Venturepharm Laboratories Limited

萬 全 科 技 藥 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Characteristics of the Growth Enterprise Market (the ''GEM'') of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'')

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk 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 othersophisticated 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 Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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 (the ''Directors'') of Venturepharm Laboratories Limited (the ''Company'') collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The directors (the "**Directors**") of Venturepharm Laboratories Limited (the "**Company**") hereby announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31st December 2008 RMB'000	2007 RMB'000
Revenue	2	39,186	38,729
Cost of sales		(23,804)	(15,771)
Gross profit		15,382	22,958
Administrative expenses		(47,544)	(18,165)
Other income	3	12,315	907
Operating (loss)/profit	5	(19,847)	5,700
Finance income	4	573	1,526
Finance costs	4	(7,968)	(5,338)
Finance costs – net	4	(7,395)	(3,812)
(Loss)/profit before income tax		(27,242)	1,888
Income tax	6	9,930	(788)
(Loss)/profit for the year		(17,312)	1,100
Attributable to:			
Equity holders of the Company		(16,354)	1,597
Minority interest		(958)	(497)
		(17,312)	1,100
Basic (loss)/earnings per share	7	(4.52) CENTS	0.44 CENTS
Diluted (loss)/earnings per share	7	(2.94) CENTS	0.42 CENTS

CONSOLIDATED BALANCE SHEET

	Note	As at 31st December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		10,920	11,267
New drugs technology		10,445	6,958
Investment in an associate		-	833
Deferred tax assets		8,128	-
		29,493	19,058
Current assets			
Work-in-progress		56,286	66,503
Trade receivables	8	13,200	30,721
Prepayments, deposits and other receivables		34,435	34,841
Amounts due from related companies		-	629
Financial assets at fair value through profit or loss	9	46,684	72,409
Cash and cash equivalents		6,711	30,803
		157,316	235,906
Total assets		186,809	254,964
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary shares		38,407	38,160
Reserves		66,329	82,484
		104,736	120,644
Minority interest in equity		1,620	2,592
Total equity		106,356	123,236
LIABILITIES			
Non-current liabilities			
Borrowings		65,785	95,936
Current liabilities			
Trade and other payables	10	8,161	5,522
Receipt in advance		4,378	24,207
Income tax liabilities		2,129	6,060
Borrowings		-	3
		14,668	35,792
Total liabilities		80,453	131,728
Total equity and liabilities		186,809	254,964
Net current assets		142,648	200,114
Total assets less current liabilities		172,141	219,172

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2008

	Share capital RMB'000	Share-based payment reserve RMB'000	Available-for-sales financial assets reserve RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Statutory enterprise expansion fund RMB'000	Retained earnings RMB'000	Minority interests RMB'000	Total RMB'000
At 1st January 2007	38,160	53	(1,032)	6,039	894	3,803	6,986	64,144	3,089	122,136
Transfer to reserves		2,800	1,032	-	6	-	-	(3,838)	-	-
Profit for the year	-	-	-	-	-	-	-	1,597	(497)	1,100
At 31st December 2007 and at 1st January 2008	38,160	2,853	-	6,039	900	3,803	6,986	61,903	2,592	123,236
Share premium for exercise of share option	-	-	-	-	199	-	-	-	-	199
New issue of shares	196	-	-	-	-	-	-	-	-	196
Issue of new shares pursuant to exercise of share options	51	-	-	-	-	-	-	-	-	51
Exercise of share option	-	(87)	-	-	87	-	-	-	-	-
Disposal of interest in a subsidiary with minority shareholders	-	-	-	-	-	-	-	-	(14)	(14)
Loss for the year	-	-	-	-	-	-	-	(16,354)	(958)	(17,312)
At 31st December 2008	38,407	2,766	-	6,039	1,186	3,803	6,986	45,549	1,620	106,356

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The preparation of financial statements in conformity with HKFRS 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.

(a) In 2008, the Group adopted the following standard, amendment and interpretations to existing standards that are effective in 2008 but are not relevant to the Group's operation.

HKAS 39	Financial instruments: Recognition and measurement
HK(IFRIC) - Int 11	HKFRS 2 - Group and treasury share transactions
HK(IFRIC) - Int 12	Service Concession arrangements
HK(IFRIC) - Int 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

(b) Amendment to existing standard that is not yet effective and has not been early adopted by Group.

