



Venturepharm Laboratories Limited
萬全科技藥業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8225)

1st Quarterly Report 2008

* for identification only

**FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED 31 MARCH 2008**

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors of Venturepharm Laboratories Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; (3) all opinions expressed in this report have been arrived at after due and careful consideration and founded on bases and assumptions that are fair and reasonable.



Venturepharm Laboratories Limited

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(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8225)

The Directors are pleased to announce the unaudited first quarterly results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2008, together with the comparative figures.

FINANCIAL HIGHLIGHTS

1. The Group achieved a turnover of approximately RMB9,235,000 for the three months ended 31 March 2008, representing an increase of approximately 30% compared with that of the corresponding period in 2007.
2. The Group accomplished an operating profit (before financial expenses) of approximately RMB1,270,000 for the three months ended 31 March 2008, representing an increase of approximately 104% compared with that of the corresponding period in 2007.
3. The Group accomplished a net profit of approximately RMB170,000 for the three months ended 31 March 2008, lower than that of RMB503,000 in the corresponding period of 2007.
4. Basic earnings per share amounted to RMB0.05 cent for the three months ended 31 March 2008.
5. The Directors do not recommend payment of any dividend for the three months ended 31 March 2008.

* for identification only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the period ended 31 March 2008, the Group achieved a turnover of approximately RMB9,235,000, which represented an increase of 30% as compared with the turnover of the corresponding period in 2007.

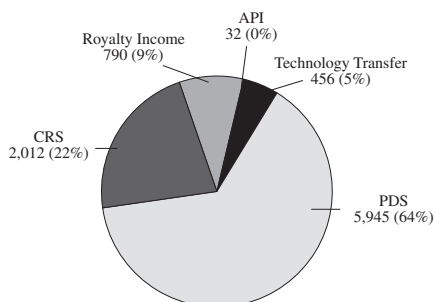
Set out below is a revenue breakdown from five lines of services of the Group during the three months period, comparing with that of the corresponding period last year:

	Unaudited		Growth
	Three months		from the
	ended 31 March		corresponding
	2008	2007	period
	<i>RMB'000</i>	<i>RMB'000</i>	last year
			%
Transfer of technology for new drugs and new drugs development	456	896	-49%
Contracted pharmaceutical development services and clinical research services associated with technology transfer (PDS)	5,945	3,848	54%
Contracted pharmaceutical development services and clinical research services not associated with technology transfer (CRS)	2,012	1,910	5%
Royalty income	790	350	126%
Sales of active pharmaceutical ingredient products (API)	32	121	-74%
	9,235	7,125	30%

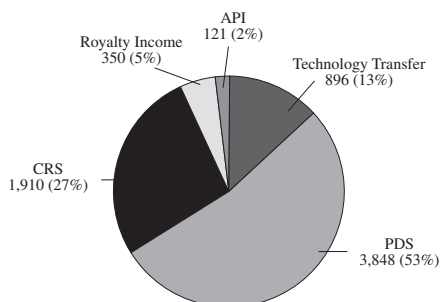
Turnover contribution from 5 lines of services of the Group:

Unit: '000/RMB

Revenue Breakdown for 31 March 2008



Revenue Breakdown for 31 March 2007



For the period ended 31 March 2008, the Group recorded a profit attributable to shareholders of approximately RMB175,000, lower than that of RMB572,000 in the corresponding period in 2007. The operating profit before financial expense was RMB1,270,000, representing an increase of 105% as compared with that of RMB620,000 for the corresponding period in 2007. The Group recorded financial expense of RMB1,100,000 (2007: RMB116,000) for the period ended 31 March, because 1) the Group has assets and liabilities denominated in foreign currencies, which temporarily affected the income and balance statement of the Group due to currency fluctuation; 2) the Group recorded coupon payment to the convertible bond (2007: Nil).

