



VENTUREPHARM LABORATORIES LIMITED

萬全科技藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

First Quarterly Report 2009

** for identification only*

FIRST QUARTERLY REPORT

FOR THE THREE MONTHS ENDED 31 MARCH 2009

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 other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The 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 report, 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 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; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



VENTUREPHARM LABORATORIES LIMITED

萬全科技藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

The Directors are pleased to announce the unaudited first quarter results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2009, together with the comparative figure

FINANCIAL HIGHLIGHTS

1. The Group achieved a turnover of approximately RMB 11,744,000 for the three months ended 31 March 2009, representing an increase of approximately 27% compared with that of the corresponding period in 2008.
2. The Group accomplished a net profit of approximately RMB7,690,000 and operating profit of approximately RMB 1,555,000 for the three months ended 31 March 2009, representing an increase of approximately 4460% and 168% respectively compared with the corresponding period in 2008. The main contributions of the net profit are the increase of turnover and gross profit, the decrease of general and administrative expenses to turnover ratio, gain on currency exchange and fair value change of available-for-sale financial assets.
3. Basic earnings per share amounted to RMB2.15 cent for the three months ended 31 March 2009.
4. The Directors do not recommend payment of any dividend for the three months ended 31 March 2009.

** for identification only*

CONSOLIDATED INCOME STATEMENT

Unaudited Three months

ended 31 March

		2009	2008
	Notes	RMB'000	RMB'000
Turnover	3	11,744	9,235
Cost of sales		<u>(7,189)</u>	<u>(5801)</u>
Gross profit		4,555	3,434
Administrative expenses	4	<u>(3000)</u>	<u>(2,854)</u>
Profit from operations		1555	580
Other revenue	5	6,978	690
Finance costs		<u>(781)</u>	<u>(1,100)</u>
PROFIT BEFORE TAXATION		7,752	170
Income tax	6	<u>(62)</u>	<u>(0)</u>
Profit for the year		<u>7,690</u>	<u>170</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		7,808	175
Minority interests		<u>(118)</u>	<u>(5)</u>
		<u>7,690</u>	<u>170</u>
Earnings per share (cent)	8		
- basic		2.15	0.05
- diluted		1.83	0.04

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Available- Share- Based Payment Reserve	for-sales Financial Assets Reserve	Special Reserve	Capital Reserve	Statutory Reserve	Statutory enterprise fund Reserve	Retained Reserve	Minority Reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	38,160	2,853	-	6,039	900	3,803	6,986	62,078	2,587	123,406
At 1 January 2009	38,407	2,766	-	6,039	1,186	3,803	6,986	45,549	1,620	106,356
shares by the Company	-	-	-	-	-	-	-	-	-	-
Reversal of share based payment reserve	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	7,808	-118	7,690
At 31 March 2009	38,407	2,766	-	6,039	1,186	3,803	6,986	53,357	1,502	114,046

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 Reorganization").

2. Accounting policies and basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. In addition, the financial statements comply with the applicable disclosure provisions of Rule 18, 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 2008.

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 2009. 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. Entering into 2009, the Group adjusted its strategy in face of the booming of international outsourcing market. Revenues recognized during the periods were as follows

**Unaudited three months
ended 31 March 2009**

	2009	2008
	RMB'000	RMB'000
Turnover		
-Transfer of technology for new drug and new drug development.	360	456
-Contracted pharmaceutical development and clinical research services associated with technology transfer	2,980	5,945
-Contracted pharmaceutical development and clinical research services outsourced by customers	7,105	2,012
-Royalty income	1,287	790
-Active pharmaceutical ingredient	12	32
	11,744	9,235
	11,744	9,235

4. Administrative expenses

The administrative expenses increased approximately 5% compared with that of the corresponding period in 2008.

