SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.

THE FIRST QUARTERLY REPORT OF YEAR 2003

1. Important notice

1.1 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.

1.2 The Financial Report of this Quarterly Report was not audited.

1.3 Chairman of the Company Mr. Guo Yuan, General Manager Mr. Su Yanwei and Chief Financial Supervisor Mr. Qin Changsheng and Person in charge of Accounting Ms. Lai Wanying hereby confirm that the Financial Report of the Quarterly Report is true and complete.

2. Company profile

2.1 Brief information

Short Form of the Stock	Accord Pharm., Accord Pharm.-B	Stock Code	000028,200028
	Secretary of the Board	Securities Affaires Representative	
Name	Chen Changbing		
Contact address	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong		
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2.2 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	End of the report period	End of the last year	Increase/decrease of amount of end of report period than that of end of last year (%)
Total assets	1,106,857,704.37	1,052,596,979.41	5.15
Shareholders' equity (excluding minority equity)	332,464,663.28	333,335,056.95	-0.26
Net assets per share	1.154	1.157	-0.26
Net assets per share after adjustment	0.990	0.997	-0.70

	In the report period	Year begin to end of report period	Increase/decrease of amount of report period than that of corresponding period of last year (%)
Net cash flow arising from operating activities	4,225,334.33	4,225,334.33	-22.98
Earnings per share	0.012	0.012	300.00
Return on equity (%)	1.034	1.034	372.15
Return on equity after deducting non-recurring gains and losses (%)	1.065	1.065	306.40

Items of non-recurring gains and losses	Amount
Nonbusiness income	203,171.51
Nonbusiness expenditure	276,111.35
Influence amount of income tax	30,475.73
Total	-103,415.57

2.2.2 Income statement

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

Items	Jan.-Mar.2003		Jan.-Mar.2002	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from core business	472,864,166.91	226,398,630.41	419,817,253.05	
Minus: cost of core business	357,727,896.31	212,465,222.61	316,049,718.71	
Core business taxation and surcharge	845,442.51	149,398.76	458,274.85	
II. Profit of core business (the loss is listed with "-")	114,290,828.09	13,784,009.04	103,309,259.49	
Plus: profit of other business (the loss is listed with "-")	1,723,911.92	642,275.85	1,440,178.34	889,816.53
Minus: operating expense	92,531,339.70	9,287,344.89	78,829,976.32	5,399,499.80
Management expense	20,380,672.73	4,161,191.00	23,885,333.03	210,221.38
Financial expense	1,199,253.16	326,290.47	4,052,919.20	
III. Operating profit (the loss is listed with "-")	1,903,474.42	651,458.53	-2,018,790.72	-4,719,904.65
Plus: investment earnings (the loss is listed with "-")	-1,501,395.43	2,822,422.57	833,412.13	5,497,691.29
Subsidy income				
Nonbusiness income	203,171.51	32,140.00	6,509,066.15	
Minus: nonbusiness expenditure	276,111.35	68,480.20	3,208,827.43	
IV. Total amount of profit (the loss is listed with "-")	329,139.15	3,437,540.90	2,114,860.13	777,786.64

Minus: income tax	1,120,063.15		1,728,751.76	
Minus: Minority gains and losses	79,469.67		-391,678.27	
Plus: investment losses unconfirmed	4,307,934.57			
V. Net profit (the net loss is listed with "-")	3,437,540.90	3,437,540.90	777,786.64	777,786.64

2.3 Total number of shareholders at the end of the report period

Ended Mar.31, 2003, the total number of shareholders of the Company was 25,634 persons, including 15,414 shareholders of A share and 10,220 shareholders of B share.

3. Discussion and analysis of the Management

3.1 Brief analysis of the whole status of operating activities of the Company in the report period

The core business of the Company is production, wholesale and chain retail of pharmaceutical products. According to the operating objectives and work planning of the new year, the Company continued to develop all work seriously and effectively and tried hard to push the operation of enterprise department. While innovating the management and digging the potential internally, the Company actively replied to the gathering bidding purchase of pharmaceutical products and exerted efforts to expand the market. During the period of "SARS", the Company adopted strong and powerful measures to safeguard the purchase and supply of pharmaceutical products, which made the sales of medicine increase by a certain margin compared with the corresponding period of the last year. In the first quarter of 2003, the Company totally realized a sales income of RMB 472,860,000, an increase of 12.64% compared with the corresponding period of the last year, realized a net profit of RMB 3,440,000 with earnings per share of RMB 0.012.

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

√ Applicable ☐Inapplicable Unit: RMB

Classified according to industries or products	Income from core business	Cost of core business	Gross profit ratio (%)
Pharmaceutical industry	111,952,572.85	47,885,368.71	57.23
Pharmaceutical commerce industry	545,836,365.86	494,497,136.06	9.41
Trade of non-pharmaceutical products	51,170,728.20	51,440,891.54	-0.53
Including: related transactions	236,095,500.00	236,095,500.00	
Total	472, 864,166.91	357,727,896.31	24.35
Federal cough syrup	35,449,566.58	8,007,953.00	77.41

Head spore series products	50,739,511.66	28,070,382.17	44.68

3.1.2 Seasonal and periodicity characteristics of the operation

□Applicable √Inapplicable

3.1.3 Profit formation of the report period

√Applicable □Inapplicable

Item	Jan.-Mar.2003		Jan.-Mar.2002		Increase/decrease (%)
	Amount (RMB)	Proportion in the total amount of profit (%)	Amount (RMB)	Proportion in the total amount of profit (%)	
Profit from core business	114,290,828.09	34,724.17	103,309,259.49	4,884.92	610.84
Profit from other business	1,723,911.92	523.76	1,440,178.34	68.10	669.10
Period expense	114,111,265.59	34,669.61	106,768,228.55	5,048.48	586.73
Investment earnings	-1,501,395.43	-456.16	833,412.13	39.41	-1,257.47
Subsidy income					
Net amount of nonbusiness income and expenditure	-72,939.84	-22.16	3,300,238.72	156.05	-114.20
Total amount of profit	329,139.15	100	2,114,860.13	100	

Explanation of reason of change compared with the corresponding period of the last year:

①Proportion of profit from core business, profit from other business and period expense in the total amount of profits changed compared with the corresponding period of the last year, which was mainly due to the decrease of total amount of profits in the report period.

②Proportion of investment earnings in the total amount of profits changed compared with the last year, which was mainly due to the decrease of achievements of related enterprises of the Company by a big margin.

③Proportion of net amount of nonbusiness income and expenditure in the total amount of profits changed compared with the last year, which was mainly because that the country canceled the revenue preferential policy of products which are produced and sold in the Economic Special Zone in 2003.

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

□Applicable √Inapplicable

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

□Applicable √Inapplicable

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

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

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Non-standardized opinion"
□Applicable √Inapplicable

3.5 Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason
□Applicable √Inapplicable

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

Shenzhen Accord Pharmaceutical Co., Ltd.
Apr. 29, 2003