BUSINESS REVIEW

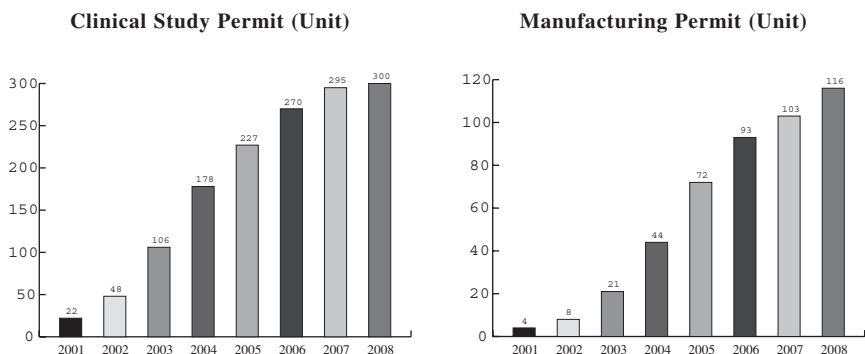
Aiming at long-term development and based on its business transformation strategy of transforming from a leading technology transfer supplier to an enterprise integrating pharmaceutical development and products commercialization, the Group continued to expand its product lines and accelerate the establishment 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 pharmaceutical research and production, clinical trial, development of product lines, franchise commercialization, thereby enhancing the profitability and risk resistance capability of the Company, and enabling the Company to secure long-term stable profitability in future.

Research and Development

The Group's portfolio covers 13 major and high growth therapeutic areas such as diabetes, CNS, cardiovascular disease, dermatology, cancer, AIDS, allergy and antibiotics.

The Group's R&D strength still maintains the leading position in the industry. The Group initiated 4 new projects from beginning of the year 2008 and till now, the Group has 232 products under development. During the period, the State Food and Drug Administration ("SFDA") granted 5 new Clinical Study Permits (CSPs) and 13 new Manufacturing Permits (MPs) to the Group. The total number of CSPs accumulated by the Group climbed to 300 and the total number of Manufacturing Permits accumulated by the Group climbed to 116.

The following graph sets out the total numbers of clinical permits and manufacturing permits obtained by the Group during the past years:



Sales and Marketing

During the three months ended 31 March 2008, the Group successfully signed 15 PDS and CRS contracts amounting to total value of RMB12,364,000.

The Group continued its investments in the enhancement of marketing capability and the expansion of market network, and introduced new drugs in the domestic market under the brand of Venturepharm while striving to establish and expand overseas markets.

International Collaboration

During the period, over a dozen international clients visited the company to discuss cooperation opportunities. The senior managers of the Group attended conferences and visited clients in North America.

Patents

The Group always places great emphasis on the protection of intellectual property rights. Up to 31 March 2008, the Group had submitted 201 patent applications.

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).

The Group is actively pursuing the strategy of growth through both organic and inorganic means.

DIVIDEND

The Directors have not recommended payment of any dividend for the three months ended 31 March 2008.

SIGNIFICANT INVESTMENTS

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB72,409,000 as at 31 March 2008.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY AND ASSOCIATED COMPANIES

On 28 March 2008, the Company entered Share Sale Agreement and other CBI Agreements to acquire 39% of the issued share capital of CBI, subject to shareholders and regulatory approval. Commonwealth Biotechnologies Inc. (CBI) is a NASDAQ listed company (NASDAQ: CBTE) that offers cutting-edge research and development products and services to the global life science industry. Please refer to the Company's announcement dated 8 April 2008 and other announcement for more information.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group has no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Other than those disclosed in the Company's public announcements, the Group does not have any other plans for material investments or capital assets.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group has 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 March 2008, the Group's current assets amounted to about RMB221,068,000 of which approximately RMB21,495,000 was cash and bank deposits. The Group had no short-term bank liabilities and maintained sufficient cash and a strong and sound financial position.

CAPITAL STRUCTURE

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

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 to RMB-denominated businesses according to the relevant business scale. Meanwhile, the Group has assets and liabilities in foreign currencies, which affect the income and balance statements.

DIRECTORS' INTEREST IN SECURITIES

As at 31 March 2008, the interests and short positions of the directors, chief executives of the Group and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provision of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

(1) The Company

Name	Type of Interest	Capacity	Number of shares in which interested (other than under equity derivatives)	Number of shares in which interested under physically settled equity derivatives (Note 3)	Total number of shares	Approximate percentage of interest
William Xia GUO	Personal	Beneficial owner	9,110,377	7,884,000	16,994,377	4.72
William Xia GUO	Corporate	Interest of a controlled corporation (Note 1)	149,432,583	-	149,432,583	41.51
William Xia GUO	Corporate	Interest of a controlled corporation (Note 2)	15,966,073	-	15,966,073	4.44

Note 1: The controlled corporation, Venturepharm Holdings Inc. is 47.63% directly held by Mr. Guo Xia and 44.94% held by Mr. Guo Xia through Winsland Agents Limited, his wholly and beneficially owned company incorporated in British Virgin Islands.