The following amendment to existing standard has been published and is mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of financial statements (effective from 1st January 2009)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by Group.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods but are not relevant for the Group's operations:

HKAS 1 (Amendment)	Presentation of financial statements (effective from 1st January 2009)
HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7, "Statement of cash flows") (effective from 1st January 2009)
HKAS 19 (Amendment)	Employee benefits (effective from 1st January 2009)
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance (effective from 1st January 2009)
HKAS 23 (Amendment)	Borrowing costs (effective from 1st January 2009)
HKAS 23 (Revised)	Borrowing costs (effective from 1st January 2009)
HKAS 27 (Amendment)	Consolidated and separate financial statements (effective from 1st January 2009)
HKAS 27 (Revised)	Consolidated and separate financial statements (effective from 1st July 2009)
HKAS 28 (Amendment)	Investments in associates (and consequential amendments to HKAS 32, Financial Instruments: Presentation and HKFRS 7, Financial instruments: Disclosures) (effective from 1st January 2009).
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies (effective from 1st January 2009)

HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1st January 2009)
HKAS 32 (Amendment)	Financial instruments: Presentation (effective from 1st January 2009)
HKAS 36 (Amendment)	Impairment of assets (effective from 1st January 2009)
HKAS 38 (Amendment)	Intangible assets (effective from 1st January 2009)
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement (effective from 1st January 2009)
HKAS 40 (Amendment)	Investment property (and consequential amendments to HKAS16) (effective from 1st January 2009)
HKAS 41 (Amendment)	Agriculture (effective from 1st January 2009)
HKFRS 1 (Amendment)	First time adoption of HKFRS (effective from 1st January 2009)
HKFRS 2 (Amendment)	Share-based payment (effective from 1st January 2009)
HKFRS 3 (Revised)	Business combinations (effective from 1st July 2009)
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, First-time adoption) (effective from 1st July 2009)
HKFRS 8	Operating segments (effective from 1 January2009)
HK(IFRIC) - Int13	Customer loyalty programmes (effective from 1st July 2008)
HK(IFRIC) - Int15	Agreements for construction of real estates (effective from 1st January 2009)
HK(IFRIC) - Int16	Hedges of a net investment in a foreign operation (effective from 1st October 2008)
HK(IFRIC) - Int17	Distributions of non-cash assets to owners (effective from 1 July 2009)
HK(IFRIC) - Int18	Transfers of assets from customers (effective for transfers of assets from customers received from 1 July 2009)

There are a number of minor amendments to HKFRS 7, “Financial instruments: Disclosures”, HKAS 8, “Accounting policies, changes in accounting estimates and errors”, HKAS 10, “Events after the balance sheet date”, HKAS 18, “Revenue” and HKAS 34, “Interim financial reporting” which are not addressed above. These amendments are unlikely to have an impact on the Group’s financial statements and have therefore not been analysed in detail.

2. Revenue and segment information

Breakdown of the revenue from all services is as follows:

	2008 RMB’000	2007 RMB’000
Analysis of revenue by category		
Transfer to technology for new drugs and new drugs development	4,204	595

Contracted pharmaceutical development services and clinical research services associated with technology transferred by the Group	11,476	17,367
Contracted pharmaceutical development services and clinical research services not associated with technology transferred by the Group	19,743	18,616
Import registration services	554	28
Royalty income	2,749	1,369
Sales of active pharmaceutical ingredients products	460	754
	39,186	38,729

Turnover and contribution to profit from operations by segment has not been presented as over 90% of the Group's turnover was derived from the pharmaceutical research and development, registration, application and testing in the PRC and all assets were located in the PRC for both years.

3. Other income

	2008 RMB'000	2007 RMB'000
Gain on foreign exchange	-	146
Government subsidy	197	598
Financial assets at fair value through profit or loss (Note 15)		
– fair value losses	(23,461)	-
– fair value gains	913	163
Dividend income	214	-
Business tax return	205	-
Gain on revaluation of corporate bond	30,404	-
Others	305	-
Profit on security dealing	3,538	-
	12,315	907

During the year, the Group received RMB197,000 of government subsidy (2007: RMB598,000) towards the research and development projects.

4. Finance income and costs

	2008 RMB'000	2007 RMB'000
Interest expense:		
– Bank charges	(53)	(325)
– Exchange loss	(3,687)	(3,376)

– Interest on margin financing	(237)	-
– Convertible bond interest	(3,397)	(597)
– Convertible bond expenses	(594)	(1,040)
Finance costs	(7,968)	(5,338)
Finance income		
– Interest income from short term bank deposits	573	574
– Interest income from convertible bonds	-	952
Finance income	573	1,526
Net finance costs	(7,395)	(3,812)

5. Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2008 RMB'000	2007 RMB'000
Cost of material consumed	12,098	6,092
Depreciation	2,329	1,769
Amortisation of new drugs technology including in administrative expenses	1,741	1,149
Auditors' remuneration	624	633
Employee benefit expenses	18,725	19,874
Operating lease payment	2,256	2,530
Loss on disposal of property plant and equipment	405	-
Loss on disposal of associate	-	935
Provision for doubtful debt	19,492	-
Impairment loss of intangible assets	7,465	-

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2007: Nil).

