

**CHANGCHUN DA XING PHARMACEUTICAL COMPANY LTD :
DON'T GET SICK IN JILIN PROVINCE !**

TARGET has, for many a decade, been very suspicious of Chinese medicines and so-called Chinese medical practitioners.

In fact, it would be fair to state that TARGET's stand is that it doubts the efficacious properties with which many Chinese medicines claim to be endowed.

However, in many parts of the People's Republic of China (PRC), Chinese medicines and Chinese '*doctors*' are well respected.

Tens of billions of renminbi are spent, annually, by the populous of the world's largest country, in terms of the number of human beings, living there.

Many enterprises, especially PRC Government-controlled entities, have sought to climb aboard the fast-moving, Chinese medicine '*bandwagon*' in order to rake in the renminbi from the sick, the stupid, the ignorant, the naïve ... and the dying.

In one small corner of the PRC, at Changchun City, the Capital City of Jilin Province, which was the Japanese puppet state of Manchukuo from 1932 to 1945, it is recorded that one million of the residents of this city voted their satisfaction of the products of one Chinese medicine factory, operating within its precincts.

The Changchun City Consumer Association endorsed the statistic, having gathered it in the first place.

The total population of Changchun City is said to be about 1.48 million, men, women and children.

Such a claim only adds to TARGET's distrust of official PRC statistics – and the claims of many Chinese medicine companies – especially those said to have PRC, Government backing.

The Chinese medicine factory, to which 68 percent of the entire population of Changchun City voted their satisfaction, is Changchun Da Xing Pharmaceutical Company Ltd, which went public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China on June 21, 2002.

The product that was acclaimed by the one million residents of Changchun City was Fu Jie Shu Capsules, which are said to be used for '*treating vaginal diseases by suppressing the proliferation of bacteria such as Gram-Negative Bacteria and Gram-Positive Bacteria.*'

It would appear that there are about 2 mature females in Changchun City for every mature male, if one is to believe the claims, made by The Changchun City Consumer Association.

The statistic, with regard to the alleged claim of the Changchun people's satisfaction in respect of the products of their factory, is noted at Pages 72 and 73 of the Placing Prospectus of this Company, now known by its Stock Code, being Number 8067, The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

Changchun Da Xing Placed a total of 140 million, 0.10 renminbi Shares at 45 cents (Hongkong) per Share, netting about \$HK51 million.

This money, the Placing Prospectus states at Page 144, is to be used for the following purposes:

1. \$HK25 million for research and development;
2. \$HK18 million to upgrade manufacturing facilities; and,
3. \$HK8 million to be used for sales and marketing network upgrading.

While the Company claims to have one Chinese medicine and 4 Western medicines on the market, today, it would appear that only one of them is making any serious money.

The following table is lifted from Page 70 of the Prospectus and says it all:

			Turnover and Gross Profit/(Loss) Margin for the Years, ended December 31					
			1999		2000		2001	
Item	Form	Principal Treatment	Turnover (%)	Gross Profit/(Loss) Margin (%)	Turnover (%)	Gross Profit/(Loss) Margin (%)	Turnover (%)	Gross Profit/(Loss) Margin (%)
Chinese Medicines								
Jing Tong Ling	Liquid	For Cervical Spondylopathy	64.60	85.50	61.30	80.10	74.40	79.40
Western Medicines								
Xiedali Calcium Carbonate	Tablet	For Deficiency of Calcium, such as Osteoporosis	13.00	84.60	14.20	80.50	6.00	80.90
5% Glucose Injection	Infusion	As Nutrients for Detoxication and facilitating Urination	5.10	(46.50)	3.80	(21.80)	3.80	(0.20)
Fu Jie Shu	Capsules	For Bacterial Vaginal Diseases	5.40	83.60	7.10	76.40	3.70	83.20
Da Feng	Capsules	For Fever Distress, Sore Limbs, Headaches and stuffy Nose, caused by Influenza	Nil	(10.00)	0.40	20.70	Nil	67.10

After studying the above table, it is interesting to correlate it with the Accountants' Report in respect of the Profit and Loss Account for the same period.

The following table is copied from Page 159 of the Prospectus:

	Financial Year ended December 31		
	1999	2000	2001
	All Figures are Denominated in Renminbi '000		
Turnover	30,143	40,128	63,714
Cost of Sales	(9,287)	(13,402)	(18,885)
Gross Profit	20,856	26,726	44,829
Other (Expenses)/Revenue	(172)	759	1,685
Distribution and Selling Expenses	(3,245)	(5,006)	(4,860)
Administration Expenses	(5,037)	(6,635)	(11,288)
Profit from Operations	12,402	15,844	30,366
Financing Costs	(1,311)	(1,476)	(1,131)
Profit before Taxation	11,091	14,368	29,235
Taxation	(3,736)	(2,419)	(4,923)
Profit Attributable to Shareholders	7,355	11,949	24,312

As is quite obvious, on scanning and correlating the 2 tables, nearly all of this Company's Profits for the 2001 Financial Year came from the sales of one product, Jing Tong Ling Tablets, on which Changchun Da Xing made a Gross Profit Margin of about 79 percent.

All of the other products appear to have added but a negligible input to ... [CLICK TO ORDER FULL ARTICLE](#)

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