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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)
(Stock Code :8067)

**RESIGNATION OF CHAIRMAN, EXECUTIVE DIRECTOR,
NON-EXECUTIVE DIRECTOR AND
INDEPENDENT NON-EXECUTIVE DIRECTOR**

Ms. Qu Lian Qin has tendered her resignation as Chairwoman and executive director of the Company with effect from 5 December 2006.

Mr. Yu Chen Kun, Mr. Lu De Yi, Mr. Guo Bin and Mr. Zhang Dong Hai have tendered their resignation as executive director of the Company with effect from 5 December 2006.

Mr. Dong Guo Zhi has tendered his resignation as non-executive director of the Company with effect from 5 December 2006.

Mr. Shi Jie, Mr. Sun Xiao Bo and Mr. Zhang Zhong Sheng have tendered their resignation as independent non-executive director of the Company with effect from 5 December 2006.

Trading in shares of the Company was suspended effective from 28 July 2005 and remains suspended until further notice.

The current directors of Changchun Da Xing Pharmaceutical Company Limited (the “Company”) were elected by the shareholders in the shareholders meeting on June 28, 2005. From June 28, 2005 to October 30, 2006, the Company has gone through a series of events, including the arrest of former Chairman, Mr. Feng Zhen Wen and former CFO, Ms. Li Xiu Jie, due to their suspicious crime of faking financial data and appropriation of company’s assets to their personal accounts, the suspension of trading of the Company’s stock due to inability to disclose financials on time, prosecution by the creditors and auction of the Company’s assets. The current board of directors has tried their best to bring the Company to

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normal operation, and to minimize the shareholder's loss, however, this can not be achieved because of the extremely large ratio of liability/asset the Company has. Now, Ms. Qu Lian Qin and the other 8 directors have decided to resign from their directors positions. Following is a detailed explanation to the material events the Company has gone through recently.

1. **About former Chairman, Mr. Feng Zhen Wen and former CFO, Ms. Li Xiu Jie.** Mr. Feng and Ms. Li were arrested on September, 2005 due to their suspicious crime of faking financial data and appropriation of company's assets to their personal accounts. The police started investigation of the crime since their arrest, and until October 2006, the police have found an apartment home worth 500,000 RMB under Mr. Feng's name, which the police believe it is purchased using the Company's money, the police have also found cash in Ms. Li's account of 4,950,000 RMB, which the police believe it is transferred from the Company's account. The assets the policed found under Mr. Feng and Ms. Li's name were used towards the upgrade of the liquid product manufacturing plant in order to meet GMP examination and to pay part of the debt, some were also reserved for normal operation. The crime is still being investigated by the police and the procuratorate.
2. **Financials.** Discovered by the police, before the resignation of the former Chairman, Mr. Feng Zhen Wen, he instructed the accounting staff to fake the Company's accounting records, and to destroy the true records. After the current board of directors was elected by the shareholders, the board found it is unable to disclose the financials because all accounting records were fake, the Company's stock trading was also suspended because of inability to disclose financials on time. And the Company can not merge with or being acquired by other entities because no true account records can be found. The board can only try to maintain daily operation while restore the accounting records. With the help of auditors from police department, the Company's financials are finally discovered (approximation only) on August 2006, which are, by the end of 2005, the Company's total assets is 106,750,000 RMB, total liabilities is 190,940,000 RMB, net assets is -84,190,000 RMB, debt-equity ratio is 178.9%. The Company's unappropriated net income is -213,970,000 RMB (accrued).
3. **Operations.** In the first half of 2005, the Company has almost ceased operation because of lack of current assets, this has resulted the absent of the Company's product in the market; the creditors prosecuted the Company because the Company's inability to pay the debt on time. As of June 28, 2005 (the date the current directors were elected), almost all of the Company's assets are seized by the court, and all of the Company's bank account are seized by the court, there was not a single penny the board can use to maintain the operation. In the last 16 months, the current directors have tried their best to maintain the Company's operation with their own money, only to make sure that when the accounting records are restored, the Company is still worth to be considered by other entities for merge or acquisition. However, while the directors putting their own money into the Company, many of the new accounts they opened are seized by the court, and the new products manufactured are also being seized by the court. In the last year, the current directors and managements have gone through many difficulties to maintain the operation, and completed the

upgrade of a manufacturing plant in order to meet GMP examination, so that some products will not be seized by SFDA; the Company also signed a contract with one of the country's largest distributor, Jiu Zhou Tong, to distribute its key product, Jing Tong Ling, so that the product can maintain its market share; The Company's employees and customers are also inspired by the management's hard work.