PRC enterprise income tax has been calculated on the estimated assessable profit for the year according to the relevant laws and regulations.

Beijing Dezhong-Venture Pharmaceutical Technology Development Co., Ltd. ("Dezhong VP") and

Beijing Venture-Biopharm Services Co., Ltd. ("V Biopharm"), subsidiaries of the Company, qualify as foreign investment industrial and high technology enterprises and are subject to PRC enterprise income tax at a rate of 15 per cent on its income after offsetting prior year's losses.

The amount of taxation charged to the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
PRC enterprise income tax		
- current year	2,129	788
- over-provision in prior years	(3,931)	-
Deferred taxation	(8,128)	-
	(9,930)	788

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using PRC enterprise income tax rate as follows:

	2008 RMB'000	2007 RMB'000
(Loss)/profit before taxation	(27,242)	1,888
Calculated at a taxation rate of 15% (2007: 15%)	(4,086)	283
Different taxation rates	(1,668)	18
Income not subject to taxation	(245)	(122)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	-	(822)
Expenses not deductible for taxation purposes	-	1,073
Unrecognised timing differences	-	358
Over-provision in prior years	(3,931)	-
Taxation	(9,930)	788

The National People's Congress approved the Corporate Income Tax Law of the PRC (the new "CIT Law") on 16th March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6th December 2007, which was effective from 1st January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises will be unified at 25% effective from 1st January 2008. However, for enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate may be gradually increased to 25% within 5 years after the effective date of the new CIT Law. For the region that enjoys a reduced CIT rate at 15%, the new CIT rate will gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

7. (Loss)/earnings per share

(a) Basic earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008 RMB'000	2007 RMB'000
(Loss)/profit attributable to equity holders of the Company	(16,354)	1,597
Weighted average number of ordinary shares in issue (thousands)	361,735	360,000

(b) Diluted (loss)/earnings per share

The calculation of the diluted (loss)/earnings per share for the year is based on the (loss)/profit attributable to ordinary equity shareholders of the Company for the year of approximately RMB(16,354,000) (2007: RMB1,597,000) and the weighted average number of 441,402,000 (2007: 381,405,000) ordinary shares after adjusting for the effect of the dilutive potential ordinary shares to be issued to the exercise of the options granted under all relevant Share Option Schemes as detailed as below of 79,667,000(2007: 21,405,000) shares, calculated as follows:

	2008 RMB'000	2007 RMB'000
(Loss)/profit attributable to equity holders of the Company	(16,354)	1,597
Weighted average number of ordinary shares in issue (thousands)	361,735	360,000
Adjustment for:		
–Effect of deemed issue of ordinary shares under the Company's Share option schemes (thousands)	79,667	21,405
Weighted average number of ordinary shares for diluted earnings per share (thousands)	441,402	381,405

8. Trade receivables – Group

The fair value of trade receivables are as follows:

	2008 RMB'000	2007 RMB'000
Trade receivables	32,692	43,251
Less: provision for impairment of receivables	(19,492)	(12,530)
Trade receivables – net	13,200	30,721

The Group allows an average credit period of 90 days to its trade customers. As 31st December 2008 and 2007, the ageing of the trade receivables were as follows:

	2008 RMB'000	2007 RMB'000
1-30 days	324	14,815
31 -60 days	-	2,676
61-90 days	-	4,353
91-180 days	-	-
Over 180 days	12,876	8,877
	13,200	30,721

As at 31st December 2008, trade receivables of RMB12,876,000 (2007: RMB8,877,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

These customers have a good track record with the Group. Based on past experience, the management believes that no impairment allowance 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 held any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	2008 RMB'000	2007 RMB'000
Over 180 days	12,876	8,877

As of 31st December 2008, trade receivables of RMB19,492,000 (2007: RMB12,530,000) were impaired and provided for. The amount of the provision was RMB19,492,000 as at 31st December 2008 (2007: RMB12,530,000). The individually impaired receivables mainly related 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:

	2008 RMB'000	2007 RMB'000
Over 180 days	12,876	8,877

Movement on the Group's provision for impairment of trade receivables are as follow:

	2008 RMB'000	2007 RMB'000
At 1st January	12,530	12,530
Provision for receivable impairment	19,492	-
Bad debt written off	(12,530)	-
At 31st December	19,492	12,530

The other classes within trade receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

9. Financial assets at fair value through profit or loss – Group and the Company

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Dual currency investment	11,285	24,363	11,285	24,363
Money market funds	-	39,285	-	39,285
Investment funds	5,959	8,761	5,959	8,761
Bond	3,417	-	3,417	-
Shares	25,190	-	25,190	-
Investment held for resale	833	-	-	-
	46,684	72,409	45,851	72,409

Financial assets at fair value through profit or loss are presented within "investing activities" in the cash flow statement.

