



OUR FORMULA FOR GROWTH

annual report 2007

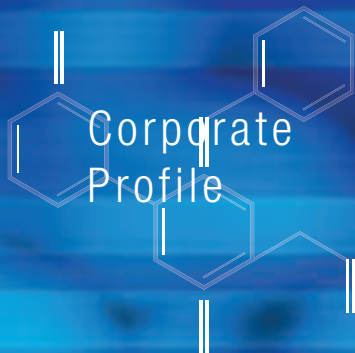


SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.



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Sihuan Pharmaceutical Holdings Group Ltd. (Sihuan) is a leading manufacturer of cardiocerebral vascular (CV) drugs in the PRC. The Group's 63 drugs, are distributed via an effective and extensive network of more than 2,500 distributors covering 30 provinces, autonomous regions and municipalities.

Headquartered in Haikou, the Group currently manufactures 20 drugs using its own production facilities at 100%-owned Beijing Sihuan Pharmaceutical Co., Ltd and engages third party contract manufacturers to produce 22 other drugs. Sihuan is also the exclusive distributor of 21 drugs on behalf of unrelated pharmaceutical companies.

CV Drugs account for over 80% of Group revenue, driven by Kelinao, Chuanqing and Anjieli. In fact, Kelinao is the PRC's best selling peripheral vasodilation drug based on the drug purchases of a sample of 257 hospitals.

The Group is led by an experienced management team headed by Executive Chairman and Chief Executive Officer Dr Che Fengsheng who holds a Master of Medicine (Neurology) and an Executive Master of Business Administration. Co-founder Dr Guo Weicheng is Sihuan's Executive Deputy Chairman and holds a Master of Medicine (General Surgery). Besides their practical medical/surgery background, both Dr Che and Dr Guo together have over 15 years of experience in the sales and marketing of pharmaceutical products and management of pharmaceutical companies.

Sihuan's R&D emphasis helps drive its product development pipeline and the Group currently has over 70 products at various stages of development and filed more than 300 patent applications for its chemical compound structure. The 120-member strong in-house R&D team in Hainan, Beijing and Shandong, collaborates with renowned third party research institutions, academic bodies and pharmaceutical research companies in the PRC.

Sihuan was listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 23 March 2007.





STRONG RESEARCH & DEVELOPMENT

Spearheaded by an effective management team fuelled by a breadth of experience, Sihuan remains primed to set the benchmark as a premier manufacturer of cardiocerebral vascular drugs in the PRC.





Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present Sihuan Pharmaceutical Holdings Group Ltd.'s ('Sihuan's' or 'the Group's') inaugural annual report as a public listed company for the financial year ended 31 December 2007 ('FY2007').

The past year has been marked by several significant events, foremost among which was our listing on the Main Board of the Singapore Exchange Securities Trading Limited on 23 March 2007. The listing marks a new growth phase in our company. Sihuan had its modest beginning in 2001. Over the last six years, through careful strategic positioning of our products, a sound business infrastructure, the development of a wide sales and distribution network and cutting-edge research and development activities, we have grown into a group of companies involved in the distribution, manufacturing, and research and development ('R&D') of cardiocerebral vascular and non-cardiocerebral vascular drugs.

Our Financial Performance

FY2007 saw the Group achieve stellar performances across all financial indicators. We achieved outstanding revenue growth of 77% from RMB 161.8million for the financial year ended 31 December 2006 ('FY2006') to RMB 286.3million in FY2007. Profit before income tax improved 70% from RMB 108.4million to RMB 184.5million. Group net attributable profit soared to RMB 179.3million in FY2007 from RMB 90.5million in FY2006, a resounding 98% year on year increase. Prudent cost management coupled with the proceeds from our initial public offering, strengthened our cash position to RMB 262.4million as at 31 December 2007. This places us in a strong position to invest further in new drug research and acquire product rights.

In view of the strong performance, the Board has proposed a final dividend of RMB 13cents per share for FY2007, which represents a 34% payout ratio. This proposed final dividend, if approved at the Company's Annual General Meeting on 28 April 2008, will be paid on 20 May 2008.



We achieved outstanding revenue growth of 77% from RMB 161.8million in FY2006 to RMB 286.3million in FY2007...

Accolades and Awards

Apart from our business and financial achievements, we were commended in FY2007 for excellence in advanced technology and research capabilities. Our key subsidiary, Hainan Sihuan Pharmaceutical Co. Ltd, was conferred the prestigious '2007 National New and High Tech Enterprise' (2007年国家重点高新技术企业) award which recognises achievement in advanced technology and research.

