

Shenzhen Accord Pharmaceutical Co., Ltd.

Summary of 2001 Annual Report (B-share)

Important: Board of Directors of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

In the 14th meeting of the 3rd Board of Directors of the Company, Director Mr. Zeng Yuxiang and Mr. Xue Bo were absent from the meeting due to some reason and entrusted Director Liao Yuchun and Tan Minghua to vote on behalf of them. The summary of 2001 annual report is abstracted from the annual report, and investors are suggested to read the annual report to understand more details. This report is written in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

I. COMPANY PROFILE

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. Legal Representative: Guo Yuan

3. Secretary of the Board of Directors: Chen Changbing

Liaison Address: Accord Pharm. Bldg., No. 15, Ba Gua 4th Rd., Futian District, Shenzhen Guangdong

Tel: (86) 755-2406994, 2435022

Fax: (86) 755-2407013

E-mail: champion@szaccord.com.cn

4. Registered Address: Accord Pharm. Bldg., No. 15, Ba Gua 4th Rd., Futian District, Shenzhen Guangdong

Office Address: Accord Pharm. Bldg., No. 15, Ba Gua 4th Rd., Futian District, Shenzhen Guangdong

Post Code: 518029

Company's Internet Web Site: <http://www.szaccord.com.cn>

E-mail: 0028@szaccord.com.cn

5. Newspapers for Disclosing the Information of the Company:

Securities Times, Ta Kung Pao

Internet Web Site for Publishing the Interim Report: <http://www.cninfo.com.cn>

The Place Where the Interim Report is Prepared and Placed:

Secretariat of the Company

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock (A-share): Accord Pharm.

Stock Code: 000028

Short Form of the Stock (B-share): Accord Pharm.-B

Stock Code: 200028

II. FINANCIAL AND BUSINESS HIGHLIGHTS

Major financial data as of the year 2001

1. Major accounting data as of the year 2001 as reported under Chinese Accounting Standard (“CAS”) (RMB ’ 000)

Items	2001
Total Profit	46,120
Net Profit	36,517
Net profit after deducting non-recurring gains and losses	32,443
Profit from main business lines	459,654
Profit from other business lines	6,797
Operating profit	30,491
Investment income	-5,825
Subsidy income	4,352
Net income/expenditure of non-operation	17,102
Net cash flows arising from operating activities	71,157
Net increase in cash and cash equivalents	115,545

2. Summary of financial report

(1) As reported under International Accounting Standard (“IAS”) (RMB’ 000)

Consolidated Income Statement

	2001	2000	1999
Turnover	1,668,675	107,899	90,186
Profit before taxation	50,086	-47,364	9,013
Taxation	12,088	603	1,933
Profit after taxation	37,998	-47,967	7,080
Minority interests	1,906	21,860	-5,039
Profit attributable to shareholder	39,904	-26,107	2,041

Balance Sheet

	2001	2000	1999
Total assets	1,116,128	456,666	511,257
Total liabilities	777,643	86,464	86,463
Net assets	338,485	370,202	424,794

The total liabilities and total assets from 1999 to 2000 are adjusted according to Accounting Standard No. 9 (Revision) released by Hong Kong Society of Accountants.

(2) As reported under CAS (RMB’ 000)

Items	2001	2000
Income from main business lines	1,668,675	107,899
Net profit	36,517	-7,788
Total assets	1,118,169	484,883

Shareholders' equity (excluding minority shareholders' equity)	354,009	316,990
Earnings per share (RMB)		
Fully diluted	0.13	-0.027
Weighted average	0.13	-0.027
Net assets per share (RMB)	1.229	1.10
Net assets per share after adjustment (RMB)	0.975	1.056
Net cash flows per share arising from operating activities (RMB)	0.247	0.03
Return on equity (%)	10.32	-2.46

(3) Supplementary statement of profit as reported under CAS

Profit in the report period	Return on equity (%)			
	Fully diluted		Weighted average	
	2001	2000	2001	2000
Profit from main business lines	129.84	12.11	137.01	11.97
Operating profit	8.61	-5.03	9.09	-4.96
Net profit	10.32	-2.46	10.88	-2.43
Net profit after deducting non-recurring gains and losses	9.16	-8.30	9.67	-8.20

Profit in the report period	Earnings per share (RMB)			
	Fully diluted		Weighted average	
	2001	2000	2001	2000
Profit from main business lines	1.60	0.13	1.60	0.13
Operating profit	0.106	-0.06	0.106	-0.06
Net profit	0.13	-0.03	0.13	-0.03
Net profit after deducting non-recurring gains and losses	0.113	-0.09	0.113	-0.09

There was no change in share capital of the Company ended by the report year.

3. Explanation for the difference in the net profit as calculated according to CAS and IAS:

Ended Dec. 31, 2001, the net profit of the Company as calculated according to CAS and IAS was RMB 36,517,000 and RMB 39,904,000 respectively.

4. About change in shareholders' equity as of the report year as reported under CAS
(RMB' 000)

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory public welfare funds	Retained profit	Shareholders' equity
Amount at beginning of report year	288,149	15,233	40,860		-27,252	316,990
Increase in the report year		502	927	463	36,517	38,409
Decrease in the report year	-	-	-		1,390	1,390

Amount at end of the report year	288,149	15,735	41,787	463	7,875	354,009
Reason for change		Distribution of profit	Distribution of profit	Distribution of profit	Distribution of profit	Distribution of profit

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Particulars about the changes in share capital:

Statement of change in shares

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Share Allotment	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub-total	
I. Unlisted Shares								
1. Promoters' shares	150,935,400							150,935,400
Including:								
State-owned share	124,864,740							124,864,740
Domestic legal person shares	26,070,660							26,070,660
Foreign legal person shares								
Others								
2. Raised legal person shares	27,442,800							27,442,800
3. Employees' shares								
4. Preference shares or others								
Including:								
Transferred / allotted shares								
Total Unlisted shares	178,378,200							178,378,200
II. Listed Shares								
1. RMB ordinary shares	54,885,600							54,885,600
2.Domestically listed foreign shares	54,885,600							54,885,600
3. Overseas listed foreign shares								
4. Others								
Total Listed shares	109,771,200							109,771,200
III. Total shares	288,149,400							288,149,400

(II) About shareholders

Ended Dec. 31, 2001, the Company had totally 15,633 shareholders, including 6,212 shareholders of A-share and 9,421 shareholder of B-share.

2. Particulars about the shares held by the top ten shareholders (Ended Dec. 31, 2000)

No.	Shareholders' name	Shares in hold at end of the year (share)	Proportion in the total shares (%)	Pledged or frozen	Type
①	Shenzhen Investment Holding Corporation	124,864,740	43.33		State-owned share

②	Shenzhen Baoan District Shiyan Town Economic and Development General Company	26,070,660	9.05	16,079,700	Legal person share
③	Shenzhen Baoan Shangwu Economic and Development Co., Ltd.	13,942,800	4.48	13,846,000	Legal person share
④	Shenzhen Wangzong Industrial Co., Ltd.	5,303,200	1.84		Legal person share
⑥	Nanjing Junyue Investment and Consultation Co., Ltd.	5,000,000	1.74		Legal person share
⑥	INTL NEDERLANDEN BANK (ING BANK) GLOBAL CUSTODY NV*	2,649,240	0.92		Shares in circulation
⑦	CHAN PONG HUNG*	1,738,571	0.60		Shares in circulation
⑧	Wuxi Huaxin Investment Management Co., Ltd.	1,396,800	0.48		Legal person share
⑨	Dalian Commodity Exchange Services Center	1,092,880	0.38		Shares in circulation
⑩	Shanghai Shisheng Enterprise Development Co., Ltd.	1,000,000	0.35		Legal person share

Notes: (1) Among the top ten shareholders, No. 6 and 7 are shareholders of domestically listed foreign shares.

(2) Among the top ten shareholders, there exists no associated relationship between shareholders of state-owned shares and shareholders of legal person share. For shareholders of shares in circulation, the Company is not aware of their relations.

3. Particulars about mortgage and freeze on the shares held by legal person shareholders holding over 5% of the total shares of the Company

16,079,700 shares of the Company held by Shenzhen Baoan District Shiyan Town Economic Development Corporation (“the Shiyan Company”) was frozen in 2000 because the Shiyan Company had offered the said shares as mutual guarantee for loan to Shenzhen Baoan District Investment Holdings Corporation. 13,846,000 shares of the Company held by Shenzhen Baoan Shangwu Economic and Development Co., Ltd. (“the Shangwu Company”) was frozen because the Shangwu Company had mortgaged the said shares for loan from Industrial and Commercial Bank of China Longhua Sub-branch, duration of mortgage from Dec. 24, 2001 to Dec. 24, 2002.

