

Stock Code: 000028, 200028

Notice No.: 2011-12

Short Form of the Stock: Accord Pharm., Accord-B

## Shenzhen Accord Pharmaceutical Co., Ltd.

### The First Quarterly Report 2011

#### §1. Important Notes

1.1 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 confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

1.2 Other directors attended the meeting on examining the Quarterly Report except for the following directors.

Name of absent directors	Title	Reason of absence	Name of entrusted
Lu Jun	Director	Due to business	Shi Jinming
Wu Aimin	Director	Due to business	Jiang Xiuchang
Ma Wanjun	Director	Due to business	Shi Jinming

1.3 The First Quarterly Financial Report of 2011 has not been audited by CPAs.

1.4 Mr. Shi Jinming, Chairman of the Company; Mr. Yan Zhigang, General Manager; Mr. Wei Pingxiao, CFO and Mr. Chi Guoguang, Financial Manager hereby confirm that the Financial Report of the First Quarterly Report is true and complete.

#### §2. Company Profile

##### 2.1 Main accounting highlights and financial indexes

Unit: RMB

	At the end of the report period	At the period-end of the last year	Changes of increase/decrease (%)
Total assets (RMB)	6,547,314,118.01	6,306,793,005.81	3.81%
Owners' equity attributable to shareholders of the listed company (RMB)	1,139,629,597.70	1,052,370,309.53	8.29%
Share capital (Share)	288,149,400.00	288,149,400.00	0.00%
Net asset per share attributable to shareholders of listed company (RMB/Share)	3.95	3.65	8.22%
	In the report period	The same period of last year	Changes of increase/decrease (%)
Total operating income (RMB)	3,526,818,451.42	2,997,143,207.41	17.67%
Net profit attributable to shareholders of the listed company (RMB)	87,259,288.17	63,119,447.46	38.24%
Net cash flow arising from operating activities (RMB)	-316,947,045.11	-73,092,572.19	333.62%
Net cash flow arising from operating	-1.10	-0.25	333.62%

activities per share (RMB/Share)			
Basic earnings per share (RMB/Share)	0.30	0.22	38.24%
Diluted earnings per share (RMB/Share)	0.30	0.22	38.24%
Weighted average return on equity (%)	7.96%	7.18%	0.78%
Weighted average return on equity after deducting non-recurring gains and losses (%)	7.70%	7.00%	0.70%

## Items of non-recurring gains and losses

√ Applicable □ Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount	Remarks (If applicable)
Gains and losses from the disposal of non-current assets	23,428.34	
Governmental subsidy reckoned into current gains and losses, but closely relevant to the Company's business except for the governmental subsidy enjoyed in quota or ration according to the national general standards	2,191,962.70	
Impairment provision reversal on account receivable which conducting impairment testing separately	138,973.36	
Other non-operating income and expenditure except for the above items	579,406.30	
Influenced amount of minority shareholders' equity	421,552.78	
Influenced amount of income tax	-491,983.45	
Total	2,863,340.03	-

**2.2 Total number of shareholders at the end of the report period and shares held by the top ten shareholders with unrestricted conditions**

Unit: Share

Total number of shareholders at the end of report period	22,169	
Particulars about the shares held by the top ten tradable shareholders with unrestricted conditions		
Full name of shareholder	Amount of tradable shares with unrestricted conditions held at the end of report period	Type of shares
SINOPHARM GROUP CO., LTD.	110,459,748	RMB common share
ICBC—HARVEST THEME NEW POWER STOCK FUND	10,290,292	RMB common share
ICBC—GUANGFA JUFENG STOCK FUND	9,782,950	RMB common share
ABC—GREATWAL ANXIN RETURN MEX STOCK FUND	7,669,023	RMB common share
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	7,032,720	Domestically listed foreign share
ICBC—BOSHI SELECTIVE	4,963,365	RMB common share

STOCK FUND		
ICBC- GD STRATEGY SELECTED MIXED STOCK FUND	4,207,399	RMB common share
ICBC—HARVEST STRATEGY GROWTH MIXED STOCK FUND	4,158,959	RMB common share
ICBC—BOC CONTINUOUS GROWTH STOCK FUND	3,443,546	RMB common share
CCB—GREATWALL CONSUMER VALUE-ADDED STOCK FUND	3,143,979	RMB common share

