上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 8231)

Annual Results Announcement
For the year ended 31 December 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of The Stock Exchange of Hong Kong Limited and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by The Stock Exchange of Hong Kong Limited. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (the "Directors") of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") 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 the Company. 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.

The board of directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

(All amounts are shown in RMB thousands unless otherwise stated)

		Year ended 31 December	
	Notes	**2007**	**2006**
Turnover	3	24,927	19,764
Cost of sales		(10,880)	(9,413)
Gross profit		14,047	10,351
Other income		5,637	3,422
Research and development costs		(15,863)	(15,570)
Distribution and marketing costs		(18,987)	(7,285)
Administrative expenses		(11,309)	(10,726)
Other operating expenses		(277)	(1,501)
Operating loss	4	(26,752)	(21,309)
Finance costs		(1,252)	(712)
Share of results of and impairment charge on an associate		(943)	264
Loss before income tax		(28,947)	(21,757)
Income tax expense	5	(1,709)	(273)
Loss for the year		(30,656)	(22,030)
Attributable to:			
Shareholders of the Company		(29,550)	(20,956)
Minority interests		(1,106)	(1,074)
		(30,656)	(22,030)
Basic and diluted loss per share for loss attributable to the shareholders of the Company (RMB)	7	(0.0416)	(0.0295)

CONSOLIDATED BALANCE SHEET OF THE GROUP
AND BALANCE SHEET OF THE COMPANY
AS OF 31 DECEMBER 2007

(All amounts are shown in RMB thousands unless otherwise stated)

		Group		Company	
		As of 31 December		As of 31 December	
	Notes	2007	2006	2007	2006
Non-current assets					
Leasehold land payments		11,174	11,416	11,174	11,416
Property, plant and equipment		55,879	56,051	54,178	54,678
Technical know-how		1,011	2,294	482	762
Deferred development costs		4,784	6,894	4,784	6,894
Investments in subsidiaries		-	-	72,009	12,348
Investment in an associate		-	607	-	7,200
Deferred income tax assets		5,804	7,513	5,804	7,513
		78,652	84,775	148,431	100,811
Current assets					
Inventories		8,654	2,927	8,654	2,927
Trade receivables	8	5,755	7,362	5,755	7,362
Other receivables, deposits and prepayments		674	735	483	451
Amount due from a shareholder		362	-	362	-
Amounts due from subsidiaries		-	-	6,591	975
Available-for-sale investments		-	38	-	38
Term deposits in bank with maturities of three to twelve months		10,000	5,000	10,000	5,000
Cash and cash equivalents		26,280	44,180	22,079	40,948
		51,725	60,242	53,924	57,701
Total assets		130,377	145,017	202,355	158,512

CONSOLIDATED BALANCE SHEET OF THE GROUP AND BALANCE SHEET OF THE COMPANY (CONTINUED)

AS OF 31 DECEMBER 2007

(All amounts are shown in RMB thousands unless otherwise stated)

		Group		Company	
		As of 31 December		As of 31 December	
	Notes	2007	2006	2007	2006
Non-current liabilities					
Borrowings		20,000	20,000	20,000	20,000
Loans from government authorities		21,000	11,000	21,000	11,000
		41,000	31,000	41,000	31,000
Current liabilities					
Trade payables	9	1,117	602	917	401
Other payables and accruals		10,211	7,634	9,310	7,272
Deferred revenue		3,858	2,434	3,135	1,640
Loans from government authorities		1,650	1,650	1,650	1,650
Amounts due to subsidiaries		-	-	735	2,285
Amount due to a shareholder		1,500	-	1,500	-
		18,336	12,320	17,247	13,248
Total liabilities		59,336	43,320	58,247	44,248
Capital and reserves attributable to shareholders of the Company					
Share capital		71,000	71,000	71,000	71,000
Reserves	10	(942)	28,608	73,108	43,264
		70,058	99,608	144,108	114,264
Minority interests		983	2,089	-	-
Total equity		71,041	101,697	144,108	114,264
Total equity and liabilities		130,377	145,017	202,355	158,512
Net current assets		33,389	47,922	36,677	44,453
Total assets less current liabilities		112,041	132,697	185,108	145,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are shown in RMB thousands unless otherwise stated)

1 BACKGROUND INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") was established in the People's Republic of China ("PRC") on 11 November 1996 as a limited liability company with an initial registered capital of RMB5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000, and 12 September 2000 from the existing or the then existing shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB5,295,000 to RMB53,000,000.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability.

On 20 January 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 ordinary shares with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares ("H shares") of RMB0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the registered capital of the Company was increased to RMB71,000,000.

As of the date of issue of these financial statements, the Company has direct interests of 68.75%, 65% and 100% in three subsidiaries, Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. ("Morgan-Tan"), Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian") and Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), respectively.

The Company and its subsidiaries (together, the "Group") are principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC.

The address of the Company's registered office is 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong Shanghai, PRC.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been prepared under the historical cost convention, except that the available-for-sale investments are shown at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards, amendments to standards and interpretations are mandatory for accounting periods on or after 1 January 2007.

