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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2003

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This announcement, for which the directors ("Directors") of Changchun Da Xing Pharmaceutical Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with 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 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.

* *For identification only*

HIGHLIGHTS

- For the year ended 31st December, 2003, the Group's turnover amounted to RMB64,730,000, representing a decrease of 9.1% over that of the corresponding period last year.
- For the year ended 31st December, 2003, the Group's profit attributable to shareholders amounted to RMB21,334,000, representing a decrease of 38.5% over that of the same period last year.
- The Group's earnings per share was RMB3.8 cents (2002: RMB7.2 cents).
- The Board recommends a final cash dividend of RMB0.5 cent per share (2002: Nil).

ANNUAL RESULTS

The Board is pleased to announce the audited results of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2003 together with the comparative figures for the corresponding period in the last financial year as follows:

Consolidated Income Statement

For the year ended 31st December, 2003
(Expressed in Renminbi)

	Note	**2003** ***RMB'000***	2002 *RMB'000*
Turnover	*2*	**64,730**	71,220
Cost of sales		**(17,921)**	(17,078)
Gross profit		**46,809**	54,142
Other revenue		**748**	7,928
Distribution and selling costs		**(10,856)**	(14,144)
Administrative expenses		**(12,869)**	(7,977)
Profit from operations		**23,832**	39,949
Finance costs		**(2,512)**	(549)
Profit before taxation	*3*	**21,320**	39,400
Taxation	*4*	**–**	(4,731)
Profit after taxation		**21,320**	34,669
Minority interest		**14**	–
Profit attributable to shareholders		**21,334**	34,669
Dividends – final proposed	*5*	**2,805**	–
Earnings per share – Basic (RMB)	*6*	**0.038**	0.072

Notes to the Financial Statements

(Expressed in Renminbi)

1. Organisation and operations

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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 28th June, 2002. On 19th July, 2002, the over-allotment option was exercised and the new H shares were listed on the GEM on 23rd July, 2002.

The Company is principally engaged in the manufacture and sale of chinese medicines and western medicines in the PRC. It is also engaged in the research and development of chinese medicines, western medicines and bio-chemical medicines.

On 17th January, 2003, the Company set up a new company in the PRC, Changchun Zhong Da Healthcare Product Company Limited (長春中大保健品有限公司) with one of its major shareholders, Changchun Kuancheng Pharmaceutical Factory (長春市寬城制藥廠). The new company is 60% owned by the Company and 40% by 長春市寬城制藥廠. The principal activity of the new company is production of healthcare medication products which will not compete with the existing products produced by the Company.

The Financial Statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations 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. Profit before taxation

	2003	2002
	RMB'000	*RMB'000*
Profit before taxation is arrived at after charging:–		
Interest expenses on bank loans repayable within five years	**2,512**	549
Auditors' remuneration:–		
Current year	**403**	403
Under provision in prior year	**150**	–
Depreciation	**1,773**	2,031
Loss on disposal of property, plant and equipment	**–**	65
Provision for bad and doubtful debts	**3,412**	–
Cost of inventories	**17,725**	17,956
Provision for obsolete inventories	**196**	–
Staff costs (excluding directors' emoluments):–		
Salaries and allowance	**4,364**	4,388
Pension fund contributions	**717**	1,005
Housing fund	**11**	33
and after crediting:–		
Bank interest income	**838**	384
Write back of provision for bad and doubtful debts	**–**	5,700
Write back of provision for obsolete inventories	**–**	878

4. Taxation

	2003	2002
	RMB'000	*RMB'000*
The charge comprises:–		
PRC income tax	**–**	4,731

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 Limited (長春中大保健品有限公司) had not commenced business during the year. Thus, it had no assessable profits and hence no PRC income tax was provided for the year ended 31st December, 2003.

