



DA XING

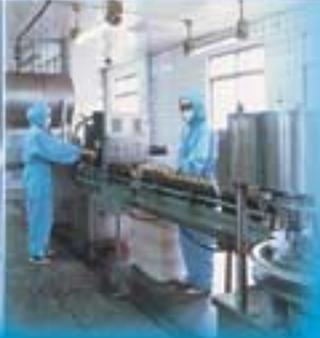
長春達興藥業股份有限公司

Changchun Da Xing Pharmaceutical Company Limited\*

(a joint stock limited company incorporated in the People's Republic of China)



Chinese Medicines



Western Medicines

Changchun Da Xing

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*This report, for which the directors (“the Directors”) of Changchun Da Xing Pharmaceutical Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to Changchun Da Xing Pharmaceutical 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.*

## HIGHLIGHTS

- For the three months ended 31st March, 2003, turnover increased by approximately 3.1% as compared with that for the corresponding period in 2002.
- For the three months ended 31st March, 2003, profit attributable to shareholders increased by approximately 10.2% as compared with that for the corresponding period in 2002.
- For the three months ended 31st March, 2003, earnings per share was RMB1.9 cents.
- The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31st March, 2003.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

The Board of Directors (the “Board”) of Changchun Da Xing Pharmaceutical Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiary (the “Group”) for the three months ended 31st March, 2003 together with comparative unaudited figures for the corresponding period in 2002 as follows:

	<i>Note</i>	<b>Three months ended 31st March,</b>	
		<b>2003 RMB ('000)</b>	<b>2002 RMB ('000)</b>
Turnover	2	20,778	20,153
Cost of sales		(5,061)	(4,291)
Gross Profit		15,717	15,862
Other revenue		213	8
Distribution and selling costs		(2,508)	(2,489)
Administrative expenses		(2,692)	(2,225)
Profit from operations		10,730	11,156
Finance costs		(302)	(127)
Profit before taxation		10,428	11,029
Taxation	3	–	(1,569)
Income before minority interests		10,428	9,460
Minority interests		–	–
Profit attributable to shareholders		10,428	9,460
Earnings per share	4		
– Basic (RMB)		0.019	0.024

## NOTES TO FINANCIAL STATEMENTS

### 1. Basis of preparation

The Company was incorporated as a joint stock limited company in the People's Republic of China (the "PRC") on 27th December, 1993, and its H shares were listed on GEM on 28th June, 2002.

The Company has been principally engaged in the manufacture and sale of Chinese medicines and western medicines in the PRC since its incorporation. It is also engaged in the research and development of Chinese medicines, western medicines and biochemical medicines.

On 17th January, 2003, the Company and its major shareholder, Changchun Kuangcheng Pharmaceutical Factory (長春市寬城製藥廠) invested RMB600,000 and RMB400,000, representing 60% and 40% of the registered capital respectively, to co-found Changchun Zhong Da Healthcare Product Company (長春中大保健品公司). The principal activity of Changchun Zhong Da Healthcare Product Company is production and sale of healthcare medication products and it did not commence its business for the period ended 31st March, 2003.

The principal accounting policies adopted in preparing the unaudited results are the same as the accounting standards issued by the Hong Kong Society of Accountants.

### 2. Turnover

Turnover comprises the invoiced value of merchandise sold net of value added tax and after allowances for returns and discounts.

The Group's turnover and operating profit are entirely derived from the PRC on the sales of pharmaceutical products. Accordingly, no analysis by business or geographical segment is provided.

### 3. Taxation

PRC income tax is computed according to the relevant laws and regulations in the PRC. Since the year ended 31st December, 2000, the Company has been qualified as a High and New Technology Enterprise as defined by the Changchun City Science and Technology Committee and its applicable tax rate has been accordingly reduced from 33% to 15%. Also, as the Company was registered as a Sino-Foreign joint stock limited company on 20th December, 2002, it is exempted from income tax for two years starting from year ended 31st December, 2003, its first profit-making year after the registration, followed by a 50% reduction of income tax for the next three years. The subsidiary, Changchun Zhong Da Healthcare Product Company (長春中大保健品公司) had not commenced its business during the period. Thus it had no assessable profits and hence no PRC income tax was provided for the period ended 31st March, 2003.