The fair value of all investment funds is based on their current bid prices in an active market.

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Renminbi	833	-	-	-
HK dollars	21,013	-	21,013	-
Swiss Franc	-	9,725	-	9,725
US dollars	24,838	62,684	24,838	62,684

	46,684	72,409	45,851	72,409

10. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	-	285	-	-
Other payables	6,766	4,405	3,215	-
Accrued expenses	1,395	832	500	114
	8,161	5,522	3,715	114

The Group receives an average credit period of 90 days from its trade suppliers. At 31st December 2008, the ageing analyses of trade payables of the Group were as follows:

	2008	2007
	RMB'000	RMB'000
Within 90 days	-	17
91-180 days	-	-
181-365 days	-	-
Over 365 days	-	268
	-	285

The carrying amounts of trade payables and other payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2008, consolidated turnover amounted to RMB39,186,000, representing an increase of 1.18% compared to RMB38,729,000 of last year, of which, approximately RMB15,680,000 was derived from technology transfer and contracted pharmaceutical development services, approximately RMB19,743,000 from contracted pharmaceutical development services and clinical research services not associated with technology transferred by the Group, and approximately RMB2,749,000 from franchise commercialisation.

In terms of revenue structure, the import registration and the following clinical services achieved the biggest growth, representing more than 19 times compared with that of 2007. The revenue of franchise commercialization achieved 100% increase, reflecting the Group's consideration for long term benefit and the strategic disposition of enforcing the project transfer of franchise commercialization and developing international business. Although the revenue of CRS reaches only 79% of the total revenue, it is decreased by 13% compared with that of last year. The main reason is that the year of 2008 is the first year for the implementation of the newly revised Provisions for Drug Registration. For the purpose of fulfilling the new Provisions and put the legislation spirit and requirement into consolidated practice, State Food and Drug Administration (SFDA) issued a series of corresponding documents such as Complementary Regulation on Registration of Chinese Medicine, Regulation on On-site Examination of Drug Registration and Measures on Administration of Special Examination and Approval of Registration of New Drugs and several technique guidance principles for drug research, raising the requirement of drug registration application and further regulating the review and approval procedure of registration. For the reason that State Food and Drug Administration (SFDA) focused on handling with approximately 25,000 application projects which were overstocked in drug reviewing process, the normal timeline for reviewing could not be guaranteed. This led a dramatic decrease in number of issued Clinical Study Permits (CSPs). As much as 67% of the projects were rejected. As a result, both the number and the total fee of new contracts decreased.

On the other hand, since the second half year of 2008, the world economy has got dramatic degeneration, and the domestic economy is facing with severe difficulties and challenges. Following the change of macro economic situation, the structural adjustment of food and drug industry may be accelerated and the intensiveness and management form of the industry will also have new changes. For the more difficulties on the manufacturing and operation, some enterprises may perform the manufacturing and operation against the standards and regulations, challenging the bottom line of safety, which will be requested to stop manufacturing by the state. Some enterprises may generate conflict in the process of restructuring, merger and acquisition, which will affect on the manufacturing, operation and capital management. Therefore, with a high sense of responsibility to the shareholders, the Group prepared the reduced value for receivable account for a vast scale, thus the shareholders has lost as much as RMB16,354,000.

The Group's overall gross profit margin was 39.25% for the year under review, decrease 19.95% than last year which is 59.2%.The principal reason is due to our adjustment on the contract price in order to keep our business on a ongoing basis in the finacial crisis circumstance. General and administrative expenses amounted to RMB47,544,000 representing an increase of 161% compared to RMB18,165,000 in 2007, due to the added expenses for law work in the process of acquiring CBI and the expansion of the Group. Finance costs amounted to RMB7,968, 000 representing an increase of 49% compared to RMB5,338,500 in 2007, due to interests of CB and exchange loss of foreign currency.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group maintained a sound financial position and prudent liquidity risk management, and had sufficient cash to meet the requirements of its business development. As at 31 December 2008, the Group had current assets of approximately RMB157,316,000, among which RMB6, 711,000 was cash. The Group had no short-term bank liabilities and maintained sufficient cash and a strong and sound financial position.

