吉林省輝南長龍生化藥業股份有限公司

Jilin Province Huinan Changlong Bio-pharmacy Company Limited

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

(Stock Code: 8049)

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 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. 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 (www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to Jilin Province Huinan Changlong Bio-pharmacy Company Limited and its subsidiary ("the Group"). The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have bee arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

As the Chairman and on behalf of the Board of Directors (the "Board"), I am pleased to report the activities of Jilin Province Huinan Changlong Bio-pharmacy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007.

During the year under review, the Group has spent significant efforts in further promoting its core products namely Compound Huonaoshu capsule (复方活腦舒膠囊) and Hai Kun Shen Xi capsule (海昆腎喜膠囊). As a result, the total turnover of the Group for the year ended 31 December 2007 was RMB97,284,000, representing a significant increase of 40% as compared with RMB69,522,000 for the previous year. Net profit attributable to shareholders was approximately RMB12,378,000 that represented a significant increase by 4 times from RMB3.0 million last year. For the year ended 31 December 2007, basic earning per share increased to RMB2.2 cents from RMB0.54 cents last year.

The remarkable result in 2007 was the outcome of the continued effort of all level of the management in previous year. In fact, the board has already expressed its optimistic view in 2007's profitability in the 2006's annual report. As such, the board would like to share with the shareholders that the Company has the following competitive advantages, which will lay a strong foundation for the Company to have a blooming growth in the coming years.

Firstly, the board has great confident on the Company's new medicine of Xue Mai Qing Tablet (血脈清片). The Board believes that this medicine has the potential to be as successful as Hai Kun Shen Xi capsule. The revenue generated from H ai Kun Shen Xi capsule was increased from RMB18.7 million in 2006 to RMB34.2 million in 2007.

Secondly, during the year under review, the Group is in the progress of the constructing a "modernized warehouse" in an industrial land. This modernized warehouse shows that the Group has undergone the process of modernization and technological improvement.

Thirdly, the Group has completed the technological upgrading process in all workshops. This upgrade, in fact, is a transformation into the computerized production system. As a result of this computerization of the production process, the products' quality and the production's time management has significantly improved.

Fourthly, the Group has established an agricultural base in the forest of Jinchun. Certain types of raw material such as the wild panax ginseng were supplied by the base. This supply will help to lower the Group's cost of production as well as to ensure a constant supply of raw material.

Last but not the least, the Group has approved the recruitment of the temporary or short term sale persons to assist the regional sale persons to expand their sales network, especially during the period of medicine conference. During the year under review, the Group has engaged more than 2000 headcounts for these temporary or short term sale persons.

Looking forward, with the launch of new medicines of Xue Mai Qing Tablet in 2008, the Board believes the Group is capable of sustaining both the turnover and net profit attributable to shareholders in the coming future. Besides, the establishment of the "modernized warehouse", the computerized production system, the agricultural base for constant supply of raw material, all reflect that the Board has a well-organized long term planning for the Group for expansion.

On behalf of the board of Directors, I would like to express my heartfelt thanks to all levels of the staff and the Management for their efforts and contributions in 2007 and my deep gratitude to our clients, business partners and shareholders for their utmost support.

By order of the Board
Zhang Hong
Chairman

Jilin Province, the PRC
28 March 2008

ANNUAL RESULTS (AUDITED)

The Board of Directors (the "Board") of the Company are pleased to announce that the audited consolidated results of the Group for the year ended 31 December 2007, together with the comparative figures for the corresponding period of 2006, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2007**	2006
		RMB'000	RMB'000
Turnover	4	**97,284**	69,522
Cost of sales		**(24,379)**	(22,985)
Gross profit		**72,905**	46,537
Other revenue and gains	4	**2,258**	1,676
Distribution and selling costs		**(38,426)**	(28,238)
Administrative expenses		**(17,012)**	(14,033)
Other operating expenses		**(189)**	(611)
Profit from operations	5	**19,536**	5,331
Finance costs	6	**(107)**	(323)
Profit before taxation		**19,429**	5,008
Taxation	7	**(7,051)**	(1,971)
Profit attributable to equity holders of the Company		**12,378**	3,037
Earnings per share			
– Basic (RMB) cents	8	**2.21**	0.54
Special dividend		**–**	7,003

