



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 2005

First Quarterly Report

* For identification purposes only

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This report, 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 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.



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 three months ended 31 March 2005 together with unaudited comparative figures for the corresponding period in 2004 as follows:

		Three months ended	
		31 March	
		2005	2004
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	18,686	21,521
Cost of sales		(5,735)	(5,676)
Gross Profit		12,951	15,845
Other revenue		150	331
Distribution and selling costs		(4,996)	(2,668)
Administrative expenses		(3,438)	(2,515)
Profit from operations		4,667	10,993
Finance costs		(1,411)	(1,127)
Profit before taxation		3,256	9,866
Taxation	4	(334)	-
Profit after taxation		2,922	9,866
Minority interests		-	-
Profit attributable to shareholders		2,922	9,866
Earnings per share	5		
- Basic (RMB)		0.005	0.018



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 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.

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 Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRS which are effective for accounting period beginning on or after 1 January 2005. The adoption of the new HKFRS had no material impact on the Group's results of operations and financial position.

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 HKICPA.

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

	Three months ended	
	31 March	
	2005	2004
	RMB'000	RMB'000
PRC income tax	334	-

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 upon the move into the High and New Technology Industrial Development Zone, 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. Changchun Zhong Da (長春中大) has not commenced business since establishment. Thus it had no assessable profits and hence no PRC income tax was provided for the three months ended 31 March 2005.

The Group had no significant unprovided deferred tax for the three months ended 31 March 2005 (2004: Nil).

5. Earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2005 is based on the unaudited profit attributable to shareholders for the period of RMB2,922,000 (2004: RMB9,866,000) and on the weighted average number of 561,000,000 shares (2004: 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 three months ended 31 March 2005 (2004: Nil).



6. Reserves

	Share premium	Retained profits	PRC statutory funds		Total
	<i>RMB'000</i>	<i>RMB'000</i>	Statutory surplus reserve	Staff public welfare fund	<i>RMB'000</i>
			<i>RMB'000</i>	<i>RMB'000</i>	
As at 1 January 2004	53,581	76,950	12,065	6,023	148,619
Profit for the period	-	9,866	-	-	9,866
Transfer to statutory funds	-	(1,480)	987	493	-
	<u>53,581</u>	<u>85,336</u>	<u>13,052</u>	<u>6,516</u>	<u>158,485</u>
As at 31 March 2004					
As at 1 January 2005	53,581	110,453	15,946	7,964	187,944
Profit for the period	-	2,922	-	-	2,922
Transfer to statutory funds	-	(438)	292	146	-
	<u>53,581</u>	<u>112,937</u>	<u>16,238</u>	<u>8,110</u>	<u>190,866</u>
As at 31 March 2005					

7. Dividend

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2005 (2004: Nil).



BUSINESS REVIEW

Financial review

For the three months ended 31 March 2005, the Group's turnover and gross profit margin were decreased by approximately 13% and 18% respectively in comparing with that of the corresponding period in 2004. The major reasons for the decrease were as follows:

- a. Since the start of 2005, the wholesalers adopted the tender approach in price negotiation which led to the decrease in selling price of the Group's major products.
- b. The infusion workshop was preparing for the renewal of GMP accreditation so that the production and sales of infusion products were lowered.

Since the fourth quarter of 2004, mass media promotion campaigns were launched and the amortization of prepaid advertising expenses caused the increase in distribution and selling costs by 87% in comparing with that of the corresponding period in 2004.

Following the end of tax holiday in 2004, the Company is subject to PRC corporate income tax at 7.5% on the profit of the Company in 2005.

With the above effects, the profit attributable to shareholders was lowered by approximately 70% in comparing with that of the corresponding period in 2004.

Business review

During the period under review, production approvals for Azasetron Hydrochloride and Sodium Chloride Injection, Ethylenediamine Diacetate for Injection and Aceglutaznide for Injection were granted by the relevant government authority. These new medicines are planned to commence production in second half of 2005.

In addition, Umbro-dinase Enzyme Injection has commenced the clinical test during the period under review.



PROSPECTS

During the period under review, there were various factors affecting the decrease in the Group's profit. As there is still market demand for the Group's products, together with effect of promotion campaigns and resumption of infusion workshop after the renewal of GMP accreditation, the directors are optimistic towards the Group's result for year 2005.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 March 2005, 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 of the Company

Name	Type of interest	Capacity	Number of shares held <i>(Note)</i>	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 Yin	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 31 March 2005, 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 31 March 2005, 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 31 March 2005, 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 31 March 2005, 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 may compete, either directly or indirectly, with the business of the Group.

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 has established an audit committee with written terms of reference in compliance with 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 31 March 2005 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, 13 May 2005

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.