The taxation charge for the year can be reconciled to the profit as stated in the financial statements as follows:

	2003	2002
	RMB'000	*RMB'000*
Profit before taxation	**21,320**	39,400
Taxation calculated at PRC profits tax of 33% (2002: 33%)	**7,036**	13,002
Tax effect of tax exemption/reduction of income tax under preferential tax treatment	**(8,227)**	(5,600)
Tax effect of non-taxable item	**–**	(2,735)
Tax effect of expenses not deductible for taxation purposes	**1,191**	–
Others	**–**	64
Taxation for the year	**–**	4,731

5. Dividends

Dividend proposed after year end

	2003	2002
	RMB'000	*RMB'000*
– Final dividend of RMB0.5 cent (2002: Nil) per domestic and H share	**2,805**	–

At a meeting held on 18th March, 2004, the directors proposed a final dividend of RMB0.5 cent per domestic and H share. This proposed dividend has not been included as a liability but reflected as an appropriation of retained earnings in these financial statements.

6. Earnings per share

The calculation of the earnings per share for the year ended 31st December, 2003 is based on the profit attributable to shareholders of approximately RMB21,334,000 (2002: RMB34,669,000) on the weighted average number of shares approximately 561,000,000 (2002: 481,276,712 shares). Diluted earnings per share is not presented as there were no dilutive potential shares in existence during the year ended 31st December, 2003 (2002: Nil).

7. Reserves

					PRC statutory funds		
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Retained profits** *RMB'000*	**Proposed dividend** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Staff public welfare fund** *RMB'000*	**Total** *RMB'000*
Balance as at 31st December, 2001	40,000	7,668	32,192	–	6,439	3,209	89,508
Net profit for the year	–	–	34,669	–	–	–	34,669
Transfer to statutory funds	–	–	(4,028)	–	2,685	1,343	–
Issue of share capital	16,100	60,697	–	–	–	–	76,797
Share issue expenses	–	(14,784)	–	–	–		(14,784)
Balance as at 31st December, 2002	56,100	53,581	62,833	–	9,124	4,552	186,190
Net profit for the year	–	–	21,334	–	–	–	21,334
Transfer to statutory funds	–	–	(4,412)	–	2,941	1,471	–
Proposed dividend	–	–	(2,805)	2,805	–	–	–
Balance as at 31st December, 2003	56,100	53,581	76,950	2,805	12,065	6,023	207,524

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31st December, 2003, the Group's turnover was RMB64,730,000, 9.1% lower than that of last year, and the profit attributable to shareholders was RMB21,334,000, 38.5% lower than that of last year.

Starting from April 2003, owing to the outbreak of SARS, there was a significant decrease in the number of people visiting outpatient departments of hospitals of all levels in most of the provinces and cities in the PRC. The sales of products not related to SARS in retail drug-stores was also greatly affected; causing a severe blow to the market sales order. Changchun City was one of the most epidemically afflicted areas where flow of people was curtailed. Salesmen of the Company traveling to their respective business regions were subject to mandatory isolation for observation, which seriously jeopardized the business interface with the customers. As such, the sales turnover and business efficacy of the Group was impaired. On the other hand, the GMP accreditation, to a certain extent, has also affected the sales volume of the year.

The development of the Group has entered into an important stage in 2003. Facing keen market competition, the Group insisted in raising its high-tech capability on all fronts and focused on the work of GMP accreditation. Such initiatives have built up a platform conducive to the continued rapid growth in the years ahead.

A modernized pharmaceutical base has completed

The Company has, since its incorporation in 1993 and after a decade of business venture in fierce market competition, developed into a business entity that operates independently and assumes responsibility for its own profit and loss, representing a business direction characterized by self-accumulation and self-development.

The newly built plant, in full compliance with GMP standard, is situated in Changchun High and New Technology Industrial Development Zone with a total area of 30,000 square meters and a gross floor area of 22,000 square meters. The plant comprises 5 production lines of Jing Tong Ling (頸痛靈), solid medicines (固體製劑), soft capsules (軟膠丸), Chinese medicine extractions (中藥提取)and biochemical medicine (生化製劑). All the production equipment and ancillary facilities there adopt state-of-the-art models and technologies in China and fundamentally enhance the Group's overall technological capability in producing products with a high-tech component. The scope of production is expanded with the addition of medicinal tea (茶劑), herbal cutting (中藥飲片) and freeze-dry powder for injection (凍乾粉針) and the production capability of multi-item and multi-prescription products is further augmented. These had laid a solid foundation for the Group to expand its production scale, reduce its production costs and promote its economic efficacy.

