SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.

THE FIRST QUARTERLY REPORT OF YEAR 2005

SHENZHEN ACCORD PHARMACEUTICAL CO., LTD.
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§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. Chen Weigang, General Manager Mr. Shi Jinming and Chief Financial Officer Mr. Wei Pingxiao 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 of Directors	Chen Changbing		
Representative in charge of Securities Affairs	Jiao Qi		
Contact address	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen Guangdong		
Tel.	+(86)755 25875195, 25875198, 25875140		
Fax	+(86)755 25875166		
E-mail	investor@szaccord.com.cn		

2.2 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	End of the report period	End of the last year	Increase/decrease of amount of end of report period than that of end of last year (%)
Total assets	850,510,268.00	846,186,796.73	0.51
Shareholders' equity (excluding minority equity)	369,207,880.73	358,197,820.37	3.07
Net assets per share	1.281	1.243	3.06
Net assets per share after adjustment	1.235	1.193	3.52
	In the report period	Year begin to end of	Increase/decrease of amount

		report period	of report period than that of corresponding period of last year (%)
Net cash flow arising from operating activities	-12,484,417.70	-12,484,417.70	42.66
Earnings per share	0.039	0.039	225.00
Return on equity (%)	3.03	3.03	Up 1.99%
Return on equity after deducting non-recurring gains and losses (%)	3.07	3.07	Up 1.98%

Items of non-recurring gains and losses	Amount
Non-operating income	53,343.20
Non-operating expenses	240,127.15
Impact on income tax	28,017.59
Total	-158,766.36

2.2.2 Income statement

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

Items	Jan.-Mar.2005		Jan.-Mar.2004	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from main operations	364,712,158.22	218,753,215.10	374,778,392.52	215,552,080.62
Minus: cost of main operations	269,623,789.66	209,417,276.86	285,192,695.45	204,623,030.36
Main operations taxation and surcharge	624,572.49	49,858.59	423,798.21	
II. Profit of main operations (the loss is listed with “-”)	94,463,796.07	9,286,079.65	89,161,898.86	10,929,050.26
Plus: profit of other operations (the loss is listed with “-”)	4,844,540.48	877,045.78	4,792,463.45	1,747,648.70
Minus: operating expense	66,359,178.65	7,935,815.13	74,611,935.10	10,228,471.36
Management expense	18,502,416.92	6,476,146.11	14,892,828.52	4,126,327.57
Financial expense	121,112.60	57,593.81	1,602,279.34	1,712,007.87
III. Operating profit (the loss is listed with “-”)	14,325,628.38	-4,306,429.62	2,847,319.35	-3,390,107.84
Plus: investment earnings (the loss is listed with “-”)	-268,411.69	15,493,756.19	669,270.76	6,993,400.32
Subsidy income			-	
Non-operating income	53,343.20	3,315.33	30,388.50	
Minus: non-operating expenses	240,127.15	156.00	211,168.95	52,292.26
IV. Total amount of profit (the loss is listed with “-”)	13,870,432.74	11,190,485.90	3,335,809.66	3,551,000.22
Minus: income tax	2,860,372.38		1,099,888.49	

Minus: Minority gains and losses			-90,032.23	
Plus: unconfirmed investment losses	180,425.54		1,225,046.82	
V. Net profit (the net loss is listed with "-")	11,190,485.90	11,190,485.90	3,551,000.22	3,551,000.22

