DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
東瑞製葯(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2348)

ANNOUNCEMENT OF THE ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2007

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2007	2006	Increase
	RMB'000	RMB'000	(%)
Revenue	919,945	788,797	16.6
Gross profit	239,502	184,009	30.2
Profit before tax	111,537	69,329	60.9
Net profit attributable to equity holders of the parent	101,072	65,781	53.6
Earnings per share-basic (RMB)	0.1260	0.0823	53.1
Proposed final dividend per share (HK$)	0.038	0.017	123.5

The board (the "Board") of the directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007 together with the comparative amounts for 2006 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007	2006
		RMB'000	*RMB'000*
REVENUE	4	919,945	788,797
Cost of sales		(680,443)	(604,788)
Gross profit		239,502	184,009
Other income and gain	4	4,320	2,955
Selling and distribution costs		(69,218)	(53,669)
Administrative expenses		(41,117)	(36,400)
Other expenses		(21,950)	(26,590)
Finance costs		-	(976)
PROFIT BEFORE TAX	5	111,537	69,329
Tax	6	(10,380)	(3,451)
PROFIT FOR THE YEAR		101,157	65,878
Attributable to:			
Equity holders of the parent		101,072	65,781
Minority interest		85	97
		101,157	65,878
DIVIDENDS:	7		
Interim		11,804	12,422
Proposed final		28,224	13,654
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
- basic, for profit for the year		RMB0.1260	RMB0.0823
- diluted, for profit for the year		RMB0.1253	RMB0.0818

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 *RMB'000*	2006 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		223,017	240,741
Land use rights		23,225	13,204
Construction in progress		10,496	869
Prepayments		26,072	-
Intangible assets		14,632	15,362
Deferred tax assets		868	655
Total non-current assets		298,310	270,831
CURRENT ASSETS			
Inventories		124,435	134,597
Trade and notes receivables	9	341,170	288,892
Prepayments, deposits and other receivables		5,752	16,029
Financial assets at fair value through profit or loss		4,888	3,965
Cash and cash equivalents		76,843	44,023
Total current assets		553,088	487,506
CURRENT LIABILITIES			
Trade and notes payables	10	247,407	201,242
Other payables and accruals		22,843	17,485
Bank advances for discounted bills		-	25,351
Income tax payable		2,142	1,212
Total current liabilities		272,392	245,290
Net current assets		280,696	242,216
Total assets less current liabilities		579,006	513,047
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		84,241	84,791
Reserves		465,887	413,812
Proposed final dividend	7	28,224	13,654
		578,352	512,257
Minority interest		654	790
Total equity		579,006	513,047

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. IMPACT OF NEW AND REVISED IFRSs

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where needed.

(b) IAS 1 Presentation of Financial Statements

This amendment requires the Group to make disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 32 to the financial statements.

(c) IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

(d) IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

(e) IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in one business segment, the development, manufacture and sale of medicines, and most of its operations and assets are located in Mainland China. Therefore, no business segment or geographical segment is presented.

4. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gain is as follows:

	2007 *RMB'000*	2006 *RMB'000*
Revenue		
Sale of goods	919,945	788,797
Other income		
Bank interest income	945	858
Government grant	50	23
Dividend income from financial assets at fair value through profit or loss	68	2
Tax refund for reinvestment	1,265	1,202
Others	690	668
	3,018	2,753
Gain		
Gain on disposal of financial assets at fair value through profit or loss	1,302	202
	4,320	2,955

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007 *RMB'000*	2006 *RMB'000*
Cost of inventories sold	677,200	537,124
Depreciation	23,143	22,227
Recognition of land use rights *	325	307
Research and development costs:		
Amortisation of intangible assets **	912	790
Current year expenditure	17,903	16,055
	18,815	16,845
Minimum lease payments under operating leases:		
Buildings	1,773	1,317
Auditors' remuneration	780	855
Employee benefit expense (including directors' remuneration):		
Wages and salaries	46,525	40,955
Equity-settled share option expense	864	405
Retirement costs	4,327	3,444
Accommodation benefits	1,532	1,763
	53,248	46,567
Foreign exchange differences, net ***	(3,815)	587
Impairment of trade receivables	418	3,095
Write-down of inventories to net realisable value	2,463	2,792
Impairment losses of intangible assets ****	4,166	1,335
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss	294	(857)
Bank interest income	(945)	(858)
Loss on disposal of items of property, plant and equipment	1,585	1,392

* The recognition of land use rights for the year is included in "Administrative expenses" on the face of the consolidated income statement.