IFRS 7	Financial Instruments: Disclosures
IAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
IFRIC-Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC-Int 8	Scope of IFRS 2
IFRIC-Int 9	Reassessment of Embedded Derivatives
IFRIC-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new standards, amendments to standards and interpretations did not have any significant impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors anticipate that adoption of these standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC-Int 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC-Int 12	Service Concession Agreements
IFRIC-Int 13	Customer Loyalty Programmes
IFRIC-Int 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
IAS 32 and IAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combination

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable, if applicable.

3 TURNOVER

The Group is principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC. Turnover recognised during the year are as follows:

	2007	2006
Technology transfer revenue	6,000	7,950
Sales of medical products and the provision of related ancillary services	18,927	11,814
	24,927	19,764

4 OPERATING LOSS

Operating loss is arrived at after charging/(crediting) the following items:

	2007	2006
Amortisation of leasehold land payments	242	197
Amortisation of deferred development costs (included in 'Cost of sales')	2,110	1,819
Amortisation of technical know-how (included in 'Research and development costs')	1,274	1,341
Amortisation of technical know-how (included in 'Administrative expenses')	114	159
	1,388	1,500
Auditors' remuneration	1,010	933
Provision for/(reversal of) impairment of receivables	83	(526)
Write-down of inventories	157	-
Cost of inventories sold	7,549	7,594
Depreciation of property, plant and equipment	5,477	4,634
(Gain)/loss on disposal of property, plant and equipment	(20)	299
Exchange losses on cash and cash equivalents (included in 'Other operating expenses')	122	463
Operating lease rentals in respect of land and buildings	281	168
Research and development costs, excluding employee benefit expenses	10,757	11,418
Employee benefit expenses	19,962	14,449

5 INCOME TAX EXPENSE

	2007	2006
Current income tax	-	-
Deferred tax charge	1,709	273
	1,709	273

The Company is subject to the Income Tax Law of the PRC and the normal income tax rate applicable is 33%. As the Company is recognised as a New and High Technology Enterprise and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced income tax rate of 15%. Accordingly, the Company is subject to income tax at a rate of 15% in 2007.

As Morgan-Tan and Ba Dian are recognised as domestic companies registered in Shanghai Pudong New Area, they are also entitled to the reduced income tax rate of 15%. Accordingly, they are subject to income tax at a rate of 15% in 2007. Taizhou Pharmaceutical is subject to income tax at a normal rate of 33% in 2007.

Effective from 1 January 2008, the Company and the subsidiaries shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China ("the new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the corporate income tax rate applicable to the Company will be gradually increased to 25% in a 5-year period from 2008 to 2012, however, the corporate income tax rate applicable to the subsidiaries will be changed to 25% with effect from 1 January 2008.

On 6 December 2007, the State Council approved the Detailed Implementation Regulations ("DIR") for the implementation of the new CIT Law. Additional circulars regarding further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, management will assess their impact to the Group, if any, and this change in accounting estimate will be accounted for prospectively.

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate in the PRC applicable to the Group as follows:

	2007	2006
Loss before income tax	28,947	21,757
Tax calculated at a tax rate of 15%	(4,342)	(3,264)
Effect of unrecognised tax losses of the Group	7,265	3,276
Effect of tax rate change	(2,049)	-
Expenses not deductible for tax purpose	835	261
Tax charge	1,709	273

6 DIVIDENDS

At the meeting on 25 March 2008, the Board of Directors recommended not to distribute any dividends in respect of the year ended 31 December 2007.

At the shareholders' Annual General Meeting on 8 June 2007, it was resolved not to distribute any dividends in respect of the year ended 31 December 2006.

7 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Loss attributable to shareholders of the Company	(29,550)	(20,956)
Weighted average number of ordinary shares in issue (thousands)	710,000	710,000
Basic loss per share (RMB)	(0.0416)	(0.0295)

There is no difference between the basic and diluted loss per share for the years ended 31 December 2007 and 2006 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES – GROUP AND COMPANY

	2007	2006
Accounts receivables (Note(a))	5,732	1,420
Notes receivable (Note(b))	23	5,942
	5,755	7,362

(a) Details of the aging analysis are as follows:

	2007	2006
Current to 30 days	3,417	491
31 days to 60 days	1,052	373
61 days to 90 days	349	224
Over 90 days but less than one year	975	468
Over one year	1,692	1,534
	7,485	3,090
Less: provision for impairment	(1,753)	(1,670)
	5,732	1,420

Customers are generally granted credit term of 90 days.

As of 31 December 2007 and as of 31 December 2006, all the trade receivables past due were impaired.

As of 31 December 2007, trade receivables of RMB2,667,000 (2006: RMB2,002,000) were impaired. The amount of the provision was RMB1,753,000 as of 31 December 2007 (2006: RMB1,670,000). The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2007	2006
Over 90 days but less than one year	975	468
Over one year	1,692	1,534
	2,667	2,002

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
At beginning of the year	1,670	2,916
Provision for impairment of receivables	83	-
Receivables written off during the year as uncollectible	-	(720)
Unused amounts reversed	-	(526)
At end of the year	1,753	1,670

The creation and release of provision for impaired receivables have been included in ‘Administrative expenses’ in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Trade receivables are unsecured and interest-free.