CONSOLIDATED BALANCE SHEET

At 31 December

	Note	2007 RMB'000	2006 RMB'000
Assets and liabilities			
Non-current assets			
Bearer biological assets		**1,175**	656
Property, plant and equipment		**46,777**	49,657
Prepaid lease payments		**4,285**	4,295
Construction in progress		**7,880**	5,124
Purchased know-how and prescription		**27,128**	32,650
		87,245	92,382
Current assets			
Inventories		**20,692**	18,980
Trade receivables	9	**48,150**	47,216
Other receivables, deposits and prepayments		**47,599**	43,197
Loans		**3,000**	–
Prepaid lease payments		**135**	130
Income tax recoverable		**19,269**	20,773
Cash and cash equivalents		**42,542**	26,251
		181,387	156,547
Current liabilities			
Trade payables	10	**11,352**	9,289
Other payables, deposits received and accruals		**17,273**	18,308
Other tax payables		**11,895**	11,994
Borrowings		**466**	–
Dividend payable		**396**	3,058
		41,382	42,649
Net current assets		**140,005**	113,898
Total assets less current liabilities		**227,250**	206,280
Non-current liabilities			
Borrowings		**6,524**	–
Deferred tax liabilities		**1,847**	–
		(8,371)	–
Net assets		**218,879**	206,280
Equity			
Share capital		**56,025**	56,025
Reserves		**162,854**	150,255
Total equity		**218,879**	206,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

				PRC statutory funds			
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Staff public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2006	**56,025**	**51,098**	**–**	**15,256**	**7,627**	**80,240**	**210,246**
Profit for the year	–	–	–	–	–	3,037	3,037
Special dividend declared	–	–	–	–	–	(7,003)	(7,003)
Transfer to statutory reserve	–	–	–	7,627	(7,627)	–	–
Appropriation to statutory reserve	–	–	–	402	–	(402)	–
At 31 December 2006	**56,025**	**51,098**	**–**	**23,285**	**–**	**75,872**	**206,280**
Exchange differences arising on translation or overseas operations recognised directly in equity	–	–	221	–	–	–	221
Profit for the year	–	–	–	–	–	12,378	12,378
Total recognised income and expense for the year	–	–	221	–	–	12,378	12,599
Appropriation to statutory reserve	–	–	–	1,670	–	(1,670)	–
At 31 December 2007	**56,025**	**51,098**	**221**	**24,955**	**–**	**86,580**	**218,879**

NOTES:

1. Organisation and operations

The Company was established as a state-owned enterprise in the People's Republic of China (the "PRC") in 1989. On 29 December 1995, under the relevant provisions of the Company Law of the PRC, the Company was re-organised from a state-owned enterprise to a limited liability company. On 16 August 1996, with the approval of the Economic Restructuring Commission of Jilin Province, the Company was further converted into a joint stock limited company. On 20 April 1999, the Company made a bonus issue from capitalisation of retained profits in the proportion of one bonus share for every two existing shares.

The Company's H shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 May 2001.

The Company is principally engaged in the manufacture and distribution of biochemical medicines in the PRC under the brandnames of Changlong and Shendi.

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment: Capital Disclosures has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The directors of the Company anticipate that the application of the above standards or interpretations will have no material impact on the financial statements of the Group in the period of their initial application.

3. Basis of preparation of financial statements

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of biological assets which are measured at fair value.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

4. Turnover, other revenue and gains

The Group's turnover comprises the invoiced value of merchandise sold net of value-added tax and after allowances for returns and discounts.