4. The control shareholder of the Company

Name of the control shareholder: Shenzhen Investment Holding Corporation

Legal representative: Li Heihu

Date of foundation: Feb. 10, 1988

Construction of equity: state-owned sole corporation

Registration capital: RMB 2 billion

Business scope: Management and supervision of enterprise’s state assets, financing and property right; to share all kinds of enterprise and turn over investment, to offer credit and assurance; to impose profit after taxation and occupying expenses of assets of state enterprise and the other business authorized by municipal government.

5. In the report period, there was no change in controlling shareholder.

IV. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVE AND STAFF

(I) Directors, supervisors and senior executives

1. Directors, supervisors and senior executives in office at present

Name	Title	Gender	Age	Office term	Number of holding shares (share)
Guo Yuan	Chairman of the Board	Male	48	Dec. 18, 2001 - the expiration of the office term	0
Tan Minghua	Vice Chairman of the Board	Male	45	Jun. 15, 2001 - the expiration of the office term	0
Zeng Yuxiang	Vice Chairman of the Board	Male	56	Jun. 30, 2000 - the expiration of the office term	0
Zhang Quanhuan	Director, Deputy General Manager	Female	53	Dec. 29, 2000 - the expiration of the office term	0
Qin Changsheng	Director, Chief Financial Supervisor	Male	41	Dec. 29, 2000 - the expiration of the office term	0
Liao Yuchun	Director	Male	53	Jun. 30, 2000 - the expiration of the office term	0
Xue Bo	Director	Male	42	Jun. 30, 2000 - the expiration of the office term	0
Zhu Dixin	Chairman of the Supervisory Committee	Male	54	Dec. 29, 2000 - the expiration of the office term	0
Zhao Junpeng	Supervisor	Male	33	Jun. 30, 2000 - the expiration of the office term	0
Shen Tianfang	Supervisor	Male	52	Jun. 15, 2001 - the expiration of the office term	0
Wang Qiuhui	Deputy General Manager	Female	45	May 10, 2001 - the expiration of the office term	0
Gao Guoshi	Deputy General Manager	Male	48	May 10, 2001 - the expiration of the office term	0
Fu Xiaoming	Deputy General Manager	Male	46	May 10, 2001 - the expiration of the office term	0
Cheng Changbing	Secretary of the Board of Directors	Male	34	Dec. 29, 2000 - the expiration of the office term	0

2. Particulars about directors or supervisors holding the position in Shareholding Company

(1) Vice Chairman of the Board Mr. Zeng Yuxiang took the position of Deputy General Manager of Shenzhen Baoan District Shiyang Town Economic and Development General Company.

(2) Director Mr. Liao Yuchun took the position of General Manager of Shenzhen Baoan District Shiyang Town Economic and Development General Company.

(3) Director Mr. Xue Bo took the position of Secretary of Shenzhen Investment Holding Corporation the 2nd Industrial Dept.

(4) Supervisor Mr. Zhao Junpeng took the position of Chairman of the Board of Shenzhen Baoan Shangwu Economic and Development Co., Ltd..

3. Particulars about the annual salary of directors, supervisors and senior executives

In the report year, the annual salary the directors, supervisors and senior executives is in accordance with Provisional Regulation on Annual Salary of State-owned Enterprise in Shenzhen and Rules on Binding Mechanism between the Pay to Operator of Shenzhen Municipal State-owned Enterprise with the Grade of the Enterprises, released by Shenzhen Municipality Government as well as measure of wage reformation established by the Company. The Board of Directors sets the operation targets for the administrative group at the year-begin and decides on the rewards based on the accomplishment of the targets at the year-end.

There are 14 directors, supervisors and senior executives in office at present, and 7 persons received their salary from the Company. The total annual salary (including base salary, reward, welfare, subsidy, housing allowance) received from the Company was RMB 1.7 million. Of them, one enjoys a annual salary over RMB 300,000, five enjoy an annual salary from RMB 200,000 to 250,000, one enjoys an annual under RMB 120,000. The total amount of the top three directors or supervisors was RMB 833,098. The total amount of the top three senior executives was RMB 752,934.

During the report year, Chairman of the Board of the Company Mr. Guo Yuan, Vice Chairman of the Board Mr. Tan Minghua and Mr. Zeng Yuxiang, Director and Chief Financial Supervisor Mr. Qin Changsheng, Director Mr. Xue Bo and Mr. Liao Yuchun, Supervisor Mr. Zhao Junpeng drew pay not from the Company but from the shareholding company.

4. Directors, supervisors and senior executives leaving the office and the reason in the report year

(1) Mr. Dai Zhongcheng resigned the position of director due to personal reason. The 7th meeting of the 3rd Board of Directors agreed to his application on May 10, 2001. The relevant public notice was published in Securities Times and Ta Kung Pao dated May 12, 2001.

(2) Mr. Wang Deyin resigned the position of director due to personal reason. The 8th meeting of the 3rd Board of Directors agreed to his application on Jun. 15, 2001. The relevant public notice was published in Securities Times and Ta Kung Pao dated Jun. 16, 2001.

(3) On Nov. 12, 2001, Mr. Liu Xiaoyong resigned the position of Chairman of the Board and director due to work adjustment; Mr. Chen Xiangru resigned the position of General Manager and director due to work adjustment. The Extraordinary meeting 3rd Board of Directors and the 1st Extraordinary Shareholders' General Meeting of 2001 agreed to their application. The relevant public notice was published in Securities Times and Ta Kung Pao dated Nov. 14, 2001 and Dec. 19, 2001 respectively.

(4) Due to the Company's assets replacement, primary employees' representative supervisor Ms. Chen Yanping no longer took the position. Approved by the 5th meeting of the 3rd Supervisor Committee dated Mar. 30, 2001, Mr. Shen Tianfang was elected as employee's supervisor by the Employee Congress of the Company. The relevant public notice was published in Securities Times and Ta Kung Pao dated Apr. 4, 2001.

II. About staff

At end of the report year, the Company has 3,663 staff, including 423 production member, 11.55% of total staff; 1,737 salesperson, 47.42% of total staff; 413 technicians, 11.27% of total staff; 98 financial personnel, 2.68% of total staff; 859 administrative personnel, 23.45% of total staff, and 133 retiree, 3.63% of total staff. The Company has 93 persons with Master degree or above, 792 persons with Bachelor degree, 602 persons graduated from 3-years regular college.

V. ADMINISTRATIVE STRUCTURE

I. Company Administration

The Company operated strictly according to the laws, regulations and rules stipulated in the PRC Company Law, Securities Law and those promulgated by China Securities Regulatory Commission and Shenzhen Stock Exchange. The Company is now studying and revising the Articles of Association and other rules and systems, and is constantly perfecting its administrative structure according to the Rules of Administration of Listed Company in the following terms:

1. Shareholders and Shareholders' General Meeting: The Company operates in a standardized way, safeguards rights and interests of all shareholders especially those medium and small shareholders, and ensures they all fully implement their own rights; The Company has established the Rules of Procedures of the Shareholders' General Meeting, calls and holds shareholders' general meeting strictly according to the rules for shareholders' general meeting. The Company conducted the related transactions in a fair and reasonable way, fully disclosed the basis of pricing.
2. Relationship between the control shareholder and the public Company: The control shareholder performed their duties in a standardized way and never overstepped the Shareholders' General Meeting to interfere in the Company's decision-making and operation directly and indirectly; The Company pursued the "five separations" in personnel, assets, finance, organization and business from its control shareholder, and its Board of Directors, Supervisory Committee and internal organization functioned independently.
3. Directors and the Board of Directors: The Company has elected directors strictly according to the election and engaging procedures stipulated in the Articles of Association and will further improve the procedures and promote accumulative voting system; All directors attended the boarding meeting and the shareholders' general meeting diligently and responsibly and strictly implemented duties of directors of listed companies. The Company is now formulating the Rules of Procedures of the Board of Directors in the hope of establishing perfect work system for the Board of Directors.
4. Supervisors and the Supervisory Committee: The head-account of supervisors and their formation are in compliance with requirements of laws, regulations and the Articles of Association. The Supervisory Committee members have performed seriously their duties, taken responsible attitude to all the shareholders, supervised the financial affairs, the duties performed by the Company's directors, managers and other senior executives. The Company is now formulating the Rules of Procedures of the Supervisory Committee in the hope of establishing perfect work system for the Supervisory Committee.
5. Performance Evaluation, Encouragement and Binding Mechanism: The Company

engaged senior executives openly and transparently in compliance with the laws and regulations. The Company currently applies annual benefit bonus system for senior executives, and is going to establish fair and transparent performance evaluation criteria and encouragement and binding mechanism for directors, supervisors and senior executives.