** The amortisation of intangible assets for the year is included in "Other expenses" on the face of the consolidated income statement.

*** The foreign exchange differences, net is included in "Other expenses" on the face of the consolidated income statement.

**** The impairment losses of intangible assets for the year is included in "Other expenses" on the face of the consolidated income statement.

6. TAX

The major components of income tax expense for the years ended 31 December 2007 and 2006 are:

	2007 RMB'000	2006 RMB'000
Current income tax		
Current income tax charge	10,440	4,368
Adjustments in respect of current income tax of previous years	153	(262)
Deferred income tax	(213)	(655)
	10,380	3,451

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations. The undertaking for the Company is for a period of 20 years from 8 October 2002. Accordingly, the Company is not subject to tax.

Pursuant to the International Business Companies Act, 1984 ("IBC Act") of the British Virgin Islands, International Business Companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax, and all forms of withholding tax. Accordingly, Dawnrays International is not subject to tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2006: Nil).

According to the Income Tax Law of the PRC, three subsidiaries of the Company, namely Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical"), Suzhou Dawnrays Chemical Co., Ltd. ("Suzhou Dawnrays Chemical"), and Shanghai Dawnrays Chemical Co., Ltd. ("Shanghai Dawnrays Chemical") are exempted from corporate income tax of the PRC for the two years starting from the first profitable year of operation, after setting off losses carried forward, and are entitled to a 50% relief from corporate income tax of the PRC for the following three years.

Suzhou Dawnrays Pharmaceutical is in its seventh profitable year of operation in 2007 and therefore its applicable income tax rate should have been 24%. However, Suzhou Dawnrays Pharmaceutical has obtained tax approval from the relevant tax authorities as a qualified foreign-owned manufacturing enterprise engaging in technology-intensive and knowledge-intensive projects ("Double-intensive Enterprise"). According to PRC tax laws and regulations, Suzhou Dawnrays Pharmaceutical is subject to the corporate income tax of the PRC at a rate of 15% from 1 January 2003 onwards. Its status as a Double-intensive Enterprise is subject to periodic reassessment by the relevant PRC government authorities. Suzhou Dawnrays Pharmaceuticals has also obtained approval as an Advanced Technology Enterprise which enables it to enjoy 50% deduction of corporate income tax rate but the rate thereof cannot be less than 10%. Moreover, the paid-up capital of Suzhou Dawnrays Pharmaceutical was increased by US$15,000,000 from US$10,000,000 to US$25,000,000 in 2004. According to PRC tax laws and regulations, taxable profit generated in the first two years and the three years thereafter from the aforesaid additional capital are exempted from corporate income tax and taxed at a 50% reduced rate respectively.

Shanghai Dawnrays Chemical is in its sixth profitable year of operation, based on its statutory financial report. It is subject to corporate income tax of the PRC at a rate of 24% and local corporate income tax at a rate of 3% in 2007.

Suzhou Dawnrays Chemical is in its third profitable year of operation, based on its statutory financial report. It is subject to the corporate income tax in the PRC at a rate of 12% in 2007.

A reconciliation between tax expense and the product of accounting profit multiplied by the PRC's domestic tax rate for the years ended 31 December 2007 and 2006 is as follows:

	2007 *RMB'000*	2006 *RMB'000*
Accounting profit before income tax	111,537	69,329
At the PRC's statutory income tax rate of 33% (2006: 33%)	36,807	22,879
Tax effect of profits entitled to tax concession	(26,043)	(19,404)
Adjustments in respect of current income tax of previous years	153	(262)
Expenses not deductible for tax	217	238
Others	(754)	-
At the effective income tax rate of 9.31% (2006: 4.98%)	10,380	3,451

7. DIVIDENDS

	2007 *RMB'000*	2006 *RMB'000*
Equity dividends on ordinary shares:		
Interim dividend - HK$0.015 (2006: HK$0.015)	11,804	12,422
Proposed final dividend - HK$0.038 (2006: HK$0.017)	28,224	13,654

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share calculations:

	2007 *RMB'000*	2006 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	101,072	65,781

	Number of Shares	
	2007 Thousands	2006 Thousands
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	802,039	799,648
Effect of dilution – Weighted average number of ordinary shares:		
Share options	4,523	4,409
Weighted average number of ordinary shares adjusted for the effect of dilution	806,562	804,057