	2007	2006
	RMB'000	*RMB'000*
Turnover		
Sales of medicine	**97,284**	69,522
Other revenue and gains		
Regional development subsidy received	**1,350**	320
Bank interest income	**506**	262
Net realised and unrealised gain on biological assets	**291**	192
Others	**111**	902
	2,258	1,676

5. Profit from operations

	2007	2006
	RMB'000	*RMB'000*
Profit from operations is arrived at after charging/(crediting):-		
Cost of inventories sold (excluding provision for obsolete and slow-moving inventories)	**23,426**	21,496
Provision for obsolete and slow-moving inventories	**1,743**	684
Impairment loss on trade and other receivables recognised/(reversed)	**2,263**	(142)
Auditor's remuneration:-		
Current year provision	**450**	500
Over-provision in previous year	**–**	(51)
Amortisation of purchased know-how and prescription (included in administrative expenses)	**5,279**	4,836
Impairment loss on purchased know-how and prescription	**266**	–
Amortisation of prepaid lease payments	**135**	131
Exchange losses/(gains), net	**219**	(17)
Depreciation of property, plant and equipment	**5,380**	5,246
Staff costs (excluding directors' and supervisors' emoluments):-		
Salaries, bonus and allowances	**21,525**	5,017
Retirement benefit scheme contributions	**507**	436

6. Finance costs

	2007	2006
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**–**	293
Interest expenses on borrowings not wholly repayable within five years	**97**	–
Bank charges	**10**	30
	107	323

7. Taxation

(a) Taxation charge in the consolidated income statement represents:-

	2007	2006
	RMB'000	*RMB'000*
PRC income tax	**5,204**	1,971
Deferred taxation	**1,847**	–
	7,051	1,971

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 33%.

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law, which became effective from 1 January 2008. In accordance with the new law, a unified enterprise incomes tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises.

The Group's subsidiary in Hong Kong is subject to Hong Kong profits tax calculated at 17.5% on the estimated assessable profits. No provision has been made for Hong Kong profits tax as the subsidiary has no assessable profits for the year.

(b) Taxation charge for the year can be reconciled to the profit before taxation as stated in the financial statements as follows:

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation	**19,429**	5,008
Taxation calculated at PRC statutory income tax of 33%	**6,412**	1,653
Tax effect of non-taxable items	**(446)**	(6)
Tax effect of expenses not deductible for taxation purposes	**1,856**	311
Under-provision in prior year	**1,858**	–
Tax relief	**(2,567)**	–
Others	**(62)**	13
Taxation charge for the year	**7,051**	1,971

8. Earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2007 is based on the consolidated profit attributable to equity holders of the Company of approximately RMB12,378,000 (2006: RMB3,037,000) and the weighted average of 560,250,000 shares (2006: 560,250,000 shares).

Diluted earnings per share is not presented as there were no dilutive potential shares in existence during the years ended 31 December 2007 and 2006.

9. Trade receivables

	The Group		**The Company**	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**59,430**	56,987	**73,500**	66,461
Less: Allowance for doubtful debts	**(11,280)**	(9,771)	**(9,263)**	(7,997)
Trade receivables – net	**48,150**	47,216	**64,237**	58,464

(i) The Group's policy is to allow an average credit period of 180 days to its trade customers.

(ii) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**9,771**	9,065	**7,997**	7,372
Impairment loss recognised	**1,509**	706	**1,266**	625
At end of year	**11,280**	9,771	**9,263**	7,997

The allowance for doubtful debts has been made for the estimated irrecoverable amounts from the sale of goods. This allowance has been determined by the directors with reference to past default experience.

