Shenzhen Accord Pharmaceutical Co., Ltd.
The 1st Quarterly Report for 2007

§1 Important Notes

1.1 Board of Directors and the Supervisory Committee of Shenzhen Accord Pharmaceutical Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

1.2 No directors stated any objection for the correctness, accuracy and completeness of the contents of this report.

1.3 All directors attended the Board meeting on First Quarterly Report for 2007.

1.4 The financial report of the 1st Quarterly Report is unaudited in the report period..

1.5 Chairman of the Company Mr. Chen Weigang, General Manager Mr. Shi Jinming and Chief Financial Officer Mr. Wei Pingxiao hereby confirm that the Financial Report enclosed in the 1st Quarterly Report is authentic and complete.

§2 Company Profile

Short form of the stock	Accord Pharm., Accord B
Stock code	000028, 200028
	Secretary of the Board of Directors
Name	Chen Changbing
Contact address	Accord Pharm. Bulg., Ba Gua Si Road No. 15, Futian District, Shenzhen, Guangdong Province
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2.1 Main Accounting Highlights and Financial Indexes:

Unit: RMB

	At the end of the report period	At the end of the last year	Increase/decrease of the end of report period than that of the end of the last year (%)
Total assets	2,762,903,102.33	2,632,128,528.84	4.97%
Owner's equity(or shareholders' interest)	427,978,509.50	401,880,141.09	6.49%
Net assets per share	1.485	1.395	6.45%
	Year begin to end of report period		Increase/decrease of the report period than that of the same period of the last year (%)
Net cash flow arising from operating activities	48,774,932.57		162.04%
Net cash flow arising from operating	0.169		161.90%

activities per share			
	In the report period	Year begin to end of report period	Increase/decrease of the report period than that of the same period of the last year (%)
Net profit	26,098,368.41	26,098,368.41	24.18%
Basic earnings per share	0.09	0.09	28.57%
Diluted earnings per share	0.09	0.09	28.57%
Return on equity	6.10%	6.10%	Up 0.2 percentage
Return on equity after deducting non-recurring gains and losses	6.20%	6.20%	Up 0.4 percentage

Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Balance from year-begin to end of report period
Gains/losses of disposal of non-current asset	-8,715.79
Other non-operating income and expenses excluded the gains/losses of disposal of non-current asset	-518,642.69
Amount Influenced by income tax	74,054.98
Total	-453,303.50

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

Unit: Share

Total number of shareholders	20,768	
Shares held by the top ten shareholders with unrestricted conditions		
Full Name of shareholder	Amount of unrestricted shares held	Type of shares
BANK OF CHINA-YIFANGDA ACTIVE GROWTH SECURITIES INVESTMENT FUND	5,734,757	RMB common share
BANK OF COMMUNICATIONS-KERUI SECURITIES INVESTMENT FUND	4,566,506	RMB common share
CHINA INDUSTRIAL AND COMMERCIAL BANK — BOSCH SELECTIVE STOCK SECURITIES INVESTMENT FUND	3,999,567	RMB common share
NATIONSAL SOCIAL SECURITY FUND- ZERO AND NINE COMBINATION	3,441,997	RMB common share
PING AN INSURANCE (GROUP) COMPANY OF CHINA , LTD.-BONUS-GROUP BONUS	3,373,156	RMB common share
CHINA CONSTRUCTION BANK-BOSCH THEME INDUSTRY STOCK SECURITIES INVESTMENT FUND	2,500,000	RMB common share
HANG SENG CONSUMER SECTOR FLEXIPOWER FUND	2,234,780	Domestically listed foreign share

HFR HE AJIA-LIGHTHORSE CHINA GROWTH MASTER TRUST	2,047,476	Domestically listed foreign share
AJIA-LIGHTHORSE CHINA GROWTH MASTER FUND LIMITED	1,971,856	Domestically listed foreign share
CHINA INDUSTRIAL AND COMMERCIAL BANK-KEXIANG SECURITIES INVESTMENT FUND	1,776,707	RMB common share

§3 Significant events

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

√ Applicable ☐Inapplicable

I. The Company began to adopt Accounting Standard for Business Enterprises promulgated by Ministry of Finance in 2006 since Jan.1, 2007; all the items in accounting statement were wholly listed in according to the regulation of New Accounting Standards.
II. According to the requirement of New Accounting Standards, the original investment which was larger than the part of equity shares of invested units enjoyable would not amortized and long-term investment on subsidiaries was calculated base on cost method; thus, the investment income of amount in same period of last year listed in profit statement was adjusted; specifically was adjusting increased the investment income of consolidation number amounted to RMB 2,244,674.28, the adjusting decreased investment income of parent company number amounted to RMB 28,412,190.18, and take the number after adjusting as the comparative radix.
III. Non-current assets in consolidated balance sheet ended the report period were specific reserve medicine and tradable rights of Share Merger, and the amount were respectively RMB 13,959,725.04and RMB 198,752.29.
IV. Non-current liabilities in consolidated balance sheet ended the report period was reserve fund of central medicines, and the amount was RMB 23,085,874.07. Wages payable to employee in the consolidated balance sheet ended in the report period decreased 43.86% comparable with year-begin and the main reason was to pay the annual year-end bonus of last year to employees during the report period.