- 4. Restructuring and Auction of Assets.** The current directors, after being elected, actively sought opportunities to restructure the Company, however, because the accounting records were destroyed, there was no way to restructure. On October 2006 when the accounting records were partially restored, the management found that the debt-equity ratio was too high to attract any company for restructuring. At the same time, the court ordered an auction because of the prosecution by the Bank of Communications and an individual named Zhu Zhen Zhong. The Company borrowed 20,000,000 RMB and 15,000,000 RMB from Bank of Communications in January 2004 and June 2004, total borrowing was 35,000,000 RMB, the maturity date was January 2005, the Company paid total of 4,030,000 RMB on the maturity date, and has no ability to pay the rest 30,970,000 RMB, the lender has extended the maturity date to April 2005, however, the Company still could not pay the debt, the total unpaid debt plus interest from Bank of Communications was 34,370,000 RMB, the Bank of Communications prosecuted the Company on June 8, 2005 with the Supreme Court of Jilin Province, the court then seized all of the Company's land and structures attached on, with the worth of 45,190,000 RMB; on April, 2004, the Company borrowed 8,000,000 RMB from an individual named Zhu Zhen Zhong with an annual interest of 10%, the maturity date was April 2005, the Company was unable to pay back, Mr. Zhu Zhen Zhong prosecuted the Company on May 19, 2005 with Middle Court of Changchun, at the time of prosecution, the total loan and interest owed to Mr. Zhu was 8,850,000 RMB, the court seized all the equipment in the manufacturing plant in High-Tech development area. The two prosecutions mentioned above were ordered to be executed on September 2006, both the Supreme Court of Jilin Province and the Middle Court of Changchun had asked Changling county court to execute on behalf of these two courts. Changling county court ordered a public auction for the seized assets on September 11, 2006, however the auction ended without any bids, another auction was ordered on October 13, and ended without any bids too, the final auction was ordered on October 30, in the auction, the Company's land at 655 Chuangju Street, all buildings attached on, and all equipments at that site were sold to an individual named Pan Yi Hang at the price of 34,800,000 RMB. The income of the auction were collected by the court, and paid to the Bank of Communications and Mr. Zhu Zhen Zhong.

The board of directors would like to announce to all shareholders of the Company, that, the Company was at the edge of death before June 28, 2005, because of the crime of former Chairman, Mr. Feng Zhen Wen and former CFO, Ms. Li Xiu Jie mentioned above. The current directors and managements tried their best to save the Company, even putting their own money to maintain the operation, however, due to the

difficulties, the board is unable to change the situation. We regret to announce that the directors, Ms. Qu Lian Qin, Mr. Dong Guo Zhi, Mr. Zhang Dong Hai, Mr. Yu Cheng Kun, Mr. Lu De Yi, Mr. Guo Bin, Mr. Sun Xiao Bo, Mr. Yang Shi jie and Mr. Zhang Zong Sheng are now resigned from their positions.

The Company announces that Mr. Guo Gan is appointed legal representative of the company by the board.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:00 a.m. on 28 July 2005 and will remain suspended until further notice.

By order of the Board
Changchun Da Xing Pharmaceutical Company Limited
Qu Lian Qin
Director

Changchun, the PRC, 8 December 2006

As at the date of this announcement, the Board comprises five executive directors, being Qu Lian Qin, Yu Chen Kun, Lu De Yi, Guo Bin and Zhang Dong Hai; a non-executive director, Dong Guo Zhi; and three independent non-executive directors, being Yang Shi Jie, Sun Xiao Bo and Zhang Zhong Sheng.

This announcement, for which the directors of Changchun Da Xing Pharmaceutical Company Limited 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 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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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