



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)

Changchun
Da Xing

Chinese Medicine
Western Medicines



Third Quaterly Report **2004**

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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

		Nine months ended 30 September	
		2004	2003
		RMB'000	RMB'000
Turnover	+55%	80,117	51,703
Gross profit	+56%	59,738	38,410
Profit attributable to shareholders	+68%	37,424	22,297
Earnings per share	+68%	6.7 cents	4 cents

CONSOLIDATED RESULTS (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 30 September 2004 together with unaudited comparative figures for the corresponding period in 2003 as follows:

	Note	Nine months ended 30 September		Three months ended 30 September	
		2004	2003	2004	2003
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	80,117	51,703	27,572	15,820
Cost of sales		(20,379)	(13,293)	(6,857)	(4,126)
Gross Profit		59,738	38,410	20,715	11,694
Other revenue/(expenses)		359	342	(220)	190
Distribution and selling costs		(13,004)	(8,815)	(4,616)	(2,848)
Administrative expenses		(6,786)	(6,255)	(1,684)	(1,391)
Profit from operations		40,307	23,682	14,195	7,645
Finance costs		(2,883)	(1,415)	(873)	(812)
Profit before taxation		37,424	22,267	13,322	6,833
Taxation	4	-	-	-	-
Profit after taxation		37,424	22,267	13,322	6,833
Minority interests		-	30	-	-
Profit attributable to shareholders		37,424	22,297	13,322	6,833
Earnings per share	5				
- Basic (RMB)		0.067	0.04	0.024	0.012



NOTES:

1. Organisation and operations

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

The Company is 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.

The subsidiary of the Company, Changchun Zhong Da Healthcare Product Company Limited (長春中大保健品有限公司) ("Changchun Zhong Da" (長春中大)) was established in the PRC on 17 January 2003. The Company and Changchun Kuancheng Pharmaceutical Factory (長春市寬城製藥廠), a major Shareholder of the Company own 60% and 40% the equity capital of Changchun Zhong Da respectively. The principal activity of Changchun Zhong Da is production and sale of healthcare medication products and it has not commenced business since establishment.

2. Principal accounting policies

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with the accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

3. 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.

4. Taxation

PRC income tax is computed according to the relevant laws and regulations in the PRC. Since the year ended 31 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 20 December 2002, it is exempted from income tax for two years starting from year ended 31 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 had not commenced business during the period. Thus, it had no assessable profits and hence no PRC income tax was provided for the nine months ended 30 September 2004.

5. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 September 2004 is based on the unaudited profit attributable to shareholders for the period of RMB13,322,000 (2003: RMB6,833,000) and on the weighted average number of 561,000,000 shares (2003: 561,000,000 shares) in issue during the period.

The calculation of the basic earnings per share for the nine months ended 30 September 2004 is based on the unaudited profit attributable to shareholders for the period of RMB37,424,000 (2003: RMB22,297,000) and on the weighted average number of 561,000,000 shares (2003: 561,000,000 shares) in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential shares in existence during the nine months ended 30 September 2004 (2003: NIL).

6. Reserves

	Share premium	Retained profits	PRC statutory funds		Total
			Statutory surplus reserve	Staff public welfare fund	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2003	53,581	62,833	9,124	4,552	130,090
Profit for the period	-	22,297	-	-	22,297
Transfer to statutory funds	-	(3,851)	2,567	1,284	-
As at 30 September 2003	<u>53,581</u>	<u>81,279</u>	<u>11,691</u>	<u>5,836</u>	<u>152,387</u>
As at 1 January 2004	53,581	76,950	12,065	6,023	148,619
Profit for the period	-	37,424	-	-	37,424
Transfer to statutory funds	-	(5,614)	3,742	1,872	-
As at 30 September 2004	<u>53,581</u>	<u>108,760</u>	<u>15,807</u>	<u>7,895</u>	<u>186,043</u>

7. Dividend

The Board does not recommend the payment of any interim dividend in respect of the nine months ended 30 September 2004 (2003: NIL).



