



DA XING

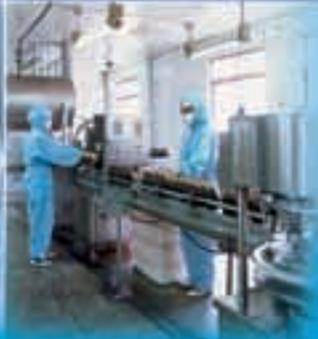
長春達興藥業股份有限公司

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

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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.*

## CONDENSED 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 nine months ended 30th September, 2003 together with comparative unaudited figures for the corresponding period in 2002 as follows:

	Notes	Nine months ended 30th September,		Three months ended 30th September,	
		2003 RMB('000)	2002 RMB('000)	2003 RMB('000)	2002 RMB('000)
Turnover	2	51,703	55,176	15,820	16,682
Cost of Sales		(13,293)	(12,947)	(4,126)	(4,158)
Gross profit		38,410	42,229	11,694	12,524
Other revenue		342	2,092	190	253
Distribution and selling expenses		(8,815)	(7,876)	(2,848)	(3,140)
Administrative expenses		(6,255)	(4,856)	(1,391)	(1,548)
Profit from operations		23,682	31,589	7,645	8,089
Finance costs		(1,415)	(319)	(812)	(96)
Profit before taxation		22,267	31,270	6,833	7,993
Taxation	3	–	(4,395)	–	(1,193)
Profit before minority interests		22,267	26,875	6,833	6,800
Minority interests		30	–	–	–
Net profit for the period		22,297	26,875	6,833	6,800
Earnings per share	4				
– Basic		4.0 cents	5.9 cents	1.2 cents	1.2 cents

## NOTES

### 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.

On 19th July, 2002, the over-allotment option was exercised and the Company accordingly allotted and issued 21,000,000 new H shares, which were listed on GEM on 23rd July, 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).

This interim financial statements has been prepared in accordance with GEM Listing Rules of the Stock Exchange and the Statements of Standard Accounting Practice No. 2.125 "Interim Financial Reporting" 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.

### 4. Earnings per share

The calculation of the basic earnings per share for the three months ended 30th September, 2003 is based on the unaudited net profit for the period of RMB6,833,000 (2002: RMB6,800,000) and on the weighted average number of shares of approximately 561,000,000 shares (2002: 556,891,304 shares) in issue during the period.

The calculation of the basic earnings per share for the nine months ended 30th September, 2003 is based on the unaudited net profit for the period of RMB22,297,000 (2002: 26,875,000) and on the weighted average number of shares of approximately 561,000,000 shares (2002: 454,410,256 shares) in issue during the period.

## 5. Reserves

	Retained profits RMB('000)	Share premium RMB('000)	PRC statutory funds		Total RMB('000)
			Statutory surplus reserve RMB('000)	Staff public welfare fund RMB('000)	
Balance as at 1st January, 2002	32,192	7,668	6,439	3,209	49,508
Profit for the period	26,875	–	–	–	26,875
Increase in share premium from new issue of new H shares on 28th June, 2002	–	52,780	–	–	52,780
Increase in share premium from issue of Over-allotment shares on 23rd July, 2002	–	7,901	–	–	7,901
Share issuing costs	–	(14,452)	–	–	(14,452)
Transfer to statutory funds	(4,031)	–	2,688	1,343	–
<b>Balance as at 30th September, 2002</b>	<b>55,036</b>	<b>53,897</b>	<b>9,127</b>	<b>4,552</b>	<b>122,612</b>
Balance as at 1st January, 2003	62,833	53,581	9,124	4,552	186,190
Profit for the period	22,297	–	–	–	22,297
Transfer to statutory funds	(3,851)	–	2,567	1,284	–
<b>Balance as at 30th September, 2003</b>	<b>81,279</b>	<b>53,581</b>	<b>11,691</b>	<b>5,836</b>	<b>208,487</b>

## **Interim Dividend**

The Board does not recommend the payment of any interim dividend in respect of the nine months ended 30th September, 2003 (2002: Nil).

## **OPERATING RESULTS**

For the nine months ended 30th September, 2003, the Group recorded a turnover of RMB51,703,000, an approximately 6.3% decrease as compared with that for the corresponding period in 2002. The net profit for the period was RMB22,297,000, an approximately 17% decrease as compared with that for the corresponding period in 2002. Basic earnings per share were RMB4.0 cents.

## **BUSINESS REVIEW**

Due to the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the suspension of production in workshop for capsules which needed to be regulated for matching up the GMP reorganisation, the sales and profit of the Group dropped in the period under review. Besides, as packing material with superior quality was used intended to further penetrate to different markets, the cost of sales had increased correspondingly. Meanwhile, a large number of advertisements had been placed in different media such as television, radio and newspaper in Shaanxi Province, Zhejiang Province and Jilin Province, in addition to a series of promotion campaign was held in Chengdu, Changchun and Dalian, all these events had made the distribution and selling expenses increase considerably. Nevertheless, the Directors believe that these expenditures will bring good economic result to the Group.