9. TRADE AND NOTES RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	146,448	141,885
Impairment	(3,361)	(2,976)
	143,087	138,909
Notes receivables	198,083	149,983
	341,170	288,892

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

An aged analysis of the trade and notes receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2007 *RMB'000*	2006 *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	136,506	125,532
Between 91 and 180 days	5,463	11,035
Between 181 and 270 days	1,002	1,863
Between 271 and 360 days	67	145
Over one year	49	334
	143,087	138,909

	2007 *RMB'000*	2006 *RMB'000*
Notes receivables		
Outstanding balances with ages:		
Within 90 days	114,721	87,035
Between 91 and 180 days	83,362	62,948
	198,083	149,983

10. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at the balance sheet date, based on the invoice date, is as follows:

	2007	2006
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 90 days	148,974	120,697
Between 91 and 180 days	97,844	79,111
Between 181 and 270 days	213	1,032
Between 271 and 360 days	130	98
Over one year	246	304
	247,407	201,242

Trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and notes payables approximate to their fair values.

RESULTS

The Group has recorded the revenue of approximately RMB919,945,000 (2006: RMB788,797,000) for the year ended 31 December 2007, which was increased by 16.6% from the revenue of 2006. Net profit attributable to equity holders was approximately RMB101,072,000 (2006: RMB65,781,000), which was increased by 53.6% from the profit of 2006. The significant increase in profit was mainly due to the high growth rate in the pharmaceutical market of PRC, and an increase in the Group's system specific medicine business and overseas export business. Further, the Group enhanced fundamental raw material supply chain management, and successfully lowered the impact of price fluctuation on production costs. Meanwhile, close monitoring of product supply and demand situation in the market, and measures to adjust sale strategies have also contributed to the Group's profit margin in bulk medicine business.

FINAL DIVIDEND

The Board has declared a final dividend of HK$0.038 per share for the year ended 31 December 2007, approximately amounting to the total sum of HK$30,141,000 (approximately equivalent to RMB28,224,000).

Considering the interim dividend of HK$0.015 per share, the total annual dividend distribution for the year ended 31 December 2007 is HK$0.053 per share. The dividend payout ratio is approximately 40%.

OVERVIEW

The pharmaceutical market of PRC enjoyed a high growth rate in 2007, and is expected to becoming one of the top 5 pharmaceutical markets in the world within 5 years. As GNP of PRC has continued to grow, average individual medical expenditure has increased steadily. Furthermore, as Ministry of Health of PRC will improve urban and rural medical and health protection systems, the pharmaceutical market of PRC is going to keep the momentum of a high growth rate on the condition of increasing government spending on medical and health.

The Board has been persistent in creating value for shareholders, and at the same time, making contributions to customers' health. In 2007, the Group has continued to increase investments in environment protection, technology standards and production plants, so as to ensure product quality and customer health.

In 2007, the Group's cephalosporin bulk medicine business grew significantly. As one of the few third generation cephalosporin manufacturers in the PRC which adopted the comprehensive vertically integrated-production-process, the Group has engaged in sales of chemical raw materials and bulk medicines upon satisfying its own needs of bulk medicines for powder for injections.

In 2007, various system specific medicines (including cardiovascular system medicines and anti-allergic drugs) of the Group realised significant growth in sales, consolidated their leading position in markets for major cities in PRC, and strived to penetrate markets for medium and small towns and community clinics.

In 2008, the Group will further enhance new product management and customer relationship management, as well as market orientation, and establish strategic alliances within and outside PRC, formulate related corporate strategies and market tactics, so as to push an in-depth development of product promotion and distribution.

DEVELOPMENT STRATEGIES

The Group has been steadily developing antibiotics business, continuously optimizing its product portfolio, striving to develop the system specific medicine market and overseas market, attracting and recruiting talented people, enhancing investments in research and development and markets, in order to create actively a new profitable platform since listing of the Group.

BUSINESS REVIEW

PRODUCTION & SALES OPERATION

For the year ended 31 December 2007, each of the Group's products in terms of production volume and sales volume recorded a growth over the corresponding period of last year. During 2007, production and sales volume of bulk medicines increased 23.0% and 12.0% respectively compared with the corresponding period of last year. Meanwhile, production and sales volume of powder for injections were almost equivalent to those of last year. Production and sales volume of solid-dosage-forms also increased 30.9% and 27.8% respectively compared with the corresponding period of last year. Export trading continued to grow rapidly, with an increase of 29.9% compared with the corresponding period of last year.