Our subsidiary, Beijing Sihuan Pharmaceutical Co., Ltd ('Beijing Sihuan'), was given a second research and development grant for RMB 1million from the Beijing Municipal Science and Technology Commission (北京市科学技术委员会). The grant is for pre-clinical research on 'Raw Medicine and Injection Preparation of Coronary Heart Disease Treatment Drug-G20'. The successful conclusion of the clinical research of G20 will enhance our competitive edge as a leader in the field of cardiocerebral vascular drugs.

Anticipating the Future

The growth prospects for the pharmaceutical industry in China remains bright. The re-structured pharmaceutical sector is enjoying technical advances in R&D and the positive consequences of medical reforms aimed at making quality healthcare affordable to the masses. The burgeoning PRC economy and the growing affluence of its population are also driving the demand for effective and quality pharmaceutical products, including treatment drugs.

Apart from economic and political factors, the quickened pace of life, changing dietary habits and ageing population, have, unfortunately, brought about a proportionate increase in the incidence of illnesses and diseases, including a higher occurrence of cardiocerebral vascular diseases. As we are focused on the development and sale of cardiocerebral vascular drugs, we are well-poised to tap on this market for further growth. We have thus far adapted well to the dynamics of the pharmaceutical industry, riding the tide of strong economic growth and benefiting from the regulatory changes and medical reforms in the PRC. We are very encouraged by the growing acceptance of our products in the PRC market and are confident that the coming year will see even wider product penetration within the PRC.





The growth prospects for the pharmaceutical industry in China remains bright. The re-structured pharmaceutical sector is enjoying technical advances in R&D...



Continuous research and development and constantly being at the forefront of technological change are key success factors in the pharmaceutical industry. We are confident that our two R&D platforms which focus on the development of domestic new drugs and "Me-too / Me-better" drugs will strengthen our footing in both domestic and international markets.

The nature of our industry makes it less susceptible to current inflationary conditions which are impacting other sectors such as the export-oriented manufacturing or consumer good industries. Healthcare is virtually recession-proof as demand for treatment drugs will remain regardless of economic conditions. Taking into account the above factors, we anticipate that, barring unforeseen circumstances, including current global economic conditions, we should remain profitable in FY2008.

Words of Appreciation

On behalf of the Board, I would like to express my sincerest thanks to our management and staffs for their commitment and hardwork. I would also like to thank our business partners, research collaborators and all who have contributed in one way or other to our achievements. We will continue to work hard to ensure good returns on investment for our shareholders. I look forward, together with all of you to an even more positive 2008.

Dr Che Fengsheng
Executive Chairman and CEO

	FY2007	FY2006
	RMB'000	RMB'000

Consolidated Income Statement

Sales	286,349	161,776
Profit before income tax	184,452	108,390
Income tax expense	(5,626)	(18,217)
Total profit	178,826	90,173
Minority interest	440	280
Profit attributable to equity holders of the Company	179,266	90,453

Consolidated Balance Sheet

Current assets	310,047	67,218
Non-current assets	320,499	131,013
Total assets	630,546	198,231
Current liabilities	95,519	35,098
Non-current liabilities	10,214	12,683
Total liabilities	105,733	47,781
Net assets	524,813	150,450

Capital and reserves attributable to equity holders of the Company

Share capital	69,262	54,413
Share premium	182,909	-
Other reserves	45,626	24,775
Retained earnings	227,016	68,601
Minority interest	-	2,661
Total Equity	524,813	150,450



PRODUCTS OF PROVEN EFFICACY

Through cutting-edge innovation and the development of advanced technology, Sihuan is committed to delivering quality healthcare products valued for their benefits and ability to enhance the quality of life.





Overview

Our financial year ended 31 December 2007 ('FY2007') was a successful year for the Group. We achieved revenue growth of 77% to RMB 286.3million from RMB 161.8million for the financial year ended 31 December 2006 ('FY2006'). The increase was due to strong demand for our products, in particular, our best-selling cardiocerebral vascular (CV) drug, Kelinao. Additionally, our expanded distribution network allowed us to reach an additional 900 hospitals. We now have coverage over 3,770 hospitals in more than 30 provinces, autonomous regions and municipalities which are served by more than 2,500 distributors. This larger network has helped generate an even stronger demand for our drugs.

The Group posted higher gross profit of RMB 225.8million, an 80% increase from RMB 124.9million in FY2006 in line with the stronger sales. Gross profit margin improved from 77% in FY2006, to 78% in FY2007 due to better sales of CV drugs which have higher margins. Distribution expenses increased by 45% to RMB 23.7million in FY2007, from RMB 16.3million in FY2006 due mainly to increased expenses associated with bringing new drugs to market. Administrative expenses increased by 217% to RMB 37.7million in FY2007 from RMB 12.1million in FY2006, attributed to higher operating expenses and professional fees incurred as a public listed company. This translated to a net profit increase of 98% to RMB 179.3million in FY2007 from RMB 90.5million in FY2006.

