



吉林省輝南長龍生化藥業股份有限公司  
Jilin Province Huinan Changlong Bio-pharmacy Company Limited  
*(a joint stock limited company incorporated in the People's Republic of China)*



Third Quarterly Report 2001



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*This report, for which the directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (“GEM Listing Rules”) for the purpose of giving information with regard to Jilin Province Huinan Changlong Bio-pharmacy Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification only



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**QUARTERLY RESULTS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2001**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**

The directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited (“the Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine and three months ended 30th September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2001 RMB '000	2000 RMB '000	2001 RMB '000	2000 RMB '000
Turnover	2	61,574	61,069	23,453	17,890
Cost of Sales		(12,763)	(12,340)	(4,464)	(3,891)
Gross profit		48,811	48,729	18,989	13,999
Other revenue		255	1,109	197	616
Selling expenses		(18,281)	(18,683)	(8,085)	(6,658)
General and administrative expenses		(5,569)	(4,433)	(1,718)	(941)
Profit from operation		25,216	26,722	9,383	7,016
Finance cost		(435)	(646)	(70)	(109)
Profit before taxation		24,781	26,076	9,313	6,907
Taxation	3	(8,178)	(8,605)	(3,074)	(2,278)
Net profit attributable to the shareholders		<u>16,603</u>	<u>17,471</u>	<u>6,239</u>	<u>4,629</u>
Earnings per share	4	<u>3.47 cents</u>	<u>4.31 cents</u>	<u>1.12 cents</u>	<u>1.14 cents</u>

Notes:

### 1. Basis of Preparation

The Company was established as a state-owned enterprise in the People's Republic of China (the "PRC"). On 29th December, 1995, under the relevant provisions of the PRC Company Law, the Company was re-organized from a state-owned enterprise to a limited liability company. Further on 16th August, 1996, with the approval of the Economic Restructuring Commission of Jilin Province, the Company was then converted into a company limited by share capital. The Company's H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 24th May 2001.

The principal accounting policies adopted in preparing the unaudited results conform with accounting standards issued by the Hong Kong Society of Accountants.

### 2. Turnover

Turnover represents the invoiced value of goods sold, net of value-added tax, trade discounts and returns.

### 3. Taxation

	Nine months ended		Three months ended	
	30th September		30th September	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong	0	0	0	0
Mainland China	8,178	8,605	3,074	2,278
Tax charge for the period	<u>8,178</u>	<u>8,605</u>	<u>3,074</u>	<u>2,278</u>

The Group did not have assessable profits arising in Hong Kong during the nine months and three months ended 30th September 2001(2000: Nil). Mainland China income tax has been provided at the rate of 33% (2000:33%) on the estimated assessable profit for the period.

The Group did not have any significant unprovided deferred tax liabilities for the nine months and three months ended 30th September 2001. (2000: Nil)

#### **4. Earnings per share**

The calculation of basic earnings per share is based on the unaudited net profit attributable to shareholders for the nine months and three months ended 30th September 2001 of approximately RMB16,603,000 and RMB6,239,000 respectively (2000:RMB17,471,000 and RMB4,629,000) and on the weighted average of 478,928,571 and 560,250,000 shares in issue during the aforementioned two periods ended 30th September 2001 respectively (2000: 405,000,000 shares and 405,000,000 shares).

There is no diluted earnings per share because there were no dilutive potential shares in existence during the relevant periods.

#### **5. Reserve**

There was no movement to or from reserves during the three months ended 30th September, 2001 and 30th September, 2000.

#### **6. Interim dividend**

The Board does not recommend the payment of an interim dividend for the nine months and three months ended 30th September 2001. (2000:nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **OPERATING RESULTS**

The Group recorded a turnover of approximately RMB61.6 million, gross profit of approximately RMB48.8 million and net profit of approximately RMB16.6 million for the nine months ended 30th September 2001. The net profit for this period represented a 5% decrease over that of the same period last year. The decrease was mainly due to no interest subsidy being received from Technology Department of Technological SME Technique Innovation Fund Management Centre as compared to that of RMB800,000 received last year. This amount was a one time subsidy granted on the research and development of Tuoluo Yinxie capsule.