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

Total number of shareholders at the end of report period	33,081persons (Including 22,921 shareholders of A-share and 10,160 shareholders of B-share)	
Particulars about shares held by the top ten shareholders of circulation shares		
Shareholders' name (full name)	Number of circulation shares held at the year-end	Type (A-share, B-share, H-share and other)
HAN WANG CHEN	720,000	A-share
CHEN YONG QUAN	509,922	B-share
FAN HUI QIONG	484,900	B-share
CHEN ZE SHUI	311,800	B-share
JIANG XIAO MING	309,950	B-share
LI WEI HUI	303,388	A-share
YANG YUAN ZHOU	294,500	B-share
YAO JIAN PING	273,000	A-share
ZHANG YAN DONG	270,000	A-share
FANG JING DA	265,400	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 Company is engaged in the production, wholesale and chain retail of pharmaceutical products. Under the leading of the Board of Directors and the Management team, the Company developed all work solidly and effectively combining with the operating targets in the year 2005. In the first quarter of 2005, the enterprises what are affiliated with industry continued to strengthen the cost control and marketing management and obtained the better operating achievement, the sales income and total profit have increased by a large margin compared with the same period; the enterprises what are affiliated with retail strengthened the management and enhanced the work efficiency in the inner of the Company, while actively developed the external market; under the furious market environment, the sales income and total profit kept the same basically over the same period of last year; retail enterprises intensified the internal management and exploited the increase point of profit, which the effect of reducing losses was much more obvious. In the report period, the Company's production and operations gained the better achievement, the Company realized income from main operations of RMB 364,712,200, an increase of 2.65% compared with RMB 355,304,700 in the same period of last year deducting the factor that the Company consolidated the statement of Shenzhen Chinese Western Pharmaceuticals Co., Ltd.; the Company realized net profit of RMB 11,190,500, up 215.14% year-on-year.

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 main operations	Cost of main operations	Gross profit ratio (%)
Medical industry	125,637,299.72	56,261,526.50	55.22
Medical wholesale	349,879,577.10	335,458,774.47	4.12
Medical retail	52,883,531.67	41,591,738.96	21.35
Minus: internal sales	163,688,250.27	163,688,250.27	-
Including: related transactions	22,544,524.37	7,184,808.71	68.13
Total	364,712,158.22	269,623,789.66	26.07
Western medicine	114,325,435.07	50,520,117.15	55.81
Chinese medicine	10,095,678.42	4,525,223.12	55.18

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. 2005		Jan.-Mar. 2004		Increase/decrease (%)
	Amount (RMB)	Proportion in the total amount of profit (%)	Amount (RMB)	Proportion in the total amount of profit (%)	
Profit from main operations	94,463,796.07	681.04	89,161,898.86	2,672.87	-1,991.83
Profit from other operations	4,844,540.48	34.93	4,792,463.45	143.67	-108.74
Period expense	84,982,708.17	612.69	91,107,042.96	2,731.18	-2,118.49
Investment earnings	-268,411.69	-1.94	669,270.76	20.06	-22.00
Subsidy income	-	-	-	-	-
Net amount of non-operating income and expenses	-186,783.95	-1.35	-180,780.45	-5.42	4.07
Total amount of profit	13,870,432.74	100.00	3,335,809.66	100.00	-

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

Explanation of reason for change compared with same period of last year:

1. Profit from core business and profit from other business lines, net amount of non-operating income and losses changed, mainly because total profit of this year increased fast, which told that profitability of the Company increased.
2. The proportion of periodical expense in total profits changed compared with same period of last year because periodical expenses decreased besides fast increase of total profits;
3. The proportion of investment income in total profits changed compared with same period of last year mainly because profit of shareholding enterprises of the Company in this year decreased by a big margin.
4. Total profits increased fast mainly because industrial enterprise with high profitability belonging to the Company continuously kept good development trend, production and sales of leading products bloomed, and the benefits continuously rose up.

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

The 6th meeting of the 4th Board of the Company estimated routine related transactions with related enterprises for purchasing and selling products in 2005. It's estimated in 2005 the amount of related transactions for purchasing commodities from related parties was amounting to RMB 75 million. In the report period, it actually occurred RMB 14728500, taking 5.50% of the dame kind of transaction; It's estimated in 2005 the amount of related transactions for selling commodities to related parties was amounting to RMB 45 million. In the report period, it actually occurred RMB 22544500, taking 6.18% of the dame kind of transaction. Compared with the estimation, the amount for purchasing commodities from related parties didn't vary obviously; the amount for selling products to related parties would surpassed the estimation. The Board would submit to annual shareholders' general meeting to adjust related transaction plan for selling commodities.