(b) Notes receivable are all bank acceptance notes with maturities less than six months and have been fully settled after the year end.

9 TRADE PAYABLES

Details of the aging analysis are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Current to 30 days	440	96	440	95
31 days to 60 days	95	9	95	9
61 days to 90 days	-	-	-	-
Over 90 days but less than one year	78	141	79	140
Over one year	504	356	303	157
	1,117	602	917	401

Trade payables are unsecured and interest-free.

10 RESERVES

(i) The reserves of the Group attributable to shareholders of the Company for the years ended 31 December 2007 and 31 December 2006 are as follows:

	Capital accumulation reserve (Note a)	**Statutory common reserve fund** (Note b)	**Statutory common welfare fund** (Note c)	**Accumulated losses** (Note d)	**Total**
At 1 January 2006	115,014	1,709	1,120	(68,279)	49,564
Transfer	-	1,120	(1,120)	-	-
Loss for the year 2006	-	-	-	(20,956)	(20,956)
At 31 December 2006	115,014	2,829	-	(89,235)	28,608
Loss for the year 2007	-	-	-	(29,550)	(29,550)
At 31 December 2007	115,014	2,829	-	(118,785)	(942)

(ii) The reserves of the Company for the years ended 31 December 2007 and 31 December 2006 are as follows:

	Capital accumulation reserve (Note a)	Statutory common reserve fund (Note b)	Statutory common welfare fund (Note c)	Accumulated losses (Note d)	Total
At 1 January 2006	115,014	1,709	1,120	(52,270)	65,573
Transfer	-	1,120	(1,120)	-	-
Loss for the year 2006	-	-	-	(22,309)	(22,309)
At 31 December 2006	115,014	2,829	-	(74,579)	43,264
Profit for the year 2007	-	-	-	29,844	29,844
At 31 December 2007	115,014	2,829	-	(44,735)	73,108

(a) The balance in the capital accumulation reserve represents share premium arising from the issue of shares at a price in excess of their par value. Expenses related to the issue of shares are accounted for as a deduction of the capital accumulation reserve.

(b) Pursuant to the PRC regulations and the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to statutory common reserve fund until the fund aggregates to 50% of the Company's registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. The statutory common reserve fund shall only be used to make good previous years' losses, to expand the Company's production operations, or to increase the capital of the Company. Upon approval by a resolution of shareholders' general meeting, the Company may transform its statutory common reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided that the balance of the reserve fund after such issue is not less than 25% of the registered capital.

(c) Pursuant to certain PRC regulation published in 2006, each of the companies registered in the PRC under the PRC Company Law is required to cease the appropriation of the statutory common welfare fund upon 1 January 2006. The balance brought forward from previous years shall be transferred to statutory common reserve fund.

(d) In accordance with the Company's Articles of Association, the Company declares dividends based on the lower of retained earnings as reported in accordance with the PRC accounting regulations and that reported in accordance with IFRS. According to the statutory financial statements prepared in accordance with the PRC accounting regulations and the financial statements prepared in accordance with IFRS, there was no distributable reserve as of 31 December 2007 (2006: nil).

11 SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating loss by principal activities is as follows:

	Year ended 31 December 2007			Year ended 31 December 2006		
	Research and development activities	Sales of medical products and the provision of related ancillary services	Total	Research and development activities	Sales of medical products and the provision of related ancillary services	Total
Turnover	6,000	18,927	24,927	7,950	11,814	19,764
Segment loss	(8,317)	(9,286)	(17,603)	(9,695)	(697)	(10,392)
Unallocated income			1,340			1,305
Unallocated costs			(12,684)			(12,670)
Loss before income tax			(28,947)			(21,757)
Income tax expense			(1,709)			(273)
Loss for the year			(30,656)			(22,030)

Note: Unallocated income and unallocated costs mainly represented other income received and general and administrative expenses incurred by the Group during the years that are not directly attributable to the principal activities.

There are no sales or other transactions between the business segments.

The Group derived all of its revenue and profit from customers who are located in the PRC and all the assets of the Group are located in the PRC. Hence, no separate geographical analysis of the segment information is presented.

	Research and development activities	Sales of medical products and the provision of related ancillary services	Unallocated activities	Total
31 December 2007				
Segment assets	29,249	45,068	56,060	130,377
Segment liabilities	(46,258)	(2,302)	(10,776	(59,336)
Net	(17,009)	42,766	45,284	71,041
Other segment items				
Capital expenditure	3,463	1,280	751	5,494
Depreciation	2,954	1,470	1,053	5,477
Amortisation	1,274	2,208	258	3,740
Provision for impairment charge	-	83	333	416
Written down of inventories	-	157		157
Other non-cash expenses/(income)	51	3	(74)	(20)
31 December 2006				
Segment assets	36,012	36,873	72,132	145,017
Segment liabilities	(34,834)	(1,529)	(6,957)	(43,320)
Net	1,178	35,344	65,175	101,697
Other segment items				
Capital expenditure	7,286	1,338	3,591	12,215
Depreciation	2,549	1,345	740	4,634
Amortisation	1,341	1,965	210	3,516
Reversal of impairment charge	-	(526)	-	(526)
Other non-cash expenses	76	223	-	299

Note: Unallocated activities mainly represented the holding of cash and bank deposits and available-for-sale investments by the Group during the years that cannot be allocated to the principal activities specifically.