6. Relations with the Relevant Beneficiaries: The Company has been fully respecting and safeguarding the legal rights and interests of the banks, other creditors, employees, consumers and other parties of related interests, and has been jointly promoting sustainable and healthy development with these parties.

7. Information Disclosure: The Company has authorized the secretary of the Board of Directors to take charge of disclosing information, receiving visits and inquiries of the shareholders. The Company has made the Administration System of Information Disclosure, has been disclosing the relevant information in a real, accurate, complete and timely way strictly according to the law, regulations and the Articles of Association, and ensured all the shareholders have equal opportunity to obtain the information.

II. Performance of the Independent Directors

The Company hasn't engaged independent directors so far. The Board of Directors is now making draft and revision on the relevant rules and positively looking for candidates of independent directors in accordance with the Guiding Opinions on Establishment of Independent Director System in Listed Companies promulgated by China Securities Regulatory Commission, and is to establish independent director system and special committee of the Board of Directors as per relevant stipulations before June 30, 2002.

VI. PARTICULARS ABOUT THE SHAREHOLDER' GENERAL MEETING

In the report year, the Company held the Shareholders' General Meeting twice.

1. The Shareholders' General Meeting of year 2000

The notification and relevant issues of the Shareholders' General Meeting of year 2000 were published in Securities Times and Hong Kong Ta Kung Pao dated May 12, 2001 and May 16, 2001 respectively.

The meeting was held in the Changjiang River Hall on the 2nd floor of the Five Continents Hotel on June 15, 2001, and reviewed and passed by voting the following items:

- (1) Reviewed and passed the Work Report of the Board of Directors of Year 2000;
- (2) Reviewed and passed the Work Report of the Supervisory Committee of Year 2000;
- (3) Reviewed and passed the Financial Report of Final Budget of Year 2000;
- (4) Reviewed and passed the Annual Report of Year 2000;
- (5) Passed by voting the Profit Distribution Preplan of Year 2000;
- (6) Passed by voting the Profit Distribution Policies of Year 2001;
- (7) Passed by voting the Operating Plan of Year 2001;
- (8) Passed by voting the Proposal on Re-engaging Certified Public Accountants;
- (9) Passed by voting the Proposal on Augmenting Tan Minghua as the Company's

director;

(10) Passed by voting the Proposal on Change of the Company's Name;

(11) Passed by voting the Proposal on Modification of the Articles of Association.

The lawyer Wang Xiaonan from Beijing Tong Shang Lawyers' Firm witnessed this meeting on the spot in terms of its legitimacy and validity and issued a legal position paper.

The resolutions of the Shareholders' General Meeting were published in Securities Times and Hong Kong Ta Kung Pao dated June 16, 2001.

2. The 1st Extraordinary Shareholders' General Meeting of Year 2001

The public notice on holding the 1st Extraordinary Shareholders' General Meeting was published in Securities Times and Hong Kong Ta Kung Pao dated November 14, 2001.

The meeting was held in the 6/F conference room of Accord Pharmaceuticals Mansion in No. 15, Baguai 4th Road, Futian District, Shenzhen dated December 18, 2001, which reviewed and passed through voting the following proposals:

(1) Passed by voting the Proposal on Resignation of Chen Xiangru as Director;

(2) Passed by voting the Proposal on Resignation of Liu Xiaoyong as Director;

(3) Passed by voting the Proposal on Augmenting Guo Yuan as Director.

Beijing Tong Shang Lawyers' Firm witnessed this meeting on the spot in terms of its legitimacy and validity and issued a legal position paper.

The resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao dated December 19, 2001.

VII. REPORT OF THE BOARD OF DIRECTORS

I. Business Operation

In the report year, the Company's main business lines changed after replacement of assets. The Company's main business lines include: R&D and production of pharmaceuticals, wholesales and chain store retails of Chinese and western patent medicines, Chinese traditional medicines, biological products, biological and chemical drugs, health-care products and medical apparatus and instruments. In the report year, the Company achieved revenue of RMB 1,668,675,000 from its main business lines while main business cost amounted to RMB 1,209,021,000, main business profit of RMB 459,654,000, period expenses of RMB 427,434,000, and it achieved a total profit of RMB 50,086,000.

II. Investment and Application of Raised Capital

1. Particulars about investment

The Company had no new investment project in the report year.

2. Particulars about application of raised capital

In the report year, the Company had neither raised funds nor used the raised funds carried down from the previous year.

III. Main reasons of Changes in Financial Status and Increase and Decrease of Business Results

Item	In 2001	In 2000	Increase/ Decrease	Increasing Range%
Long-term Liability	1,116,128	456,666	659,462	144.41
Long-term liabilities	3,370	-	3,370	-
Shareholders' Equity	338,485	370,202	-317,17	-0.09
Profit from Main Business Lines	459,654	38,395	421,59	1097.18
Net Profit	39,904	-26,107	660,011	-

Note: Due to assets exchange conducted by the Company (the acquirer) and Shenzhen Health Mineral Water Co., Ltd. (the assigner), assets assigner's accounting data as of the previous year is incomparable with the assets acquirer's accounting data as of this year.

IV. Impact of Changes in Operating Environment and of Macro-policies and on the Company

1. China's entry into WTO has brought new opportunities and challenges to the development of domestic pharmaceuticals manufacturing industry and sales industry while opportunities are greater than challenges.
2. With gradual deepening of the three reforming items of the national medical system, the medical market has been further standardized. Hospitals purchased medicines through inviting public biddings, which resulted in continuous decrease in medicine prices and impaired profit-making capacity of enterprises to some extent.

V. Business Plan of Year 2002

Year 2002 is another year to continuously carry forward the three reforming items of the national medical system. Confronting with China's entry of WTO, macro-policies and changing of business operating environment, and in the increasingly intensified competition of medical market, the Company will further strengthen its management and optimize settings of resources to realize economics of scale and reciprocate shareholders with better results by means of innovating systems, business conception and business mode in the following terms:

1. The Company will reinforce its work in administration, decision-making control and systems safeguard according to the Rules of Administration of Listed Companies. It will establish and perfect the decision-making procedures and system, standardize operation of "the three meetings", effectively implement functions of various administrative organization and safeguard investors' rights and interests practically.
2. Confronting with the new situation, the Company will make great endeavor to integrate its business lines and adjust its organization, reconstruct the whole logistics system in terms of purchase, storage, distribution, wholesale and retail, and correspondingly adjust the administrative structure of the headquarter so as to realize integrated and efficient management of relevant businesses and procedures, reinforce market control capability, take full advantage of medical logistic field, raise overall resource utilization efficiency and realize the Company's economics of scale.

3. In the field of medicine manufacturing industry, the Company will increase input in developing new products, adjust structure of products and ensure it will develop permanently.

4. With economic benefits continuously being centered around, the Company will positively carry system innovation forward, establish a more efficient encouragement and binding mechanism, further raise scientific management level, reduce costs and strengthen overall competitiveness of the Company.

VI. Profit Distribution Preplan of 2001

As audited by Xinyong Zhonghe Certified Public Accountants, the Company realized a net profit of RMB 36,517,159.37 in the report period. Pursuant to regulations in Articles of Association of the Company, 10% and 5% of the net profit after making up RMB 27,252,631.09 deficits of previous year respectively amounting to RMB 926,452.83 RMB 463,226.41 shall be allotted as statutory public reserve and statutory welfare fund. So attributable profit as of 2001 is RMB 7,874,849.04.

As audited by Ho and Ho & Company Certified Public Accountants for B share, the Company realized a net profit of RMB 39,904,000 in 2001 but suffers a deficits of RMB 58,363,000 accumulated in previous years. According to Accounting Standards for Enterprises and Accounting Policy for Enterprises, RMB 1,390,000 shall be allotted as statutory public reserve and statutory welfare fund, and the balance net profit shall make up for the said deficits. After such deficits offset, there are still RMB 19,849,000 deficits remain in red.

According to Letter concerning How to Decide on the Profit Distribution of Listed Company with B share released by CSRC with ZJHZ [1994] No. 1 document, profit distribution shall implement the lower principal. Therefore, it was resolved in the 14th Meeting of the 3rd Board of Directors that neither profit distribution nor capital public reserve will be conducted for 2001.

The above plan is subject to the examination of Shareholders' General Meeting for implementation.

VII. Estimated Policy on Profit Distribution in 2002

- (1) The Company proposes to distribute profit once upon end of year 2002;
- (2) Distributable dividends should be no less than 30% in the total distributable profits of 2002.
- (3) Profits will be distributed in combination of cash and bonus stocks while cash dividends should be no less than 20% among total sharing profits;
- (4) Detailed distribution means will be according to actual conditions of the Company.

