.34

Other accounts payable	363,313,323.52	167,834,653.60	196,669,571.70	109,188,644.36
Accrued expenses	16,369,100.28	960,000.00	7,642,248.15	1,863,887.92
Accrued liabilities				
Long-term liabilities due within 1 year				
Other current liabilities				
Total current liabilities	1,887,489,892.82	605,641,709.12	677,926,779.73	446,420,028.15
Long-term liabilities				
Long-term loans	97,720,000.00			
Bonds payable				
Long-term accounts payable	1,116,058.68			
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	122,921,932.75	800,000.00	800,000.00	800,000.00
Deferred tax				
Deferred tax-credit				
Total liabilities	2,010,411,825.57	606,441,709.12	678,726,779.73	447,220,028.15
Minority interests	22,454,680.00			
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Less: Restituted investment				
Net amount of paid-in capital (share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital public reserve	17,741,872.48	17,741,872.48	17,741,872.48	17,741,872.48
Surplus public reserve	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 profits	94,672,735.33	123,945,060.21	46,112,373.80	68,802,378.12
Including：Cash dividends				
Loss of unconfirmed investment	-31,394,071.49		-30,015,108.42	
Balance difference of foreign currency translation				
Total owner's equity (shareholders' equity)	440,902,667.54	479,972,457.88	393,721,269.08	424,829,775.79
Total liabilities and owner's equity (shareholder's equity)	2,473,769,173.11	1,086,414,167.00	1,072,448,048.81	872,049,803.94

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

2.2.2.2 Statement of income and profit distribution in the report period

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd July-Sep., 2006 Unit: RMB

Items	The report period		The same period of last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from core business	1,367,776,471.56	308,759,210.74	401,061,567.24	270,564,672.63
Less: Cost of core business	1,229,636,108.27	301,654,975.16	313,973,264.52	258,030,555.38
Taxes and extras of core business	2,420,795.52	97,219.74	461,723.15	26,179.10
II. Profit from core business (losses listed as “-”)	135,719,567.77	7,007,015.84	86,626,579.57	12,507,938.15
Add: Profit from other businesses (losses listed as “-”)	8,093,135.27	996,768.14	5,835,082.32	877,317.78
Less: Operating expenses	63,767,378.89	4,140,385.35	59,439,956.68	6,009,652.28
Administrative expenses	41,408,309.11	6,614,685.30	25,018,286.65	12,996,322.33
Financial expenses	6,936,979.07	656,748.39	-234,683.89	177,829.85
III. Operating profit (losses listed as “-”)	31,700,035.97	-3,408,035.06	8,238,102.45	-5,798,548.53
Add: Investment income (losses listed as “-”)	623,130.12	22,330,810.29	1,617,949.22	14,398,937.25
Subsidy income				
Non-operating income	236,898.36	784.24	25,108.18	20,786.14
Less: Non-operating expenditure	274,580.98	3,241.41	657,746.08	554,405.64
IV. Total profit (losses listed as “-”)	32,285,483.47	18,920,318.06	9,223,413.77	8,066,769.22
Less: Income tax	7,212,714.16		1,134,182.36	
Minority shareholders’ gains and losses	1,092,736.00			
Add: unconfirmed investment losses occurred in the report period	-5,844,836.54		-22,462.19	
V. Net profit (losses listed as “-”)	18,135,196.77	18,920,318.06	8,066,769.22	8,066,769.22
Add: undistributed profit at the year-begin				
Other transfer-in	153,237.77			
VI. Profit available to distribute	18,288,434.54	18,920,318.06	8,066,769.22	8,066,769.22
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	18,288,434.54	18,920,318.06	8,066,769.22	8,066,769.22
Less: the preferred dividends payable				
Withdrawal of free surplus reserve				
Common dividends payable	-8,714.59	-8,714.59		
Common dividends transferred into equity(capital)				
VIII. Undistributed profit	18,297,149.13	18,929,032.65	8,066,769.22	8,066,769.22
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 Pingxiao
Charger of accounting organ: Chi Guoguang