## **Market Development**

For further expansion of the business and strengthening the Company's favorable position in the market, the Company had established a sales office in Sichuan in July 2003 as well as recruited nine more salesmen in the period under review so as to develop the market, especially those in Western China, efficiently.

## Research and development in new medicine

The production approval for Dan Ting cardiopulmonary tablets (丹葶肺心顆粒) (formerly known as Yushi cardiopulmonary tablets (魚石肺心顆粒)) had been granted by the State Food and Drugs Administration of the PRC in August, 2003. Dan Ting cardiopulmonary tablets, a state class 3 new Chinese medicine which is applicable to clear away heat and eliminate the phlegm, relieve cough and asthma, and cure chronic lung-derivative heart disease at acute stage, will be launched to the market in November, 2003. Promotion activities for which has been being arranged and based on its unique therapeutical effects, the Directors believe that this new medicine will become another main source of revenue of the Group. Besides, the development and registration for other new medicine such as Urinary trypsin inhibitor (注射用尿胰蛋白酶抑制劑), Umbro-dinase enzyme injection (注射用蚓激酶), Lijie tablets (歷詳片), Xueshuantong Luhuana Zhushuye (血栓通氯化鈉注射液), Xuesaitong Luhuana Zhushuye (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 injection (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) were being proceeded as scheduled.

## GMP reorganisation project

The GMP reorganisation project for the new plant in the Changchun High and New Technology Industrial Development Zone was still in progress. The interior and exterior decoration for the production workshops and office tower had been substantially completed and part of the newly purchased machinery was being installed and regulated. The project is expected to be finished by the end of December 2003 and GMP certification will be attained. As a result of the completion of the GMP reorganisation project, the Group's productivity and competitiveness will be highly enhanced.

## Prospects

On the foundation of the modern scientific management, constantly development and the best effort made, the Group will enhance the brand image and obtain a greater market share in both the domestic and overseas market by advertising the products through various media and promotion activities.

Through constant development on new medicine, the Group will have new products launching to the market continually in the coming three to five years to further strengthen its market position. Simultaneously, the management will put much more effort on the cost control in order to increase the Group's profitability.

## Disclosure of Directors' and supervisors' interest in shares

As at 30th September, 2003, the interests and short position of the Directors and the Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

### Long positions in shares

Name	Type of interest	Capacity	Number of shares (Note)	Percentage of domestic shares	Percentage of total registered share capital
Feng Zhen Wen	Personal	Beneficial owner	220,000	0.055%	0.039%
Lu De Yi	Personal	Beneficial owner	100,000	0.025%	0.018%
Li Xiu Jie	Personal	Beneficial owner	100,000	0.025%	0.018%
Yu Cheng Kun	Personal	Beneficial owner	60,000	0.015%	0.011%
Guo Bin	Personal	Beneficial owner	50,000	0.013%	0.009%
Wu Tie Min	Personal	Beneficial owner	50,000	0.013%	0.009%
Xu Feng Ying	Personal	Beneficial owner	50,000	0.013%	0.009%
Wang Ting Jun	Personal	Beneficial owner	50,000	0.013%	0.009%

Note: All are domestic shares

Save as disclosed above, as at 30th September, 2003, none of the Directors and the Supervisors of the Company has any short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

## Substantial Shareholders

As at 30th September, 2003, the following persons had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long position in shares

Name	Capacity	Number of shares held (Note)	Percentage of domestic shares	Percentage of total registered share capital
Changchun Kuangcheng Pharmaceutical Factory	Beneficial owner	172,000,000	43.00%	30.66%
Li Yu Ming	Beneficial owner	41,600,000	10.40%	7.42%
Hu Yong	Beneficial owner	35,400,000	8.85%	6.31%
Gao Wei	Beneficial owner	31,000,000	7.75%	5.53%
Wang Jun	Beneficial owner	30,000,000	7.50%	5.35%

Note: All are domestic shares

Save as disclosed above, as at 30th September, 2003, the Directors were not aware of any other person who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## COMPETING INTERESTS

As at 30th September, 2003, none of the director or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

## 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 to 31st December, 2004.

As at 30th September, 2003, neither CSC Asia, its directors, employees or their respective associates has 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 30th September, 2003, the Company did not purchase, dispose of or redeem any of the its listed shares.

## **AUDIT COMMITTEE**

The Company established an audit committee ("Audit Committee") on 8th February, 2002 with its written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company. The Audit Committee comprises two independent non-executive directors and one executive director. Six meetings have been convened since the establishment of the audit committee.

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

Jilin Province, the PRC, 13th November, 2003