BUSINESS REVIEW

Result of the Group

Continue with the remarkable results in the second quarter this year, the revenue for the nine months ended 30 September 2004 amounted to RMB80,117,000 which represents 55% increase over that of corresponding period in 2003. The profits attributable to shareholders for the nine months ended 30 September 2004 amounted to RMB37,424,000 which represents 68% increase over that of corresponding period in 2003. Similar to the second quarter of this year, the remarkable increase in the results of the Group represents the effort of the sales and marketing staff and the increase in sales price of major products.

Business Progress

1. *Full scale operation of new factory*

After six months test running, the new production plants (the “Plants”) located in the High and New Technology Industrial Development Zone commenced full scale operation since 1 July 2004. The Plants are all GMP qualified except the bio-chemical workshop which will seek GMP approval once the production certificate of the first bio-chemical product is granted by the relevant government authority. The full scale operation of the Plants lead the Group into a new era of modernization and quality production.

2. *Existing medicines*

Similar to the corresponding period in 2003, Jing Tong Ling contributed approximately 80% to the total revenue of the Group for the nine months ended 30 September 2004. Its revenue for the nine months ended 30 September 2004 exceeded that of full year of 2003 by approximately 16%. Jing Ting Ling is expected to continue its leading position in the last quarter of 2004.

With first highlighted in the second quarter of 2004 which accounted for approximately 2% of total revenue for the six months ended 30 June 2004, medicinal injection products showed a strong sign of increment to 4% of total revenue for the nine months ended 30 September 2004. Under the huge market needs in medicinal injection products, the Group is expecting an increase in contribution from the products in the future.



3. *New medicines*

The new medicine certificate and production approval for Martine and Glucose Injection (苦參碱葡萄糖注射液) was obtained in this quarter. Test production of the product will be commenced in the last quarter of 2004 and launch to the market as soon as possible after the test production.

Research and development on new medicines

Research and development on new medicines is always a vital part of the Group. The progress of the research and development on new medicines is closely monitored by the Group's technicians and proceeded as scheduled.

PROSPECTS

Looking forward, the four main product lines, representing conventional medicine, OTC medicine, prescribed medicine and international sales are still the core of the business running. The Group will continue its strategy of "Increase the East, Enter the West" to intensify the market share of the Group's products.

Regarding the research and development of new medicines, the Group will closely monitor the progress of those medicines under research. On the other hand, the Group will continue to search for potential new medicines in order to increase the shareholders' wealth.



INTERESTS IN SHARES

Directors' and Supervisors' interests in shares

As at 30 September 2004, 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 5.46 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 held (Note)	Percentage of domestic shares	Percentage of total registered share capital
Feng Zhen Wen	Personal	Beneficial owner	220,000	0.055%	0.039%
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%
Lu Yin Hua	Personal	Beneficial owner	100,000	0.025%	0.018%
Lu De Yi	Personal	Beneficial owner	100,000	0.025%	0.018%
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 30 September 2004, none of the Directors and the Supervisors of the Company has any interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 5.46 of the GEM Listing Rules.



Substantial Shareholders' interests in shares

As at 30 September 2004, 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 positions in shares

Name	Capacity	Number of shares held <i>(Note)</i>	Percentage of domestic shares	Percentage of total registered share capital
Changchun Kuancheng 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 30 September 2004, 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 30 September 2004, 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 20 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 28 June 2002 (date of listing) to 31 December 2004.



As at 30 September 2004, 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.30 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 nine months ended 30 September 2004 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, 12 November 2004

As at the date of this report the Board comprises five executive directors, being Feng Zhen Wen, Yu Cheng Kun, Li Xiu Jie, Guo Bin and Lu Yin Hua; a non-executive director, Lu De Yi and three independent non-executive directors, being Yang Shi Jie, Sun Xiao Bo and Zhang Zhong Sheng.