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

☐Applicable √ Inapplicable

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

√ Applicable ☐Inapplicable

I. SINOPHARM MEDICINE HOLDING CO., LTD.

Commitments:(1) Not selling original non-tradable equities through stock exchange in 24 months from the day they become tradable. (2) Original non-tradable equities sold after the 24 months through stock exchange take up no more than 10% of the Company's total shares in the following 12 months, and the price is no lower than 110% of the stock weighted average price of the 30 trading days before Accord Pharmaceutical's Board of Directors publish the reform plan (from the day of implementing Non-tradable Shares Reform to the day when Sinopharm Medicine Holding sells equities, Ex Warrant/Ex Dividend on the price will be implemented if dividend, allotment or transferring of public capital to equity and so on happens).

Commitment implementation: Implementing

II. SHENZHEN BAOAN DISTRICT SHIYAN TOWN ECONOMIC AND DEVELOPMENT

CORPORATION
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out; on basis of the aforementioned time limited, original non-tradable equities sold through stock exchange take up no more than 5% of the Company's total shares in the following 12 months; no mare than 10% within 24 months.
Commitment implementation: Implementing
III. SHENZHEN BAOAN SHANGWU ECONOMIC AND DEVELOPMENT CORPORATION CO., LTD.
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.
Commitment implementation: Implementing
IV. SHENZHEN WANGZONG INDUSTRIAL CO., LTD.
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.Commitment implementation: Implementing
V. GUAN JIAN
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.
Commitment implementation: Implementing
VI. WUXI HUAXIN INVESTMENT MANAGEMENT CO., LTD.
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.
Commitment implementation: Implementing
VII. SHANGHAI SHISHENG ENTERPRISE DEVELOPMENT CO., LTD.
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out.
Commitment implementation: Implementing
VIII. SHANGHAI HUAXIA YIFU INVESTMENT MANAGEMENT CO., LTD.
Commitments: Not trading or selling equities within 12 months from the day when plan of Non-tradable Shares Reform is carried out. If the shares held by Shanghai Huaxia Yifu Investment Management Co., Ltd could be sold for listed transaction, the company should pay back the shares and relevant account Sinopharm Medicine Holding Co., Ltd paid for on its behalf in the Share Merger Reform, and also get the written agreement from Sinopharm Medicine Holding Co., Ltd.
Commitment implementation: Implementing

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

☐Applicable √ Inapplicable

3.5 Differences between the shareholders' equity in period-begin of 2007 listed in balance sheet of the quarterly report and shareholders' equity in period-begin of 2007 listed in Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards, and explanations of reasons

☐Applicable √ Inapplicable

§4 Appendix

4.1 Balance sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd Mar. 31, 2007 Unit: RMB

Items	Amount of period-end		Amount of period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	217,275,092.64	66,496,638.51	205,341,835.52	51,149,747.14
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	242,184,768.43	10,867,745.37	207,461,757.47	27,417,436.43
Accounts receivable	1,170,969,896.55	253,978,984.54	1,134,397,089.98	232,925,656.56
Accounts in advance	56,614,810.51	12,263,198.56	31,281,294.12	3,932,363.78
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	40,803,932.21	156,008,709.19	37,937,661.49	155,515,089.60
Purchase restituted finance asset				
Inventories	500,533,458.52	64,064,550.32	489,402,122.53	72,299,571.82
Non-current asset due within one year				
Other current assets				
Total current assets	2,228,381,958.86	563,679,826.49	2,105,821,761.11	543,239,865.33
Non-current assets:				
Granted loans and advances				
Finance asset available sales				
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	55,067,080.23	440,221,153.23	53,916,718.03	440,707,272.12
Investment property	40,631,785.05	2,404,000.40	39,005,516.50	2,441,664.20
Fixed assets:	213,686,209.97	48,510,564.24	220,586,376.34	50,064,596.27
Construction in progress	163,527,907.11	253,886.24	150,990,967.55	253,886.24
Engineering material				
Disposal of fixed asset				
Consumable biological asset				
Oil and gas asset				
Intangible assets	31,548,790.98	30,099,619.92	32,031,022.36	30,444,684.41
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned	7,426,326.17	79,085.75	6,155,684.69	122,397.20