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

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd Jan.-Sep., 2006 Unit: RMB

Items	Year-begin to the end of report period		The same period of last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from core business	4,008,390,633.93	896,479,081.00	1,192,677,559.46	738,977,844.89
Less: Cost of core business	3,568,742,885.61	862,522,229.10	912,495,635.22	707,068,072.67
Taxes and extras of core business	6,252,158.84	213,964.45	1,606,067.39	90,883.62
II. Profit from core business (losses listed as “-”)	433,395,589.48	33,742,887.45	278,575,856.85	31,818,888.60

Add: Profit from other businesses (losses listed as "-")	24,561,013.64	4,037,667.21	16,306,343.17	2,576,197.94
Less: Operating expenses	229,734,294.01	15,040,071.08	194,077,261.89	21,487,925.82
Administrative expenses	119,971,632.35	28,328,367.72	68,620,437.55	29,423,918.99
Financial expenses	16,909,783.61	1,244,677.38	-417,356.75	459,213.32
III. Operating profit (losses listed as "-")	91,340,893.15	-6,832,561.52	32,601,857.33	-16,975,971.59
Add: Investment income (losses listed as "-")	115,857.03	72,879,537.26	1,988,466.75	44,873,467.56
Subsidy income				
Non-operating income	707,479.74	42,953.03	272,753.29	24,116.33
Less: Non-operating expenditure	1,007,171.78	6,284.07	906,044.77	554,561.64
IV. Total profit (losses listed as "-")	91,157,058.14	66,083,644.70	33,957,032.60	27,367,050.66
Less: Income tax	22,898,669.95		6,570,396.36	
Minority shareholders' gains and losses	4,071,019.41			
Add: unconfirmed investment losses occurred in the report period	1,584,546.84		-19,585.58	
V. Net profit (losses listed as "-")	65,771,915.62	66,083,644.70	27,367,050.66	27,367,050.66
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	-6,270,591.48			
VI. Profit available to distribute	105,613,697.94	134,886,022.82	42,920,956.40	64,901,689.61
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	105,613,697.94	134,886,022.82	42,920,956.40	64,901,689.61
Less: the preferred dividends payable				
Withdrawal of free surplus reserve				
Common dividends payable	10,940,962.61	10,940,962.61		
Common dividends				

transferred into equity(capital)				
VIII. Undistributed profit	94,672,735.33	123,945,060.21	42,920,956.40	64,901,689.61
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 Pingxiao
Charger of accounting organ: Chi Guoguang

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

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd Jan.-Sep., 2006 Unit: RMB

Items	**Year-begin to end of report period**	
	Consolidation	**Parent Company**
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	4,159,918,713.11	947,122,932.74
Write-back of tax received	413,249.74	88,258.55
Other cash received concerning operating activities	63,138,318.18	15,577,071.13
Subtotal of cash inflow	4,223,470,281.03	962,788,262.42
Cash paid for purchasing commodities and receiving labor service	3,543,625,041.54	874,867,883.05
Cash paid to/for staff and workers	162,340,183.97	18,544,413.05
Taxes paid	130,740,859.13	8,044,593.25
Other cash paid concerning operating activities	207,427,827.52	30,480,317.11
Subtotal of cash outflow	4,044,133,912.16	931,937,206.46
Net cash flows arising from operating activities	179,336,368.87	30,851,055.96
II. Cash flows arising from investing activities:		
Cash received from recovering investment	123,724.85	
Cash received from investment income	2,822,107.65	62,278,540.50
Net cash received from disposal of fixed, intangible and other long-term assets	156,822.20	76,630.00
Other cash received concerning investing activities		
Subtotal of cash inflow	3,102,654.70	62,355,170.50