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

Note 3: Various interests of the directors and chief executives pursuant to physically settled equity derivatives are through share options granted under the Pre-IPO share option scheme. Details of which are set forth as follows:

Name	Number of shares in which interested under physically settled equity derivatives		Date of Grant	Exercise price
	as at 20 June 2003	and 31 March 2008		
William Xia GUO	7,200,000		20 June 2003	HK\$0.32
William Xia GUO	360,000		02 March 2005	HK\$0.52
William Xia GUO		324,000	10 August 2006	HK\$0.36

Options granted to Mr. William Xia GUO contain a vesting schedule, pursuant to which may be exercise up to 30% of the underlying shares after 31 December 2003, up to another 30% of the underlying shares after 31 December 2004 and the remaining balance after 31 December 2005. These options will expire ten years after the date of grant. Mr. GUO has also undertaken to the Stock Exchange that he will not exercise his options granted under the Pre-IPO share option scheme within the first 12 months from the listing date.

(2) *A subsidiary of the Company – Beijing Dezhong-Venture Pharmaceutical Technology Development Company Limited*

Name	Type of Interest	Capacity	Capital contribution	Approximate percentage
			on a Sino-foreign co-operative joint venture	of interest of shareholding in joint venture
William Xia GUO	Corporate	Interest of a controlled Corporation (<i>Note 1</i>)	US\$111,000	12.83

Note 1: The interest is held by Beijing Venturepharm Biotech Pharmaceutical Technology Company Limited, a limited liability company incorporated in the PRC, for which 99% of its shareholding is beneficially held by Mr. William Xia GUO and 1% held by Dr. Maria Xue-mei SONG.

Save as disclosed above, as at 31 March 2008, none of the directors and chief executive had any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as it is known to any directors, chief executives of the Company, as at 31 March 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:

Long positions in shares and underlying shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of interest
Venturepharm Holdings Inc. (<i>Note 1</i>)	Beneficial owner	149,432,583	41.51
Venturepharm Holdings Inc. (<i>Note 2</i>)	Interest of a controlled corporation	15,966,073	4.44
Bright Excel Assets Limited (<i>Note 2</i>)	Beneficial owner	15,966,073	4.44
C Tech Fund	Beneficial owner	80,736,558	22.43
William Xia GUO (<i>Notes 1, 2 & 3</i>)	Beneficial owner and interest of controlled corporations	182,069,033	50.57

Note 1: Venturepharm Holdings Inc. is 47.63% directly held by Mr. Guo Xia and 44.94% held by Mr. Guo Xia 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 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 March 2008, there was no other persons who 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 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 to therein.

SHARE OPTION SCHEMES

1. Pre-IPO Share Option Scheme

Pursuant to the written resolution passed by the shareholder on 31 March 2003, the Company adopted a share option scheme (the “Pre-IPO Share Option Scheme”) in order to recognize and reward the contribution of certain directors, senior management and advisers, the details of which are set out in the paragraph head “Share Option Scheme” in Appendix IV to the Prospectus. As at 20 June 2003, options comprising a total of 11,520,000 underlying shares were granted. As at 31 March 2008, the options outstanding are 11,520,000 and no options granted pursuant to the Pre-IPO Share Option Scheme had been exercised, cancelled or lapsed. Particulars of the outstanding options that had been granted under the Pre-IPO Share Option Scheme as at 31 March 2007 are as follows:

Name of grantees	Period during which the options remain exercisable after the date of grant	Exercise price per shares	Number of underlying shares under the option as at 20.6.2003 and 31.3.2008
William Xia GUO (Notes 1&2)	10 years	HK\$0.32	7,200,000
2 other participants (Notes 1&2)	10 years	HK\$0.32	2,520,000
1 other participant (Note 3)	10 years	HK\$0.40	1,800,000
			11,520,000

Note 1: Options granted to each of them contain a vesting schedule, pursuant to which may exercise up to 30% of the underlying shares after 31 December 2003, (subject to Note 2), up to another 30% of the underlying shares after 31 December 2004 and the balance after 31 December 2006.