Cardiocerebral Vascular Drugs ('CV drugs') and Non-Cardiocerebral Vascular Drugs ('NCV drugs')

The Group is focused on the development, production and sale of CV drugs. The Group's leading CV drug is Kelinao which accounted for 62% of total revenue in FY2007, or RMB 177.5million. Kelinao is the best-selling peripheral vasodilatation drug in PRC, according to the Development Centre of Science and Technology of the Chinese Pharmaceutical Association. The Group's other well-received CV drugs are Chuanqing, which accounted for 10% or RMB 29.1million of total revenue, Naloxone, which contributed 4% or RMB 13.4million to total revenue and Anjieli, which accounted for 4% or RMB 13.0million of total revenue.

NCV drugs accounted for 12% or RMB 36.0million of total revenue. These drugs are used in the treatment of various kinds of cancers, acute/chronic respiratory diseases and the prevention of postoperative bellows complications.

R&D and Manufacturing Pipeline

The Group currently invests RMB 60.0million or 21.0% of revenue in research and development carried out through an in-house R&D team as well as through joint collaborations with renowned third-party research institutions, academic bodies and pharmaceutical research companies and through product acquisitions. We are one of the few companies in the PRC pharmaceutical industry that invests more than 16% of revenue in R&D, well above the 16% average for overseas pharmaceutical companies, and the 1% average for PRC pharmaceutical companies. We have a substantial pipeline of pharmaceutical products and currently are in the process of developing or procuring the rights of more than 70 pharmaceutical products which are at various stages of development as at 31 December 2007.

The Group acquired the product rights for Levophencyonate Hydrochloride tablet (左旋盐酸苯环壬酯 or 'LH tablet') last October from China's renowned Academy of Military Medical Sciences (军事医学科学院 or 'AMMS') for RMB 8 million. LH tablet is a new drug under development for the treatment of vertigo symptoms caused by cardiocerebral vascular and other diseases. The Group will collaborate with AMMS to further develop the drug and clinical trials are expected to commence sometime in the second quarter of 2008. Acquisition of product rights will further broaden the Group's range of CV drugs.

In addition to the above acquisition, we further strengthened our position as a leading player in CV-related Modern Chinese Medicine ('MCM') market, by acquiring product rights to potentially the first MCM drug of the PRC, codenamed TSA, in November last year. TSA is developed to prevent and treat blood clotting among patients with CV and other related diseases such as diabetes and hypertension.

The State Food and Drug Administration ('SFDA') recently approved the Group's Sodium Ozagrel, which is an efficient synthetase inhibitor drug, for manufacture and commercial launch. This drug is expected to be launched commercially in 2008 and is anticipated to further widen our product mix.

Looking Ahead

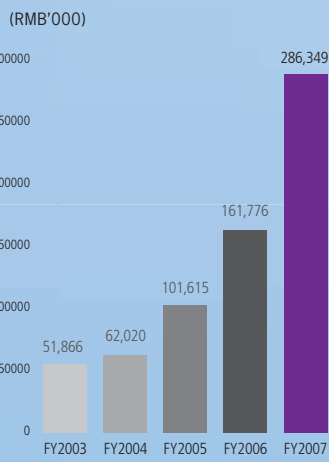
The prospect for the industry remains promising for the Group. The operating environment is expected to be competitive in FY2008 as the reform of the pharmaceutical and healthcare industry has brought about a stricter regulatory environment and monitoring system, on top of price controls. Hence, many PRC pharmaceutical companies without strong product pipelines were forced to close as they were unable to sustain operations. There is therefore likely to be an accelerated consolidation of the highly fragmented industry. Nevertheless, with the Group's strong pipeline of pharmaceutical products and sound business fundamentals, we will be able to benefit from medical reforms, increased government healthcare spending, greater relaxation on the price of new and non-generic drugs. These measures are aimed at boosting R&D activities and widening the medical coverage by the State Basic Medical Insurance scheme so as to make healthcare affordable to the masses.

We anticipate that we would receive regulatory approval for a number of drugs in the year ahead. The Group's manufacturing arm, Beijing Sihuan, has met the stricter Good Manufacturing Practice ('GMP') requirements and its manufacturing permits have been renewed for another five-year term.