VIII. REPORT OF THE SUPERVISORY COMMITTEE

I. In the report year, the Supervisory Committee, in accordance with regulations of the PRC Company Law and the Articles of Association, had strictly implemented various functions of inspection and supervision prescribed in its duties, attended the meeting of the Board of Directors as non-voting delegates, and participated in the Company's

decision-making of significant issues. The Supervisory Committee held meetings twice.

1. The 5th Meeting of the 3rd Supervisory Committee: The meeting was held in the 2/F conference room of Shenzhen Golf Club on March 30, 2001, which reviewed and passed the Proposal on Changing of Some Supervisors, agreed to Chen Yanping's resignation as supervisor due to work change, and agreed to augment Mr. Shen Tianfang as supervisor who was elected in the Employee Representatives' General Meeting and entered the Supervisory Committee directly. The resolution was published in Securities Times and Hong Kong Ta Kung Pao dated April 2, 2001.

2. The 6th Meeting of the 3rd Supervisory Committee: The meeting was held in the 2/F meeting room, Building No.6, Shenzhen Welcome Hotel on August 12, 2001, which reviewed and passed the Interim Report of 2001 and its Summary; as well as the Interim Distribution Plan of 2001, which decided neither to distribute profits nor transfer public reserves to share capital. The resolution was published in Securities Times and Hong Kong Ta Kung Pao dated August 14, 2001.

The Supervisory Committee members attended all the meetings of the Board of Directors as non-voting directors, and supervised the contents of the meeting as well as business decision-making procedures.

II. The Supervisory Committee has strictly supervised and investigated the Company's operation and decision-making of 2001, and expressed independent opinions concerning relevant issues as follows:

1. In the report year, the Supervisory Committee supervised the Company's various work in terms of holding procedures of the Shareholders' General Meetings and the meetings of the Board of Directors, proposals, performance of resolutions, the Company's production and business and management of decision-making according to the law, regulations and the Articles of Association, and believed the Company had complied with the PRC Company Law and the Articles of Association in terms of management and operation and ensured its operation according to law.

2. The Supervisory Committee supervised the duties performed by the directors and senior executives and believed that during daily operation and administration, they neither violated the law, regulations, the Articles of Association and resolutions of the Shareholders' General Meeting nor abused their posts and rights and damaged interests of shareholders, the Company and employees. The management could positively adopt suggestions made by the Supervisory Committee concerning operation and management.

3. The Supervisory Committee believed the financial report of 2001 had objectively and truthfully reflected the Company's financial status and business results, and agreed with the standard non-reservation auditors' reports issued by Xinyong Zhonghe Certified Public Accountants and Ho and Ho & Company Certified Public Accountants.

4. The Company hasn't raised capital since it initially issued stocks in 1993. The actual raised capital project for the first time was basically in conformity with what was promised in the prospectus.

5. In 2001, the Company carried out fair transactions on the basis of market prices

with its related parties, which hadn't damaged the interests of the Company.

IX. SIGNIFICANT EVENTS

I. Material lawsuits and arbitration

The Company was not involved in any material lawsuits or arbitration in the report period.

II. Purchase and sales of assets

On November 27, the Company signed an Agreement for Assets Exchange with Shenzhen Investment Holding Corporation ("Investment Management"), the Company's largest shareholder. According to the said agreement, with the date August 31, 2000 as the basic date, the Company would exchange all its assets and liabilities with Investment Management for 100% equity of its 11 pharmaceutical enterprises and partial property and 51% equity in Shenzhen SDG Modern Computer Co., Ltd. based on the appraised net value. As appraised by Zhongqinxin Assets Valuation Co., Ltd., assets exchanged out of the Company valued RMB 332,070,700 while assets and property exchanged in the Company valued RMB 318,387,300, the balance was compensated with cash by Investment Management. It was agreed that profits or deficits generated by the exchanged assets or relevant business from Sep. 1, 2000 to the completion date for the exchange, should be born the original owner. The said assets exchange plan has been approved in the 2nd Extraordinary Shareholders' General Meeting 2000 dated Dec. 29, 2000. By the end of Dec. 31, 2001, Investment Management has paid the balance amount RMB 13,623,400 to the Company, and settled the deferred payment for land development fee for Longgang Great Industrial Zone amounting to RMB 14,891,931 and land price for the exchanged property totaling RMB 2,102,724. Relevant register procedure for changes in equity with industrial and commercial authority, as well as land transfer procedure has been completed. Property transfer procedure for No. 816 building of Sungang Warehouse, E. Block of 2/F of Haifeng Yuan; 1/F and BA/F of A2 No. 4 Building of Tongxinling was under progressing. The said assets exchange improved the Company's assets structure and increased the Company's profitability.

III. Related party transaction

(I) Related transaction occurred with sales and purchase of goods

	2001	2000
	RMB' 000	RMB' 000
(a) Sales of goods		
- Shenzhen Medicinal Materials Company	33,706	-
- Shenzhen Nanshan Pharmaceutical Company	14,229	-
(b) Purchase of goods		
- Shenzhen Medicinal Materials Company	15,623	-
- Shenzhen Nanshan Pharmaceutical Company	23,487	-

(II) Related transaction occurred with assets or equity assignment

The Company had no such related transaction in the report period.

(III) Amounts due from/to related companies

(a) Amounts due from related companies

	<u>2001</u>	<u>2000</u>
	RMB' 000	RMB' 000
Trade: -		
Shenzhen Pharmaceutical Production and Supply Corporation	3,200	-
Shenzhen Nanshan Pharmaceutical Company	13,935	-
Shenzhen Baihe Pharmaceutical Co., Ltd.	188	-
Shenzhen Medicinal Materials Company	8,412	-
Healthcare Market, Pharmaceutical Company	203	-
Shenzhen Jiankang Pharmaceutical Company	17	-
Hainan Shenbao Industrial Co., Ltd.	100	-
Shenzhen Xiannuo Pharmaceutical Co., Ltd.	300	-
	<u>26,355</u>	<u>-</u>
Others:		
Shenzhen Pharmaceutical Production and Supply Corporation	30,567	-
Shenzhen Jianmei Pharmaceutical Company	30	-
Shenzhen Medicinal Materials Company	1,630	-
	<u>32,227</u>	<u>-</u>
	<u>58,582</u>	<u>-</u>

Shenzhen Investment Holding Corporation is the largest shareholder of the Company; the above companies are the affiliates of Shenzhen Investment Holding Corporation.

(b) Amounts due to related companies

	<u>2001</u>	<u>2000</u>
	RMB' 000	RMB' 000
Trade: -		
Shenzhen Pharmaceutical Production and Supply Corporation	5,139	-
Shenzhen Nanshan Pharmaceutical Company	174	-
Shenzhen Jianmei Pharmaceutical Company	394	-
Shenzhen Medicinal Materials Company	3,209	-
Shenzhen Xiannuo Pharmaceutical Co., Ltd.	1,601	-
Shenzhen Medicinal Oil Plant	56	-
Shenzhen Pharmaceutical Electrical Equipment Plant	3	-
Tianran Plant	5,170	-
	<u>15,746</u>	<u>-</u>
Others: -		
Shenzhen Pharmaceutical Production and Supply Corporation	42	-
Shenzhen Medicinal Materials Company	565	-
Shenzhen Xiannuo Pharmaceutical Co., Ltd.	5,043	-
Shenzhen Municipal Investment Management Company	16	-

5,666	-
21,412	-

Shenzhen Investment Holding Corporation is the largest shareholder of the Company. Except for Shenzhen Investment Management Company, the above companies are the affiliates of Shenzhen Investment Holding Corporation.

IV. Significant contract and the implementation

1. Entrustment, contract and lease

On November 23, 2000, Shenzhen Pharmaceutical Production and Supply Corporation signed Agreement for Assets Custody respectively with Shenzhen Jianmin Pharmaceutical Co., Shenzhen Pharmaceutical Co., Shenzhen Pharmaceutical Factory and Shenzhen Pharmaceutical Trading Co., entrusting the aforesaid four enterprises to keep Shenzhen Crude Drugs Co., Shenzhen Nanshan Pharmaceutical Co., Shenzhen Xiannuo Pharmaceutical Manufacture Co., Ltd. and Shenzhen Baihe Pharmaceutical Co., Ltd. as custodians with valid term of one year. It was agreed that all profits or deficits realized by the entrusted enterprises should be born by Shenzhen Pharmaceutical Production and Supply Corporation.

2. Significant guarantee

The Company offered no significant guarantee for others in the report period.

3. Finance entrustment

The Company did not entrust others to management its cash assets in the report period.

4. Other material contract

The Company had no other material contract in the report period.