DEVELOPMENT OF NEW PRODUCTS

In 2007, the Group obtained the production permit for one anti-infective bulk medicine from the State Food and Drug Administration (SFDA) of the PRC, together with 37 supplemental production permits for 30 species of products. The Group conducted studies of production technique for 9 species of bulk medicine and prescription technique for 14 species of preparation. The Group also completed clinical research for 2 species of products and has been engaged in clinical research for another 4 species.

CONSTRUCTION PROJECTS FOR THE EXPANSION OF PRODUCTION FACILITIES

Pharmaceutical Chemical Intermediates

Suzhou Dawnrays Chemical Co. Ltd. has completed the planning of building new workshops, however, due to various environmental protection measures taken by PRC government, such planning is still under review by PRC government departments.

Meanwhile, the Nantong environment protection plan has been examined and approved by PRC government and executed in accordance with such plan of the Group.

Bulk Medicines

The completed plan for building new workshops has been reviewed and approved by related PRC government departments. Preparation for construction has been completed, and construction shall begin in 2008, with a view to start trial production in early 2009.

Pharmaceutical Preparations

A piece of land with an area of approximately 73,000 square meters has been acquired in Suzhou, with a plan to build production facilities for oral bulk medicines and pharmaceutical preparations in accordance with EU standards.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2007, the Group has achieved the revenue of approximately RMB919,945,000, equivalent to an increase of 16.6% compared with the corresponding period of last year. Gross profit was approximately RMB239,502,000, equivalent to an increase of 30.2% compared with the corresponding period of last year. Gross profit margin was increased by 2.7% to 26.0% (2006: 23.3%). The main reasons for the growing revenue were the increase in sales volume of bulk medicines and the high gross profit system specific medicines. In addition, the weighted average unit selling price of bulk medicines also increased 11.5% compared with the corresponding period of last year.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER (RMB'000)		SALES BREAKDOWN (%)	
	2007	2006	2007	2006
Bulk Medicines	569,279	455,987	61.9	57.8
Powder for Injections	239,532	244,120	26.0	31.0
Solid-Dosage-Forms	111,134	88,690	12.1	11.2
Overall	919,945	788,797	100.0	100.0

EXPENSES

The Group has executed expenses budgeting. With the continuous growth in sales amount, the total expenses incurred during the year increased 12.5% making total of RMB132,285,000 compared with the corresponding period of last year, equivalent to 14.4% of turnover (2006: 14.9%). The increase was mainly because of the selling and distribution costs was increased by 29.0% to RMB69,218,000 compared with the corresponding period of last year. It was due to the surge of freight expenses which was caused by the boost of fuel price. Moreover, the modification of sales strategies and expansion of the sales network also demanded more sales force and increased marketing activities expenses.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

For the year ended 31 December 2007, net profit attributable to equity holders amounted to RMB101,072,000, equivalent to an increase of 53.6% compared with the corresponding period of last year. The reasons for the increase in profit were mainly due to the rise in gross profit margin and reasonable control of expenses.

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2007, net assets of the Group were approximately RMB579,006,000. Net return on net assets, which is defined as the net profit attributable to equity holders divided by net assets, was 17.5% (2006: 12.8%). The current ratio and quick ratio was 2.03 and 1.57 respectively. Turnover days for trade and notes receivables was approximately 123 days. The turnover days for inventory was approximately 69 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group held cash and cash equivalents of approximately RMB76,843,000(as at 31 December 2006: RMB44,023,000). The inventories amounted to RMB124,435,000 (as at 31 December 2006: RMB134,597,000).The trade receivables was RMB143,087,000 (as at 31 December 2006: RMB138,909,000). The notes receivables was RMB198,083,000 (as at 31 December 2006: RMB149,983,000). The trade and notes payables amounted to RMB247,407,000 (as at 31 December 2006: RMB201,242,000).The Group had no interest-bearing borrowings and loans (as at 31 December 2006: RMB25,351,000).

As at 31 December 2007, the debt ratio (defined as bank advances for discounted bills over total assets) of the Group was 0% (as at 31 December 2006: 3.3%).

As at 31 December 2007, the Group had aggregate bank facilities of approximately RMB543,400,000 (as at 31 December 2006: RMB463,400,000).