The Group derived all of its revenue and profit from customers who are located in the PRC and all the assets of the Group are located in the PRC. Hence, no separate geographical analysis on the net operating assets is presented.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial and operational position should be read in conjunction with the consolidated financial statements and the related notes to the consolidated financial statements.

TURNOVER

The Group's consolidated turnover for the year 2007 amounted to approximately RMB24,927,000, compared to RMB19,764,000 for the year 2006. During the year 2007, approximately RMB6,000,000 (or 24% of the total turnover) was derived from the income of technology transfer, and the rest of approximately RMB18,927,000 (or 76% of the total turnover) came from the sale of medical products. In contrast, approximately RMB7,950,000 (or 40% of the total turnover) was derived from the income of technology transfer, and the rest of approximately RMB11,814,000 (or 60% of the total turnover) came from the sale of medical products for the year 2006.

REVENUE FROM TECHNOLOGY TRANSFER

Income recognized from technology transfer for the year 2007 was approximately RMB6,000,000, coming from two contracts signed in previous years, with tasks completed by stages within the period under review as stipulated by the contracts.

REVENUE FROM SALE OF MEDICAL PRODUCTS

Revenue of the Group from the sale of medical products for the year 2007 was RMB18,927,000, increased by 60% from last year. After launching Down's Syndrome antenatal screening system to the market in 2005, the Group had another new product ALA (鹽酸氨酮戊酸) sold to the market during the year 2007. It has contributed some sales revenue to the Group.

COST OF SALES

For the year 2007, cost of sales of the Group was RMB10,880,000, while the corresponding figure for last year was RMB9,413,000. Cost of sales increased by 16% from that of last year, while the ratio of cost of sales to sales dropped to 44% from the level of 48% for the same period last year.

OPERATING LOSS

For the year 2007, operating loss of the Group was RMB26,752,000, comparing to RMB21,309,000 for the year 2006. Total expense has grown by 32%. Expenditure and other income presented before operating loss are as follows:

- R&D costs roughly remained the same level with that of last year.

- Distribution and marketing costs for the year was RMB18,987,000, representing an increase of 161% from that of last year. The new product Aminolevulinic Acid Hydrochloride （ALA） (鹽酸氨酮戊酸) was launched to the market during the year. More marketing costs have been spent on exploring new markets before and after the launch of ALA, resulting in a significantly increased distribution and marketing costs.

- Administration expenses have slightly increased from the level of last year, while other operating expenses have reduced significantly from last year.

- Other income increased by 65% from that of last year, mainly because the Group has received some government grants on three R&D projects during the year.

PROFIT / (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

A loss attributable to shareholders of the Company of RMB29,550,000 was recorded in the consolidated financial statements for the year 2007, compared with RMB20,956,000 for the year 2006.

For the year 2007, the profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB29,844,000 (2006: loss of RMB22,309,000).

SIGNIFICANT INVESTMENTS

The Group established a wholly-owned subsidiary Taizhou Pharmaceutical (泰州藥業) in March 2007. Production lines will be constructed by stage based on the progress achieved in the development of the Company's products so that the subsidiary will gradually develop into a comprehensive production and manufacturing base integrating various production lines of the Company. Resolution of capital increase of RMB30,000,000 has been approved by the EGM held on 13 July 2007.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year 2007, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2007, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

On 10 March and 23 June 2006 respectively, the Group put its real estate property in pledge to obtain an interest-free loan granted by "Technology and Education Promoting Shanghai" project, and a full-interest-subsidized loan given by Pudong "Wise-eye project" respectively. The mortgaging period depends on the time to redemption of the loans.

BANKING FACILITIES

Aided by the "Technology and Education Promoting Shanghai" project, the Group took a loan of RMB11,000,000 and a loan of RMB10,000,000 on 12 April 2006 and 6 July 2007, respectively. Both of the two loans are due for repayment on 31 December 2011. They are interest-free if fully repaid before 31 December 2009. Interest has to be paid if the loans are repaid between 1 January 2010 and 31 December 2011.

Assisted by the Pudong "Wise-eye project", the Group took a bank loan of RMB20,000,000 on 12 July 2006 which is due for repayment on 10 July 2009. Full amount of the interest of the loan is subsidized by the Pudong New Area government.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company made an announcement on 7 March 2008 that it would cooperate with a wholly owned subsidiary of Zhangjiang Hi-Tech Park Development Co Ltd. to construct the industrial space next to the Company's existing site. This is a connected and discloseable transaction, which is subject to approval by the AGM to be effective.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Hong Kong GEM Board in August 2002, and interest-free and interest-subsidized commercial loans supported by the municipal government authorities. As at 31 December 2007, the Group had outstanding interest-free loans of RMB 22,650,000, of which RMB1,650,000 are unsecured, and an outstanding secured bank loan of RMB 20,000,000 with interest fully subsidized.