**Unaudited three months
ended 31 March 2009**

	2009	2008
	RMB'000	RMB'000
Administrative expenses	3,000	2,854
	3,000	2,854

5. Other revenue

	Unaudited three months ended 31 March 2009	
	2009	2008
	RMB'000	RMB'000
Other revenue	6,978	690

	Unaudited three months ended 31 March 2009	
	2009	
	RMB'000	
Gain on foreign exchange	6,214	
Including: gain on foreign exchange from Convertible Bond	7,587	
Financial assets at fair value through profit or loss		
-fair value losses		
-fair value gains	716	
Others	48	
	6978	

The Group holds 2,613,426 shares of Commonwealth Biotechnologies Inc. (CBI"), a NASDAQ listed company. The closing prices of CBI were US\$0.26 and US\$0.30 on December 31, 2008 and March 31, 2009 respectively. The Group thus recorded fair value gains of approximately RMB716,000.

The carrying value of the convertible bond issued in Swiss Franc and issued by the Company is approximately 15,015,000 CHF, including a face value excluding issuing cost of approximately 14,724,000CHF, and interest payable of 292,000 CHF. Exchange rates were 1CHF=6.4624RMB on December 31, 2008, and 1CHF=5.9523RMB on March 31, 2009. As a result of the exchange rate movement, the Group recorded a gain on foreign exchange of approximately RMB7,587,000元.

6. Taxation

	Unaudited three months ended 31 March 2009	
	2009	2008
	RMB'000	RMB'000
Company and subsidiaries		
PRC income tax	<u>62</u>	<u>0</u>
	62	0

No Hong Kong Profits tax has been provided for, as the Group had no estimated assessable profits in Hong Kong for the three months ended 31 March 2009 (2008: nil). The Company's subsidiaries are subject to PRC income tax on their assessable profits.

7. Dividends

The board does not recommend the payment of any interim dividend for the three months ended 31 March 2009. (2008: Nil)

8. Earnings per share

The calculation of basic earnings per share for the three and three months ended 31 March 2009 is based on the unaudited net profit of approximately RMB 7,808,000 (2008:

approximately RMB170,000), and the weighted average number of approximately 362,806,664 ordinary shares in issue during the period (2008: 360,000,000) .

The calculation of the diluted earnings per share for the three months and nine months ended 31 March 2009 is based on the unaudited net profit of approximately RMB 7,808,000 (2008: approximately RMB170,000), and the weighted average of approximately 426,754,140 shares (2008: approximately 381,405,000) (after adjusting for the effect of the outstanding dilutive options under the share option schemes of the Company).

9. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group achieved a turnover of RMB 11,744,000 for the three months ended 31 March 2009, representing an increase of approximately 27% compared with that of the corresponding period in 2008.

The Group accomplished a net profit of RMB7,690,000 and operating profit of RMB 1,555,000 for the three months ended 31 March 2009, representing an increase of approximately 4460% and 168% respectively compared with the corresponding period in 2008. The main contributions of the net profit are: (1) the increase of turnover of

approximately 27% compared with that of the corresponding period in 2008; (2) the increase of gross profit of approximately 33% and the increase of Gross profit margin of approximately 2% to 39% compared with that of the corresponding period in 2008; (3) the decrease of general and administrative expenses to turnover ratio of approximately 5% compared with that of the corresponding period in 2008; and (4) a gain on currency exchange of approximately RMB 7,587,000 recorded from the convertible bond issued by the Company. (5) RMB716,000 gain of fair value change of the investment in Commonwealth Biotechnologies Inc. (NASDAQ) recorded by the Company.

The Group recorded a profit attributable to shareholders amounted to approximately RMB 7,808,000, representing an increase of approximately 4362% compared with that of approximately RMB 175,000 for the corresponding period in 2008.

BUSINESS REVIEW

During the period, the Group continued to actively transform its business platform to be a full scale and integrated pharmaceutical enterprise and to emphasize on drug development, product commercialization and pipeline building.

Business Highlights

The group is transferring from drug development company into an Asia based, life science leader with principal activities in a most affordable world-class innovative full service plus model from venture capital, merchant banking, CRO, CMO, CSO, compound partnering to royalty sharing.