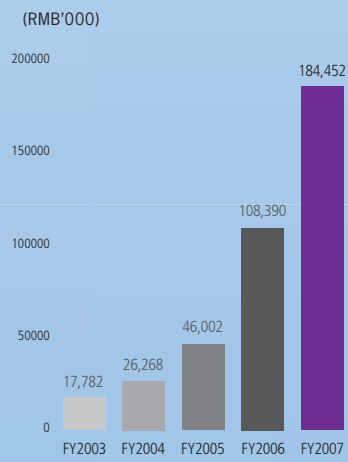
The PRC economy is anticipated to remain strong despite current inflationary conditions and weak market sentiment from a possible recession in the USA. Nevertheless, unlike export-oriented and labour intensive industries, the pharmaceutical industry is less impacted by any economic downturn. Also, the Group is also not expected to be greatly affected by the recent labour law (implemented on 1 January 2008) which might result in a rise of labour costs for other labour-intensive industries. With increased demand for quality healthcare and the rising affluence of the population, the Group is optimistic about FY2008, barring any unforeseen circumstances.



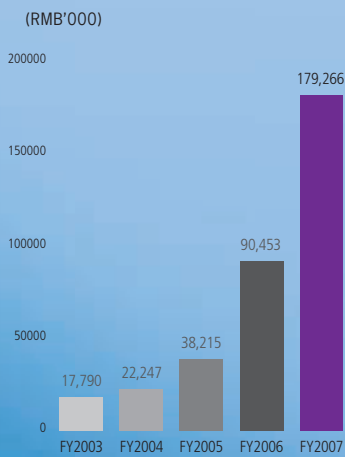
REVENUE



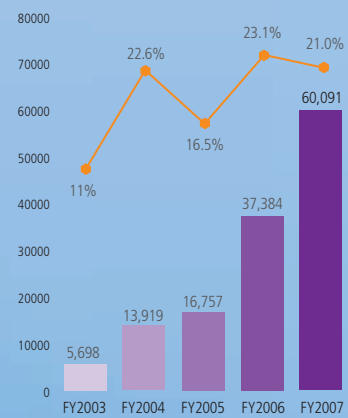
PROFIT BEFORE TAX



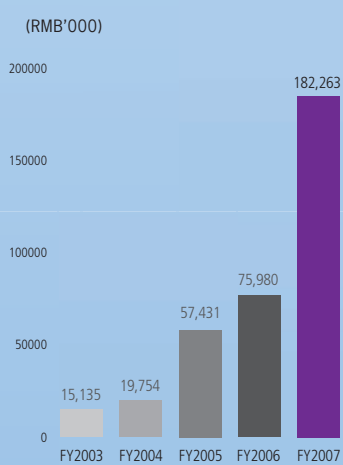
PROFIT ATTRIBUTABLE TO SHAREHOLDERS



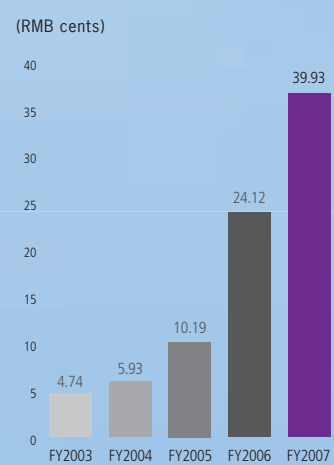
RESEARCH & DEVELOPMENT EXPENDITURE
 % OF R&D TO REVENUE (The international industry average is 16%)
 (RMB'000)



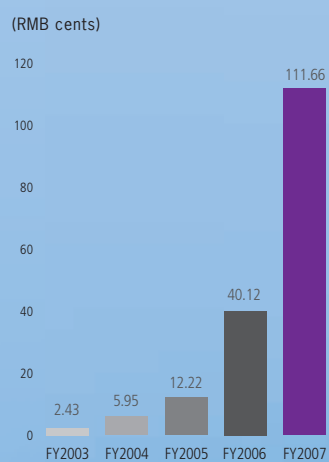
NET CASH GENERATED FROM OPERATING ACTIVITIES



EARNING PER SHARE

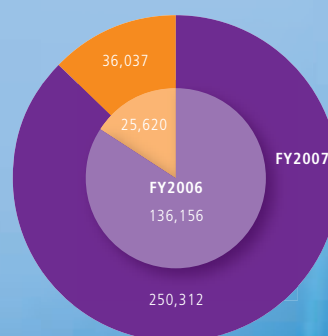


NET ASSET VALUE PER SHARE

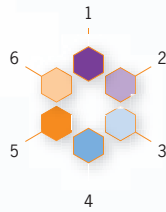



DISTRIBUTION OF REVENUES

- Cardiocerebral Vascular Drugs ("CVD")
- Non-Cardiocerebral Vascular Drugs ("NCVD")



Board of
Directors






Dr Che Fengsheng
Executive Chairman and CEO

Dr Che is a co-founder of the Group. He oversees the Group's overall management, strategic planning and business development and has been the driving force behind the Group's growth and business expansion since our establishment in 2001. Prior to our establishment, Dr Che has more than 8 years of experience as a medical doctor/neurologist as well as general manager in large pharmaceutical companies. In addition to his Bachelor of Medicine (Aviation) and Master of Medicine (Neurology), he also holds an Executive Master of Business Administration from China Europe International Business School.



