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 2008

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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 2008.

During the year under review, the Group has spent significant efforts in further promoting its core products namely Hai Kun Shen Xi capsule (海昆腎喜膠囊) and Compound Huonaoshu capsule (复方活腦舒膠囊). As a result, the total turnover of the Group for the year ended 31 December 2008 was RMB127,124,000, representing a significant increase of 31% as compared with RMB97,284,000 for the previous year. Profit for the year attributable to equity holders of the Company significantly increased to RMB14,989,000 from RMB12,378,000 last year. For the year ended 31 December 2008, basic earnings per share increased to RMB2.68 cents from RMB2.21 cents last year.

The remarkable results in 2008 were the outcome of the continued effort of all levels of the management in the past year. In fact, the Board has already expressed its optimistic view for 2008's profitability in the 2007 annual report. As such, the Board would like to share with the shareholders that with the following competitive advantages, a strong foundation is laid for the Company to have a blooming growth in the coming years.

Firstly, the Board has great confidence in the academic promotion of its principal product, Hai Kun Shen Xi capsule, with significant increase in quantity of the medicine sold to hospitals in various places.

Secondly, during the year under review, the Group plans to construct a standardised plant on a previously acquired land and it is expected the construction will be done in September 2009.

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

Fourthly, the Group has obtained the production approval of the new medicine, Yi Da La Feng, issued by the Food and Drug Supervision and Administration Bureau of the State, and Tou Bao Bulk has also commenced commerical production during the year.

Fifthly, the Group established a subsidiary named Jilin Province Medicinal Plants Trading Company Limited on 24 December 2008 which acts as its plantation base in the forest of Jinchun. This company is a wholly owned subsidiary of the Company with a registered capital of RMB 5 million. The establishment of the subsidiary is favorable for the Group's expansion of cultivation, acquisition and processing of Chinese herbal medicine such as wild panax ginseng, lowering the production cost of the Group, securing the continuous supply of raw materials as well as enlarging the Group's scope of operation.

Sixthly, the technology center of the Company was recognised as an enterprise technology center at provincial level, with further enhancement in transformation ability of research and development of products and technology achievement.

Last but not least, the Group has recruited some temporary sales persons to assist the regional sales persons to expand their sales network, resulting in further expansion of the sales team.

Looking forward, the Board believes that the Group is capable of sustaining both its turnover and profit attributable to equity holders in the coming future. Besides, continuous development of the Company, such as investment in computerised production system for new medicine and the establishment of Jinlin Province Medicinal Plants Trading Company Limited, reflect that the Board has a well-organised long term plan for the expansion of the Group.

On behalf of the Board, I would like to express my heartfelt thanks to all levels of staff and the management for their efforts and contributions in 2008 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 April 2009

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 2008, together with the comparative figures for the year ended 31 December 2007, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	**2008** **RMB'000**	2007 RMB'000
Turnover	4	**127,124**	97,284
Cost of sales		**(38,819)**	(29,658)
Gross profit		**88,305**	67,626
Other income	4	**937**	1,967
Other gains and (losses)	5	**(509)**	291
Distribution and selling costs		**(47,711)**	(38,426)
Administrative expenses		**(15,524)**	(11,922)
Profit from operations		**25,498**	19,536
Finance costs	7	**(248)**	(107)
Profit before taxation	6	**25,250**	19,429
Taxation	8	**(10,261)**	(7,051)
Profit for the year attributable to equity holders of the Company		**14,989**	12,378
Dividend	12	**–**	–
Earnings per share – Basic (RMB cents)	9	**2.68**	2.21