Cash paid for purchasing fixed, intangible and other long-term assets	92,027,369.92	982,320.70
Cash paid for investment	71,870,565.95	116,531,100.00
Other cash paid concerning investing activities		
Subtotal of cash outflow	163,897,935.87	117,513,420.70
Net cash flows arising from investing activities	-160,795,281.17	-55,158,250.20
Ⅲ. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	274,520,000.00	20,000,000.00
Other cash received concerning financing activities	122,953,723.83	188,083,224.27
Subtotal of cash inflow	397,473,723.83	208,083,224.27
Cash paid for settling debts	303,800,000.00	20,000,000.00
Cash paid for dividend and profit distributing or interest paying	33,702,730.98	7,599,767.20
Other cash paid concerning financing activities	54,461,001.54	197,515,854.63
Subtotal of cash outflow	391,963,732.52	225,115,621.83
Net cash flows arising from financing activities	5,509,991.31	-17,032,397.56
IV. Influence on cash due to fluctuation in exchange rate	-5,832.80	-1,172.32
V. Net increase of cash and cash equivalents	24,045,246.21	-41,340,764.12
Supplement information of cash flow:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	65,771,915.62	66,083,644.70
Add: Withdrawal of provision for devaluation of assets	1,011,730.96	2,898,613.90
Depreciation of fixed assets	17,415,153.91	5,693,752.12
Amortization of intangible assets	-1,565,118.48	551,320.20
Amortization of long-term expenses to be apportioned	-6,192,404.97	140,059.35
Decrease of expenses to be apportioned (Less: increase)	-464,831.86	-10,451.00
Increase of accrued expenses (Less: decrease)	8,726,852.13	-903,887.92
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	-25,243.86	-17,879.97
Loss on rejection of fixed assets	32,208.55	
Financial expenses	16,909,783.61	1,244,677.38
Investment loss (less: income)	-115,857.03	-72,879,537.26
Deferred tax- credit item (Less: debit)		
Decrease of inventories (Less: increase)	-260,845,245.54	8,916,631.05
Decrease of receivables in operating (less: increase)	-837,277,529.42	-153,207,107.51
Increase of payables in operating (less: decrease)	1,173,468,482.68	172,341,220.92
Other	-1,584,546.84	
Income of minority shareholders in this period	4,071,019.41	
Net cash flows arising from operating activities	179,336,368.87	30,851,055.96
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	193,333,291.87	34,168,271.57
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	24,045,246.21	-41,340,764.12

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

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

Total shareholders at the end of report period	20,759	
Particulars about shares held by the top ten shareholders of unrestricted shares		
Shareholders' name (full name)	**Number of unrestricted shares held at the period-end**	**Type (A, B, H or other types)**
JINGBO SECURITIES INVESTMENT FUND	5,500,000	A shares
SHANGHAI PUDONG DEVELOPMENT BANK-GUANGFA XIAOPAN GROWTH STOCK SECURITIES INVESTMENT FUN	4,680,515	A shares
CHINA INDUSTRIAL AND COMMERCIAL BANK-BOSHI JINGXUAN STOCK SECURITIES INVESTMENT FUND	4,049,634	A shares
CHINA INDUSTRIAL AND COMMERCIAL BANK-YUE YUEN INVESTMENT FUND	3,509,886	A shares
JINGFU SECURITIES INVESTMENT FUND	3,250,847	A shares
GUOTAI JUNAN SECURIES HONG KONG LIMITED	2,057,543	B shares
PINPOINT CHINA FUND	1,507,449	B shares
AJIA-LIGHTHORSE CHINA GROWTH MASTER FUND LIMITED	1,000,000	B shares
ZHANG XIAO ZHAI	980,000	B shares
WENG ZHENG WEN	894,917	B shares

§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

In the report period, the Company worked in good order and all the operations continued to keep good conditions of development with the first half of year. From the first quarter to third quarter of 2006, the Company totally realized an income from core business of RMB 4.008 billion, increased by 236.08% compared to the same period of last year; the profit from core business amounted to RMB 0.433 billion, increased by 55.58% compared to the same period of last year; the total profit amounted to RMB 91.16 million, increased by 168.44% compared to the same period of last year, which mainly because Sinopharm Medicine Holding (Guangzhou) Co., Ltd was brought into the consolidated scope of the statement. In the first three quarters of 2006, the Company has gained net profits of RMB 65.77 million, and the earnings per share were RMB 0.228.