### 4. Earnings per share

The calculation of the basic earnings per share for the three months ended 31st March, 2003 is based on the unaudited profit attributable to shareholders for the period of RMB10,428,000 (2002: RMB9,460,000) and on the weighted average number of shares of approximately 561,000,000 shares (2002: 400,000,000 shares) in issue during the period.

No diluted earnings per share is calculated for the three months ended 31st March, 2003 as there were no dilutive events during this period (2002: Nil).

## 5. Reserves

	Share premium RMB ('000)	Retained profits RMB ('000)	PRC statutory funds Statutory surplus reserve RMB ('000)	Staff public welfare fund RMB ('000)	Total RMB ('000)
As at 1st January, 2002	7,668	32,192	6,439	3,209	49,508
Profit for the period	–	9,460	–	–	9,460
Transfer to statutory funds	–	(1,419)	946	473	–
<b>As at 31st March, 2002</b>	<b>7,668</b>	<b>40,233</b>	<b>7,385</b>	<b>3,682</b>	<b>58,968</b>
As at 1st January, 2003	53,581	62,833	9,124	4,552	130,090
Profit for the period	–	10,428	–	–	10,428
Transfer to statutory funds	–	(1,655)	1,103	552	–
<b>As at 31st March, 2003</b>	<b>53,581</b>	<b>71,606</b>	<b>10,227</b>	<b>5,104</b>	<b>140,518</b>

## 6. Dividend

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31st March, 2003 (2002: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Operating results**

During the period, "To give priority to the market" was still the Group's major operating principle, and as all staff had been struggling to work as always, the Group had achieved a steady growth in the result. For the three months ended 31st March 2003, sales revenue reached RMB20,778,000, and profit attributable to shareholders amounted to RMB10,428,000, represented an increase of 3.1% and 10.2% respectively over the corresponding period in last year. The basic earnings per share was RMB1.9 cents (2002: RMB2.4 cents).

### **Research and development on new medicine and medicine-related business**

In the period under review, the Group continued to conduct investigation and analysis on the three projects under research, which included Urinary trypsin inhibitor (注射用尿胰蛋白酶抑制劑), Umbro-dinase enzyme injection (注射用蚓激酶) and Lijie tablets (歷節片) as well as six new projects, which included Xueshuantong Luhua Zhusheyue (血栓通氯化鈉注射液), Xuesaitong Luhua Zhusheyue (血塞通氯化鈉注射液), Matrine and glucose injection (苦參碱葡萄糖注射液), Matrine and sodium chloride injectin (苦參碱氯化鈉注射液), raw materials and pharmaceuticals of Astragaloside (黃芪皂苷原料及制劑注射液) and Hydrochloric Azasetron sodium chloride injection (鹽酸阿扎司琼氯化鈉注射液). The Board expects that all the above projects can be completed as scheduled, and will bring a beneficial result to the Group.

In January 2003, the Company and Changchun Kuancheng Pharmaceutical Factory (長春市寬城製藥廠) invested RMB600,000 and RMB400,000, representing 60% and 40% of the registered capital respectively, to co-found Changchun Zhong Da Healthcare Product Company (長春中大保健品公司). To which Fu Li Kang capsule (複力康膠囊), a newly developed healthcare product of the Company, was injected by the Company. This can strengthen the Group's competitiveness in the international market, especially for healthcare products.

Besides, on account of the SARS (Severe Acute Respiratory Syndrome) has been widely spread in most cities in the PRC recently, the Group will launch two western medicines which are Trochisci Ribavirini (三氮唑核苷含片) and Flulonazole injection (氟康唑注射液) and two Chinese medicines which are Fu Li Kang capsule (複力康膠囊) and Dan Ting cardiopulmonary tablets (丹葶肺心顆粒), so as to boost up people's immune function against the virus. Production approvals have been granted for the two western medicines and being applied for the two Chinese medicines.