Deferred income tax asset	8,474,566.63		8,074,635.35	
Other non-current asset	14,158,477.33		15,545,846.91	
Total non-current asset	534,521,143.47	521,568,309.78	526,306,767.73	524,034,500.44
Total assets	2,762,903,102.33	1,085,248,136.27	2,632,128,528.84	1,067,274,365.77
Current liabilities:				
Short-term loans	268,430,584.36	18,347,451.87	296,986,007.95	37,417,436.43
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	529,841,352.88	135,970,663.61	419,175,924.81	110,205,719.50
Accounts payable	967,239,871.66	259,322,513.48	956,987,248.04	261,167,008.52
Accounts received in advance	40,605,824.99	58,092.00	30,835,803.43	26,057.63
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	45,848,319.11	14,078,653.78	81,661,118.72	18,263,253.67
Taxes payable	3,006,752.01	2,707,601.47	3,220,047.64	3,682,359.72
Interest payable				
Other accounts payable	331,034,162.24	206,632,394.54	293,812,654.03	184,807,048.45
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year				
Other current liabilities				
Total current liabilities	2,186,006,867.25	637,117,370.75	2,082,678,804.62	615,568,883.92
Non-current liabilities:				
Long-term loans	97,720,000.00		97,720,000.00	
Bonds payable				
Long-term account payable	945,012.67		1,054,352.56	
Special accounts payable	1,800,000.00	800,000.00	1,800,000.00	800,000.00
Projected liabilities				
Deferred income tax liabilities				
Other non-current liabilities	23,085,874.07		23,085,874.07	
Total non-current liabilities	123,550,886.74	800,000.00	123,660,226.63	800,000.00
Total liabilities	2,309,557,753.99	637,917,370.75	2,206,339,031.25	616,368,883.92
Owner’s equity (or shareholders’ equity):				
Paid-in capital (or share capital)	288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital public reserve	18,044,074.54	17,902,522.48	18,044,074.54	17,902,522.48
Less: Inventory shares				
Surplus public reserve	83,419,602.89	57,416,316.59	83,419,602.89	57,416,316.59

Provision of general risk				
Retained profit	38,365,432.07	83,862,526.45	12,267,063.66	87,437,242.78
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	427,978,509.50	447,330,765.52	401,880,141.09	450,905,481.85
Minority interests	25,366,838.84		23,909,356.50	
Total owner's equity	453,345,348.34	447,330,765.52	425,789,497.59	450,905,481.85
Total liabilities and owner's equity	2,762,903,102.33	1,085,248,136.27	2,632,128,528.84	1,067,274,365.77

4.2 Profit statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. January-March, 2007 Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	1,489,858,763.91	282,867,632.13	1,244,309,677.39	224,309,151.75
Including: Operating income	1,489,858,763.91	282,867,632.13	1,244,309,677.39	224,309,151.75
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	1,453,725,332.10	286,008,149.73	1,217,190,168.63	229,592,520.38
Including: Operating cost	1,334,868,320.09	271,171,462.58	1,098,555,295.59	213,056,147.41
Interest expense				
Commission charge and commission expense				
Cash surrender value				
Net amount of expense of compensation				
Net amount of withdrawal of insurance contract reserve				
Bonus expense of guarantee slip				
Reinsurance expense				
Operating tax and extras	2,226,205.97	85,652.58	1,795,323.96	
Sales expenses	70,733,660.69	4,963,349.35	73,308,032.86	2,875,301.99
Administration expenses	40,407,898.11	10,495,648.67	45,111,031.47	13,613,870.44
Financial expenses	5,335,737.08	-288,871.34	4,125,774.78	-48,164.77
Losses of devaluation of asset	153,510.16	-419,092.11	-5,705,290.03	95,365.31
Add: Changing income of fair value(Loss is listed with "-")				
Investment income (Loss is listed with "-")	1,150,362.20	-486,118.89	1,375,452.70	-71,237.56
Including: Investment income on affiliated company and joint venture	1,150,362.20	-486,118.89	1,375,452.70	-71,237.56
Exchange income (Loss is listed with "-")				
III. Operating profit (Loss is	37,283,794.01	-3,626,636.49	28,494,961.46	-5,354,606.19