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Assets and liabilities			
Non-current assets			
Bearer biological assets		**1,390**	1,175
Property, plant and equipment		**59,922**	46,777
Prepaid land lease payments		**2,496**	4,285
Construction in progress		**14,830**	7,880
Intangible assets		**40,829**	27,128
Deposit for acquisition of land use rights		**10,000**	–
		129,467	87,245
Current assets			
Inventories		**18,975**	20,692
Trade receivables	*10*	**67,458**	48,150
Other receivables, deposits and prepayments		**34,934**	47,599
Loans receivable		**3,000**	3,000
Prepaid land lease payments		**102**	135
Income tax recoverable		**15,278**	19,269
Cash and cash equivalents		**48,831**	42,542
		188,578	181,387
Current liabilities			
Trade payables	*11*	**12,075**	11,352
Other payables, deposits received and accruals		**46,985**	17,273
Other tax payables		**13,239**	11,895
Borrowings		**–**	466
Dividend payable		**360**	396
		72,659	41,382
Net current assets		**115,919**	140,005
Total assets less current liabilities		**245,386**	227,250
Non-current liabilities			
Borrowings		**6,990**	6,524
Deferred tax liabilities		**4,531**	1,847
		11,521	8,371
Net assets		**233,865**	218,879
Equity			
Share capital		**56,025**	56,025
Reserves		**177,840**	162,854
Total equity		**233,865**	218,879

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2007	**56,025**	**51,098**	**–**	**23,285**	**75,872**	**206,280**
Exchange differences arising on translation of overseas operations and income recognised directly in equity	–	–	221	–	–	221
Profit for the year	–	–	–	–	12,378	12,378
Total recognised income for the year	–	–	221	–	12,378	12,599
Appropriation to statutory surplus reserve	–	–	–	1,670	(1,670)	–
At 31 December 2007	**56,025**	**51,098**	**221**	**24,955**	**86,580**	**218,879**
Exchange differences arising on translation of overseas operations and expense recognised directly in equity	–	–	(3)	–	–	(3)
Profit for the year	–	–	–	–	14,989	14,989
Total recognised income and expense for the year	–	–	(3)	–	14,989	14,986
Appropriation to statutory surplus reserve	–	–	–	2,229	(2,229)	–
At 31 December 2008	**56,025**	**51,098**	**218**	**27,184**	**99,340**	**233,865**

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 and its subsidiaries are principally engaged in the manufacture and distribution of biochemical medicines in the PRC under the brand names of Changlong and Shendi.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

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 current 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 adoption of 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" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of the financial statements, the following HKFRSs were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)

		Effective date
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be 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, 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 "GEM Listing Rules").

These financial statements have been prepared under the historical cost convention, as modified for certain biological assets which are carried 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 income

Turnover, which is also revenue, represents the invoiced value of merchandise sold net of value-added tax and other sales related taxes, and after allowances for returns and discount and is analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
Turnover		
Sales of medicine	**127,124**	97,284

	2008	2007
	RMB'000	*RMB'000*
Other income		
Recovery of bad debts	**352**	–
Bank interest income	**316**	506
Government subsidy *(Note)*	**200**	1,350
Others	**69**	111
	937	1,967

Note: During the year ended 31 December 2008, the Group received a subsidy of RMB200,000 from the Finance Bureau of Huinan, Jilin Province, the PRC, which aimed at the general financing of the development of listed companies in that region. The amount in the previous year mainly represented subsidy received from the same Finance Bureau to finance the product development of the Group.

5. Other gains and (losses)

	2008	2007
	RMB'000	*RMB'000*
Fair value (losses)/gains on biological assets - deers	**(432)**	291
Loss on disposal of property, plant and equipment	**(77)**	–
	(509)	291

6. Profit before taxation

	2008 *RMB'000*	2007 *RMB'000*
Profit before taxation is arrived at after charging/(crediting):–		
Cost of inventories sold (excluding additional provision for, and write off of obsolete and slow-moving inventories)	26,838	23,426
Write off of and additional provision for obsolete and slow-moving inventories	3,011	1,743
Additional provision for impairment loss on trade receivables (Note 10)	1,494	1,509
Additional provision for impairment loss on other receivables	55	754
Auditors' remuneration:-		
Current year	530	450
Over provision in previous year	(37)	–
Amortisation of intangible assets (included in cost of sales)	7,529	5,279
Impairment loss on intangible assets	–	266
Research and development expenditure	2,638	–
Amortisation of prepaid land lease payments	103	135
Net exchange losses	–	219
Depreciation of property, plant and equipment	5,734	5,380
Employee benefits expenses (excluding directors' and supervisors' remuneration):–		
Salaries and allowances	28,744	21,525
Pension scheme contributions	555	507
Fair value losses/(gains) on biological assets-deers	432	(291)
Loss on disposal of property, plant and equipment	77	–