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

√Applicable □Inapplicable

Compared with the beginning of the year, the accounting policies, accounting estimation, and consolidation scope of the Company didn't change; compared with same period of last year, the consolidation scope changed as follows: ① In the same period report of last year, the Company consolidated statements of Shenzhen Chinese and Western Pharmaceuticals Co., Ltd., and from November of the report period, the Company had no actual control, so t he Company didn't consolidate the statements of the Company in the period; ② In the same report period of last year, the Company still consolidated statements of associate company Shenzhen Wanle Pharmaceuticals Co., Ltd. according to proportion method, while in 2004 annual report, the Company accounted investment income according to equity method, and conducted corresponding retroactive adjustment, so the Company adjusted retroactive adjustment on the relevant data of statements in the same period of last year.

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

Board of Directors
Shenzhen Accord Pharmaceutical Co., Ltd.
Apr. 28, 2005

Attachment: Financial Report (Un-audited)

Balance Sheet

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

Items	Mar. 31, 2005		Jan. 1, 2005	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	66,287,813.51	44,929,380.27	80,867,297.39	67,695,256.31
Short-term investment	-		-	
Notes receivable	17,720,176.60		21,078,697.51	877,715.36
Dividends receivable	-		-	
Interests receivable	-		-	
Accounts receivable	334,832,333.56	246,266,614.01	312,617,514.85	229,642,774.30
Other receivables	16,338,970.14	78,142,430.12	15,292,088.97	59,143,417.16
Accounts in advance	16,231,206.28	11,103,579.78	11,400,510.03	9,085,597.05
Subsidies receivable	324,171.69	324,171.69	324,171.69	324,171.69
Inventories	160,035,348.41	64,504,882.20	162,483,993.78	73,134,717.53
Expenses to be apportioned	683,852.77	175,555.03	294,839.48	217,839.48
Long-term credit investment due within one year				
Other current assets				
Total current assets	612,453,872.96	445,446,613.10	604,359,113.70	440,121,488.88
Long-term investment:				
Long-term equity investment	56,789,511.09	275,538,438.96	57,131,077.30	260,044,682.77
Long-term credit investment				
Total long-term investment	56,789,511.09	275,538,438.96	57,131,077.30	260,044,682.77
Including: consolidated price difference	30,049,891.07		31,409,504.12	
Fixed assets:				
Fixed assets-original value	256,420,054.39	86,788,682.57	255,367,806.88	86,736,802.57
Less: Accumulated depreciation	118,977,701.90	22,988,960.48	115,055,997.43	21,109,766.46
Fixed assets-net value	137,442,352.49	63,799,722.09	140,311,809.45	65,627,036.11
Less: Provision for devaluation of fixed assets	3,627,795.61	512,279.34	3,627,795.61	512,279.34
Net amount of fixed assets	133,814,556.88	63,287,442.75	136,684,013.84	65,114,756.77
Engineering materials				
Construction in progress	41,961,859.88	31,615,479.78	40,962,584.89	31,604,961.59
Disposal of fixed assets				
Total fixed assets	175,776,416.76	94,902,922.53	177,646,598.73	96,719,718.36
Intangible and other assets:				
Intangible assets	2,025,598.06	1,860,622.64	2,215,859.06	2,034,967.24
Long-term expenses to be apportioned	3,464,869.13	448,077.35	4,834,147.94	494,763.80

Other long-term assets				
Total intangible and other assets	5,490,467.19	2,308,699.99	7,050,007.00	2,529,731.04
Deferred taxes:				
Deferred taxes-borrowing item				
Total assets	850,510,268.00	818,196,674.58	846,186,796.73	799,415,621.05

Balance Sheet (Con.)