The group now operates eight distinct business units :

(1) CBI (US) /CBI(China)services: core biology and biochemistry, (2) Fairfax Identity Laboratories, genetic testing and identification; (3) Mimotopes (Aus) /Mimotopes (China) for

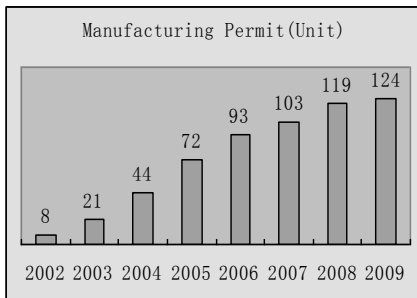
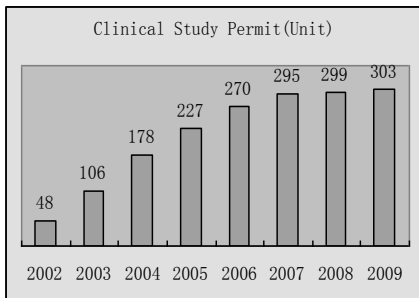
peptide Chemistry & discovery, (4)Tripos Discovery for discovery chemistry and compounds, (5) VPSCRO for global clinical, preclinical and regulatory affair service in China, (6) VP-API a group focus active pharmaceutical ingredient development with 7 technology platforms , (7) VP-Smart –DDS , a group focus on intelligent drug delivery technology . (8) Ventuepharm life Capital, the group's merchant banking and investment group.

1. The group becomes the first Chinese company to acquire a NASDAQ listed US biotech company. The group has acquired 26,134,265 of the issued and outstanding shares of Commonwealth Biotechnologies Inc (CBI) , a NASDAQ listed company. and become the largest shareholder of CBI. The companies of CBI-biotech, Exelgen (tripoles) and Mimotopes are all world respected leaders in the fields of drug discovery, chemistry and peptide, respectively. After the acquisition of Venturepharm, CBI could continue providing World Class R&D services in global life science industry with low cost in China.

2.The group has expanded its Drug R&D Service Center by adding 20,000 square meters space to support CBI's China operation.

The Group has initiated 17 new projects in the past three months of 2009, and till now has 246 products under development. During the period, SFDA has granted 4 new Clinical Study Approval ("CA") and 5 new Manufacturing Approval ("MP") to the Group. The total number of CAs has reached 303 and the total number of MAs has climbed up to 124 and the Group had submitted 241 patent applications.

The following graph sets out the total number of CAs and MAs obtained during the past years:



Sales and Marketing

During the three months ended 31 March 2009, the Group successfully signed 8 PDS and VPS contracts amounting to total value of RMB15,686,000.

Meanwhile, the Group continued to invest in building up its marketing capacity and sales network, and launched new drug products under Venturepharm (萬全) brand name into the PRC market.

Patents

The Group continued to place great emphasis on the protection of intellectual property rights during the reporting period. Up to 31 March 2009, the Group had submitted 241 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 interim dividend for the nine months ended 31 March 2009.

SIGNIFICANT INVESTMENTS

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB40,499,463 as at 31 March 2009.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group did not have any 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.

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to HKD, United States Dollars (“USD”) and Swiss Franc (“CHF”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk also arises from certain financial assets and convertible bonds which are denominated in HKD, USD and CHF. The Group currently does not hedge its foreign exchange exposure.

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 three months ended 31 March 2009,.