V. Commitment of the Company or shareholders holding over 5% shares of the Company

1. Commitment of the Company and the implementation

(1) Commitment

Profit Distribution Policy for the year 2001 was approved in the Company's Shareholders' General Meeting 2000 dated June 15, 2001 with following resolution adopted:

- A. The Company will conduct once profit distribution after the completion of the year 2001;
- B. No less than 30% attributable profit as of 2001 will be distributed;
- C. The profit distribution will take the form of combination of cash bonus and bonus shares, and no less than 20% attributable profit will be distributed in the form of cash.
- D. The actual profit distribution plan is to be proposed by the Board based on the actual situation of the Company and proposed to Shareholders' General Meeting for examination and approval.

(2) Implementation

There is difference between the auditing results of the domestic and overseas Certified Public Accountants. According to Letter concerning How to Decide on the Profit

Distribution of Listed Company with B share released by CSRC with ZJHZ [1994] No. 1 document, profit distribution shall implement the lower principal. Therefore, the Company decided to conduct neither profit distribution nor capital public reserve will be conducted for 2001. The Board of Directors hereby extends sincere regret to all investors of the Company.

2. Commitment of shareholders holding over 5% shares of the Company

Shareholders holding over 5% shares of the Company made no commitment in the report period.

VI. Engagement of Certified Public Accountants

1. Changes in engagement of Certified Public Accountants

As approved in the Company's Shareholders' General Meeting 2000, the Company reengaged Zhongtianqing Certified Public Accountants ("Zhongtianqin") and Horwath International Certified Public Accountants (Shenzhen, PRC) as the Company's auditors in the report period. Relevant notice was published on Securities Times and Ta Kung Pao dated June 16, 2001. However, the Ministry of Finance canceled the certificate for securities engagement of Zhongtianqing because Zhongtianqin was suspected to issue Auditors' Report disobey the law. Therefore, the Company decided to change its auditors in the 1st Extraordinary Shareholders' General Meeting dated Feb. 28, 2002, engaging Xinyong Zhonghe Certified Public Accountants and Hong Kong Ho and Ho & Company Certified Public Accountants as its auditors for the year 2001. Relevant notice has been published in Securities Times and Ta Kung Pao dated March 1, 2002.

2. In the report period, the Company paid RMB 300 thousand to Certified Public Accountants as internal financial auditing fee for the year 2001 (A share) and RMB 400 thousand as annual financial auditing fee for the year 2001 (A and B share). Travel expenses occurred from the auditing shall be born the Company.

VII. Other significant events

1. In the report year, the Company, the Board of Directors or its directors had neither been checked, given administrative punishment or given circular notices of criticism by China Securities Regulatory Commission nor been condemned publicly by the Stock Exchange.

2. Change of the Company Name or Short Form of Stocks:

approved by the 8th meeting of the 3rd Board of Directors and 2000 Shareholders' General Meeting, the Company name was changed from "Shenzhen Health Mineral Water Co., Ltd." into "Shenzhen Accord Pharmaceutical Co., Ltd.", the short form of A-stock has been changed from "Shen Health A" into "Accord Pharm", and B-stock from "Shen Health B" into "Accord B". All the above changes have been approved by Shenzhen Administration for Industry and Commerce and the industrial and commercial registration was changed on June 18, 2001. After approval by the Custody Department of Shenzhen Securities Registration Co., Ltd., the new company name and short forms of A- and B-stocks have been put into application commencing from June 22, 2001.

3. The Company made adjustment on its senior executives and part directors in the report period, relevant notice was published in Securities Times and Ta Kung Pao

dated May 12, 2001 and Dec. 19, 2001 respectively.

X. FINANCIAL REPORT

I. Report of the Auditors

REPORT OF THE AUDITORS

To the Shareholders of B shares of

Shenzhen Accord Pharmaceutical Co., Ltd.

(Formerly known as Shenzhen Health Mineral Water Co., Ltd.)

(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements which have been prepared in accordance with International Accounting Standards. The preparation of these financial statements is the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2001 and of the profit and cash flows for the year then ended and have been prepared in accordance with International Accounting Standards.

Ho and Ho & Company
Certified Public Accountants

Hong Kong
27th March, 2002

II. Accounts (please refer to the attachment)

III. Notes to the Accounts

For The Year Ended 31st December, 2001

1. CORPORATE INFORMATION

Shenzhen Accord pharmaceutical Co., Ltd, (the "Company") and its subsidiaries are collectively referred to the "Group".

The Company was established as a joint stock company with limited liability through the reorganisation for the joint stock system on 1st February, 1993 with approval from the Shenzhen Municipal People's Government with document,

Shenzhen-Government-Office Official Reply (1993) No.356. In March, 1993, with approval from the Shenzhen Branch of the People's Bank of China, the Company additionally issued 30 million 'A' shares (including 16.5 million public shares, 3.5 million employees' shares and 10 million legal person shares) and 20 million 'B' shares. At present, all the employees' shares, domestic and foreign public shares have been listed in the Stock Exchange of Shenzhen.

The Company was registered with the Shenzhen Administration Bureau for Industry and Commerce with business license No.4403011001677. The license is effective from 2nd August, 1986 to 2nd August, 2036. The registered capital is RMB288,149,400.

The Company was formerly known as Shenzhen Health Mineral Water Co., Ltd. with principal activities engaging in the production and marketing of natural mineral water and related beverage. In November, 2000, the Company and Shenzhen Investment Holding Corporation, the Company's largest shareholder, signed an "Agreement on Exchange of Assets" dated 27th November, 2000. According to the agreement, the Company is required to exchange all its assets and liabilities for 100% equity interest in 11 pharmaceutical enterprises, certain properties and 51% equity interests in Shenzhen SDG Modern Computer Co., Ltd. which are originally owned by Shenzhen Investment Holding Corporation. The exchange of assets is based on the fair value of the assets to be exchanged on 1st September, 2000. On 29th December, 2000, the Company adopted the aforesaid plan for exchange of assets by a resolution passed on the Second Extraordinary Shareholders' Meeting in 2000. The completion of the transaction was 8th January, 2001. On 18th June, 2001, the Company's name was changed from Shenzhen Health Mineral Water Co., Ltd. to Shenzhen Accord Pharmaceutical Co., Ltd.

After the exchange of assets, the principal activities of the Company were changed to purchase and marketing of chemical medicine preparations, antibiotic preparations, bio-chemical preparations, blood products, Chinese patent drugs, Chinese herbs, raw materials of chemical medicine, raw materials of antibiotic, diagnosis drugs, medical health care products, medical packing materials, research and development of pharmaceutical industrial products, consulting services, investing and initiating entities (with the specific projects subject to application for approval), domestic trading and materials supply and marketing (excluding the commodities for fiscal monopoly, control exclusiveness), import and export business subject to the provisions as specified in the Certification of Shenzhen Trade Administration Bureau Zi No. 198 in relation to the regulations for foreign trading enterprises.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Accounting Standards ("IAS").

These financial statements are presented in Renminbi (RMB) since that is the currency in which the majority of the Group's transactions are denominated.

3. ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

During the year, the Group has adopted the following IAS for the first time:

IAS 39 Financial Instruments: Recognition and Measurement

IAS 40 Investment Property

In addition, revisions to a number of other IAS also took effect in 2001. The adoption of the new IAS and the revisions concerned matters of detailed application has no significant effect on amounts reported for the current or prior accounting periods.

4. CHANGE OF SCOPE OF CONSOLIDATION

The settlement day of the exchange of assets between the Company and Shenzhen Investment Holding Corporation is 8th January 2001. Both parties settled the accounts according to the book value of relevant assets as at 1st January 2001. During the year, the scope of consolidation for the preparation of the financial statements was therefore based on the assets transferred from Shenzhen Investment Holding Corporation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company ("its subsidiaries") made up to 31st December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

(b) Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the decision making on the financial and operating policy of the investee.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate, jointly controlled entity or entire business operations at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis following an assessment of its useful life.

Goodwill arising on the acquisition of an associate is included in the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries, jointly controlled entities or entire business operations is presented separately in the balance sheet.

On disposal of a subsidiary, associate, jointly controlled entity or entire business operations, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:-

Leasehold land
Buildings

Over the lease terms
20-35 years

Machinery and equipment	10-14 years
Electronic equipment	5 years
Transport and office equipment	5-10 years

(e) Construction in progress

Construction in progress represents properties under construction and equipment purchased prior to installation and is stated at cost.

Cost comprises direct costs, attributable overheads and borrowing costs capitalised in accordance with the Group's accounting policy.

No depreciation is provided on construction in progress prior to their completion upon which they will be reclassified into the appropriate categories of property, plant and equipment and depreciation will be provided.

(f) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Other investments

Other investments are stated at cost less any accumulated impairment loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(1) Accounts and other receivables

Accounts and other receivables are stated at cost as reduced by appropriate

allowances for estimated irrecoverable amounts.