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

√Applicable ☐Inapplicable

Unit: RMB’0000

Main operations classified according to industries			
	Income from core business	Cost of core business	Gross profit ratio (%)
Pharmaceutical industry	40,869.05	22,221.04	45.63%
Pharmaceutical wholesale	422,483.50	401,006.71	5.08%
Pharmaceutical retail	23,481.36	18,411.05	21.59%
Less: Sales of inner enterprises	85,994.85	84,764.51	
Consolidation	400,839.06	356,874.29	10.97%
Including: related transaction	28,066.32	22,811.64	18.72%
Main operations classified according to products			
Antitussives used in respiratory system	19,877.94	3,481.63	82.48%
Anti-infectious Cef- series products	19,840.82	17,834.53	10.11%
Including: Related transactions	6,063.19	1,475.91	75.66%

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

3.1.4 Explanation of reason and material change of core business and its structure compared with the previous report period

☐Applicable √Inapplicable

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

3.2 Analysis and explanation of significant events and their influence and solutions

Non-operating capital occupied and payoff 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. 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. At the end of report period, the total asset of Sinopharm Medicine Holding (Guangzhou) Co., Ltd amounted to RMB 1.414 billion, of which the current asset amounting to RMB 1.22 billion, the total fix assets amounting to RMB 0.15 billion; and the total liabilities amounted to RMB 1.269 billion, of which the current liabilities were RMB 1.244 billion.
2. From the year-begin to the end of report period, the relevant income, cost and profit of Sinopharm Medicine Holding (Guangzhou) Co., Ltd was brought into the consolidated statement of the Company. In the report the period, Sinopharm Medicine Holding (Guangzhou) Co., Ltd realized income from core business amounting to RMB 2.885 billion, the profit from core business amounting to RMB 0.157 billion and the net profit amounting to RMB 31.72 million.
3. From the year-begin to the end of report period, cash flow statement of Sinopharm Medicine Holding (Guangzhou) Co., Ltd was brought into the consolidated cash flow statement of the Company, and used the balance totaling RMB 0.1 billion of monetary fund in the period-begin to counteract the item Cash Paid for Investment in consolidated cash flow statement.
4. Compared with the same period of last year, the consolidated scope newly increased Sinopharm Medicine Holding (Guangzhou) Co., Ltd, decreased the original 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 to 47.39%, then did not consolidate the statement); The consolidated profit statement during January to September, 2005 include the income form core business amounting to RMB 30.38 million, profit from core business amounting to RMB 16.11 million, and net profit amounting to RMB 350,000 realized by original Shenzhen Traditional Medicine General Plant.

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

After purchasing 90% equity of Sinopharm Medicine Holding (Guangzhou) Co., Ltd, the Company expanded its business domain, and the business scale extended rapidly, which resulted in large increases of operation achievements of the Company over the same period of last year. It estimated that the consolidated profits from January to December, 2006 of the Company increased about 100%-150% over the same period of last year.

3.6 Rolling adjustment of annual business plan or budget ever disclosed
□Applicable √Inapplicable

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

Name of the shareholders	Special commitment	Implementation of the commitment
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).	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; no mare than 10% within 24 months.	Implementing
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.	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.	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.	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.	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.	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.	Implementing

3.8 Explanation on company not entering into the process of the Share Merger Reform ended as the disclosure date of the report
□Applicable √Inapplicable