Foreign Exchange Exposure

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). In view of the RMB appreciation trend, the Group engaged in risk-free value-added banking activities in due course and transferred its USD-denominated businesses to RMB-denominated businesses according to the relevant business scale. The Group closely monitors its foreign currency risk from time to time and will use appropriate hedgings where necessary.

BUSINESS REVIEW

Aiming at long-term development and based on its business transformation strategy of transforming from a leading technology transfer supplier to an enterprise integrating pharmaceutical development and products commercialisation, the Group continued to expand its product lines and accelerate the establishment of the marketing network so as to rapidly capture its market share. The Group has managed to establish a comprehensive value-added business mode for value chains such as API, preparation and analysis technology, pre-clinical research, clinical trial, regulatory affair (RA) service and franchise commercialisation, and further explored the service capacity of small molecular research and biologic product research through the acquisition of CBI, thereby enhancing the profitability and risk resistance capability of the Company, and enabling the Company to secure long-term stable profitability in future.

Sales and Marketing

For the year ended 31 December 2008, the Group has signed 15 PDS contracts with contract value of RMB16,865,000 and 24 VPS contracts with contract value of approximately RMB14,501,000, aggregating to RMB31,366,000 in total. A decrease of 32.82% in the number of contracts and a decrease of 60% in the total contract value was recorded compared to that of the corresponding period last year. However, the international business has achieved an encouraging growth. Nine international contracts covering pharmaceutical R & D outsourcing, clinical services, etc. were signed. Moreover, the cooperation discussion with big pharmaceutical enterprises such as Roche, Bayer, Merck, etc. has made a great breakthrough.

The Group continued its investment in the enhancement of marketing capability and the expansion of market network, and introduced new technologies in the domestic market under the brand of Venturepharm while striving to establish and expand overseas markets under the brand of VPS-CRO. During the period, the Group not only focused on business expansion, but also paid more attention to the enhancement of brand value and the improvement of professional capability, aiming at becoming a comprehensive and reliable technology and service provider with the most prestigious brand and leading technologies.

Clinical Research Service (CRS)

Taken clinical study as the prime focus, the Group has established the most integrated service in the country, which provides a series of services ranging from phase I clinical and bioequivalence studies, phase II-III clinical studies, and phase IV post-marketing clinical study, to data management and medical statistics, and medical administration related service. Meanwhile, the Group makes a great efforts to improve the professional capability involving the above mentioned services and has preliminarily established 12 professional research institutions including Venturepharm-CBI phase Ⅰ clinical research center, VPS-mart phase Ⅳ clinical research and academic promotion center, SAS-Venturepharm data management and medical statistics center, VP-Porsche RA service center, OHH-VP Pacific-Asia clinical research institution for oncology, AIDS and hepatitis, CNSVP Psychoneurologic Pacific-Asia clinical research institution, CV-VP Cardiovascular Pacific-Asia clinical research center, DermNova Pacific-Asia clinical research institution for dermatosis and gynecologic disease and TCM-VP clinical research center for natural drug and traditional Chinese medicine, etc.

In the meantime, the Group has built a nation-wide network with bases in Beijing, Shanghai and Guangzhou and offices in over 30 provincial capital cities for clinical monitoring and academic promotion, covering over 80% hospitals which have been authorized to conduct clinical research. The Group has the capacity of operating more than 60 phase I and BE projects each year and conducting 50 phase II-III clinical projects simultaneously. Meanwhile, the Group is able to carry out 4 phase Ⅳ clinical trials with large sample size (2000 subjects) at the same period. In addition, the import drug registration and international clinical services have made a great progress.

Pre-clinical service

The Group is establishing Venturepharm Asia CMC Drug Evaluation Center, a GLP standardized pre-clinical laboratory with a total area of 50,000 m2, which will become the Asia's largest pre-clinical laboratory after is construction. The center to be completed, currently under construction, will adopt the international standard in the aspects of construction designing, process distribution, facility selection and installation, staff level and system constitution. The center is planned to undertake 30% of R&D outsourcing contracts from CBI, which not only satisfies the needs of high-end clients from Europe and America, but also provide services to medium and small sized enterprises from domestic and abroad. The center mainly includes the platforms as Drug Discovery Platform, Toxicology Platform, Pathology Platform and Animal Model Platform.