Dr Guo Weicheng
Executive Deputy Chairman

Dr Guo is a co-founder of the Group. He is responsible for the overall operations of our Group and our R&D activities. Dr Guo is instrumental to our Group's growth and business expansion since our establishment in 2001. Prior to our establishment, Dr Guo has more than four years of experience as a general surgeon and more than seven years of experience in the sales and marketing of pharmaceutical products. He holds a Bachelor of Medicine and Master of Medicine (General Surgery) from China's Fourth Military Medical University.



Mr Meng Xianhui
Executive Director and Deputy General Manager (Sales and Marketing)

Mr Meng is responsible for building, expanding and supervising the operations of the sales and marketing network in our Group. Prior to joining our Group, Mr Meng has more than four years of experience in the pharmaceutical industry in the areas of marketing, sales and distribution of pharmaceutical products. He was also formerly the department head in a state owned enterprise for ten years.



Mr Chong Teck Sin
Lead Independent Director

Mr Chong is a Board member of the Accounting and Corporate Regulatory Authority since April 2004. From April 1999 to May 2004, Mr Chong was the Group Managing Director (Commercial) of SGX-listed Seksun Corporation Ltd. He joined Glaxo Wellcome Asia Pacific Pte Ltd as its Strategic Development Director for the PRC from 1997 to 1999. From 1994 to 1997, Mr Chong was the General Manager (Marketing/Commercial) and subsequently Senior General Manager (Marketing, Singapore Operations and Singapore Branch) of China-Singapore Suzhou Industrial Park Development Co., Ltd, the developer of the Suzhou Industrial Park in Suzhou, PRC. Prior to that, Mr Chong was with Standard Chartered Bank from 1989 to 1994, holding the position of manager and subsequently regional business development manager. He was with the Singapore Economic and Development Board ("EDB") from 1986 to 1989 as a senior industry officer which included a posting to its Tokyo Centre as its Centre Director. Mr Chong worked as a surveyor in Nippon Kaiji Kyokai (International Ship Classification Society) from 1982 to 1986.

Mr Chong is currently a director of two SGX-listed companies and a director of British-American Tobacco (Singapore) Private Limited. He also sits on the Board of a HKSE GEM-listed company known as CMA Logistics Co., Ltd. Mr Chong secured a Public Service Commission/ Monbusho (Ministry of Education, Japan) scholarship to read engineering at the University of Tokyo, graduating with a Bachelor of Engineering in Naval Architecture in 1981. He subsequently obtained a Master of Business Administration from the National University of Singapore in 1987. Mr Chong attended a Senior Executive Development Programme of Glaxo Wellcome conducted by the London Business School in Surrey, UK, and Duke University's Fuqua School of Business in North Carolina, USA in 1998 and 1999 respectively.



Mr Ng Cher Yan
Independent Director

Mr Ng is currently practising as a Certified Public Accountant in C Y Ng & Co., an accounting firm which he set up in 1990. Mr Ng started his career with Pricewaterhouse Singapore. Mr Ng is currently a director of several companies listed on the SGX-ST. He is the Chairman of the Braddel Heights Constituency, Citizen's Consultative Committee. Mr Ng obtained a Bachelor of Accountancy from the University of Singapore in 1983. He is a fellow member of the Institute of Certified Public Accountants of Singapore and also a member of the Institute of Chartered Accountants in Australia.



Dr Zhang Jionglong
Non-Executive Director

Dr Zhang has more than eight years of experience as a medical doctor in Shenzhen City People's Hospital, one of the largest hospitals in Shenzhen. Dr Zhang is presently an executive director of Chongqing Hai Fu (Technology) Co., Ltd. where he is responsible for the strategic planning of the company's business. He obtained a Graduate Certificate in Medical Treatment from Shantou Medical College, PRC.



Ms Gu Jin

Deputy General Manager (Administration and Human Resources)

Ms Gu Jin is in charge of overseeing the administration functions and human resources of our Group. From 1993 to 1996, Ms Gu was the secretary to the chief executive officer of Shenzhen Tong Yun Group before joining the securities department of the company. Ms Gu graduated in finance from Lan Zhou Commerce College, PRC in 1993.

Ms Jia Zhongxin

Chief Operating Officer

Ms Jia is responsible for undertaking the daily operations of the Group. She has held various managerial positions in many companies. Between January 2006 to November 2007, Ms Jia is the head of biomedicine department of China Baoan Group Co., Ltd. and chairman of Shenzhen Daphne Pharmaceutical Co., Ltd. She was also the chief executive officer of Wuhan Ma Ying Long Pharmaceutical Co., Ltd. & chairman of Wuhan Ma Ying Long Chained Pharmacies Co., Ltd from December 2002 to December 2005.