The newly built plant is equipped with its own electricity and water supply system to ensure normal production processes of medicines, particularly biochemical medicine and to avoid losses incurred as a result of abnormal factors, accomplishing efficient, automated and programmable management of network-monitoring, automatic alarming and other basic functionalities.

A powerhouse for development of high-tech enterprise has taken shape

The fundamental social function of an enterprise is to provide society with products that meet demands for sustaining growth, with an aim to achieve maximization of profits. Therefore, the products of an enterprise not only reflect the social functions of the enterprise, but in the end also realize the business efficacy of the enterprise and determine whether it can take on rapid development. After a decade of untiring exploration and accumulation, the Group has developed a number of sophisticated high-tech products, and has obtained the state's Certificates of New Medicine and production approvals for Dan Ting cardiopulmonary tablets (丹葶肺心顆粒) and Metronidazole injection (單硝酸異山梨酯注射液) in 2003.

Dan Ting cardiopulmonary tablets (丹葶肺心顆粒) is the first pure Chinese medicine compound approved for production by the State Food and Drug Administration to treat chronic pulmonary heart disease (慢性肺原性心臟病), one of the common cardiopulmonary diseases in our country. The success in the R&D of Dan Ting cardiopulmonary tablets (丹葶肺心顆粒) signifies the breakthrough in the field of pulmonary heart disease treatment in the country, and demonstrates the merits of Chinese medicine treatment in respect of this disease, improves clinical curative effect and overcomes undesirable curative effect and toxic side-effects resulting from pure Western medicine treatment. Additionally, Dan Ting cardiopulmonary tablets (丹葶肺心顆粒) is a good treatment for coughs caused by common cold (i.e. acute and chronic trachiitis) and improve lung function.

Umbro-dinase enzyme injection (注射用蚓激酶), a state class new medicine, has been awarded the state clinical approval and related clinical research is about to commence.

Urinary trypsin inhibitor (注射用尿胰蛋白酶抑制劑), a state class new medicine, has completed its clinical research and has reached the conclusion stage, pending the issuance of the state's Certificates of New Medicine and approval for production.

Xueshuantong Luhuana Zhusheye (血栓通氯化鈉注射液) and Xuesaitong Luhuana Zhusheye (血塞通氯化鈉注射液), two items of state-class 4 new medicine, are pending clinical research approval from the State Food and Drug Administration.

Matrine and Glucose Injection (苦參碱葡萄糖注射液) is pending the issuance of Certificate of New medicine and approval for production from State Food and Drug Administration.

The supplemental materials of Matrine and Sodium Chloride Injection (苦參碱氯化鈉注射液) is under preparation for submission.

Hydrochloric Azasetron Sodium Chloride Injection (鹽酸阿扎司瓊氯化納) is pending the issuance of Certificate of New Medicine and approval for production from State Food and Drug Administration.

Xin Ning Ling for Injection (注射用新凝靈) (二乙酰氨乙酸乙二胺) is a new product to be developed by the Company in 2004, the pharmacodynamics of which are: (1) inhibits plasminogen activator (纖溶酶激活物) such that plasminogen cannot be activated into Plasmin to block the dissolution of fibrinolysin (纖維蛋白) for purpose of haemostasis; (2) facilitates the release of active substance from plastocyte (血小板) to increase its cohesion and adhesiveness, such that the staunch-time is reduced for purpose of haemostasis; (3) strengthens the stamina of blood capillaries to decrease their permeability and stop bleeding. Toxicity test of the product indicates that the related LD_{50} of intravenous injection of white mouse is 683.3mg/kg, and that it is safe for use with low toxicity.