As at 31 December 2007, the Group had cash and cash equivalents of approximately RMB26,280,000.

The Group's gearing ratio as at 31 December 2007 was 0.85 (31 December 2006: 0.43)

which is calculated based on the Group's total liabilities of RMB59,336,000 (31 December 2006: RMB43,320,000) and capital and reserves attributable to shareholders of the Company of RMB70,058,000 (31 December 2006: RMB99,608,000).

The Group adopts a conservative treasury policy in cash and financial management. To achieve better risk control and to minimize the finance cost, the Group's treasury activities are centralized. The Group's liquidity and financing arrangements are reviewed regularly.

FOREIGN EXCHANGE EXPOSURE

The Group operates mainly in the domestic market. Cash proceeds from the placing of H shares in August 2002 were in Hong Kong dollar, and basically all has been converted to RMB. The operating results and the financial position of the Group will not be affected by the movements in exchange rates.

EMPLOYEES AND SALARIES

As at 31 December 2007, the Group had a total of 206 employees, as compared to 162 employees as at 31 December 2006. Staff costs including directors' remuneration for the year 2007 were RMB19,962,000, compared with RMB14,449,000 for the year 2006. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees.

BUSINESS REVIEW

Committed to the principle: "The more we explore, the healthier human beings will be" and pursuing the R&D of genetic technology, drug screening technology, new drugs with patents and the commercialization of the specific drugs suitable for China market as core position, the Group aims to become a pioneer in the bio-pharmaceutical industry.

Research and Development

During the period under review, the Group's Nifeviroc (尼非韋羅) for the treatment of AIDS has been approved to enter into clinical study. The Company made an announcement on 16 April 2007 regarding entering into collaboration and license agreement with an Australian company on the overseas patent right of the project and the related technology, so as to enable an internationalized R&D on the project and its related technology. Depending on the progress of the research and the status of the accomplishment of the project, the subsidiary of the Company, Ba Dian, would be able to obtain a payment of up to approximately US$40,000,000 for the license and a certain proportion of patent fee after the drug is launched for sale. At the same time, the project has also obtained subsidy from the Innovation Fund of the Ministry of Science and Technology.

Application for clinical study has been submitted for the photodynamic therapy drug Deuteporfin (多替泊芬) for the treatment of tumors.

The Group has been taking the R&D of innovative drugs as its fundamental. As at the end of 2007, the progress of R&D on the major drugs is summarised as follows:

Technical platform	**Project name**	**Indications**	**Progress**
Genetic engineering drugs	Recombinant tissue type plasminogen activator (r-tPA)	Heart infarction	Has been transferred, has obtained Drug Registration Approval, the Company retaining technical commission
	Recombinant human parathyroid hormone derivatives (rhPTH)	Osteoporosis	Has been approved to enter into clinical study
	Recombinant human lymphotoxin α-derivatives	Tumor	Has been approved to enter into stage II clinical study
	Recombinant human interleukin-1 receptor antagonist (rhIL-1Ra)	Arthritis	Has been approved to enter into clinical study
	Recombinant human tumor necrosis recipient Fc fusion protein (Etanercept)	Arthritis	Has been approved to enter into clinical study and has transferred domestic and overseas rights respectively, retaining technical commission
Photodynamic therapy drugs	ALA (鹽酸氨酮戊酸)	Condyloma acuminata	Has been launched for sale, accredited as Shanghai Hi-Tech Result Transfer Project, also accredited as “State Hi-tech Development

			Project" by NDRC
	Hemporfin	Port wine stain	Phase II clinical study is in progress
	Deuteporfin	Tumors	Has applied to enter into clinical study
Liposome drugs	Doxorubicin liposome (鹽酸多柔比星脂質體)	Tumors	Has applied for New Drug Registration Approval, and another application for a new indication has been approved to enter into clinical study
	Vincristine liposome (長春新鹼脂質體)	Tumors	Has been approved to enter into clinical study
	Amphotericin-B liposome (兩性霉素B脂質體)	Dermatitis, epiphyte infection	Has applied for New Drug Registration Approval
Others	Down's Syndrome antenatal screening system	Down's syndrome	Has been launched for sale
	HLA Genotyping Chips	Genotyping	Has been launched for sale
	Mulberry root alkaloid tablets (桑根鹼片)	Diabetes	Has been transferred, retaining technical commission
	Unsweet sugar	Diabetes	Has been approved to enter into clinical study
	Nifeviroc	AIDS	Has been approved to enter into clinical study

Note: Projects which have been transferred and the Group has no subsequent interests are not included in the above

Intellectual Property Rights

The Group has been actively protecting its intellectual property rights on its innovative medicines and research results. During the period under review, the Group has applied for

5 invention patents, and has been granted 2 invention patents and 1 new type patent. As at the end of 2007, the Group has applied for 45 invention patents in aggregate, and has obtained 16 invention patents.