7. Finance costs

	2008 ***RMB'000***	2007 *RMB'000*
Interest expenses on borrowings not wholly repayable after five years	**248**	97
Others	**–**	10
	248	107

8. Taxation

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

	2008 ***RMB'000***	2007 *RMB'000*
PRC enterprise income tax – current year provision	**7,577**	5,204
Deferred taxation	**2,684**	1,847
	10,261	7,051

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2007: 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 income tax rate of 25% is 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 16.5% (2007: 17.5%) on the estimated assessable profits. No provision has been made for Hong Kong profits tax as the subsidiary did not earn income subject to Hong Kong profits tax during the years ended 31 December 2008 and 2007.

(b) Taxation charge for the year can be reconciled to the accounting profit as follows:

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation	**25,250**	19,429
Taxation calculated at PRC statutory income tax rate of 25% (2007: 33%)	**6,313**	6,412
Tax effect of non-taxable items	**(276)**	(446)
Tax effect of expenses not deductible for taxation purposes	**1,724**	1,856
Deferred tax on temporary differences in prior year	**3,371**	1,858
Tax relief	**(973)**	(2,567)
Others	**102**	(62)
Taxation charge for the year	**10,261**	7,051

9. Earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to equity holders of the Company for the year of RMB14,989,000 (2007: RMB12,378,000) and 560,250,000 shares in issue during the year (2007: 560,250,000 shares).

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2008 and 2007.

10. Trade receivables

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**80,232**	59,430	**92,037**	73,500
Less: Provision for impairment	**(12,774)**	(11,280)	**(11,035)**	(9,263)
Trade receivables – net	**67,458**	48,150	**81,002**	64,237

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

(ii) The movement in the provision for impairment of trade receivables during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**11,280**	9,771	**9,263**	7,997
Additional provision (Note 6)	**1,494**	1,509	**1,772**	1,266
At end of year	**12,774**	11,280	**11,035**	9,263

Provision for doubtful debts had been made for the estimated irrecoverable amounts arising from the sale of goods. The provision was determined by the directors with reference to past default experience.

(iii) The ageing analysis of trade receivables, based on the invoice date and net of provision for impairment of trade receivables, is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current	**28,952**	22,049	**30,755**	23,883
31-60 days	**7,022**	4,578	**9,168**	6,539
61-90 days	**3,502**	4,646	**5,667**	6,332
More than 90 days	**27,982**	16,877	**35,412**	27,483
	67,458	48,150	**81,002**	64,237

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**49,873**	38,287	**65,685**	50,227
Less than 1 month past due	**3,580**	2,303	**5,176**	3,580
1 to 3 months past due	**4,385**	2,818	**3,074**	7,852
Over 3 months past due	**3,883**	2,305	**2,836**	1,382
	61,721	45,713	**76,771**	63,041

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 RMB24,762,000 (2007: RMB25,660,000) due from a subsidiary as at 31 December 2008.

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

11. Trade payables

The ageing analysis of trade payables, based on the invoice date, is as follows:

	The Group and the Company	
	2008	2007
	RMB'000	*RMB'000*
Current	**2,044**	4,769
31-60 days	**1,042**	1,016
61-90 days	**1,338**	101
More than 90 days	**7,651**	5,466
	12,075	11,352

The average credit period from the Group's and the Company's trade creditors is 90 to 180 days.

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

12. Dividend

The Board does not recommend the payment of a final dividend for the years ended 31 December 2008 and 2007.

BUSINESS REVIEW

For the year ended 31 December 2008, the Group's turnover increased to RMB127,124,000 from RMB97,284,000 while the profit for the year attributable to equity holders of the Company increased from RMB12,378,000 to RMB14,989,000. For the year ended 31 December 2008, basic earnings per share increased to RMB2.68 cents from RMB2.21 cents last year.