During the year, the net cash inflow from operating activities was approximately RMB130,551,000(2006: RMB50,613,000). Net cash outflow from investing activities was approximately RMB61,666,000 (2006: RMB15,269,000). Net cash outflow from financing activities was approximately RMB30,645,000 (2006: RMB43,206,000).

As at 31 December 2007, the Group's capital commitments amounted to approximately RMB103,859,000 (as at 31 December 2006: RMB43,865,000), which mainly derived for the construction of new bulk medicine workshop for cephalosporin products, multi-functional workshop and environmental protection projects, etc. The Group has sufficient financial and internal resources to bear the capital expenditure.

During 2007, the Group has incorporated Dawnrays (Nantong) Pharmaceutical Science and Technology Co. Ltd. to fulfill the Group's future demand of pharmaceutical chemical intermediates. In addition, the Group acquired 100% interest of a pharmaceutical trading company in Guangdong from an independent third party at RMB630,000 and has renamed as Guangdong Dawnrays Pharmaceutical Co. Ltd after acquisition. Moreover, Dawnrays International Company Ltd. has been incorporated in Hong Kong and will replace Dawnrays International Co. Ltd. which is registered in the British Virgin Islands for the group reconstruction and management in future. Save as disclosed and the investment in the subsidiaries, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies during the year.

CHARGE ON ASSETS

As at 31 December 2007, no asset of the Company was pledged to banks to obtain credit facilities (as at 31 December 2006: Nil).

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities (as at 31 December 2006: Nil).

PROSPECTS

In recent years, the Group has undergone steady development that makes formation of an excellent and comprehensive vertically integrated-production-process, which tightly links the upper-middle-lower streams of production. With the advanced technology platform and leading technology development team, the Group has improved product quality, established strong and stable customer relations. Coupled with effective corporate management and governance, the Group has taken substantial market share and famous brand-names for its products under current market conditions in China. As the PRC government has already started implementation of measures to improve public health care services, together with a tendentious policy that extends medical insurance protection into the rural market, and as economic development in PRC has steadily been raising living standards of the rural inhabitants, more business opportunities for the Group's antibiotics and system specific medicines will be created.

In 2008, the planned Nantong project will be completed and commissioning for production. The forthcoming sales of its chemical intermediates and crude products of Cephalosporin will bring further profit gains to the Group. Furthermore, 2 new Cephalosporin products will also enter into market that will bring such income as expected. Besides, we anticipate another 2 system specific medicines will also be launched into market in 2008 that will form a solid foundation in increasing the Group's sales and profits. The Group will closely monitor and look into the tendency of changes, strictly implement budgets, adjust production and sales strategies and strive to a high management standard for promotion of the Group's development.

STAFF AND REMUNERATION POLICY

As at 31 December 2007, the Group employed approximately 1,570 employees and the total remuneration was approximately RMB53,248,000 (2006: RMB46,567,000). The Groups regards high performance employees as the most valuable assets and truly understands the importance of attracting, training and retaining capable people. Therefore, apart from the references of market salary index, the remuneration policy is also based on individual qualifications and performance. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 11,084,000 shares of the Company's listed securities on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$8,209,360 before expenses. The monthly breakdown of shares repurchased during the year were as follows:

Month of repurchase	Number of shares repurchased	The highest price paid per share (HKD)	The lowest price paid per share (HKD)	Aggregate consideration paid (HKD)
October 2007	2,460,000	0.80	0.75	1,891,200
November 2007	3,140,000	0.79	0.70	2,343,240
December 2007	5,484,000	0.74	0.70	3,974,920
Total	11,084,000			8,209,360

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The repurchased shares were subsequently cancelled. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the premium payable on repurchase was charged against the share premium account. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities for the year ended 31 December 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Company confirms that all the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the 2007 annual report.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2007 have been reviewed by the Audit Committee before recommending it to the Board for approval.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 May 2008 to Friday, 9 May 2008 (both days inclusive) during which period no transfer of shares will be registered and effected. In order to qualify for the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged with the Company's Registrars in Hong Kong, Tricor Abacus Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00p.m. on Monday, 5 May 2008.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to the members of the Board, and to the staff of the Group's subsidiaries and various departments who have been working with us dedicatedly for the last year.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 14 March 2008

As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai, Mr. Li Tung Ming and Mr. Gao Yi; one is Non-executive Director, Mr. Leung Hong Man; three are Independent Non-executive Directors, namely Mr. Pan Xue Tian, Mr. Choi Tat Ying Jacky and Mr. Sik Siu Kwan.