Mr Choi Yiau Chong

Chief Financial Officer

Mr Choi is responsible for overseeing and managing the accounting and finance functions of our Group. Prior to joining our Group, Mr Choi gained his finance and accounting experience in a public listed company and Deloitte. He is a member of Chartered Institute of Management Accountants (UK) and also a provisional member of the Institute of Certified Public Accountants of Singapore.

Ms Yuan Tingjun

Deputy General Manager (Production and Quality Control)

Ms Yuan is responsible for overseeing the production and quality control functions of our Group. Prior to joining our Group, Ms Yuan held various managerial and marketing posts in several pharmaceutical companies. She also had 7 years of experience as a researcher where she carried out research on Chinese medicines. Ms Yuan holds a Bachelor of Science (Chemistry) and a Master of Science from Sichuan University.

Mr Xia Zhong Ning

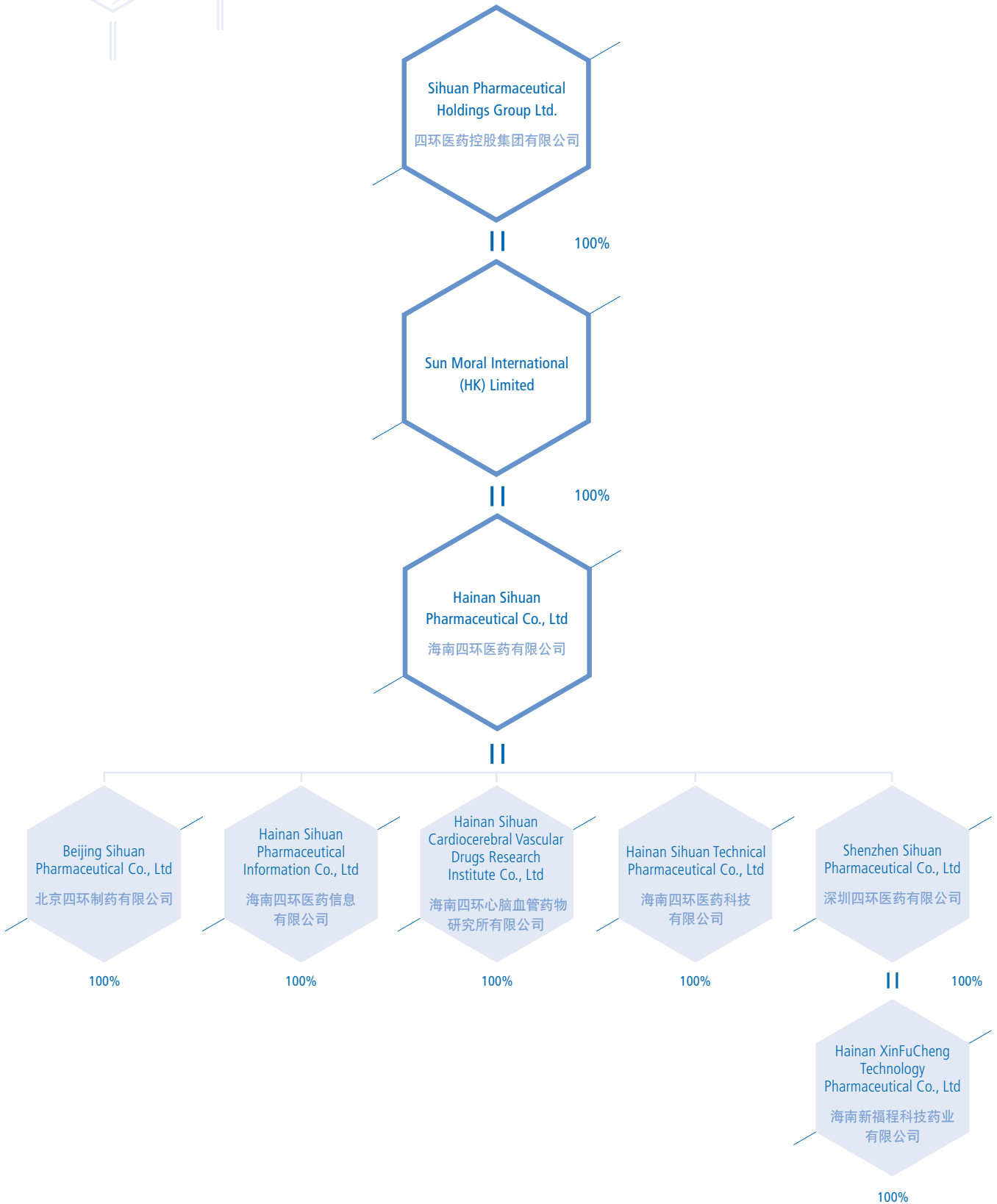
Head of Hainan CVD Research Institute

Mr Xia is in charge of supervising the research and development of new drugs. Prior to joining our Group, he was head of several research houses and has 15 years of experience in researching and developing new drugs. He is a "Licensed Pharmacist" and an expert in GMP and GLP.