Commercialization

New Drug Certificate, New Drug Registration Approval, and Certificate for GMP Certification have been granted to ALA, which is used for the treatment of dermal HPV infectious disease and proliferative disease as represented by Condyloma acuminata. Since its launch in July 2007, the product has attracted high level of attention from dermatologists all over China, due to its excellent effectiveness on treatment. The Company has selected 20 economically more developed provinces, such as Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu and Shandong, as the first stage market developing areas. 200 large-scale comprehensive hospitals and large-scale specialist dermal hospitals have been aimed as target clients, and market exploitation of over 100 of them have been completed. The Company has won all the bids of the centralized tendering for drug purchases in many provinces that have just been closed, and sales of the product has now been carried out gradually.

Most significantly, during the clinical treatments, it has been found that ALA has obvious effects on pre-cervical cancer and other cervical diseases which are brought about by HPV infection. This may provide some new methods in preventing cervical cancer around the world, and may also bring huge business value to the company.

Reconstruction of the production sites and GMP management system for Duxorubicon liposome (鹽酸多柔比星脂質體) were completed at the beginning of the year, but because of some unusual reasons, approval to the drug by SFDA is still being expected. Market exploitation for the product has been carried out.

Recombinant tissue type plasminogen activator (r-tPA), which the Group has transferred to an enterprise in Shandong in 2002, was granted New Drug Certificate and New Drug Registration Certificate in September 2007. The Group has received all the technology transfer income. The product has been launched to the market for sale. According to the technology transfer agreement, the Group is entitled to a certain percentage of income on sales.

Grants and Awards

The Group has always been complying with the industrial policies of the State and improving its capacity of developing new drugs. During the period under review, it has obtained the following grants and awards:

During 2007, new grants totaling RMB5,871,000 have been given to the Group from various levels of government authorities on R&D projects.

As evaluated by the People's Government of Shanghai, the Company became a major project undertaking entity for the Shanghai City Construction with Technology, and has obtained financial support from the Shanghai City Construction & Technology project fund for the Company's "Development and commercialization of target drugs for tumors and other hyperblastosis" project, of which RMB21,000,000 is in the form of a three-year interest-free loans, and RMB9,000,000 will be a subsidy upon the completion of the project. The project is for a term of three years, and with an aim to sustain major industrial technology projects. Funds obtained as at the end of 2007 amounted to RMB21,000,000.

After the assessment by the People's Government of Shanghai Pudong New District, the Company obtained the support of "Wise-eye Project" fund of Pudong New District for a term of three years. The interest incurred by the Company on a loan of RMB20,000,000 will be paid by the project fund. The "Wise-eye Project" is aimed at providing support to technology enterprises that have intellectual property rights, so as to expedite their commercialization process, enhance their innovative capability, and to actively involve in international competition. The whole amount of the loan has been offered.

After the assessment by Jiangsu People's Government, Taizhou company has obtained a support of RMB20,000,000 from Jiangsu Technological Result Transfer Project in January 2008, of which RMB10,000,000 is a non-repayable grant, and another RMB10,000,000 is an interest-free loan, for a term of 3 years.

ALA has been certified as Shanghai Hi-tech Result Transfer Project, and was accredited as "State Hi-tech Development Project" by NDRC.

FUTURE PROSPECTS

The Group has been taking the innovative R&D of new drugs as its core positioning since its establishment, and has attained certain achievements. The "Summary of the State medium-long-term scientific and technology development plan (2006-2020)" which has been published has confirmed the direction of China's special way of self innovation, and has also affirmed supports to those encouraged enterprises to become technologically innovative bodies. It calls for creating further conditions, optimizing environment, deepening reforms, and truly strengthening the dynamics and motives of enterprise technological innovation. Under this broad environment, the Group will certainly obtain more and better development opportunities.

After the R&D for nearly a decade, the Group has a large number of drugs which are at the crucial time of being commercialized. Therefore, the Group is now undergoing the process of conversion from purely R&D to a combination of R&D and commercialization. In the future, the Group will focus its resources in both aspects of R&D and commercialization.

R&D

Over the past years, the Group has accumulated extensive experience in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. The Group has established very close cooperative relationships with Life Science Research Institute of the Chinese Academy of Sciences, Shanghai Organic Chemistry Research Institute of the Chinese Academy of Sciences and Shanghai Institute of Medical Research of the Chinese Academy of Sciences, all being reputable domestic institutions. At the same time, the Group has also made further cooperation with other international and domestic R&D institutes. In the future, the Group will continue to devote efforts to the R&D of projects with proprietary intellectual property rights.

R&D of the Group will still be focused on genetic engineering drugs, photodynamic drugs, liposome drugs, and small molecule chemical drugs. In particular, among these sectors, drugs for the treatment of dermal diseases and tumors will be of the most importance.