Note 2: Each of the grantees has undertaken to the Stock Exchange that they will not exercise their options granted under the Pre-IPO Share Options Scheme within the first 12 months from the Listing Date.

Note 3: Options granted to an advisor contain a vesting schedule, pursuant to which may exercise up to 30% of the underlying shares after 31 December 2002, up to another 30% of the underlying shares after 31 December 2003 and the balance after 31 December 2004. The respective grantee has undertaken to the Stock Exchange that he will not exercise his options granted under the Pre-IPO Share Options Scheme within the first 6 months from the Listing Date.

2. Share Option Scheme

Pursuant to the written resolutions by the shareholders of the Company on 23 May 2003, the Company adopted a new share option scheme.

As at 2 March 2005, options comprising a total of 4,042,000 underlying shares were granted. As at 31 March 2008, the options outstanding are 1,892,000 and 2,150,000 options granted pursuant to the Share Option Scheme had been cancelled or lapsed. Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 March 2008 are as follows:

Name of grantees	Period during which the options remain exercisable after the date of grant	Exercise price per shares	Number of underlying shares under the option as at 2.3.2005 and 31.3.2008
William Xia GUO	10 years	HK\$0.52	360,000
Other directors	10 years	HK\$0.52	720,000
Other participant	10 years	HK\$0.52	812,000
			<u>1,892,000</u>

3. Share Option Scheme

Pursuant to the written resolutions by the shareholders of the Company on 23 May 2003, the Company adopted a new share option scheme.

As at 14 December 2005, options comprising a total of 1,098,000 underlying shares were granted. As at 31 March 2008, the options outstanding are 288,000 and 810,000 options granted pursuant to the Share Option Scheme had been cancelled or lapsed. Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 March 2008 are as follows:

Name of grantees	Period during which the options remain exercisable after the date of grant	Exercise price per shares	Number of underlying shares under the option as at 14.12.2005 and 31.3.2008
4 participants	10 years	HK\$0.45	288,000
			<u>288,000</u>

4. Share Option Scheme

As at 10 August 2006, options comprising a total of 4,118,400 underlying shares were granted. As at 31 March 2008, the options outstanding are 3,708,000 and 410,400 options granted pursuant to the Share Option Scheme had been cancelled or lapsed. Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 March 2008 are as follows:

Name of grantees	Period during which the options remain exercisable after the date of grant	Exercise price per shares	Number of underlying shares under the option as at 31.3.2008
William Xia GUO	10 years	HK\$0.36	324,000
Other directors	10 years	HK\$0.36	792,000
Other participant	10 years	HK\$0.36	2,592,000
			<u>3,708,000</u>

5. Share Option Scheme

Pursuant to the written resolutions by the shareholders of the Company on 23 May 2003, the Company adopted a new share option scheme.

As at 10 May 2007, options comprising a total of 7,568,000 underlying shares were granted. As at 31 March 2008, the options outstanding are 6,805,200 and 762,800 options granted pursuant to the Share Option Scheme had been cancelled or lapsed. Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 March 2008 are as follows:

Name of grantees	Period during which the options remain exercisable after the date of grant	Exercise price per shares	Number of underlying shares under the option and 31.3.2008
William Xia GUO	10 years	HK\$0.625	966,000
Other directors	10 years	HK\$0.625	956,000
Other participant	10 years	HK\$0.625	4,883,200
			<u>6,805,200</u>

COMPETING INTERESTS

As at 31 March 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.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed shares during the three months ended 31 March 2008.

AUDIT COMMITTEE

The Company has established an audit committee in July 2003 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process 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 committee has reviewed the unaudited first quarterly results for the three months ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Three months	
		ended 31 March	
		2008	2007
	<i>Notes</i>	RMB'000	RMB'000
Turnover	3	9,235	7,125
Cost of sales		<u>(5,801)</u>	<u>(4,373)</u>
Gross profit		3,434	2,752
Other revenue		690	478
Administrative expenses		<u>(2,854)</u>	<u>(2,610)</u>
Profit from operations		1,270	620
Finance costs		<u>(1,100)</u>	<u>(116)</u>
PROFIT BEFORE TAXATION		170	504
Income tax	5	<u>0</u>	<u>(1)</u>
Profit for the year		<u>170</u>	<u>503</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		175	572
Minority interests		<u>(5)</u>	<u>(69)</u>
		<u>170</u>	<u>503</u>
EARNINGS PER SHARE (CENT)	7		
basic		0.05	0.14
Diluted		<u>0.04</u>	<u>0.13</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Group reorganization

The Company was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 10 July 2003 (the “Listing Date”).