### §3. Significant Events

#### 3.1 Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

√Applicable      □Inapplicable

1. Account received in advance at period-end decrease RMB 37.64 million over that of period-begin with rate of -37.52 percent up. Mainly because part of the account received in advance at year-begin qualified the income condition and recognized as income.
2. Taxes payable at period-end increase RMB 22.76 million over that of period-begin with rate of 57.30 percent up. Mainly because the taxes payable at this period gains a y-o-y increase due to the soaring of business income and profit of the Company; furthermore, the increase of taxes payable also influenced by the higher tax rate of urban construction and enterprise income tax in Shenzhen area.
3. Interest payable at period-end decrease RMB 1.56 million over that of period-begin with rate of -73.71 percent up. Mainly due to the part of the loan interest have been paid by the Company.
4. Long-term loans at period-end increase RMB 52 million over that of period-begin with rate of 173.33 percent up. Mainly because the (1) subordinate subsidiary – Zhijun Wanqing increase RMB 30 million in long-term loans in this period; (2) subsidiary of the Company—Guangxi Sinopharm Logistic increase RMB 22 million in long-term loans in this period.
5. Business tax and surcharge at this period increase RMB 4.43 million over same period of last year with rate of 118.60 percent up. Mainly because the expanded business scale makes the income increased and various taxes paid increased; the rate of city construction tax higher from 1 percent to 7 percent in Shenzhen area.
6. Financial expenses at this period increase RMB 10.38 million over same period of last year with rate of 66.30 percent up. Mainly because: (1) the adjustment of loan rates from tight money of the State; (2) the bank loan increased for the development supporting for business.
7. Loss of assets impairment amounting to RMB 5.39 million, increase RMB 4.43 million over same period of last year with rate of 461.59 percent up. Mainly because (1) the bad debt provision withdrawal in the period amount of RMB 1.26 million, RMB 0.11 million have been reversed; (2) Concerning the inventory goods expired, neraly-expired or deprice, RMB 5.21 million was withdrawal for devalue provision, RMB 0.97 million was transfer-back
8. Investment income at this period increase RMB 1.98 million over same period of last year with rate of 46.04 percent up. Mainly because affiliated company—Main Luck Pharmaceutical gains a y-o-y growth in net profit that make the recognized investment income increased in the period.
9. Non-operating income at this period decrease RMB 1.95 million over same period of last year with rate of -40.81 percent up. Mainly because the government grants received by subsidiary—Zhijun Wanqing has a y-o-y decreased in the period.
10. Non-operating expenses at this period decrease RMB 0.55 million over same period of last year with rate of -93.80 percent up. Mainly because there has RMB 0.44 million for loss of the disposal on non-current assets in same period of last year from the Company and its subordinate subsidiary, and

this kind of business has a minor amount occurred in this period.

11. Income tax at this period increase RMB 7.6 million over same period of last year with rate of 40.19 percent up. Mainly because the Company has a strong profitability, the total profit has a y-o-y growth of RMB 31.81 million which caused the increase of income tax the withdrawal in this period. Meanwhile, the tax rate higher in the Shenzhen area has an influence on that.

12. Taxes returned received at this period decrease RMB 0.94 million over same period of last year with rate of -55.42 percent up. Mainly because the refund on export received in this period by Zhijun Medical Trading, subordinate subsidiary of the Company, has a y-o-y decrease.

13. Net cash received from the disposal of fixed assets, intangible assets and other long-term assets at this period decrease RMB 4.5 million over same period of last year with rate of -89.90 percent up. Mainly because the last period, subordinate subsidiary of the Company, Zhijun Pharmaceutical obtained RMB 4.5 million in cash from the disposal on part of real estate, and there are no significant amount income from disposal of non-current assets.

14. Other cash received concerning investment activities has a y-o-y increase of RMB 1.91 million over last year. Mainly because in the period, subsidiary of the Company, Guangxi Sinopharm Logistic received the supporting fund from Government of Nanning Economy Development Zone for project of logistic park while no kind of this business occurred in same period of last year.

15. Net cash received from subsidiary and other business units amounting to RMB 00.00 in this period, decreased RMB 11.34 million over same period of last year. Mainly because the at same period of last year, the Company paid the equity acquisition amount of RMB 10.94 million for the 3<sup>rd</sup> phases of Zhijun Wanqing, and RMB 0.4 million for Dongguan Accord, therefore, no kind of business occurred in this period.

16. Other cash paid for investment activities related at this period increase RMB 2.55 million over same period of last year with rate of 35.66 percent up. Mainly because the RMB 7.15 million, acquisition amount for 1<sup>st</sup> phase on medical business of Nanning Pharmaceutical Corp. was paid by Sinopharm Nanning Co.,; RMB 9.70 million was paid in this period for 2<sup>nd</sup> phase acquisition.

17. Cash received by borrowing at this period decrease RMB 230 million over same period of last year with rate of -32.98 percent up. Mainly because last year, the Company allocated internal capital completely, and performed the financing business with lower capital cost, makes the bank loans has a y-o-y decreased in this period.