Many projects of the Group have been approved to enter into clinical study, and future clinical study will also be a key task. The Group will recruit more expertise, and will actively and effectively carry out clinical studies.

Commercialization

To keep in line with the key direction of the Group's R&D, the Group has gradually enhanced the commercialization of the drugs for the treatment of dermal diseases and tumors from 2007. The Group has arranged three drug product lines on both directions, and will steadily launch the products to the market by stages in the next few years, so as to form a product series package on these two directions:

Dermal disease drugs

In respect of the commercialization of dermal disease drugs, the photodynamic new drug ALA (鹽酸氨酮戊酸) for the treatment of Condyloma acuminata (尖銳濕疣) have been granted for market launch. This will be the first drug commercialized in this direction. Condyloma acuminata is one of the most common sexual contagious diseases in the modern society, with morbidity representing 20%-30% of all the venereal disease patients, ranking No. 2 or 3. According to the estimations of WHO in 2005, there were actually 16 million to 20 million new venereal disease cases in China every year, while new patient numbers of condyloma acuminata was expected to be 3 million – 6 million every year. It can be seen that this drug has a tremendous market capacity.

Subsequent drugs include Hemporfin and Amphotericin-B liposome (兩性霉素 B 脂質體). The Phase II clinical study on Hemporfin, a photodynamic drug for the treatment of port wine stains, is being undertaken. Application has been made for the Drug Registration Approval for Amphotericin-B liposome for the treatment of intractable dermatitis (頑固性皮

炎) and mycotic infection (真菌感染).

Tumor treatment drugs

In respect of the commercialization of drugs for the treatment of tumors, the Company is waiting for the Drug Registration Approval of Duxorubicon liposome (鹽酸多柔比星脂質體) for the treatment of tumors, and is anticipated to be launched in 2008. This the first drug in the direction of commercialization. The drug is specially targeted at tumors such as breast cancer, which has become No. 1 disease in female tumor morbidity. According to the estimations of WHO, in 2005, there were approximately 7.6 million people died of various cancers in the world, of which, 500,000 died of breast cancer. According to the estimations, there are approximately 200,000 new discoveries of breast cancer in the PRC every year. The market capacity of the drug is tremendous.

Subsequent drugs include Vintristine liposome (長春新鹼脂質體) and lymphotoxin α-derivatives (淋巴毒素 α-衍生物). Application has been made for the clinical study of Vintristine liposome for the treatment of malignant tumors, while lymphotoxin α-derivatives for the treatment of tumors has been approved to enter into sage II of the clinical study.

The estimated schedule for launching the drugs in the next few years is as follows:

Name of drugs	**Indications**	**Estimated launching time***
ALA (鹽酸氨酮戊酸)	Condyloma acuminata	Already launched
Duxorubicon liposome (鹽酸多柔比星脂質體)	Tumors	2008
Amphotericin-B liposome (兩性霉素 B 脂質體)	Mycotic infection	2009
Hemporfin	Port wine stain	2010
Vintristine liposome (長春新鹼脂質體)	Tumors	2011
lymphotoxin α-derivatives (淋巴毒素 α-衍生物)	Tumors	2012

* *The estimated launch time is based on the progress, and there is no assurance of its accuracy. If other drugs are progressing more smoothly, they may replace any of the above drugs for market launch and sale.*

In 2007, the Company established a subsidiary in Taizhou, Jiangsu. Production lines will be constructed by stages based on the progress achieved in the development of the Group's products so that the subsidiary will gradually develop into a comprehensive production and manufacturing base integrating various production lines of the Group.

In respect of commercialization, in addition to diagnostic reagents, HLA genetic chips and

Down's Syndrome antenatal screening system, the photodynamic new drug ALA (鹽酸氨酮戊酸) for the treatment of Condyloma acuminata (尖銳濕疣) has also been approved for market launch. Tumor treatment drugs will also obtain approval for production. The Group has completed conversion from purely R&D to both R&D and commercialization, and has formed an upgraded system which includes various functions through organic combination of the R&D, product manufacture and marketing functions, enabling the Group to progress to a better development stage.

CORPORATE GOVERNANCE

The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated most of the Principles and Code Provisions in the "Code of Corporate Governance Practice" of the Listing Rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Code"). In some aspects, the codes of corporate governance adopted by the Company are even stricter than the provisions as set out in the "Code". Hereunder are the points which are stricter than or deviate from the provisions in the "Code".

Major aspects which are stricter that the provisions as set out in the "Code":

- All members of the Audit Committee are Independent Non-executive Directors.