Pursuant to a group reorganization to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 31 March 2003 (the “Group Reorganisation”).

2. Accounting policies and basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs), and interpretations (Ints) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2007.

The accounts have been prepared on a consolidated basis and include the financial statements of the Company and its subsidiaries made up to 31 March 2008. The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain financial assets and liabilities at fair value.

3. Turnover and revenue

The Group is principally engaged in the research, development and commercialization of drug products. Following the objective of increasing own product commercialization, there is a substantial increase in revenue from both technology transfer and clinical research services ("CRS") during the period. Revenues recognized during the periods were as follows:

	Unaudited Three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
Turnover		
– Transfer of technology for new drug and new drug development	456	896
– Contracted pharmaceutical development and clinical research services associated with technology transfer	5,945	3,848
– Contracted pharmaceutical development and clinical research services outsourced by customers	2,012	1,910
– Royalty income	790	350
– Active pharmaceutical ingredient	32	121
	<hr/>	<hr/>
	9,235	7,125
	<hr/> <hr/>	<hr/> <hr/>

4. Segment information

No geographical segment analysis is presented as all assets and operations of the Group for the periods are located in the PRC.

No business segment analysis is presented as the operations of the Group for the periods are principally related to pharmaceutical research and development, registration, application and testing.

5. Taxation

	Unaudited Three months ended 31 March	
	2008 RMB'000	2007 RMB'000
Company and subsidiaries		
PRC income tax	0	1
	<u>0</u>	<u>1</u>
	<u>0</u>	<u>1</u>

No Hong Kong Profits tax has been provided for, as the Group had no estimated assessable profits in Hong Kong for the nine months ended 31 March 2008 (2007: nil). The Company's subsidiaries are subject to PRC income tax on their assessable profits.

6. Dividends

The board does not recommend the payment of dividend for the three months ended 31 March 2008. (2007: Nil)

7. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2008 is based on the unaudited net profit of approximately RMB170,000 (2007: approximately RMB503,000), and the weighted average number of approximately 360,000,000 ordinary shares in issue during the period (2007: 360,000,000).

The calculation of the diluted earnings per share for the three months ended 31 March 2008 is based on the unaudited net profit of approximately RMB170,000 (2007: approximately RMB503,000), and the weighted average of approximately 381,405,000 shares (2007: approximately 375,900,000) (after adjusting for the effect of the outstanding dilutive options under the share option schemes of the Company).

8. Shareholders' fund

	Available- Share- for-sales Based Financial					Statutory enterprise		Retained earnings	Minority interest	Total
	Share capital	Payment reserve	Assets reserve	Special reserve	Capital reserve	Statutory reserve	fund expansion			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	38,160	53	(1,032)	6,039	894	3,803	6,986	64,144	3,089	122,136
Profit for the period	-	-	-	-	-	-	-	572	(69)	503
At 31 March 2007	<u>38,160</u>	<u>53</u>	<u>(1,032)</u>	<u>6,039</u>	<u>894</u>	<u>3,803</u>	<u>6,986</u>	<u>64,716</u>	<u>3,020</u>	<u>122,639</u>
At 1 January 2008	38,160	2,853	-	6,039	900	3,803	6,986	61,903	2,592	123,236
Profit for the period	-	-	-	-	-	-	-	175	(5)	170
At 31 March 2008	<u>38,160</u>	<u>2,853</u>	<u>-</u>	<u>6,039</u>	<u>900</u>	<u>3,803</u>	<u>6,986</u>	<u>62,078</u>	<u>2,587</u>	<u>123,406</u>

By Order of the Board
William Xia Guo
Chairman

Beijing, the PRC, 9 May 2008

Executive Directors:

William Xia GUO
 Maria Xuemei SONG

Non-Executive Directors:

FENG Tao
 WU Xin
 Nathan Xin ZHANG

Independent Non-Executive Directors:

WANG Hong Bo
 Paul CONTOMICHALOS
 WU Ming Yu