In accordance with the statistics from Antisoma in US, 1/3 of the world’s present big pharmas have their business outsourced. This figure would increase into 47% in 2008. On the other hand, the marketing analysis indicates that the world market of R&D contract outsourcing develops by an average increase of 16.3% each year. Data show that China’s pharmaceutical R&D outsourcing market in 2008 has risen to USD 260 million, representing over 10 times’ increase compared with the market of USD 25 million in 2005. This figure is predicted to be increased to USD430 million in 2010. Some people state that China has grown over India into the prior option for R&D outsourcing in Asia. In the particular time with the occurrence of economic crisis, big pharmas will have more of their projects outsourced into China. Venturepharm’ s strong capability of pre-clinical and clinical service precisely corresponds to this historical opportunity and will realize the business development by leaps and bounds.

Pharmaceutical Development Service (PDS)

The Group's portfolio for technology R&D and transfer covers 13 major and high growth therapeutic areas such as endocrine, CNS, cardiovascular disease, dermatosis, cancer, AIDS, allergy and antibiotics. Several of its products are introduced to the domestic market for the first time and are exclusive products. Furthermore, several advanced technology platforms have been established for drug synthesis, pharmaceutical analysis and drug delivery systems.

Along with a reinforced investment, the Group's R&D strength continues to maintain a leading position in the industry. The Group has 248 on-going projects, among which, 59 were initiated in 2008 and a total of 30 products were applied for clinical trials and production. Under the circumstance of such strict and delayed review by State Food and Drug Administration (SFDA), the Group still obtained 18 new Clinical Study Permits (CSPs) and 23 Manufacturing Permits (MPs), maintaining the No.1 position in China. For the year ended 31 December 2008, the total number of CSPs obtained by the Group accumulated to 299 and the total number of MPs accumulated to 119.

VP-Discovery

Venturepharm Asia Innovation Center is the research center of CBI in China, with an area of 20,000 m2. It utilizes the most advanced facilities and equipment to provide the research services as small molecular designing, high throughput chemistry, peptide synthesis and biologic products services such as DNA testing. The center has carried out trials up to now.

API

Aside from technologic transfer projects, the business of API is developing in a comprehensive way. Despite that API’s sales revenue accounts for only 1.2% of the total revenue, it is able to provide integrated services including custom synthesis, API and intermediate marketing and API related services. It is believed that API business could realize a dramatic growth in 2009.

Patents

The Group has always placed great emphasis on the protection of intellectual property rights. Since its incorporation and up to 31 December 2008, the Group has obtained over 232 patents.

PROSPECTS

To capitalize on the opportunity of the increased demand of global R&D outsourcing market, the company has made best efforts to improve its service capacities and performance in R&D outsourcing service by providing fully integrated pharmaceutical services that include PDS (Pharmaceutical Development Service), API (Active Pharmaceutical Ingredient), CRS (Contract Research Service), RAS (Regulatory Affairs Service), CMS (Contract Manufacturing Service) and CSS (Contract Sales Service). In the meantime, the Group believes that as the government further standardizes and implements its supervision, the market environment will become more favorable to the Group given its competitive edge. The economic crisis, to the enterprises like Venturepharm, is undoubtedly an opportunity rather than a challenge. Meanwhile, the investment from Chinese government into the scientific research of biologic and pharmaceutical technology, with the investment of RMB6.6 billion into major new drug research included, will stimulate greatly to the R&D service market. The upcoming new booming age of the pharmaceutical industry will not only present the Group with rare and precious business opportunities, but also considerable return for the shareholders.

CAPITAL STRUCTURE

There has not been any change to the capital structure of the Company since that date.

SIGNIFICANT INVESTMENT

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB46,684,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Within the year of 2008, Venturepharm Lab. Ltd. successfully acquired 43.65% of the issued and outstanding shares of Commonwealth Biotechnologies Inc.（CBI）, a NASDAQ listed company and became the largest shareholder of CBI. By integrating the complementary advantages of the two sides, the two companies set up the Venturepharm Asia Innovation Center, which aims to become a global innovative research service foundation with the largest scale and most efficiency in Asia.

EMPLOYEES

The Group’s remuneration policy is basically determined by the performance of individual employees. In addition to salaries and bonuses, employee benefits included medical and pension contributions and share options schemes.

APPROPRIATION

The Directors do not recommend the payment of final dividend for the year ended 31 December 2008 and propose that the profit for the year be retained.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed the consolidated financial statements for the year, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls a financial reporting.

SUBSTANTIAL SHAREHOLDERS

So far as it is known to any Directors, chief executives of the Company, as at 31 December 2008, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed pursuant to

Division 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name	Capacity	Number of shares	Approximate percentage of interests
Venturepharm Holdings Inc. (Note 1)	Beneficial owner	149,432,583	41.19
Venturepharm Holdings Inc. (Note 2)	Interest of controlled Corporation	15,966,073	4.40
Bright Excel Assets Limited (Note 2)	Beneficial owner	15,966,073	4.40
William Xia GUO (Note 1,2,3)	Beneficial owner and interest controlled corporations	182,069,033	49.07

Note 1: Venturepharm Holdings Inc. is 47.63% directly held by Mr. William Xia GUO and 44.94% held by Mr. William Xia GUO through Winsland Agent Limited, his wholly and beneficially owned company incorporated in the British Virgin Islands.