Dr Huo Caixia

Assistant General Manager (Research and Development)

Dr Huo is responsible for overseeing the R&D functions of our Group and is a committee member of our Group's Drug Evaluation Committee. Between 2002 and 2004, Dr Huo joined the Chinese Academy of Sciences, Chemistry Research Institution as an assistant researcher. In addition to her Bachelor of Science (Pharmacy) and a Master of Science (Pharmaceutical Chemistry), she also holds a Doctor of Science (Pharmaceutical Chemistry) from Beijing University.





Corporate Governance Report

The Board of Directors (“Board”) and Management of Sihuan Pharmaceutical Holdings Group Ltd. (“the Company”) is committed to observe and maintain good corporate governance to protect the interests of the shareholders and other stakeholders and to promote investors’ confidence.

This report sets out the Company’s corporate governance practices with specific reference to the principles of the new Code of Corporate Governance 2005 (“Code”) and the extent of compliance thereto.

Principle 1 - The Board’s conduct of Affairs

The direction and control of the Group rest firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Group.

In addition to its statutory duties, the Board oversees the overall strategy, supervises the management and reviews the affairs, financial performance and position of the Company and the Group. The key matters which come under the purview of the Board includes:-

1. Approving the Group’s strategic plans, key operational initiatives, major investments and divestments and funding requirements;
2. Reviewing the financial and operating performance of the Group and external issues material to the Group’s prospects;
3. Evaluating the progress towards achieving the Group’s financial and business objectives and annual strategic plans;
4. Monitoring, through reports received directly or from various committees, the significant risks facing the Group.; and
5. Overseeing the processes for internal control, risk management, financial reporting and compliance.

To facilitate effective execution of its function, the Board has delegated specific responsibilities to four (4) sub-committees namely, Audit Committee (“AC”), Nominating Committee (“NC”), Remuneration Committee (“RC”) and Executive Committees (“EC”). The terms of reference of board committees set out each committee’s role and authority to examine any particular issue and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The newly appointed Directors would be briefed by Management on the history, business operations and corporate governance practices of the Group. The Company organizes seminars and briefing sessions for the Directors from time to time to enable them to keep pace with regulatory changes, where such changes have a material bearing on the Group.

The number of Board and Board Committee meetings held and the attendance of each Director during the financial year ended 31 December 2007 are set out as follows:-

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Che Fengsheng	3	3	-	-	-	-	3	3
Guo Weicheng	3	3	-	-	-	-	-	-
Meng Xianhui	3	3	-	-	-	-	-	-
Zhang Jionglong	3	3	3	3	3	3	3	3
Chong Teck Sin	3	3	3	3	3	3	3	3
Ng Cher Yan	3	3	3	3	3	3	3	3



Corporate Governance Report

Principle 2 : Board Composition and Balance

The Board currently comprises six (6) Directors, three (3) of whom are non-executive Directors and of these three (3) non-executive Directors, two (2) of them are independent. The Board is able to exercise objective judgement on corporate affairs independently from Management. The Board is also supported by various sub-committees, namely, the Nominating Committee, the Audit Committee, the Remuneration Committee and the Executive Committee.

The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The Board is made up of Directors who are qualified and experienced in various fields including medical, sales and marketing, business administration, finance and accountancy. The profile of each of the Directors is provided in Pages 14 and 15 of this Annual Report. Accordingly, the current Board comprises of persons who as a group, have core competencies necessary to lead and manage the Company.

The non-executive directors are involved in reviewing the corporate strategies, business operations and practices of the Group. The non-executive directors would arrange to meet without the presence of management or executive directors to review matters that must be raised privately at least once a year.

Principle 3 : Chairman and Chief Executive Officer

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure, that is where the CEO and the Executive Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Group's Executive Chairman and CEO is Dr Che Fengsheng, who is responsible for the overall operations, corporate policies, business development and investment strategies of the Group and is responsible for the day-to-day operation of the Group as well as the control of the quality, quantity and timeliness of information flow between the Board and Management. He plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision.

In view of Dr Che Fengsheng's concurrent appointment as the Company's Executive Chairman and CEO, the Company had appointed Mr Chong Teck Sin as the Lead Independent Director. The Lead Independent Director would be available to Shareholders where they have concerns and when contact through the normal channel of the Company's Executive Chairman or Chief Financial Officer has failed to resolve or when such contact is inappropriate.