DIRECTORS’ INTEREST IN SECURITIES

As at 31 March 2009, 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) pursuant to Rules 5.46 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	9,210,000	18,320,377	4.92
William Xia GUO	Corporate	Interest of a controlled corporation (Note 1)	149,432,583	-	149,432,583	40.17
William Xia GUO	Corporate	Interest of a controlled corporation (Note 2)	15,966,073	-	15,966,073	4.29

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 as at 20 June 2003 and 31 March 2009			Exercise price per shares
	March 2009	Date of Grant		
William Xia GUO	7,200,000	20-Jun-03		HK\$0.32
William Xia GUO	360,000	11-Nov-04		HK\$0.52
William Xia Guo	360,000	14-Dec-05		HK\$0.45
William Xia GUO	324,000	10-Aug-06		HK\$0.36
William Xia GUO	966,000	10-May-07		HK\$0.625

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	Approximate percentage of interest of shareholding in joint venture
William Xia GUO	Corporate	Interest of a controlled Corporation	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 2009, 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) pursuant to the rules 5.46 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 2009, 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. (Note 1)	Beneficial owner	149,432,583	41.19
Venturepharm Holdings Inc. (Note 2)	Interest of a controlled corporation	15,966,073	4.4
Bright Excel Limited (Note 2)	Assets Beneficial owner	15,966,073	4.4
William Xia (Note 1,2 &3)	GUO Beneficial owner and interest of controlled corporations	182,069,033	50.18

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 of 16,310,377 shares comprising of 7,200,000 shares 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 2009, 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 2009, 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 2009 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 at 20.6.2003 and 31.3.2009
William Xia GUO (Note 1&2)	10 years	HK\$0.32	7,200,000
2 other participants (Note 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 per cent of the underlying shares after 31 December 2003, (subject to Note 2), up to another 30 per cent of the underlying shares after 31 December 2004 and the balance after 31 December 2005.

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 per cent of the underlying shares after 31 December 2002, up to another 30 per cent 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 2009, the options outstanding are 1,827,000 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 2009 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 at 2.3.2005 and 31.3.2009
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	747,000
			1,827,000

As at 14 December 2005, options comprising a total of 1,458,000 underlying shares were granted. As at 31 March 2009, the options outstanding are 619,200 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 2009 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 at 14.12.2005 and 31.3.2009
William Xia GUO	10 years	HK\$0.45	360,000
4 participants	10 years	HK\$0.45	259,200
			619,200

As at 10 August 2006, options comprising a total of 4,118,400 underlying shares were granted. As at 31 March 2009, the options outstanding are 2,916,900 and 950,400 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 2009 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 at 10.8.2006 and 31.3.2009
William Xia GUO	10 years	HK\$0.36	324,000
Other directors	10 years	HK\$0.36	792,000
4 participants	10 years	HK\$0.36	1,800,900
			2,916,900
			2,916,900

As at 10 May 2007, options comprising a total of 7,568,000 underlying shares were granted.

As at 31 March 2009, the options outstanding are 6,573,100 and 762,800 options granted pursuant to this Share Option Scheme had been cancelled or lapsed. Particulars of the outstanding options which have been granted under this Share Option Scheme as at 31 March 2009 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 at 10.5.2007 and 30.9.2008
William Xia GUO	10 years	HK\$0.625	966,000
Other directors	10 years	HK\$0.625	956,000
Other participants	10 years	HK\$0.625	4,651,100
			6,573,100
			6,573,100

COMPETING INTERESTS

As at 31 March 2009, 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.

CORPORATE GOVERNANCE

(1) 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”) with certain deviations save as disclosed in respect of the roles of chairman and chief executive officer.

(2) 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 in the period from 1 January 2009 to 31 March 2009.

(3) 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 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.

In order to comply with CG Code, the Directors will discuss the appointment of a chief executive Officer as soon as possible.

(4) Board practice and procedures

During the period from the date of listing to 31 March 2009, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules

(5) Audit committee

The audit committee was established in compliance with the GEM Listing Rules from 5.28 to 5.33 on July 2003. 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 company's financial statements for the nine months ended 31 March 2009 have been reviewed by the audit committee.

(6) Directors' Acknowledgement of Their Responsibility for the Financial Statements

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

By Order of the Board

William Xia Guo

Beijing, PRC, 15 May 2009

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

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