(iii) The ageing analysis of trade receivables, net is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current	**22,049**	22,639	**23,883**	24,310
31-60 days	**4,578**	2,718	**6,539**	4,301
61-90 days	**4,646**	3,074	**6,332**	4,919
More than 90 days	**16,877**	18,785	**27,483**	24,934
	48,150	47,216	**64,237**	58,464

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**38,287**	33,765	**50,227**	44,275
Less than 1 month past due	**2,303**	1,402	**3,580**	3,404
1 to 3 months past due	**2,818**	2,587	**7,852**	2,313
Over than 3 months past due	**2,305**	1,785	**1,382**	2,245
	45,713	39,539	**63,041**	52,237

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(v) Included in trade receivables of the Company was a balance of RMB25,660,000 (2006: RMB19,092,000) due from a subsidiary as at 31 December 2007. No impairment has been made to these trade receivables.

(vi) The directors consider the carrying amount of trade receivables approximates its fair value.

10. Trade payables

The following is an aged analysis of trade payables:-

	The Group and the Company	
	2007	2006
	RMB'000	*RMB'000*
Current	**4,769**	2,730
31-60 days	**1,016**	218
61-90 days	**101**	255
More than 90 days	**5,466**	6,086
	11,352	9,289

Trade payables principally comprise amounts outstanding for trade purchases. The directors consider the carrying amount of trade payables approximates its fair value.

11. Dividend

The Board does not recommend the payment of the final dividend for the year ended 31 December 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2007, the Group's turnover increased by 40% from RMB69.52 million to RMB97.28 million while that of profit attributable to shareholders increased by 4 times from RMB3.0 million to RMB12.4 million. For the year ended 31 December 2007, basic earning per share increased to RMB2.2 cents from RMB0.54 cents last year.

For the year ended 31 December 2007, the manufacturing and selling of Compound Huonaoshu capsule and Hai Kun Shen Xi capsule continued to be the Group's core revenue generators. The revenue of the Compound Huonaoshu capsule reached approximately RMB38.2 million, which represented approximately 39.3% of the total turnover. In addition, the new medicine of Hai Kun Shen Xi capsule has been penetrated into the market and has recorded a total revenue of approximately RMB34.2 million for the year ended 31 December 2007. The sales of Xueshuan Xinmaining capsule(血栓心脈寧) has reached RMB4.7million for the year ended 31 December 2007, which represented the third top best seller of the Group in the year 2007. Other products such as Yi Li Xin Tou Bao Pi An for injection (意利信(注射用頭孢匹胺)), Hai Li Xin Tou Bao Pi An for injection (海麗(注射用頭孢匹胺)), Dong Gui Long Hui tablet (當歸龍薈丸), Qian Lie Gui Huang tablet (前列桂黃片), Chang Long Li of Tou Bao Pi An (長龍利(頭孢匹胺)) and Chang Long Hai of tou Bao Pi An (長龍海(頭孢匹胺)) also contributed more than one million of sales in 2007. This was further elaborated under the Section "Financial Review".

OPERATION REVIEW

Good Manufacturing Practice (GMP)

During the year ended 31 December 2007, the Company has been successful in renewal of one GMP standard certifications. The Company has already obtained GMP certifications for the following:

1. Tablets (片劑) – valid until 25 January 2011
2. Capsules (膠囊劑) – valid until 25 January 2011
3. Granules (顆粒劑) – valid until 25 January 2011
4. Solution (external use)(外用溶液劑) – valid until 25 January 2011
5. Pill (Condensate) (濃縮丸丸劑) – valid until 25 January 2011
6. Sterile Bulk (Cefalotin sodium, Cefpiramide) (無菌原料藥(頭孢噻吩鈉、頭孢匹胺)) – valid until 14 May, 2010
7. Pills (Water Pills), Membrane (丸劑(水丸)、膜劑)– valid until 6 February, 2010
8. Powder for injection (Cephalosporins) (頭孢菌素類粉針劑) – valid until 23 August 2012
9. Tablets (Penicillins) (青霉素類片劑) – valid until 1 February 2009
10. Lyophilized powder for injection (凍乾粉針劑) – valid until 6 March 2011
11. Small volume Parenteral Solution (小容量注射劑) – valid until 6 March 2011