(2) Bank loans

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(3) Accounts and other payables and receipts-in-advance

Accounts and other payables and receipts-in-advance are stated at cost.

(j) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income is recognised on straight-line basis over the respective lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(k) Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Foreign currencies

Transactions in currencies other than Renminbi are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

(n) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals receivable or payable under operating leases are credited or charged, on a straight-line basis, over the relevant lease term to the income statement.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in net profit or loss in the period in which they incurred.

(q) Retirement benefit costs

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The scheme undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to the scheme are charged to the income statement as incurred.

(r) Cash equivalents

Cash equivalents represent short-term and highly liquid investments that are readily convertible to a known amount of cash and which is subject to an insignificant risk of changes in value.

6. REVENUE

An analysis of the Group's revenue is as follows:

	2001	2000
	RMB' 000	RMB' 000
Continuing operations:		
Manufacture and sales of medicine and related products	1,668,675	-
Discontinued operations:		
Manufacture and sales of natural mineral water	-	107,899
	<u>1,668,675</u>	<u>107,899</u>

The revenue of the Group mainly arises from the operations in the People's Republic of China ("the PRC") and the related operating assets are located in the PRC.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

During the year, the Group is engaged in the business of manufacture and sales of medicine and related products. In previous years, the Group was engaged in the business of manufacture and sales of natural mineral water. Therefore, analysis of the business segments is not required.

(b) Geographical segments

The Group's operations and markets are mainly located in the PRC. Therefore, analysis of the geographical segments is not required.

8. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations has been arrived at after charging:

	2001	2000
	RMB' 000	RMB' 000
Provision for inventories	2,018	1,025
Amortisation of goodwill	4,392	-
Depreciation on property, plant and equipment	15,920	13,468
Loss on disposal property, plant and equipment	46	6,841
Impairment loss on interests in associates	-	2,942
Provision for bad debts	2,534	10,792
Staff costs	<u>107,912</u>	<u>13,146</u>

9. FINANCE COSTS

	2001	2000
	RMB' 000	RMB' 000
Interest expenses	15,488	4,259
Bank charges	590	21
Exchange loss	<u>100</u>	<u>1</u>
	<u>16,178</u>	<u>4,281</u>

10. TAXATION

2001	2000
------	------

	RMB' 000	RMB' 000
Income Tax		
- The Company and its subsidiaries	11,509	603
- Associates	579	-
	<u>12,088</u>	<u>603</u>

Income tax represents the provision for the PRC income tax charged for the year. The PRC income tax has been provided for at 15% (2000: 15%) on the assessable profits of the Company, its subsidiaries and associates for the year.

Deferred taxation has not provided for in the financial statements as in the opinion of directors, the effect of temporary timing differences is immaterial.

11. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the following data:

	2001	2000
Net profit / (loss) for the year	<u>RMB39, 904,000</u>	<u>RMB (26,107,000)</u>
Issued shares	<u>288,149,400 shares</u>	<u>288,149,400 shares</u>

The Company has no issued shares with potential dilutive effect. Therefore, no diluted earnings per share is presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Electronic equipment	Motor vehicles and office equipment	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
COST					
At 1st January 2001	194,484	96,683	-	21,234	312,401
Assets transferred out	(194,484)	(96,683)	-	(21,234)	(312,401)
Assets transferred in	76,618	84,023	4,414	37,466	202,521
Additions	32,540	4,201	600	8,768	46,109
Transferred from construction in progress	1,320	3,223	-	-	4,543
Disposals	<u>(2,395)</u>	<u>(2,732)</u>	<u>(32)</u>	<u>(1,076)</u>	<u>(6,235)</u>

At 31st December, 2001	<u>108,083</u>	<u>88,715</u>	<u>4,982</u>	<u>45,158</u>	<u>246,938</u>
ACCUMULATED DEPRECIATION					
At 1st January, 2001	27,183	31,314	-	12,879	71,376
Assets transferred out	(27,183)	(31,314)	-	(12,879)	(71,376)
Assets transferred in	20,310	37,470	2,149	19,339	79,268
Charge for the year	4,237	6,483	489	4,711	15,920
Written back on disposals	(816)	(190)	(98)	(1,196)	(2,300)
At 31 December, 2001	<u>23,731</u>	<u>43,763</u>	<u>2,540</u>	<u>22,854</u>	<u>92,888</u>
NET BOOK VALUE					
At 31st December, 2001	<u>84,352</u>	<u>44,952</u>	<u>2,442</u>	<u>22,304</u>	<u>154,050</u>
At 31st December, 2000	<u>167,301</u>	<u>65,369</u>	<u>-</u>	<u>8,355</u>	<u>241,025</u>

At the balance sheet date, the transfer of land use rights of certain properties included in the Group's property, plant and equipment with an aggregate net book value of RMB34,248,270 (2000: Nil) has not been completed.

14. CONSTRUCTION IN PROGRESS

	RMB' 000
Cost	
Balance at 1st January	13,422
Assets transferred out	(13,422)
Assets transferred in	33,487
Additions	24,956
Transferred to property, plant and equipment	(4,543)
Disposals	<u>(84)</u>
Balance at 31st December	<u>53,816</u>

15. GOODWILL

	RMB' 000
COST	
Arising from exchange of assets during the year (note 30)	43,917
AMORTISATION	
Charge for the year	<u>(4,392)</u>
NET BOOK VALUE	
At 31st December, 2001	<u>39,525</u>

Goodwill is amortised over its estimated useful life. The expected useful life of the goodwill arising on exchange of assets is 10 years.

16. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation, registration and operation	Effective rate of equity held	Principal activities
Shenzhen Pharmaceutical Plant	China	100%	Manufacturing raw materials for chemical medicine, processing Chinese patent drugs and medical chemical raw materials, import and export subject to the approved certification
Shenzhen Chinese Medicine General Plant	China	100%	Manufacturing oral liquid, tablets, capsule, pill, granule or powder preparations, external lotion and plastic bottles
Shenzhen Baokang Pharmaceutical Co., Ltd.	China	100%	Purchases and sales of Chinese medical materials, Chinese patent drugs, medical chemical materials, antibiotic preparations
Shenzhen Jianan Pharmaceutical Company	China	100%	Western drugs, Chinese patent drugs, medical equipment, chemical reagent import and export business subject to the concerned provisions
Shenzhen Jianmin Pharmaceutical Company	China	100%	Chinese medical crop, Chinese patent drug, Western medicines, Western medical apparatus and chemical reagents, etc.
深圳市一致藥材公司 (Formerly known as Shenzhen Shatoujiao Pharmaceutical Company)	China	100%	Chinese patent drugs, western patent drugs and medical machinery
Shenzhen Shekou Pharmaceutical Company	China	100%	Chinese medical materials, crop, Chinese patent drugs, chemical medicine preparations, antibiotic preparations, antibiotic preparations and medical health care products
Shenzhen Pharmaceutical Company	China	100%	Western medicine, chemical reagent, Chinese medical crop, Chinese patent drug, sanitary articles, cosmetics and medical apparatus
Shenzhen Accord Pharm Chain Store Co., Ltd.	China	100%	Chinese patent drugs, Western medicine and medical equipment
Shenzhen Medicine Trading Company	China	100%	Whole sale and retail of drugs and textile products
Shenzhen Jianfeng Pharmaceutical Company	China	100%	Chinese medical materials, Chinese patent drugs and Western medicine

17. INTERESTS IN ASSOCIATES

2001	2000
RMB' 000	RMB' 000

		(Restated)
Investment cost	23,471	87,057
Share of results of associates	<u>1,452</u>	<u>(46,305)</u>
	24,923	40,752
Amount due from associates	30	49,817
Amount due to associates	<u>(644)</u>	<u>-</u>
	<u>24,309</u>	<u>90,569</u>

Details of the Company's associates at 31st December, 2001 are as follows:

Name of associate	Place of incorporation, registration and operation	Effective rate of equity held	Principal activities
Shenzhen Modern Computer Co., Ltd.	China	45.9%	Developing and producing computer software and providing external equipment
深圳市福田醫藥有 限公司	China	40%	Wholesales and vetails of medicine
東源一致醫藥連鎖 有限公司	China	45%	Retails of medicine

18. INVENTORIES

	2001	2000
	RMB' 000	RMB' 000
Raw materials	19,722	5,577
Work in progress	6,239	2,029
Finished goods	<u>238,154</u>	<u>1,127</u>
	<u>264,115</u>	<u>8,733</u>

The inventories are stated at cost.

19. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and bank balances, accounts and other receivables and amounts due from related companies. Financial liabilities of the Group include bank loans, accounts and other payables and receipts-in-advance. The Group exposes to credit and interest rate risk arising from the normal course of the Group's business.

