



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)



1st Quarterly Report 2002



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This report, for which the directors of the Jilin Province Huinan Changlong Bio-pharmacy Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to Jilin Province Huinan Changlong Bio-pharmacy Company Limited and its subsidiary. 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.



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QUARTERLY RESULTS (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2002

HIGHLIGHTS

- Turnover increased by approximately 6.7% for the three months ended 31 March 2002 compared with the corresponding period in 2001.
- Profit attributable to shareholders increased by approximately 9.2% for the three months ended 31 March 2002 compared with the corresponding period in 2001.
- Earnings per share for the three months ended 31 March 2002 are RMB 0.58 cents.
- The directors do not recommend the payment of any dividend for the three months ended 31 March 2002.

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 subsidiary (the “Group”) for the three months ended 31 March 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		For the	
		three months ended 31 March	
		2002	2001
	<i>Notes</i>	<i>Rmb '000</i>	<i>Rmb '000</i>
Turnover	2	16,377	15,348
Cost of sales		(4,422)	(3,517)
Gross profit		11,955	11,831
Other revenue		18	6
Selling expenses		(4,346)	(4,932)
General and administrative expenses		(2,714)	(2,606)
Profit from operations		4,913	4,299
Finance costs		(65)	(129)
Profit before taxation		4,848	4,170
Taxation	3	(1,600)	(1,195)
Net profit attributable to shareholders		3,248	2,975
Earnings per share – Basic	4	0.58 cents	0.74 cents

Notes:

1. Basis of preparation

The Company was established as a state-owned enterprise in the People’s Republic of China (the “PRC”) in 1989. On 29 December 1995, under the relevant provisions of the Company Law of the PRC, the Company was re-organized from a state-owned enterprise to a limited liability company. On 16 August 1996, with the approval of the Economic Restructuring Commission of Jilin Province, the Company was further converted into a joint stock limited company. On 20 April 1999, the Company made a bonus issue from capitalisation of retained profits at the proportion of one bonus share for every two existing shares. The Company’s H shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 24 May 2001.

The principal accounting policies adopted in preparing the unaudited consolidated results conform to the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

2. TURNOVER

The Group's turnover comprises the invoiced value of merchandise sold net of Value Added Tax of the PRC and after allowances for returns and discounts.

3. TAXATION

Three months ended 31 March

2002 2001

Rmb'000 *Rmb'000*

The charge comprises

PRC income tax

1,600

1,195

The Group did not have assessable profits arising in Hong Kong during the three months ended 31 March 2002(2001: Nil). The PRC income tax has been provided at the rate of 33% (2001:33%) on the estimated assessable profit for the period.

The Group did not have any significant unprovided deferred tax liabilities for the three months ended 31 March 2002 (2001: Nil).

4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2002 is based on the unaudited net profit attributable to shareholders of approximately RMB3,248,000 (three months ended 31 March 2001: net profit attributable to shareholders of approximately RMB2,975,000) and the weighted average number of 560,250,000 shares (three months ended 31 March 2001: 405,000,000 shares) in issue.

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

5. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: nil).

6. RESERVES

Other than the net profit for the three months ended 31 March 2002, there was no movement to or from reserves during the three months ended 31 March 2002 and 31 March 2001.

BUSINESS REVIEW AND PROSPECTS

OPERATING RESULTS

For the three months ended 31 March 2002, the turnover of the Group amounted to approximately RMB 16,377,000, representing an increase of about 6.7% over the corresponding period of 2001. Profits attributable to shareholders amounted to approximately RMB3,248,000, representing an increase of approximately 9.7% over the corresponding period of 2001. Earning per share was RMB 0.58 cents.

BUSINESS REVIEW

Revenue for the first quarter has remained stable with an increase of approximately RMB1 million as compared to that of the corresponding period in 2001. This was mainly due to the Group's continued effort to enhance customers' satisfaction through superior product quality and effectiveness, despite the increasingly competitive biochemical pharmaceutical market. The Group has successfully replaced its existing major materials with significantly upgraded quality materials. Although the increased materials cost had resulted in a decrease in gross profit ratio by 4% for the three months ended 31 March 2002 as compared with the corresponding period in 2001, the Directors believe that the long term benefits from customers' satisfaction and the excellent brand name awareness derived from the superior quality will outweigh this cost significantly.

The Group implemented management reforms in pursuit of operational efficiency. The Group had recruited 21 new members since its listing on GEM. The new recruits are mostly sales-persons and some of them have extensive management experience. Subsequently, the Group had built a customer-oriented corporate structure by doubling its regional managers from 6 members to 12 members, who are responsible for monitoring the activities undertaken by the sales employees located over 30 provinces and municipalities in the PRC. At the same time, the Group organized a wide range of management training programmes so as to update the management concept in a comprehensive and thorough manner.

FINANCIAL POSITION

The financial position of the Group remains healthy. As at 31 March 2002, the Group had cash and bank balances and consolidated net asset value of approximately RMB 65 million and RMB 177.5 million respectively. This forms a solid foundation for the Group's forthcoming expansion and development.

FUTURE PROSPECTS

Changlong is well-poised to take advantage of the PRC's entry into the World Trade Organization to expand business. The Group is planning to explore other potential markets to reduce reliance on the PRC market. The Directors believe that there are not only business opportunities, but also keen competitions in the PRC market with a multitude of drug producers. Therefore, the Group plans to introduce Chinese medicine to other potential markets under the brand of Changlong.

Besides exploiting new markets, the Group believes that the PRC market can bring about unlimited business opportunities. Our teams of scientists are the foundation of our technical capability while the professional sales teams are the backbones of our businesses. The Group will continue to strive for excellence with these two pillars and make sure our growth is consistent with the market. The management deeply believes the current success of our operations in the PRC will continue and our profit will keep on growing in the few years ahead.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 March 2002, 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 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Director	Type of interests	Percentage of interest in the Company's share capital	Number of domestic shares
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, as at 31 March 2002, had any interest in any shares or debentures of the Company or any associated corporation as defined in the SDI Ordinance.

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 during the three months ended 31 March 2002.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, 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 share capital of the Company were as follows:

Name	Number of domestic shares	Approximate effective interests in the registered capital of the Company %
Huinan County SAB (<i>Note</i>)	81,975,000	14.63
Zhang Hong	101,925,000	18.19

Note: 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, the substantial shareholders, nor the initial management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any 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 sponsor, Oriental Patron Asia Limited ("Oriental Patron"), as at 31 March 2002, neither Oriental Patron nor its directors or employees or associates had any interests in the share capital of the Company as at 31 March 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 11 May 2001 made between Oriental Patron as the sponsor and the Company, Oriental Patron received fees for acting as the Company's retained sponsor for the period from 24 May 2001 to 31 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 31 March 2002 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

During the three months ended 31 March 2002, neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

Zhang Hong

Chairman

Jilin, the PRC

8 May 2002