Bleeding is a common clinical phenomenon and endangers the life of the patient if his bleeding is not stopped timely. Hence, styptics are of large and wide clinical application. Xin Ning Ling for Injection (注射用新凝靈) (二乙酰氨乙酸乙二胺) is conducive to the prevention and treatment of various kinds of bleeding , namely, operation bleeding, surgery bleeding, respiratory-tract bleeding, facial features bleeding, gynaecology bleeding, haemorrhoids bleeding, urinary-tract bleeding, cancer-related bleeding and cranium bleeding.

Currently, the raw materials of the above-mentioned medicines are already being produced in the country and only domestically produced injection type of the medicine is being sold in the market. However, they are of poor stability and unable to satisfy clinical prescription demand. To facilitate clinical prescription and to enhance the stability of the medicine, the Group has newly built a GMP-standard production line of freeze-dry powder for injection (凍乾粉針) and developed the Xin Ning Ling for Injection (注射用新凝靈) (二乙酰氨乙酸乙二胺) (0.2g/shot), which is free of shortcomings of small fluid injections, which are easy to get damaged and polluted.

Years of clinical application show that Ethylenediamine Diaceturate (二乙酰氨乙酸乙二胺) is of excellent haemostatic effect, but no freeze-dry powder for injection type is approved for production. For this reason, the R&D of Xin Ning Ling for Injection (注射用新凝靈) (二乙酰氨乙酸乙二胺) is of clinical significance.

It is expected that, in the years to come, the Company will carry through a "three-three" policy, that is, for the coming three years there will be no less than three products a year put to market, so as to put on reserve sufficient drive for the development of the Company.

Robust and integrated nationwide sales network has been consolidated

To further develop the market in 2003, the Group started with the integration of human resources by recruiting, both internally and externally, 14 young and energetic professionals with medical background. They will be deployed to the forefront of the market in order to make the sales team more professional, younger and more aggressive.

Then came the segmentalization of market, which involved adopting different management models in light of different market situations, and intensifying policy support to key markets, fanning out from point to area to broaden market coverage and to pave way for future market penetration.

The third step was continued branding enhancement. In 2003, the Group had fully made use of national medicine trade fairs and seminars, events that featured face-to-face exchange of opinions between the companies and the consumers, to effectively promote our products, brand-name and corporate culture in the forms of on-spot demonstrations, Q&A meetings, gifts and leaflets distributing. In Jilin City Meeting, the running out of stock of Jing Tong Ling (頸痛靈) reflected consumers' confidence in the Group's product. Another occasion was at the scene of Changchun Meeting where 200,000 pieces of product leaflets were distributed. Similar incident happened at the product promotion fair organized by the government of Liaoning Province where more than 700 representatives attended and leaders of local medicine and hygiene administrative authorities showed up and delivered speech, in addition to 40 odd pieces of Fu Jie Shu (復皆舒) alone sold on the spot.

Fourthly, the Group has completed the registration of Jing Tong Ling (頸痛靈), one of its flagship products, in Russia and is preparing to have it marketed overseas.

The quality of a responsible and committed, hard-working and ambitious, united and unwearied staff team saw remarkable progress

The Group, based from time to time on its key tasks, conducted comprehensive and systematically quality training in 2003 for the staff and good results were achieved. During the year, staff training amounted to 2000 man sessions and the average training time per staff is 30 man-hours. The scope of training covered a number of aspects, ranging from professional skills for cadres to operational techniques for production posts, from professional theory for engineering personnel to specific expertise for quality inspection personnel, from the know-how for supportive staff to modern sales concept for salesmen, from total quality control (TQC) to GMP, from occupational morals to "Daxing Spirit". In the course of learning the above subjects, the staff of Da Xing has demonstrated their continued self-improvement, studious and enterprising characteristics.

Subject to the demand for development, the Group publicly recruited various professional staff and conducted recruitment exercise in the human resources markets and universities in Jilin Province and Heilongjiang Province. As a result, 56 engineering staff of different fields had been employed, which further improved the technological level and professional quality of our work team and raised our management level to new heights on all aspects.

The Group had intensified its reform in employment and remuneration system in 2003.