### **BUSINESS REVIEW**

The Group has been actively exploiting new business opportunities in Hong Kong. In July 2001, the Group established a Hong Kong sales office and successfully concluded a dealership agreement with a reputable local dealer. Through the extensive distribution network of such dealer, two new products namely the Cleansing Pill (排毒淨腸丸) and Pretty Lady (豐姿綽約) were launched to the Hong Kong market in July 2001. Cleansing Pill aims at improving the functions of the liver, kidney and intestines for self-improvement and self-regulation of the body while Pretty Lady comprises both the Bust-up Essence (豐乳寶) and Revitalizing Essence (活肌素), which improve the breasts of female. In line with the current trend of health consciousness, these products have received market acceptance once introduced into the market. The Directors believe that these two products will generate significant revenue and profits for the Group in the near future.

In August 2001, the Group further extended its sales network by assigning full-time sales employees to explore the market opportunities in Xizang Province, the PRC. Such arrangement will complete the Group's coverage of its sales network throughout all major provinces and municipalities in the PRC. Although the revenue contribution from Xizang Province might not be material, it is a vital step for "Changlong" to further enhance its brand awareness, which is essential for its future growth. The Directors believe that a complete coverage in the PRC would enable an effective market penetration of the Group's products. To this end, the Group had strengthened its full-time sales staff to 112 during this period.

### **FINANCIAL POSITION**

The financial position of the Group remains healthy. As at 30th September 2001, the Group had cash and bank balances and consolidated net asset value of approximately RMB75 million and RMB164.1 million respectively. This forms a solid foundation for the Group's forthcoming expansion and development.

## FUTURE PROSPECTS

At present, the Group's strong financial position will continue to support its initiatives in business operation, product range expansion and research and development. With its competitive strengths, its close relationship with various research laboratories, pharmaceutical institutions, medical experts and universities in the PRC, and its strong management team, the Group has been able to introduce new products and improve its market presence.

Meanwhile, the Group continues to increase the level of advertising and promotional activities in order to further exploit the PRC market. The Directors consider that the effectiveness of the Group's advertising campaigns will strengthen its brand awareness and eventually boost the sales of its products. Thus, the Group's advertising campaigns aim to focus on not only the product effectiveness, but also the brand name of Changlong. Currently, Qianlie Guihuang tablet and Compound Huonaosu capsule can be viewed on CCTV channel 6 and Cable TV of Shandong Province, Fujian Province, Yunnan Province and Sichuan Province respectively.

## DISCLOSURE OF THE DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE REGISTERED CAPITAL OF THE COMPANY

As at 30th September 2001, the interests of the Directors, Supervisors and Chief Executive in the registered capital of the Company, which will have to be notified to the Company and the Stock Exchange pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.4 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange once the H Shares are listed, were as follows:

<b>Director</b>	<b>Type of interests</b>	<b>Percentage of interest in the Company's share capital</b>	<b>Number of shares</b>
Zhang Hong	Personal	18.19	101,925,000
Zhang Xiao Guang	Personal	9.10	51,000,000
Qiao Hong Kuan	Personal	7.12	39,900,000

Save as disclosed above, none of the Directors, the Supervisors or Chief Executive, nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for the securities in the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, according to the register required to be kept under Section(16)1 of the SDI Ordinance, shareholders with an interest of 10% or more of the issued shared capital of the Company were as follows:

<b>Name</b>	<b>Note</b>	<b>Number of Shares</b>	<b>Approximate effective interests in the registered capital of the Company</b>
Huinan County SAB	<i>Note 1</i>	81,975,000	14.63
Zhang Hong		101,925,000	18.19

*Note 1:* Apart from the equity interest in the Company, Huinan County SAB does not have any direct or indirect interest in the Company, including representation in the board of Directors.

## COMPETING INTEREST

During the period under review, none of the directors or the substantial shareholders, management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

## SPONSORS' INTEREST

As updated and notified by the Company's sponsors, Oriental Patron Asia Limited("OP"), as at 30th September, 2001, neither OP nor their directors or employees or associates had any interests in the share capital of the Company.

Pursuant to the agreement dated 11th May, 2001 made between OP as the sponsor and the Company, OP received fees for acting as the Company's retained sponsor for the period from 24th May, 2001 to 31st December 2003.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group. The Group's quarterly results for the three months ended 30th September 2001 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

From the date of listing on 24th May, 2001 to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

**Zhang Hong**

*Chairman*

Jilin, the PRC.

8th November, 2001