Note 2: The controlled corporation, Bright Excel Assets Limited, is 100 % beneficially owned by Venturepharm Holdings Inc.

Note 3: Apart from shares held through Venturepharm Holdings Inc., the interest of 16,310,377 shares comprising of 7,200,000 and 360,000 shares underlying the options granted to him under the Pre-IPO Share Option Scheme and Share Option Scheme respectively are beneficially owned by Mr. William Xia GUO.

Save as disclosed above, as at 31 December 2008, there was no other persons who was recorded in the register of the Company as having interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred

COMPETING INTERESTS

As at 31 December 2008, none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2008.

BOARD PRACTICE AND PROCEDURES

Since the listing of the Company, the Company has complied with Board Practices and Procedures as set out in Rules 5.46 to 5.68 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

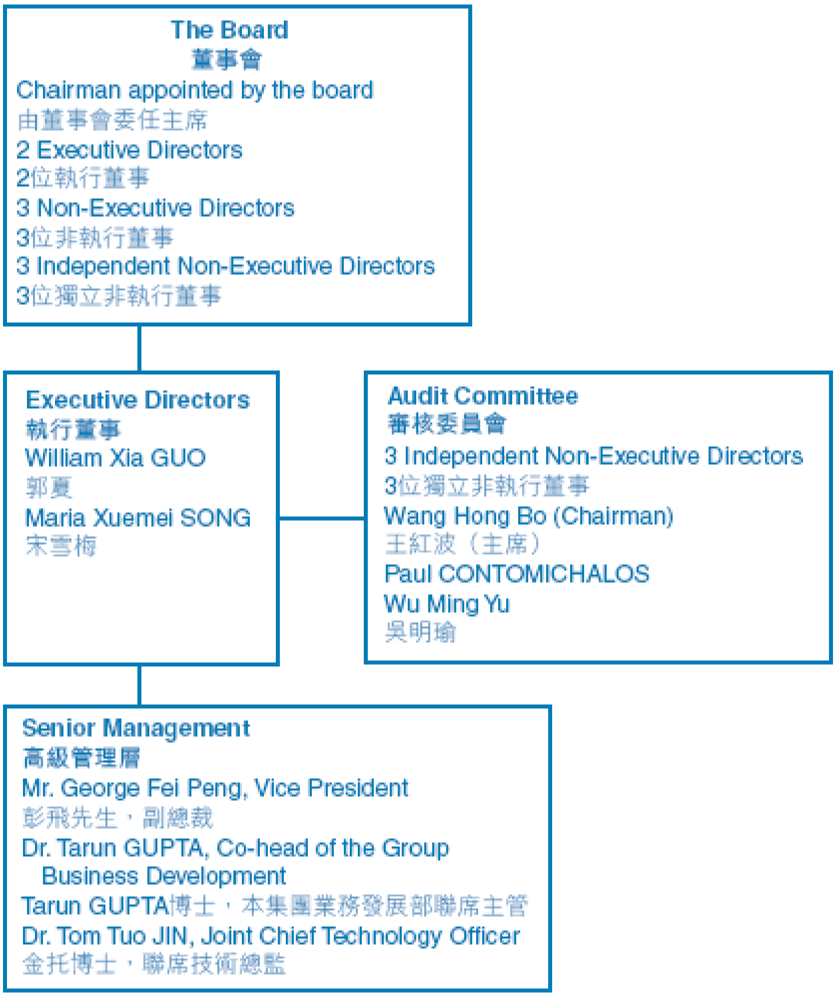
The Company applied the principles and fully complied with the Code Provision as set out in Appendix 15 of the GEM Listing Rules ("CG Code") save with certain deviations in respect of the roles of chairman and chief executive officer.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers in compliance with the provisions that are set out in the GEM Listing Rules as its own code of conduct for Directors' dealings of securities since 29 June 2005.Specific enquiries have been made with all Directors and the Directors confirmed that they have complied with the required standard set out in the Company Code throughout the year ended 31 December 2008.