RESEARCH AND DEVELOPMENT

The Research and Development (R&D) department of a pharmaceutical company has an important contribution to the future successful of the company. In the past, our R&D department had successfully developed the medicine of Compound Huonaoshu capsule, which had generated huge profit to the company and finally led to the listing of the company in Hong Kong. In the year of 2003, our R&D department completed the development of Hai Kun Shen Xi capsule, which now became our second top revenue generator and its revenue reached approximately RMB34.2 millions for the year ended 31 December 2007. This year, a new medicine named as Xue Mai Qing Tablet has been launched into the market. The revenue of Xue Mai Qing Tablet was only RMB504,000 during the year 2007. However, the Directors believed that this medicine has the potential to be as successful as Compound Huonaoshu capsule and Hai Kun Shen Xi capsule to become the Group's another core revenue generators.

In addition to our internal R&D resources, the Group also embarks on joint efforts with reputable R&D companies to develop new potential pharmaceutical products. As at 31 December 2007, the major products currently under these joint efforts of research and development are as follows:

Medicine Name	**Type**	**Form**
Xong Xian Tai capsule (胸腺肽膠囊)	Biochemical Medicine	Capsules
Yan Suan Tou Bao Jia Wo for injection (注射用鹽酸頭孢甲肟)	Chemical Medicine Class 4	Powder for injection
Yan Suan Tou Bao Jia Wo (鹽酸頭孢甲肟)	Chemical Medicine Class 4	Raw Material
Ying Xing Yie Extracts for injection (注射用銀杏葉提取物)	Chinese Medicine Class 2	Lyophilized powder for injection
Ying Xing Yie Extracts (銀杏葉提取物)	Chinese Medicine Class 2	Raw Material
Yi Da La Tong injection (依達拉酮注射液)	Chemical Medicine Class 2	Water for injection
Yi Da La Tong (依達拉酮)	Chemical Medicine Class 2	Raw Material
Zhi Zi Xi Hong Ha Gan (梔子西紅花苷)	Chinese Medicine Class 2	Raw Material
Zhi Zi Xi Hong Ha Gan for injection (注射用梔子西紅花苷)	Chinese Medicine Class 2	Lyophilized powder for injection
Yan Suan Tou Bao Bi Wo (鹽酸頭孢吡肟)	Chemical Medicine Class 4	Raw Material
Yan Suan Tou Bao Bi Wo for injection (注射用鹽酸頭孢吡肟)	Chemical Medicine Class 4	Powder for injection

PRODUCTION FACILITIES

During the year 2007, the Board has reviewed all production facilities and has redesigned the assembly lines and reallocated the plant and machinery so as to improve the effectiveness and efficiency of the production lines. In addition, the Group has made the following important process improvements on the production facilities which will lay a strong foundation for the Group to expand in the coming future.

Firstly, the Group has established an agricultural base in the forest area of Jinchun during the year under review. The base is intended to cultivate wild panax ginseng so as to ensure constant supply of ginseng for the Company. Currently, the base has been developing to cultivate different type of agricultural products and our R& D department will extract the useful ingredient from those agricultural products to carry out the experimental process. Apart from wild panax ginseng, certain type of raw material can also be cultivated in this agricultural base.

Secondly, the Group has completed the technological upgrading of all workshops. All assembly lines in the workshop has upgraded into a fully automatically production system. In addition, the Group has completed the final tuning of the "Xue Mai Qing "workshop and "Chinese medicine extracts" workshop during the year of 2007. These two workshops are expected to be ready to handle mass production if required in the near future.

Thirdly, the Group is in the progress of the constructing of a "modernized warehouse" in an industrial land. This modernized warehouse shows that the Group has undergone the process of modernization and technological improvement.