First, dismissal mechanism for under-performers at all levels was adopted, so as to genuinely implement system of competition and risk management mechanism in their day-to-day work. There were 8 employees dismissed for poor performance in 2003. This had brought about serious repurcussions on every staff member and forcefully urged, in terms of system as well as subjective awareness, other staff to be more motivated creative, proactive and hard-working, so as to further enhance their performance and improve their efficiency.

Second, the reward system was further adjusted and perfected to break away from traditional practices by implementing piece-work remuneration policy in production, duty specification for middle management and annual remuneration system for senior management. Such systems had been proved effective whereby the workload and performance of the employee are closely linked up, thereby mobilizing enthusiasm of the whole workforce.

It is for such outstanding team that the Group can unceasingly make progress, break records and forge ahead.

The commencement of GMP Accreditation

GMP is the normative standards for pharmaceutical enterprises and regulates all the relevant production activities, and is therefore the inevitable course of development for pharmaceutical enterprises. As such, the Group conducted overall preparation for GMP reorganization and GMP accreditation in 2003.

Based on the overriding principal of upholding technological and technical advancement, we had conducted design and construction on the equipment, facilities and environment of the production plant in full compliance with the requirement of GMP, with a view to reaching GMP standard in terms of overall layout and environment.

According to GMP standard, normative, scientific and standardized management and operational control system were established in every aspect, ranging from procurement of raw and auxiliary materials and packaging materials to workmanship standards of manufacturing, from quality control to chemical examination and inspection, from warehouse storage to transportation and from administration to logistics and back-office security.

With a stringent quality control system, and the formulation of strict post operation standard and craftsmanship requirements, the quality of our products was assured. In 2003, the Group's product recorded 100% of passing rate both in terms of quality of products and market inspection conducted by random sampling.

Quality assets, high-tech products, strong market network, a staff team that strives for success, and a management team adept in business operation sum up to become critical factors for the Group's continued rapid development, and the growth of Da Xing Pharmaceutical is the result of the non-stop refinement of the above key factors. If one describes Da Xing as its infancy of development, then no doubt Da Xing is now fully-fledged, with the ability to scale new heights.

Prospects

The Group's operation guideline for 2004 is to follow the direction of the 16th National Congress of the Party, giving priority to science and technology advancement, focusing on market development, increasing market coverage by launching new products, accelerating the building up of modernized enterprise system, and to fully improve the business efficacy of the enterprise.

Intensify market exploration and establish enterprise development platform

Following the completion of GMP accreditation and as the development of new products is now on the right track, the Group will shift its key task to market exploration, with the main strategies below:

To integrate product resources, build scientific product line structure and maximize the benefits of the resources;

To adjust and integrate marketing and sales models that suit the new era;

To establish a scientific system for securing business opportunities to achieve "leveraged development";

To implement corporate image and branding strategy to pave way for phenomenal development;

To strengthen the integration of network resources through combined measures with the help of consolidated measures.

The concrete measures to implement the above strategies are:

To integrate effectively product types and resources to build up a comprehensive market sales network on all fronts. The Group's market sales in 2004 will be divided into 4 main product lines, namely the line of ordinary medicines (conventional medicines), the OTC line comprising mainly of Jing Tong Ling (頸痛靈), Anfenweima Jiaonang (氨酚偽麻膠囊) and Xiedali Calcium Carbonate tablets (協達利碳酸鈣片); the prescription line comprising mainly of Dan Ting cardiopulmonary tablets (丹葶肺心顆粒) and Fu Jie Shu capsules (復皆舒膠囊); and the line of international sales comprising of Jing Tong Ling (頸痛靈) exports to Russia. The above four product lines will be the main market sectors where the Group will further increase its sales.

It is the Group's objective to cultivate a young, knowledgeable and professionally trained sales team. Talent always comes first after the direction and target has been nailed down. Therefore, the policy of understanding the "situation, objective, quality, determination and overall circumstances" should be carried through in team building such that every member of the team realizes the pressing need of getting a clear understanding of the situation, the sense of achievement from setting a target, the sense of success from improving quality, the sense of mission historical for having strong determination, the sense of responsibility for having full regard to he general interest. As a result, the sales staff will be fully motivated and the sales work will continue to excel in both quality and scale.