listed with "-")				
Add: Non-operating income	60,572.65	58,303.95	305,648.20	13,248.18
Less: Non-operating expense	587,931.13	6,383.79	18,911.92	100.00
Including: Disposal loss of non-current asset				
IV. Total Profit (Loss is listed with "-")	36,756,435.53	-3,574,716.33	28,781,697.74	-5,341,458.01
Less: Income tax	9,200,584.78		6,381,694.69	
V. Net profit (Net loss is listed with "-")	27,555,850.75	-3,574,716.33	22,400,003.05	-5,341,458.01
Net profit attributable to owner's equity of parent company	26,098,368.41	-3,574,716.33	21,016,771.12	-5,341,458.01
Minority shareholders' gains and losses	1,457,482.34		1,383,231.93	
VI. Earnings per share				
i. Basic earnings per share	0.09		0.07	
ii. Diluted earnings per share	0.09		0.07	

4.3 Cash Flow Statement

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. January-March, 2007 Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	1,580,082,014.01	304,686,989.93	1,285,870,477.07	216,620,799.47
Net increase of customer deposit and interbank deposit				
Net increase of loan from central bank				
Net increase of capital borrowed from other financial institution				
Cash received from original insurance contract fee				
Net cash received from reinsurance business				
Insured savings and net increase of investment				
Net increase of disposal of transaction financial asset				
Cash received from interest, commission charge and commission				
Net increase of capital borrowed				
Net increase of returned business capital				
Write-back of tax received	47,516.67		324,991.19	
Other cash received	22,019,705.99	1,694,902.33	19,439,070.72	2,214,245.16

concerning operating activities				
Subtotal of cash inflow arising from operating activities	1,602,149,236.67	306,381,892.26	1,305,634,538.98	218,835,044.63
Cash paid for purchasing commodities and receiving labor service	1,365,136,603.40	278,599,025.07	1,199,402,740.06	250,499,629.45
Net increase of customer loans and advances				
Net increase of deposits in central bank and interbank				
Cash paid for original insurance contract compensation				
Cash paid for interest, commission charge and commission				
Cash paid for bonus of guarantee slip				
Cash paid to/for staff and workers	81,533,650.94	10,582,170.19	69,382,489.41	9,576,559.09
Taxes paid	43,457,997.00	4,390,524.18	39,205,105.39	388,651.84
Other cash paid concerning operating activities	63,246,052.76	6,398,246.79	76,259,134.83	7,259,016.14
Subtotal of cash outflow arising from operating activities	1,553,374,304.10	299,969,966.23	1,384,249,469.69	267,723,856.52
Net cash flows arising from operating activities	48,774,932.57	6,411,926.03	-78,614,930.71	-48,888,811.89
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income		13,254,401.65		
Net cash received from disposal of fixed, intangible and other long-term assets	4,120.00	4,120.00	8,000.00	
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	4,120.00	13,258,521.65	8,000.00	
Cash paid for purchasing fixed, intangible and other long-term assets	15,364,586.30	249,403.00	11,836,729.24	285,610.00
Cash paid for investment			115,729,012.63	60,000,000.00
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities			-100,439,546.68	
Subtotal of cash outflow from investing activities	15,364,586.30	249,403.00	27,126,195.19	60,285,610.00
Net cash flows arising from investing activities	-15,360,466.30	13,009,118.65	-27,118,195.19	-60,285,610.00

III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans	40,000,000.00		85,000,000.00	
Cash received from issuing bonds				
Other cash received concerning financing activities	36,218,059.33	25,625,593.92	76,705,634.27	51,638,537.93
Subtotal of cash inflow from financing activities	76,218,059.33	25,625,593.92	161,705,634.27	51,638,537.93
Cash paid for settling debts	80,000,000.00		64,000,000.00	
Cash paid for dividend and profit distributing or interest paying	4,619,280.71	-384,179.32	4,362,450.70	-145,387.75
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	13,079,964.04	30,083,902.82	673,975.85	
Subtotal of cash outflow from financing activities	97,699,244.75	29,699,723.50	69,036,426.55	-145,387.75
Net cash flows arising from financing activities	-21,481,185.42	-4,074,129.58	92,669,207.72	51,783,925.68
IV. Influence on cash due to fluctuation in exchange rate	-23.73	-23.73		
V. Net increase of cash and cash equivalents	11,933,257.12	15,346,891.37	-13,063,918.18	-57,390,496.21
Add: Balance of cash and cash equivalents at the period -begin	205,341,835.52	51,149,747.14	167,524,356.11	75,509,035.69
VI. Balance of cash and cash equivalents at the period -end	217,275,092.64	66,496,638.51	154,460,437.93	18,118,539.48

4.4 Auditor' report

Auditor's opinions: Un-audited