For the year ended 31 December 2008, the manufacturing and sales of Hai Kun Shen Xi capsule (海昆腎喜膠囊) and Compound Huonaoshu capsule (復方活腦舒膠囊) continued to be the Group's core source of revenue. The new medicine of Hai Kun Shen Xi capsule has penetrated into the market, the sales of which rose 84% as compared with 2007. The sales of Compound Huonaoshu capsule in 2008 grew 23% as compared with 2007. The sales of Xueshuan Xinmaining capsule (血栓心脈寧) has reached RMB6,750,000 for the year ended 31 December 2008, which was the third best seller of the Group in 2008. Other products such as 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 RMB7,000,000 of sales in 2008, details of which were elaborated under the Section "Financial Review".

OPERATION REVIEW

Good Manufacturing Practice (GMP)

During the year ended 31 December 2008, the Company has been successful in renewal of a GMP standard certificate. The Company has already obtained GMP certificates 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

12. Sterile Bulk (Yan Suan Tou Bao Jia Tong) (無菌原料藥(鹽酸頭孢甲肟), Bulk (Yi Da La Feng) (原料藥) (依達拉奉) – valid until 30 December 2013

RESEARCH AND DEVELOPMENT

The Research and Development (R&D) department of is essential for the future success of a pharmaceutical 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 the first largest revenue generator and its revenue increased 84% as compared with last year. Yi Da La Feng Bulk has obtained the production approval and Tou Bao Bulk has commenced commercial production for the year ended 31 December 2008.

In addition to our internal R&D resources, the Group also embarks on joint efforts with other reputable R&D companies to develop new potential pharmaceutical products. As at 31 December 2008, the major products currently under research and development were as follows:

Medicine	Type	Form
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 2008, 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 established a subsidiary named Jilin Province Medicinal Plants Trading Company Limited which acts as its plantation base in the forest of Jinchun during the year under review. The base has been developed to cultivate different type of medicinal plants such as wild panax ginseng and our R&D department will extract the useful ingredient from those herbal medicines to carry out our medical experiments. Apart from wild panax ginseng, certain types of raw materials are also cultivated by the subsidiary.

Secondly, the Group has completed the technological upgrading of all workshops. All assembly lines in the workshop have been upgraded into a fully automatical production system.

Thirdly, the Group plans to construct a standardised plant on a previously acquired land, the requisition procedures have been completed and it is expected the construction will be done in September 2009.

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group's recorded a revenue amounted to approximately RMB127,124,000 (2007: RMB97,284,000), a growth of approximately 31% as compared with the previous year. The audited profit for the year attributable to equity holders of the Company was approximately RMB14,989,000 representing an increase of 21% as compared with RMB12,378,000 in last year. The basic earnings per share was RMB2.68 cents (2007: RMB2.21 cents), an increase of 0.47 cents over the last year.

During the year ended 31 December 2008, the Group reported a turnover of approximately RMB127,124,000, representing an increase of approximately RMB29,840,000 or 31% as compared with the same period last year. The significant increase in turnover was mainly due to the increase in the revenue of our two core revenue generators, namely Hai Kun Shen Xi capsule (海昆腎喜膠囊) and Compound Huonaoshu capsule (復方活腦舒膠囊). The new medicine of Hai Kun Shen Xi capsule has penetrated into the market, the sales of which rose 84% as compared with 2007. The sales of Compound Huonaoshu capsule in 2008 grew 23% as compared with 2007. The sales of Xueshuan Xinmaining capsule amounted to approximately RMB6,750,000 for the years ended 31 December 2008.

Other products, such as 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 RMB7,000,000 in sales in 2008.

The Board are satisfied with the financial results in 2008 and the Board believed the following reasons that led to the significantly increase of profitability. Firstly, the market has fully recognised the curing effects of our new medicine of 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 RMB70,000,000 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 held in Changchun, and attended the regional academic meeting. Participation in academic conferences does not only help promote the corporate image, but also enable the Group to 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 sales persons to assist the regional sales persons to expand their sales network, especially during the period of medicine conference. Fourthly, although the procedures for appointment of new directors were completed in February 2008, a total of four newly appointed directors have already taken up their duties since the middle of 2007. Certain sales contracts were concluded under the supervision of these newly appointed directors.