The Group will act according to circumstances and will focus which means that it will combine the general attributes of different markets, implementing unique, specific and focused strategies to segmentalize, quantify and differentiate each and every market for the purpose of capitalizing their potentials.

Uphold the principle of scientific and technological advancement, accelerate the research and development of high-tech products and assure continued rapid growth

We will have to speed up the R&D of new products and to launch them on the market as soon as possible to maximize market share and to achieve the "early-bird" effect in 2004.

The trend of the development of modern medical science and clinical research will be combined in formulating new products for the well-being of human, and for the improvement of business efficacy of enterprises. The GMP restructure and accreditation of the Group have been completed, which have fundamentally enhanced our technological strength in producing high-tech products. This forms a platform for the R&D of high tech products, a foundation whereupon technological innovation.

Reinforce management to establish a modernized operational system

The establishment of a management platform is a guarantee for the healthy and orderly development of enterprise and is an effective way to modernize the pharmaceutical industry. This itself represents an arduous task of innovation. Hence, the Company will keep on developing into a knowledge-intensive consolidated enterprise equipped with top quality technicians, scientific management and market orientation, making the decision making process more scientific, forward-looking and feasible.

FINANCIAL REVIEW

During the financial year in 2003, the Group's turnover was RMB64,730,000, 9.1% lower than that of last year. The gross profit was approximately RMB46,809,000, 13.5% lower than that of last year, and the profit attributable to shareholders was RMB21,334,000, 38.5% lower than that of last year.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's source of fund was cash generated from operating activities and proceeds of placing new shares in June 2002. As at 31st December, 2003, the Group's bank balances and cash in hand was RMB89,343,000 (2002: RMB85,834,000) whereas the short-term bank loans were RMB77,000,000 (2002: RMB20,000,000). The short-term bank loans were secured by the fixed assets of the Company and guarantee provided by Changchun Kuancheng Pharmaceutical Factory. Such bank loans are interest-bearing at market rate and are repayable within one year.

GEARING RATIO

As at 31st December, 2003, the total assets of the Group amounted to RMB296,277,000 (2002: RMB219,706,000) whereas the total liabilities and the minority interests amounted to RMB88,753,000 (2002: RMB33,516,000). The gearing ratio was 29.96% (2002: 15.25%).

FOREIGN EXCHANGE EXPOSURE

All the operations of the Company are denominated in RMB. For payment of dividend to overseas shareholders, the Company has to convert a portion of RMB to Hong Kong dollars. For the year ended 31st December, 2003, the exchange rate of these currencies remained stable. The Company did not have any hedging or other arrangement in relation to these currencies.

DIVIDEND

The Board recommended a final cash dividend of RMB0.5 cent per share (2002: Nil) to shareholders whose names appear on the register of shareholders of the Company on 14th April, 2004. Such proposed dividend is subject to approval of the forthcoming annual general meeting and will be payable on or about 31st August, 2004.

PLEDGE OF THE COMPANY'S ASSETS

At 31st December, 2003, leasehold land and buildings with a net book value of RMB23,670,000 (2002: Nil) and construction in progress of the new office and factory buildings with a net book value of RMB47,155,000 (2002: Nil) were pledged to a bank to secure banking facilities granted to the Group and the Company to the extent of RMB20,000,000 and RMB22,000,000 (2002: Nil) respectively.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2003, the Company had 289 employees (2002: 298). With the continued growth of the enterprise, it is expected that more professionals will be recruited. Staff remuneration is paid in accordance with relevant policies in the PRC. Appropriate salaries and bonuses are paid which are commensurate with the actual practices of the Group. Other corresponding benefits include pension, unemployment insurance, housing fund, etc.

COMPLIANCE OF THE RULES OF 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 during the year.

By order of the Board
Changchun Da Xing Pharmaceutical Company Limited
Feng Zhen Wen
Chairman

Jilin Province, the PRC
18th March, 2004

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.