Board of directors

The overall governance structure of the Company is set out below:



(a)The Non-Executive Directors of the Company during the year and up to the date of this announcement are:

FENG Tao
WU Xin
Nathan Xin ZHANG

(b)Apart from Nathan Xin ZHANG and Wang Hong Bo, which do not have a service contract, each of the directors has entered into a service contract with the Company for three years from 10 July 2003 (the "Listing Date"). Each of the executive directors and non-executive directors was appointed as director of the Company respectively subject to termination in certain circumstances as stipulated in the relevant service contracts, if applicable. On 11 July 2007, the service contract with each director other than Nathan Xin ZHANG and WANG Hong Bo, expired and be renewed for one year.

(c)Save as disclosed above, no directors proposed for re-election at the forthcoming annual general meeting have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Board of Directors ("Board") of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Board of the Company comprises a total of eight Directors, with two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. One-third of the Board is

Independent Non-executive Directors and one of them has appropriate professional qualifications. Reviews are made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. All Directors have been consulted about any matters proposed for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receives adequate and reliable information in a timely manner.

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. Four regular Board meetings at approximately quarterly intervals have been scheduled for 2007. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

Board papers are circulated not less than seven days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Minutes of the board meetings are kept by the Company Secretary and are open for inspection by Directors.

During the twelve months ended 31st December 2008, the Board met and held four regular meetings in March, May, August and November 2008. The attendance records of the aforementioned four Board meetings are set out below:

		Attendance of individual directors at board meetings during the year 年內個別董事之董事會會議出席率	
		Attendance no. 出席次數	Attendance rate 出席率
Executive Director	**執行董事**		
William Xia GUO	郭夏	4/4	100%
Maria Xuemei SONG	宋雪梅	4/4	100%
Non-executive Directors	**非執行董事**		
FENG Tao	馮濤	4/4	100%
WU Xin	吳欣	4/4	100%
Nathan Xin ZHANG	張欣	4/4	100%
Independent Non-executive Directors	**獨立非執行董事**		
WANG Hong Bo	王紅波	4/4	100%
Paul CONTOMICHALOS	Paul CONTOMICHALOS	4/4	100%
WU Ming Yu	吳明瑜	4/4	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman of the Board is responsible for the leadership and effective running of the Board, and ensures that all keys and appropriate issues are discussed by the Board in a timely and constructive manner.

However, the Chief Executive Officer of the Company has not yet been appointed. Currently, the day-to day management of the Company's business is handled by the executive directors and senior management, who take the responsibility to run the Group's business and to implement the Group's strategy so as to achieve the overall commercial objectives of the Company.

Remuneration of directors

Currently, the Remuneration Committee comprises the Chairman of the Board Mr. William Xia GUO, a Non-executive Director Mr. FENG Tao and an Independent Non-executive Director Mr. Paul CONTOMCHALOS. Mr. William Xia GUO is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination of directors

In accordance with the Company's Articles of Association, nomination of directors is determined by the Board with approvals by the shareholders in the general meeting.

Auditors' remuneration

The coming annual general meeting should approve the appointment of UHY Vocation HK CPA Limited as new auditors of the Group and that the Board is and be hereby authorized to fix auditor's remuneration. Non-audit services were not provided by previous auditors to the Company during the twelve months ended 31 December 2008.

Audit committee

The audit committee was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The audit committee has three members comprising the three Independent Non-Executive Directors, Mr. WANG Hong Bo, Mr. Paul CONTOMICHALOS and Mr. WU Ming Yu. Mr. WANG Hong Bo is the chairman of the audit committee.

The audit committees hold meetings on quarterly basis. During the twelve months ended 31 December 2008, the audit committee held four meetings during the period and reviewed the Group's last year's annual report, quarterly and interim financial results. The attendance records of the aforementioned four audit committee meetings are set out below:

Attendance of member at audit committee meetings during the year

Members	Attendance no.	Attendance rate
WANG Hong Bo	4/4	100%
Paul CONTOMICHALOS	4/4	100%
WU Ming Yu	4/4	100%

Directors' acknowledgement of their responsibility for the financial statements

The Directors acknowledge that they take full responsibility in the preparation of the Financial statements.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by the Listing Rules will be published on the website of the Stock Exchange as soon as practicable.

As at the date of this announcement, the board of Directors comprises:

Executive directors:
Mr. William Xia GUO
Dr. Maria Xue Mei SONG

Non-executive Directors:
Dr. FENG Tao
Mr. WU Xin
Dr. Nathan Xin ZHANG

Independent Non-executive Directors:
Mr. WANG Hong Bo
Mr. Paul CONTOMICHALOS
Mr. WU Ming Yu

By order of the Board
VENTUREPHARM LABORATORIES LIMITED
William Xia GUO

25March 2009 Hong Kong,

This announcement will remain on the GEM website at http://www.hkgem.com
"the Latest Company Announcements" page for at least 7 days from the day of its posting.