(a) Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

(b) Interest rate risk

The interest rates and terms of repayment of the bank loans of the Group are disclosed in note 23.

(c) Fair value

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values at the balance sheet date.

(i) Cash and bank balances

Cash and bank cash balances represent cash and short-term deposit in at bank. The carrying amount of these assets approximates their fair value.

(ii) Accounts and other receivables and amounts due from related companies

An allowance has been made for estimated irrecoverable amounts of the accounts and other receivables, and amounts due from related companies by reference to past default experience. The Directors consider that the carrying amount of these assets approximates their fair value.

(iii) Bank loans

The carrying amount of bank loans approximates its fair value based on the borrowing rates currently available for bank loans with similar terms and maturity.

(iv) Accruals, accounts and other payables and amounts due to related companies

Accruals, accounts and other payables and amounts due to related companies are short-term in nature. The carrying amount of these liabilities approximates their fair value.

20. AMOUNTS DUE FROM / TO RELATED COMPANIES

Particulars of amounts due from / to related companies are as follows:

(a) Amounts due from related companies

	2001	2000
	RMB' 000	RMB' 000
Trade: -		
深圳市醫藥生產供應總公司	3,200	-
深圳市南山醫藥公司	13,935	-
深圳市百合醫藥有限公司	188	-
深圳市藥材公司	8,412	-
醫藥公司保健商場	203	-
深圳市健康醫藥公司	17	-
海南深寶實業公司	100	-
深圳市仙諾制藥有限公司	300	-
	<u>26,355</u>	<u>-</u>
Others:		
深圳市醫藥生產供應總公司	30,567	-
深圳市健美醫藥公司	30	-

深圳市藥材公司	1,630	-
	<u>32,227</u>	<u>-</u>
	<u>58,582</u>	<u>-</u>

Shenzhen Investment Holding Corporation is the largest shareholder of the Company, the above companies are the affiliates of Shenzhen Investment Holding Corporation.

(b) Amounts due to related companies

	2001 RMB' 000	2000 RMB' 000
Trade: -		
深圳市醫藥生產供應總公司	5,139	-
深圳市南山醫藥公司	174	-
深圳市健美醫藥公司	394	-
深圳市藥材公司	3,209	-
深圳市仙諾制藥有限公司	1,601	-
深圳市藥用油廠	56	-
深圳市醫用電子儀器廠	3	-
天然廠	5,170	-
	<u>15,746</u>	<u>-</u>

Others: -

深圳市醫藥生產供應總公司	42	-
深圳市藥材公司	565	-
深圳市仙諾制藥有限公司	5,043	-
深圳市投資管理公司	16	-
	<u>5,666</u>	<u>-</u>
	<u>21,412</u>	<u>-</u>

Shenzhen Investment Holding Corporation is the largest shareholder of the Company. Except for 深圳市投資管理公司, the above companies are the affiliates of Shenzhen Investment Holding Corporation.

The amounts due from / to related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

21. SHARE CAPITAL

	2001 RMB' 000	2000 RMB' 000
Registered, issued and paid-up:		
233,263,800 'A' Shares of RMB 1.00 per share	233,263	233,263
54,885,600 'B' Shares of RMB 1.00 per share	54,886	54,886
	<u>288,149</u>	<u>288,149</u>

22. RESERVES

	Capital reserve	Surplus reserve	Accumulated losses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1st January, 2000	113,539	72,877	(32,256)	154,160
Transferred to share capital	(96,050)	(32,016)	-	(128,066)
Net loss for the year				
- As previously stated	-	-	(20,104)	(20,104)
- Prior year adjustment (note 24)	-	-	(6,003)	(6,003)
- As restated	-	-	(26,107)	(26,107)
Balance at 31st December, 2000 and 1st January 2001 (As restated)	17,489	40,861	(58,363)	(13)
Net profit for the year	-	-	39,904	39,904
Transferred to surplus reserve	-	1,390	(1,390)	-
Balance at 31st December, 2001	17,489	42,251	(19,849)	328,040

Capital reserve

According to relevant PRC regulations, capital reserve can only be utilised to increase share capital.

Surplus reserves

Surplus reserve includes surplus fund and welfare fund.

According to the relevant PRC regulations, surplus fund can be used to absorb losses and to issue bonus shares to shareholders according to their shareholding. Other than absorbing losses, any other usage should not result in the fund balance falling below 25% of the registered capital.

Welfare fund can only be utilised for the purposes of employee welfare facilities.

23. SHORT-TERM AND LONG-TERM LOANS

	2001	2000
	RMB' 000	RMB' 000
Bank Loans:		
- Secured	41,700	31,629
- Unsecured	192,761	21,000
Other unsecured loans	6,152	-
	240,613	52,629
Less: Amount due within one year	(237,243)	(52,629)
Amount due after one year	3,370	-

The bank loans are interest bearing at annual rates ranging from 3.504% to 10.593% (2000: 5.009% to 6.435%).

Other loans are interest bearing at annual rate ranging from 0% to 6.345% (2000:

N/A).

24. PRIOR YEAR ADJUSTMENT

In included in the assets transferred out, there was an understatement of impairment loss on interests in associates totalling RMB6,003,000 in which the auditors issued a qualified opinion in this respect. Therefore, during the year, the Group made a related prior year adjustment to reduce the interests in associates by RMB6,003,000 and to increase the accumulated losses as at 1st January, 2001 by RMB6,003,000.

25. CASH GENERATED FROM OPERATIONS

	2001	2000
	RMB' 000	RMB' 000 (Restated)
Profit / (loss) before taxation	50,086	(47,364)
Adjustments :		
Interest income	(2,564)	(3,595)
Interest expenses	15,488	4,259
Depreciation	15,920	13,468
Loss on disposal of construction in progress	84	-
Loss on disposal of property, plant and equipment	46	6,841
Amortisation of goodwill	4,392	-
Impairment loss on revaluation of property, plant and equipment	-	41,184
Share of results of associates	(2,031)	5,259
Investment income	-	(1,860)
Decrease in inventories	11,612	1,821
Decrease in accounts and other receivables and amounts due from related companies	2,493	3,346
Increase in prepayments	(7,347)	(6,081)
Increase/(Decrease) in accounts, trade and other payables, receipts-in-advance and amounts due to related companies	13,096	(2,922)
Cash generated from operations	<u>101,275</u>	<u>14,356</u>

26. CONTINGENT LIABILITIES

At 31st December, 2001, the Group had the following guarantees given to bankers in respect of banking facilities utilised:

	2001	2000
	RMB' 000	RMB' 000
A related company	3,000	29,000
An associate	12,300	-
	<u>15,300</u>	<u>29,000</u>

27. CAPITAL COMMITMENTS

At 31st December, 2001, the Group had the following capital commitments : -

	2001	2000
	RMB' 000	RMB' 000
Contracted for but not provided for in the financial statements:		
Acquisition of property, plant and equipment	4,500	-
Development of technology knowhow	2,300	-
Capital expenditure for construction in progress	-	10,077
Investments in interests in associates	-	1,485
	<u>6,800</u>	<u>11,562</u>

28. PLEDGE OF ASSETS

At the balance sheet date, the Group's property, plant and equipment with an aggregate net book value of RMB27,351,421 (2000: RMB66,152,000) was pledged to banks for bank loans granted totalling RMB41,700,000 (2000: RMB31,629,000).

29. RELATED PARTY TRANSACTIONS

During the year, the Group had the following related party transactions:-

	2001	2000
	RMB' 000	RMB' 000
(a) Sales of goods		
— 深圳市藥材公司	33,706	-
— 深圳市南山醫藥公司	14,229	-
(b) Purchase of goods		
— 深圳市藥材公司	15,623	-
— 深圳市仙諾制藥有限公司	23,487	-
(c) Rental expenses		
— 深圳市醫藥生產供應總公司	1,646	-

(d)	Loan guarantee given		
—	深圳高卓藥業有限公司	3,000	-
—	深圳市現代計算機有限公司	12,300	-
—	深圳市深寶實業股份有限公司	-	29,000
(e)	Guarantee received		
—	深圳市醫藥生產供應總公司	38,480	-
—	深圳市一致醫藥集團有限公司	8,000	-
—	深圳市藥材公司	3,000	-
—	深圳市投資管理公司	27,200	-
(f)	Purchase of assets		
—	深圳市醫藥生產供應總公司	20,504	-

30. EXCHANGE OF ASSETS

As described in note (1) to the accounts, according to the “Agreement on Exchange of Assets” agreed and signed by the Group and Shenzhen Investment Holding Corporation, the Group transferred its business operations of natural mineral water in exchange for the medicine operations of Shenzhen Investment Holding Corporation. The book value of the exchanged assets as at 1st January, 2001 is as follows:

	RMB' 000
Assets transferred out (Natural mineral water operations):	
Property, plant and equipment	241,025
Construction in progress	13,422
Interests in associates	90,569
Pre-operating and deferred expenses	3,277
Inventories	8,733
Trade and other receivables	22,970
Prepayments	1,397
Other investments	31,300
Tax recoverable	636
Cash and bank balances	43,337
Minority interests	(82,066)
Short-term loans-due within one year	(52,629)
Accruals, accounts and other payables	(31,002)
Dividend payable	(86)
Receipts-in-advance	(2,747)
	<u>288,136</u>
Assets transferred in (Medicine operations):	
Property, plant and equipment	123,253
Construction in progress	33,487

Interests in associates	23,471
Inventories	275,727
Accounts and other receivables	372,216
Prepayments	43,719
Others investments	841
Cash and bank balances	170,470
Minority interests	(12,351)
Long-term loans	(15,031)
Short-term loans-due within one year	(237,485)
Accruals, accounts and other payables	(495,296)
Receipts-in-advance	(9,877)
Amounts due to related companies	(18,073)
Tax payable	(18,816)
	<u>236,225</u>
Difference in excess of costs of assets transferred in	51,911
Less : Additional cash consideration	<u>7,994</u>
Goodwill arising from exchange of assets	<u><u>43,917</u></u>

At 1st January, 2001, cash from assets transferred in amounted to RMB170,470,000 and cash from assets transferred out amounted to RMB43,337,000. The Group was also entitled to an additional cash consideration of RMB7,994,000, leading to a net cash inflow from exchange of assets amounted to RMB135,127,000.

31. RETIREMENT BENEFIT PLANS

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

32. IMPACT OF IAS ADJUSTMENTS ON NET PROFIT /(LOSS) FOR THE YEAR AND NET ASSETS

	Net profit/(loss)		Net assets as	
	for the year		at 31st December	
	2001	2000	2001	2000
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As reported in the financial statements by the PRC auditors	36,517	(7,788)	354,009	316,990
IAS adjustments:				
Impairment loss on interests in associates	-	(1,417)	-	(28,854)

Impairment loss on property, plant and equipment	-	(16,902)	-	-
Written off of accounts payables	502	-	-	-
Goodwill and related amortisation	2,885	-	(25,969)	-
As restated based on IAS	<u>39,904</u>	<u>(26,107)</u>	<u>328,040</u>	<u>288,136</u>

33. COMPARATIVE FIGURES

Certain comparative figures had been reclassified in conformity to the presentation of the financial statements for the year.

The figures current year's represent the value of assets transferred in after the exchange of assets. The last year's figures represent the value of assets transferred out. Therefore, they are not comparable in nature.

XI. DOCUMENTS AVAILABLE FOR REFERENCE

1. Accounting Statements with signatures and seals of the legal representative, Chief Accountant and person in charge of accounting affairs;
2. Original of Auditors' Report carried with the seal of Certified Public Accountants as well as personal signatures and seals of certified public accountants;
3. Originals of all documents and manuscripts of Public Notices of the Company disclosed in public in the Securities Times and Ta Kung Pao designated by CSRC in the report period;
4. Annual Report with signature of the Chairman of the Board.

The depositary of documents: Secretariat of the Company, AP Building, No. 15 Ba Gua 4th Rd., Futian Dis., Shenzhen

**Board of Directors of
Shenzhen Accord Pharmaceutical Co., Ltd.**
March 30, 2002

Attachment:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2001

	NOTE S	2001 RMB' 000	2000 RMB' 000 (Restated)
Revenue	6	1,668,675	107,899
Cost of sales		<u>(1,209,021)</u>	<u>(69,504)</u>
Gross profit		459,654	38,395
Other revenue		7,492	8,225
Selling and distribution costs		(325,460)	(19,270)
Administrative expenses		(101,278)	(40,913)
Other operating expenses		<u>(696)</u>	<u>(630)</u>
Profit/(loss) from operations	8	39,712	(14,193)
Other non-operating income		35,066	26,439
Other non-operating expenses		(10,545)	(51,930)

Finance costs	9	(16,178)	(4,281)
Share of results of associates		2,031	(5,259)
Investment income		-	1,860
Profit/(loss) before tax		50,086	(47,364)
Taxation	10	(12,088)	(603)
Profit/(loss) before minority interests		37,998	(47,967)
Minority interests		1,906	21,860
Net profit/(loss) for the year		39,904	(26,107)
Earnings/(loss) per share	12	RMB0.14	RMB(0.09)

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2001

	<u>NOTES</u>	<u>2001</u> RMB' 000	<u>2000</u> RMB' 000 (Restated)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	13	154,050	241,025
Construction in progress	14	53,816	13,422
Goodwill	15	39,525	-
Interests in associates	17	24,309	90,569
Other investments		637	-
Pre-operating and deferred expenses		-	3,277
		<u>272,337</u>	<u>348,293</u>
Current assets			
Inventories	18	264,115	8,733
Accounts and other receivables		311,141	22,970
Amounts due from related companies	20	58,582	-
Prepayments		51,066	1,397
Other investments		5	31,300
Cash and bank balances		158,882	43,337
Tax recoverable		-	636
		<u>843,791</u>	<u>108,373</u>
Total assets		<u>1,116,128</u>	<u>456,666</u>
<u>EQUITY AND LIABILITIES</u>			
Capital and reserves			
Share capital	21	288,149	288,149
Reserves	22	39,891	(13)
		<u>328,040</u>	<u>288,136</u>
Minority interests		<u>10,445</u>	<u>82,066</u>
Non-current liabilities			
Long-term loans	23	<u>3,370</u>	-
Current liabilities			
Short-term loans - due within one year	23	237,243	52,629
Dividend payable		-	86
Accruals, accounts and other payables		499,731	31,002
Receipts-in-advance		15,199	2,747
Amounts due to related companies		21,412	-
Tax payable	20	688	-
		<u>774,273</u>	<u>86,464</u>
Total equity and liabilities		<u>1,116,128</u>	<u>456,666</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Reserves					Total RMB' 000
	Share capital	Capital reserve	Surplus reserve	Accumulate d losses	Reserve Sub-total	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Balance at 1st January, 2000	160,083	113,539	72,877	(32,256)	154,160	314,243
Transferred to share capital	128,066	(96,050)	(32,016)	-	(128,066)	-
Net loss for the year						
- As previously stated	-	-	-	(20,104)	(20,104)	(20,104)
- Prior year adjustment (note 24)	-	-	-	(6,003)	(6,003)	(6,003)
- As restated	-	-	-	(26,107)	(26,107)	(26,107)
Balance at 31st December, 2000 and 1st January, 2001 (As restated)	288,149	17,489	40,861	(58,363)	(13)	288,136
Net profit for the year	-	-	-	39,904	39,904	39,904
Transferred to surplus reserve	-	-	1,390	(1,390)	-	-
Balance at 31st December, 2001	<u>288,149</u>	<u>17,489</u>	<u>42,251</u>	<u>(19,849)</u>	<u>39,891</u>	<u>328,040</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2001**

	NOTES	2001 RMB' 000	2000 RMB' 000 (Restated)
OPERATING ACTIVITIES			
Cash generated from operations	25	101,275	14,356
Interest paid		(15,488)	(2,652)
Tax paid		(29,637)	(4,259)
NET CASH FROM OPERATING ACTIVITIES		<u>56,150</u>	<u>7,445</u>
INVESTING ACTIVITIES			
Interest received		2,564	3,595
Purchase of property, plant and equipment		(46,109)	(5,322)
Proceeds on disposal of property, plant and equipment		3,889	243
Payment for construction in progress		(24,956)	(5,690)
Decrease/(Increase) in interests in associates		614	(16,442)
Decrease in pre-operating and deferred expenses		-	3,588
Decrease/(Increase) in short-term investments		169	(31,300)
Net cash inflow from exchange of assets	30	<u>135,127</u>	<u>-</u>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>71,298</u>	<u>(51,328)</u>
FINANCING ACTIVITIES			
New bank loans raised		261,036	4,336
Decrease in minority interests		-	(6,625)
Repayment of bank loans		(272,939)	-
NET CASH USED IN FINANCING ACTIVITIES		<u>(11,903)</u>	<u>(2,289)</u>
INCREASE/(DECREASE) IN CASH AND CASH		<u>115,545</u>	<u>(46,172)</u>

EQUIVALENTS

CASH AND CASH EQUIVALENTS

AT BEGINNING OF YEAR

43,337

89,509

ANALYSIS OF THE BALANCES OF CASH AND

CASH EQUIVALENTS

Cash and bank balances

158,882

43,337