FINANCIAL REVIEW

For the year ended 31 December 2007, the Group's recorded a revenue amounted to approximately RMB97.3 million (2006: RMB69.5 million), a growth of approximately 40% as compared to the previous year. The audited profit attributable to shareholders was approximately RMB12.4 million represents an increase of 308% as compared to RMB3 million of last year. The basic earnings per share was RMB2.21 cents (2006: RMB0.54 cents) an increase of 1.67 cents over the last year.

During the year ended 31 December 2007, the Group reported a turnover of approximately RMB97.3 million, representing an increase of approximately RMB27.8 million or 40% as compared with the same period last year. The significantly increase in turnover mostly due to the increase in the revenue of our two core revenue generators, namely Compound Huonaoshu capsule and Hai Kun Shen Xi capsule. The sales of the Compound Huonaoshu capsule were approximately RMB38.2 million in 2007. This represented a significant increase from approximately RMB22 million in 2006. The new medicine of Hai Kun Shen Xi capsule has been penetrated into the market and has reached RMB34.2 million in 2007. This represented a 83% increment from approximately RMB18.7 million in 2006. The sales for Xueshuan Xinmaining capsule amounted to approximately RMB4.7 million for the year ended 31 December 2007 while it had recorded approximately RMB6 million in revenue same period last year.

Other products, such as Hai Li Xin Tou Bao Pi An for injection and Yi Li Xin Tou Bao Pi An for injection, has recorded more than two million sales in 2007. Qianlie Guihuang tablet, Dang Gui Long Hui tablet, Chang Long Li of Tou Bao Pi An and Chang Long Hai of tou Bao Pi An also contributed more than one million sales in 2007.

The Board are satisfied with the financial results in 2007 and the board believed the following reasons that led to the significantly increase of profitability. Firstly, the market has fully recognized the curing effects of our new medicine Hai Kun Shen Xi capsule and the board believed that the revenue generated from Hai Kun Shen Xi capsule is expected to maintain at a level more than RMB30 millions from this year onwards. Secondly, the Group has held a number of seminars and academic conferences in different regions in the PRC. For instance, the Group has participated in the Society of Nephrology Annual Meeting in Zhengzhou Province, and attended the regional academic meeting in Guangzhou and Chongqing. In addition, the Group has participated in the Military Medical Nephrology academic conferences. Participation in academic conferences can not only promoting the corporate image, but the Group can also explore business opportunities and expand business networks. A number of new customers from clinic and hospitals in different regions were originated from these conferences. Thirdly, the Group has approved the recruitment program of the temporary or short term sale persons to assist the regional sale persons to expand their sales network, especially during the period of medicine conference. During the year under review, the Group has engaged more than 2000 headcounts for these temporary or short term sale persons. Fourthly, the composition of the Board has a significant change during the year 2007. Despite the formality of the appointment of new directors has been completed in February 2008, the total number of six newly appointed directors has already been devoted into their duties in early 2007. Numbers of sales contracts were concluded under the supervision of those newly appointed directors.

The gross profit margin for the year ended 31 December 2007 was approximately 75%, representing a 8% increase as compared to that of 67% for the year ended 31 December 2006. The gross profit margin has increased 8% mainly due to an increase in the sale of high profit margin products namely Compound Huonaoshu capsule and Hai Kun Shen Xi capsule. In fact, this increase in sale volume will directly led to the increase in gross profit margin due to the effect of mass production.

Other income is similar to the previous year. For the year ended 31 December 2007, the Group recorded other income at approximately RMB2.26 millions as compared to RMB1.68 million for the year ended 31 December 2006.

Selling and distribution expenses increase to approximately RMB38.4 million for the year ended 31 December 2007 from approximately RMB28.2 million last year. The selling expense as a percentage of turnover was 40% in 2007. This represented a 1% decrease from 41% when compared to the same period last year. The increase in selling and distribution expenses by approximately RMB10.2 million was mainly due to the increase of staff remuneration as a result of the recruitment of temporary and short term sales persons. The Board believes that the selling expense of 40% over the turnover was acceptable for a pharmaceutical manufacturing company.