The gross profit margin for the year ended 31 December 2008 was approximately 69%, representing a 1% decrease as compared with that of 70% for the year ended 31 December 2007.

For the year ended 31 December 2008, the Group recorded other income and gains of approximately RMB937,000 as compared with RMB2,258,000 for the year ended 31 December 2007.

Distribution and selling costs increased to approximately RMB47,711,000 for the year ended 31 December 2008 from approximately RMB38,426,000 last year. These expenses accounted for 38% of turnover in 2008, which represented a 2% decrease from 40% as compared with the corresponding period last year. The increase in sales and distribution expenses of approximately RMB9,285,000 was mainly due to the growth in staff remuneration as a result of the recruitment of temporary sales persons. The Board believes that the distribution and selling costs which represented 38% of the turnover was acceptable for a pharmaceutical manufacturing company.

For the year ended 31 December 2008, administrative expenses increased to approximately RMB15,524,000 from approximately RMB11,922,000 last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during this year. As at 31 December 2008, cash and bank balances of the Group amounted to RMB48,831,000 (2007: RMB42,542,000) with long-term borrowings of RMB6,990,000 (2007: RMB6,524,000) which were interest bearing at commercial rates and unsecured. As at 31 December 2008, the Group had total assets of RMB318,045,000 (2007: RMB268,632,000) which were financed by current liabilities of RMB72,659,000 (2007: 41,382,000), long term borrowings of RMB6,990,000 (2007: 6,524,000), deferred tax liabilities of RMB4,531,000 (2007: 1,847,000) and shareholders' equity of RMB233,865,000 (2007: RMB218,879,000)

GEARING RATIO

As at 31 December 2008, the Group had a net cash and cash equivalents of RMB48,831,000. As at 31 December 2008, the ratio of the total liabilities to the total assets of the Group was 26.5% (2007: 18.5%) which was calculated by dividing the Group's total liabilities of RMB84,180,000 (2007: RMB49,753,000) by the Group's total equity and liabilities of RMB318,045,000 (2007: RMB268,632,000). The Group's gearing ratio which derived from the total borrowings to total assets was 2.2% (2007: 2.6%)

EMPLOYEES

The Group has a total of 286 full-time employees, and has employed some temporary sales persons. For the year ended 31 December 2008, the total remuneration of employees, including directors' remuneration amounted to approximately RMB30,715,000 (2007: approximately RMB22,186,000).

Remuneration is determined by reference to market conditions 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 2008, turnover of the Group is generated entirely from sales in the PRC and all identifiable assets of the Group are located in the 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 2008. As at 31 December 2008, 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 2008 and 2007, the Group had no security over its assets.

FOREIGN EXCHANGE RISK

For the years ended 31 December 2008 and 2007, 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 2008 and 2007, 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 2008, 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 pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (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 2008, 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

Saved as disclosed under the headings "Directors' and supervisors' interests in shares" above, at no time during the year were there any 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 2008, 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 representatives in the Board of Directors.

Save as disclosed above, as at 31 December 2008, 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, the management shareholders, the significant shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a 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 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 2008.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practice (the “Code”) contained in Appendix 15 to the GEM Listing Rules throughout the financial year ended 31 December 2008 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. Zhao Bao Gang
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)
Ms. Li Yu Xian (resigned on 28 February 2008)
Ms Cui Shu Mei (resigned on 28 February 2008)

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.

At 18 April, 2006, Mr. Wong Kin Fai, Kenny has resigned as an independent non-executive director ("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 2008.

AUDITORS

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited. The Company's auditors will change their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and will merge their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited will change their name to BDO Limited. As a result of these changes, a resolution will be proposed at the 2009 annual general meeting to appoint BDO McCabe Lo Limited (to be renamed as BDO Limited on 1 May 2009) as the Company's auditors.

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

Jilin Province, the PRC
28 April 2009

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.