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

Items	Mar. 31, 2005		Jan. 1, 2005	
	Consolidation	Parent company	Consolidation	Parent company
Current liabilities:				
Short-term loans	10,500,000.00	10,000,000.00	10,500,000.00	10,000,000.00
Notes payable	4,497,568.51	4,497,568.51	12,427,407.22	12,427,407.22
Accounts payable	261,878,497.22	209,538,940.76	268,549,787.77	218,503,610.55
Accounts received in advance	13,947,715.70	95,000.85	19,412,923.35	4,617.52
Wages payable	2,855,158.49	2,283,246.28	13,424,867.53	7,241,115.30
Welfare funds payable	3,775,198.61	1,231,834.56	3,614,591.08	1,274,025.47
Dividends payable				
Taxes payable	1,352,591.48	319,821.90	6,352,615.05	2,056,911.82
Other duties payable	76,618.96	39,967.61	122,605.02	68,811.79
Other accounts payable	173,827,715.22	189,407,224.96	145,695,235.21	158,149,871.32
Accrued expenses	5,791,323.08	748,382.95	5,088,944.13	845,049.76
Projected liabilities				
Long-term liabilities due within one year	2,000,000.00		2,000,000.00	
Other current liabilities				
Total current liabilities	480,502,387.27	418,161,988.38	487,188,976.36	410,571,420.75
Long-term liabilities:				
Long-term loans				
Bonds payable				
Long-term accounts payable				
Special accounts payable	800,000.00	800,000.00	800,000.00	800,000.00
Other long-term liabilities				
Total long-term liabilities	800,000.00	800,000.00	800,000.00	800,000.00
Deferred taxes:				
Deferred taxes-credit item				
Total liabilities	481,302,387.27	418,961,988.38	487,988,976.36	411,371,420.75
Minority interests				
Owners' equity (shareholders' equity)				
Paid-in capital (or share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00

Capital public reserve	17,741,872.48	17,741,872.48	17,741,872.48	17,741,872.48
Surplus public reserve	66,525,867.56	44,618,288.87	66,525,867.56	44,618,288.87
Including: Statutory public welfare funds	8,555,270.80	1,252,744.56	8,555,270.80	1,252,744.56
Unconfirmed investment losses	-29,953,650.95		-29,773,225.41	
Retained profit	26,744,391.64	48,725,124.85	15,553,905.74	37,534,638.95
Total owner's equity (shareholders' equity)	369,207,880.73	399,234,686.20	358,197,820.37	388,044,200.30
Total liabilities and owner's equity (shareholder's equity)	850,510,268.00	818,196,674.58	846,186,796.73	799,415,621.05

Statement of Profit and Profit Distribution

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

Items	Jan.-Mar. 2005		Jan.-Mar. 2004	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from core business	364,712,158.22	218,753,215.10	374,778,392.52	215,552,080.62
Less: Cost of core business	269,623,789.66	209,417,276.86	285,192,695.45	204,623,030.36
Taxes and extras of core business	624,572.49	49,858.59	423,798.21	
II. Profit from core business (Loss is listed with "-")	94,463,796.07	9,286,079.65	89,161,898.86	10,929,050.26
Add: Profit from other business lines (Loss is listed with "-")	4,844,540.48	877,045.78	4,792,463.45	1,747,648.70
Less: Operating expense	66,359,178.65	7,935,815.13	74,611,935.10	10,228,471.36
Administrative expense	18,502,416.92	6,476,146.11	14,892,828.52	4,126,327.57
Financial expense	121,112.60	57,593.81	1,602,279.34	1,712,007.87
III. Operating profit (Loss is listed with "-")	14,325,628.38	-4,306,429.62	2,847,319.35	-3,390,107.84
Add: Investment income (Loss is listed with "-")	-268,411.69	15,493,756.19	669,270.76	6,993,400.32
Subsidy income				
Non-operating income	53,343.20	3,315.33	30,388.50	
Less: Non-operating Expenditure	240,127.15	156.00	211,168.95	52,292.26
IV. Total profit (Loss is listed with "-")	13,870,432.74	11,190,485.90	3,335,809.66	3,551,000.22
Less: Income taxes	2,860,372.38		1,099,888.49	
Less: Minority shareholders' gains and losses			-90,032.23	
Add: Unconfirmed investment losses	180,425.54		1,225,046.82	
V. Net profit (Loss is listed with "-")	11,190,485.90	11,190,485.90	3,551,000.22	3,551,000.22
Add: Retained profits at the year-begin	15,553,905.74	37,534,638.95	-2,214,346.16	16,237,981.45
Other transfer-in				

VI. Profit available for distribution	26,744,391.64	48,725,124.85	1,336,654.06	19,788,981.67
Less: Appropriation of statutory surplus public reserve				
Appropriation of statutory public welfare funds				
Appropriation of employees' encouragement and welfare funds				
Appropriation of reserve funds				
Appropriation of enterprise development funds				
Profits' restoring to investments				
VII. Profits available for distribution to investors	26,744,391.64	48,725,124.85	1,336,654.06	19,788,981.67
Less: Dividends of preference share payable				
Appropriation of arbitrary surplus public reserve				
Dividends of ordinary share payable				
Dividends of ordinary share converting into capital (share capital)				
VIII. Retained profit	26,744,391.64	48,725,124.85	1,336,654.06	19,788,981.67