Major aspects which deviate from the provisions as set out in the "Code":

- The chairman and the general manager is the same person at the same time. Although the Articles of Association has specific requirements on the duties of the chairman and the general manager (chief executive), which are to be responsible for the operating management of the Board and the daily management of the Company's business respectively, the two positions are still taken by one person. Considering that the scope of the Company is relatively small, with its business mainly in the research, production and sales of innovative drugs, and that it has not completely stepped out of the venture period for the time being, also for the sake of management efficiency, the Board holds the point that the chairman and the chief executive taken by one person is beneficial for the Company's development at the present stage. Along with the development of the Company, the Board will consider the segregation of chairman and chief executive duties.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, chief executive or Supervisors or their spouse or children of age under 18 has been authorized by the Company or any subsidiary any right to purchase shares or debentures in the Company or any other body corporate, or have exercised such rights within 2007.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

All Directors disclose to the Board on their first appointment their interests as a director or otherwise in other companies or organizations and such declarations of interests are updated annually (if any). When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his interest and is required to abstain from voting, and withdraw from the meetings as appropriate. The Company will seek confirmation from Directors annually in respect of any transactions of the Company or its subsidiaries which are related to Directors or their associates (if any).

The Group has not entered into any material contracts in which the Group's Directors, Supervisors have direct or indirect interests during any time in 2007.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2007, the interests (including interests in shares and / or short positions) of the Directors, Chief Executive and Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Class of shares	Number of Domestic shares held	Capacity	Type of interest	Percentage holding in Domestic shares	Percentage of holding in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	7.31%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.58%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98%	2.15%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.80%

Note: The letter "L" stands for long position.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2007, the persons other than a director, chief executive or supervisor of the Company who have interests and / or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and / or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executive and Supervisors):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Shanghai Pharmaceutical (Group) Corporation	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	19.66%
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Co. Ltd.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,286 (L)	Beneficial Owner	Corporate	5.98%	4.31%
Shanghai Industrial Investment (Holdings) Co. Ltd.	H Shares	70,564,000 (L)	Interest of controlled corporation	Corporate	35.64%	9.94%

S.I. Pharmaceutical Holdings Ltd.	H Shares	65,856,000 (L)	Beneficial Owner	Corporate	33.26%	9.28%
SIIC Medical Science and Technology (Group) Limited	H Shares	4,708,000 (L)	Beneficial Owner	Corporate	2.38%	0.66%

COMPETING INTERESTS

Save as disclosed in the following table, none of the Directors, the management shareholders of the Company and their respective associates had any interest in a business which competes or may compete with the businesses of the Group.

Shanghai Pharmaceutical Co., Ltd.

Investee company	**Nature of business**	**Shareholding interests**
Shanghai Tongyong Pharmaceutical Co., Ltd. (上海通用藥業股份有限公司)	Drug manufacturing	40%
Jingbo Yatai Bio-technology Co., Ltd (宁波亚太生物技术有限公司)	Drug manufacturing	89%
Shanghai Qingping Pharmaceutical Co., Ltd (上海青平藥業有限公司)	Drug manufacturing	39%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐制藥有限公司)	Drug manufacturing	50%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達制藥有限公司)	Drug manufacturing	70%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏制藥有限公司)	Drug manufacturing	100%
Shanghai Huashi Pharmaceutical Hi-Tech Industrial Development Co., Ltd. (上海華氏醫藥高科技實業發展有限公司)	Drug introduction and R&D of chemical and initiative drugs	100%

China General Technology (Group) Holding, Ltd.

Investee company	**Nature of business**	**Shareholding interests**

Hainan Tongmeng Pharmaceutical Co., Ltd. (海南同盟藥業有限公司)	Drug manufacturing	49%
Hainan Sanyang Pharmaceutical Co., Ltd. (海南三洋藥業有限公司)	Drug manufacturing	80.55%

Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.

Investee company	**Nature of business**	**Shareholding interests**
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2007, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings stipulated in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Directors of the Company have been complying with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2007.

PRE-EMPTIVE RIGHTS

There is no regulation for the purchase of the pre-emptive rights as set out in the articles of association of the Company or by the laws of the People's Republic of China ("PRC" , being the jurisdiction in which the Company was established), which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the regulations prescribed by the GEM Listing Rules, each of the independent non-executive Directors of the Company has confirmed with the Company their independence. The Company has received such confirmation from the independent

non-executive Directors and considers the independent non-executive Directors as independent.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. All the members are Independent Non-executive Directors: Mr. Pan Fei, Mr. Weng De Zhang and Mr. Cheng Lin. Mr. Pan Fei was appointed as the chairman of the Committee.

The Audit Committee reviews the accounting principles and practices adopted by the Group, as well as the listing rules and statutory compliance, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results for 2007 before proposing to the Board for approval.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers. The Company has not changed the auditor during the last three years.

By Order of the Board
Wang Hai Bo
Chairman

As at the date on the publication of this report, the Board comprises:

Mr. Wang Hai Bo (Executive Director)
Mr. Su Yong (Executive Director)
Mr. Zhao Da Jun (Executive Director)
Mr. Jiang Guo Xing (Non-executive Director)
Ms. Fang Jing (Non-executive Director)
Mr. Zhou Jie (Non-executive Director)
Mr. Guo Jun Yu (Non-executive Director)
Mr. Hao Hong Quan (Non-executive Director)
Mr. Pan Fei (Independent Non-executive Director)
Mr. Cheng Lin (Independent Non-executive Director)
Mr. Weng De Zhang (Independent Non-executive Director)

Shanghai, the PRC
25 March 2008

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.