General and administrative expenses increased during the year ended 31 December 2007 to approximately RMB17 million from approximately RMB14 million last year. The increase mainly due to the increase of approximately RMB443,000 in amortization expenses and the provisions of approximately RMB4 million made for long outstanding trade and other receivables and obsolete inventories.(2006: net provision of approximately RMB542,000) for the year ended 31 December 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during this year. As at 31 December 2007, the Group had cash and bank balances amounted to RMB42.5million (2006: RMB26.2 million) and long-term borrowings of RMB6.5 million (2006: RMB: Nil). These borrowings were interest bearing at commercial rates and unsecured. As at 31 December 2007, the Group had total assets of RMB268,632,000 (2006: RMB248,929,000) which were financed by current liabilities of RMB41,382,000 (2006: 42,649,000), long term borrowings of RMB6,524,000 (2006: Nil), deferred tax liabilities of RMB1,847,000 (2006: Nil) and shareholders' equity of RMB218,879,000 (2006: RMB206,280,000)

GEARING RATIO

As at 31 December 2007, the Group had a net cash and cash equivalents of approximately RMB42,542,000. As at 31 December 2007, the ratio of the total liabilities to the total assets of the Group was approximately 18.5% (2006: approximately 17.1%) which is calculated by dividing the Group's total liabilities of approximately RMB49,753,000 (2006: RMB42,649,000) by the Group's total equity and liabilities of approximately RMB268,632,000 (2006: RMB248,929,000). The Group's gearing ratio, which was derived from the total borrowings to total assets was approximately 2.6% (2006: zero)

EMPLOYEES

The Group has a total of 442 employees, representing an increase of 36 headcount from the previous year. The new recruits were mostly sale-persons. For the year ended 31 December 2007, the total remuneration to employees, including director's emoluments amounted to approximately RMB22.3 million (2006: approximately RMB6.4 million).

Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

SEGMENTAL INFORMATION

The Group has only one business segment which is in the manufacture and distribution of biochemical medicines in the PRC. In 2007, turnover of the Group is generated entirely from sales in the PRC and all identifiable assets of the Group are located in PRC. Accordingly, no business or geographical segmental analysis is prepared for the year.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2007. As at 31 December 2007, the Group had no future plans for material investments or capital assets.

CAPITAL STRUCTURE

The operations of the Group were financed mainly by shareholders' equity. The Group will continue to adopt its treasury policy of placing the Group's cash and cash equivalents in interest bearing deposits, and to fund operations with internal resources.

CHARGE OF ASSETS

As at 31 December 2007, the Group did not create any security on its assets.

FOREIGN EXCHANGE RISK

For the years ended 31 December 2007 and 2006, the Group mainly generated revenue and incurred costs in Hong Kong dollars and Renminbi. The directors consider the impact on foreign exchange exposure of the Group is minimal. Accordingly the Group did not employ any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 31 December 2007 and 31 December 2006, the Group had no material contingent liabilities.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

At 31 December 2007, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares

Director	Type of Interests	Capacity	Number of Domestic Shares	Percentage of Domestic Shares	Percentage of total registered Share Capital
Zhang Hong	Personal	Beneficial owner	101,937,000	26.28	18.19
Zhang Xiao Guang	Personal	Beneficial owner	42,315,000	10.91	7.55
Wu Guo Wen	Personal	Beneficial owner	900,000	0.232	0.161
Chen Qi Ming	Personal	Beneficial owner	300,000	0.077	0.054

Save as disclosed above, as at 31 December 2007, none of the Directors, supervisors and chief executives of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and supervisors' interests in shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director, supervisor and chief executive or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors, supervisors and chief executives to acquire such rights in any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name of shareholder	Capacity/Nature of Interest	Number of Domestic Shares	Percentage of Domestic Shares	Percentage of total registered Share Capital
Huinan County SAB *(Note)*	Beneficial owner	81,975,000	21.14	14.63

Note: Apart from the equity interest in the Company, Huinan County SAB does not have any direct or indirect interest in the Company, including representation in the Board of Directors.