Cash Flow Statement

Jan.-Mar. 2005

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

Items	Consolidation	Parent company
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	396,591,140.07	261,788,490.99
Write-back of tax received	-	-
Other cash received concerning operating activities	11,231,668.55	2,681,408.82
Subtotal of cash inflow	407,822,808.62	264,469,899.81
Cash paid for purchasing commodities and receiving labor service	324,837,073.95	248,725,589.12
Cash paid to/for staff and workers	41,029,914.21	10,256,356.13

Taxes paid	19,927,368.08	3,788,284.63
Other cash paid concerning operating activities	34,512,870.08	5,677,763.77
Subtotal of cash outflow	420,307,226.32	268,447,993.65
Net cash flows arising from operating activities	-12,484,417.70	-3,978,093.84
II. Cash flows arising from investing activities:		
Cash received from recovering investment	-	-
Cash received from investment income	-	207,049.77
Net cash received from disposal of fixed, intangible and other long-term assets	53,800.00	-
Other cash received concerning investing activities	355,245.22	-
Subtotal of cash inflow	409,045.22	207,049.77
Cash paid for purchasing fixed, intangible and other long-term assets	2,305,000.26	92,398.19
Cash paid for investment	-	-
Other cash paid concerning investing activities	-	-
Subtotal of cash outflow	2,305,000.26	92,398.19
Net cash flows arising from investing activities	-1,895,955.04	114,651.58
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		
Other cash received concerning financing activities	2,781.19	1,000,000.00
Subtotal of cash inflow	2,781.19	1,000,000.00
Cash paid for settling debts	-	
Cash paid for dividends and profit distributing or interest paying	201,296.43	-97,566.22
Other cash paid concerning financing activities	595.90	20,000,000.00
Subtotal of cash outflow	201,892.33	19,902,433.78
Net cash flows arising from financing activities	-199,111.14	-18,902,433.78
IV. Influence on cash due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-14,579,483.88	-22,765,876.04

Cash Flow Statement (Con.)

Jan.-Mar. 2005

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

Items	Consolidation	Parent company
Supplementation information		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	11,190,485.90	11,190,485.90
Add: Minority shareholders' gains and losses	-	-
Unconfirmed investment losses	-180,425.54	-
Add: Withdrawal of provision for devaluation of assets	287,059.25	92,813.66
Depreciation of fixed assets	4,710,683.01	1,912,298.19
Amortization of intangible assets	302,809.22	176,344.60
Amortization of long-term expenses to be apportioned	110,927.97	46,686.45
Decrease of expenses to be apportioned (Less: increase)	36,314.82	42,284.45
Increase of accrued expenses (Less: decrease)	716,641.98	-96,666.81
Losses on disposal of fixed, intangible and other long-term assets (Less: income)	9,023.00	-
Loss on reject of fixed assets	-	-
Financial expenses	121,112.60	57,593.81
Losses on investment (Less: income)	268,411.69	-15,493,756.19
Deferred taxes – credit item (Less: debit item)	-	-
Decrease of inventories (Less: increase)	3,408,942.38	8,629,835.33
Decrease of receivables in operating (Less: increase)	-24,733,875.22	-9,629,091.32
Increase of payables in operating (Less: decrease)	-8,732,528.76	-906,921.91
Other	-	-
Net cash flows arising from operating activities	-12,484,417.70	-3,978,093.84
2. Investing and financing activities involving no cash incomings / outgoings:		
Debts transferred into capital		
Convertible bonds of the Company due within 1 year		
Renting fixed assets for financing purpose		
3. Net increase of cash and cash equivalents:		
Balance of cash at the period-end	66,287,813.51	44,929,380.27
Less: Balance of cash at the period -begin	80,867,297.39	67,695,256.31
Add: Balance of cash equivalents at the period -end		-
Less: Balance of cash equivalents at the period -begin		-
Net increase of cash and cash equivalents	-14,579,483.88	-22,765,876.04