## **GMP reorganisation project**

The GMP reorganisation project was still in progress in the period under review. It is expected that the project will be completed at the end of October 2003 and attain GMP certification at the end of December 2003.

## **Financial position**

As at 31st March, 2003, the Group's cash and bank balances and short term bank loans were approximately RMB98,983,000 and RMB20,000,000 respectively. The Board believes that the current financial position is adequate for the Group's continual operation and development.

## **Prospects**

On top of its existing well-known products, like Jing Tong Ling, Fu Jie Shu capsules and Xiedali calcium carbonate tablets, etc., and the projects under research, the Group will continue to identify suitable hospitals and research institute for joint development of new products with good curative effect, high technology, added value and private ownership. To capitalize on the production lines with GMP standard, which is being completed shortly, the Group will be able to further manufacture quality products efficiently and also, consolidating the GMP recognition.

The Board believes that the products which will be granted the new medicine certificate and production approvals, such as Yushi cardiopulmonary tablets (魚石肺心顆粒), Mentrionidazole injection (單硝酸異山梨酯注射液), Matrine and glucose injection (苦參碱葡萄糖注射液), Matrine and sodium chloride injectin (苦參碱氯化鈉注射液), will enhance the Group's performance enormously and contribute a high return to the shareholders.

Meanwhile, in order to have an adequate preparation for launching products into the international market and a better base for development of the local market, the Group will put more effort on the product promotion activities and sales team training and recruitment.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31st March, 2003, the beneficial interests of the Company's directors, supervisors and their respective associates in the share capital of the Company which will be required pursuant to section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") to be entered in the register referred to therein or which 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:

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest
	Number of shares (Note)	Number of shares	Number of shares	Number of shares
Feng Zhen Wen	220,000	—	—	—
Lu De Yi	100,000	—	—	—
Li Xiu Jie	100,000	—	—	—
Yu Cheng Kun	60,000	—	—	—
Guo Bin	50,000	—	—	—
Wu Tie Min	50,000	—	—	—
Xu Feng Ying	50,000	—	—	—
Wang Ting Jun	50,000	—	—	—

*Note: All are domestic shares*

Except as disclosed above, as at 31st March, 2003, none of the Company's directors, supervisors and their respective associates holds any interests of the Company. None of the Company's directors or supervisors or their spouses or children under the age of 18 had been offered or exercised any rights to subscribe for the shares of the Company and its associated corporation (within the meaning of the SDI Ordinance).

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of shareholding
Changchun Kuangcheng Pharmaceutical Factory	172,000,000 (note)	30.66%

*Note: All are domestic shares*

Save as disclosed above, as far as the Company awares, as at 31st March, 2003, no person had registered an interest of 10% or more in the share capital of the Company.

## **COMPETING INTERESTS**

As at 31st March, 2003, none of the directors or management shareholders (as defined in GEM Listing Rules) of the Company had any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

## **SPONSORS' INTERESTS**

Pursuant to the agreement dated 20th June, 2002 entered into between the Company and CSC Asia Limited ("CSC Asia"), for the purpose of Chapter 6 of the GEM Listing Rules, CSC Asia was retained as Company's sponsor during the period between 28th June, 2002 (date of listing) to 31st December, 2004.

As at 31st March, 2003, neither CSC Asia, its directors, employees or their respective associates had any interest in the Company's securities nor has any rights to subscribe for or to nominate persons to subscribe for securities of the Company.

## **COMPLIANCE OF RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures since the listing of its shares on 28th June, 2002.

## **PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES**

For the period ended 31st March, 2003, the Company and its subsidiary did not purchase, dispose of or redeem any of the listed shares of the Company.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The quarterly results of the Group for the three months ended 31st March, 2003 have been reviewed by the audit committee, who were of the opinion that such results were prepared in accordance with the applicable accounting standards and requirements, and that adequate disclosures had been made.

By order of the Board  
**Feng Zhen Wen**  
*Chairman*

Jilin Province, the PRC, 13th May, 2003