Save as disclosed above, as at 31 December 2007, the Directors were not aware of any other person (other than the Directors, supervisors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

None of the directors or the management shareholders, significant shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company had any interest in any business, which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the article of association of the Company or 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 existing shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practice (the "Code") as set out in the Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 2007 subject to the deviations disclosed hereof.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Hong assumes the role of both the chairman and the chief executive officer of the Company. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

– the Audit Committee composes exclusively of independent non-executive directors;

– the independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Zhang Hong, the chairman, is a substantial shareholder of the Company and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Zhang Hong *(Chairman)*
Mr. Zhang Xiao Guang
Mr. Liang Fu Xiang (appointed on 28 February 2008)
Mr. Tian Xin Guo (appointed on 28 February 2008)
Mr. Chen Qi Ming (appointed on 28 February 2008)
Mr. Wu Guo Wen (appointed on 28 February 2008)
Mr. Zhao Bao Gang
Ms. Li Yu Xian (resigned on 28 February 2008)
Mr. Qiao Hong Kuan (resigned on 5 June 2007)
Ms Cui Shu Mei (resigned on 28 February 2008)
Mr. Zhang Yuan Qiu (resigned on 5 June 2007)

Independent Non-Executive Directors
Mr. Shen Yu Xiang
Mr. Xue Chang Qing (appointed on 28 February 2008)
Mr. Yan Li Jin (appointed on 28 February 2008)
Mr. Nan Zheng (resigned on 28 February 2008)

All directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Board considers that each INED of the Company is independent in character and judgement. The Company has received from each INED a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company set up an Audit Committee on 24 May 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and provide supervision over the financial reporting procedures and internal control system of the Group.

The Audit Committee currently comprises three members, Mr. Shen Yu Xiang, Mr. Xue Chang Qing and Mr. Yan Li Jin. All of them are INEDs. The chairman of the Audit Committee is Mr. Shen Yu Xiang. The Board considers that each Audit Committee has broad commercial experience and there is a suitable mix of expertise in business, legal, accounting and financial management in the Audit Committee.

At 18 April, 2006, Mr. Wong Kin Fai, Kenny has resigned as an INED of the Company and ceased to be a member of Audit Committee. The Company required additional time than expected to identify suitable candidates as new INED and Audit Committee's member. At 28 February 2008, Mr. Xue Chang Qing and Mr. Yan Li Jin have been appointed as INEDs and members of Audit Committee, and Mr. Nan Zheng has resigned as an INED and ceased to be a member of Audit Committee of the Company. During the period from 18 April, 2006 to 28 February 2008, the Company had only two INEDs and Audit Committee members and thus was temporarily unable to strictly comply with Rules 5.05 and 5.28 of the GEM Listing Rules requiring the Company to retain at all times three INEDs and a minimum of three members to comprise the Audit Committee. Also, the Company had breached the requirements of Listing Rules of 5.06 and 5.33 which require the Company to fill up the outstanding position within three months from the date of failing to meet these requirements.

The committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the audited results of the Group for the year ended 31 December 2007.

AUDITOR

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment.

By order of the Board of
Jilin Province Huinan Changlong Bio-pharmacy Company Limited
Zhang Hong
Chairman

Jilin Province, the PRC
28 March 2008

As at the date of this announcement, the Board comprises seven executive directors, being Zhang Hong, Zhang Xiao Guang, Liang Fu Xiang, Tian Xin Guo, Wu Guo Wen, Chen Zi Ming, Zhao Bao Gang and three independent non-executive directors, being Shen Yu Xiang, Xue Chang Qing and Yan Li Jin.

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