18. Cash paid for debt settlement at this period decrease RMB 460 million over same period of last year with rate of -81.92 percent up. Mainly because the bank loans needed for payment on due decrease over same period of last year.

19. Cash paid for dividend and profit distribution or interest settlement at this period increase RMB 6.91 million over same period of last year with rate of 57.82 percent up. Mainly because the financing line was increased in the period, than the interest payable increased correspondingly.

20. Other cash paid for financing activities related at this period increase RMB 20.96 million over same period of last year with rate of 178.19 percent up. Mainly because the amount of for account receivable factoring have been paid in the period while no such kind business occurred in same period of last year.

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

#### **3.2.1 Particular about Qualified Opinion**

Applicable                    Inapplicable

#### **3.2.2 Particular about fund offered to shareholder or its related parties by the Company and external guarantee with procedure violation**

Applicable                    Inapplicable

#### **3.2.3 Particular about the significant contract of routine operation signed and implemented**

Applicable                    Inapplicable

#### **3.2.4 Other**

Applicable                    Inapplicable

I. The Sinopharm TCM Co., Ltd. was purchased on 22 November 2010 under the same control by the Company. In accordance with relevant regulations of Accounting Standards for Business Enterprise No.20—Business Combination, the Company adjusted the comparative statement dated March 2010 and consolidated the Sinopharm TCM Co., Ltd. The income from January – March of 2010 increased RMB 10.04 million, net profit of RMB -1.59 million and net cash flow arising from operating activities amounting to RMB -6.83 million.

II. In accordance with the Notice of Work on Regulated Pilot of Internal Control for Listed Company in Shenzhen Area (SZJGSZ[2011] No. 31) issued by Shenzhen Securities Regulatory, and the requirement from Basic Regulation of Internal Control for Enterprise, the basic information on internal control for first quarterly report of 2011 as:

(I) Implementation on the construction of internal control

1. Prepared the Self-Evaluation Report on Internal Control for Shenzhen Accord Pharmaceutical Co., Ltd. 2010, and disclosed on March 22 after deliberation from the Board.

2. Prepared the “Implementation on Work Plan of Basic Regulation of Internal Control for Enterprise” of Shenzhen Accord, and disclosed on March 22 after deliberation from the Board approved.

3. According to the arrangement from Shenzhen Securities Regulatory, the Company organized relevant personnel who in charge of the internal control for professional training on the construction of internal control.

4. Combined the organization structure of the Company, the first draft of 26 internal manuals and self-evaluation manuals for internal control have been revised being.

5. Distinguished the current risks in and out of the Company by headquarter professional dept. and major business dept., collected 239 items of risks in total.

6. Discussion the final draft for internal control documents and the collection standards for risks, and regulated the plan for subsequent training of the internal control manual. Plans to convene the Specific Meeting for Risk Internal Control and Procedures for approval in early of May.

7. According to the “Implementation on Work Plan of Basic Regulation of Internal Control for Enterprise”, the First Meeting of 6<sup>th</sup> Session of the Board held on April 28 decided to set up four specific committees in the Board. The “Committee for risk internal control and auditing” was set up as the decision making mechanism and supervise mechanism on internal control in aspect of implementation on basis of governance level.

(II) Comparative on schedule, difference and counter measurement in work plan

Compare with the plan involved in the “Implementation on Work Plan of Basic Regulation of Internal Control for Enterprise”, relevant works are strictly complied with the schedule being performing, and no difference been found and no events required solving.

### **3.3 Implementations of commitments by the Company, shareholders and actual controller**

Commitments make within the report period or persisted to the period by listed company and its director, supervisor and senior executives, shareholder with over 5 percent shares held and its actual controller

Applicable Inapplicable

### **3.4 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

### **3.5 Other significant events which need explanations**

#### **3.5.1 Particulars about securities investment**

Applicable Inapplicable

#### **3.5.2 Registration form for receiving research, communication and interview in the report period**

Date	Place	Method	Investor	Contents discussed and
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				materials supplied
2011-01-20	Accord Pharmaceutical Building	Spot research	Minsheng Securities, China Merchants Fund	Knowing about the reform development of pharmaceutical industry and no information required
2011-03-03	Accord Pharmaceutical Building	Spot research	First Capital Securities, UBS Securities, Xiangcai Securities, Ivy Capital, Guosen Securities, Bank of Communications Schroder Fund and FUANDA FUND	Knowing about the reform development of pharmaceutical industry and no information required

### 3.6 Particulars about derivatives investment

Applicable                    Inapplicable

#### 3.6.1 Particulars about derivatives investment held at the end of report period

Applicable                    Inapplicable