Major decisions made by the Executive Chairman and CEO are brought up by him for discussion and review at Board meetings. His performance and appointment to the Board are reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. The RC comprises a majority of independent directors of the Company. As such, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

As the Chairman, Dr Che Fengsheng is also responsible for, among others,

- (a) schedule meetings of the Board and set the Board meeting agenda in consultation with the Company's senior management;
- (b) lead the Board to ensure its effectiveness on all aspects of its role;
- (c) exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- (d) ensure compliance with the Company's guidelines on corporate governance.



Corporate Governance Report

Principle 4 : Board Membership

To facilitate a formal and transparent process for the appointment of new Directors, the Board has formed the Nominating Committee ("NC") which comprises:-

Mr Chong Teck Sin	(Chairman)
Mr Ng Cher Yan	(Member)
Dr Zhang Jionglong	(Member)
Dr Che Fengsheng	(Member)

Out of four (4) Committee members, three (3) are non-executive Directors of the Company. Save for Dr Zhang Jionglong and Dr Che Fengsheng, the other members of the Committee are independent Directors.

The independence of each Director has been reviewed annually by the NC based on the Code's definition of what constitutes an independent director. Based on this review, the NC confirmed the independence of the Directors concerned.

The principal functions of the NC are:-

1. re-nomination of the Directors having regard to each Director's contribution and performance;
2. determine annually whether or not a Director is independent; and
3. deciding whether or not a Director is able to and has adequately carrying out his duties as a Director of the Company in particular where the Director concerned has multiple board representations on various companies.

The role of the NC is to decide on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term Shareholders' value. The Board will also implement a process to be carried out by the NC for assessing the contribution of each individual Director to the effectiveness of the Board.

In addition, the NC will oversee the appointment and induction process for Directors. Candidates are selected for their character, judgement and business acumen. New Directors will be appointed based on the NC's recommendations. Where a Director has multiple board representations, the NC will evaluate whether a Director is able to and has adequately carried out his or her duties as Director of the Company.

Pursuant to the Bye-Laws of the Company,

- (a) Each Director shall retire at least once every three (3) years and shall be eligible for re-election; and
- (b) Any Director appointed by the Board shall retire at the next Annual General Meeting ("AGM") of the Company and shall then be eligible for re-election.

Principle 5 : Board Performance

The NC has formulated and adopted a formal process for evaluation of the performance of the Board in accordance with performance criteria determined. The NC will consider a number of factors, including achieving financial target, the performance of the Board as a whole, the performance of individual Director which includes the attendance and contribution of each Director during Board meetings.



Corporate Governance Report

Principle 6 : Access to Information

The Board is furnished with Board papers prior to Board meetings. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from Management, if necessary. The directors may communicate directly with the Management team and Company Secretary on all matters whenever they deem necessary. The Company Secretary is responsible for ensuring that Board procedures are followed and assisting the senior management in ensuring that the Company complies with listing rules and regulations where applicable.

The Directors, in carrying out their duties whether individually or as a group, have direct access to the independent professional advisors to obtain advice. Any cost of obtaining such professional advice will be borne by the Company.

Principle 7 : Remuneration Committee

Principle 8 : Level and mix of Remuneration

The Remuneration Committee ("RC") comprises all Non-Executive Directors with the majority being independent:-

Mr Chong Teck Sin	(Chairman)
Mr Ng Cher Yan	(Member)
Dr Zhang Jionglong	(Member)

The RC's principal role includes recommending to the Board a framework of remuneration for the Board and key executives of the Group and determining specific remuneration packages for each of the Executive Directors. The recommendations of the Remuneration Committee will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be reviewed by the RC.

The Service Agreements entered into between the Company and the respective Executive Directors, namely, Dr Che Fengsheng, Dr Guo Weicheng and Mr Meng Xianhui ("the Appointees") are for a period of three (3) years ("Service Agreements") commencing 23 March 2007. The Service Agreements covers the terms of employment, specifically salaries and the duties and obligations of the Appointees. There are non-competition covenants and confidentiality obligations under the Service Agreements.

Principle 9 : Disclosure on Remuneration

The annual remuneration of each individual director and key executive for financial year ended 31 December 2007, disclosed within the bands of remuneration, are as follows: -

Name of Director	Remuneration Bands	
	Up to S\$250,000	S\$250,001 to S\$500,000
Dr Che Fengsheng	-	X ⁽¹⁾
Dr Guo Weicheng	X ⁽¹⁾	-
Mr Meng Xianhui	X ⁽¹⁾	-
Dr Zhang Jionglong	-	-
Mr Chong Teck Sin	X ⁽²⁾	-
Mr Ng Cher Yan	X ⁽²⁾	-



Corporate Governance Report

Notes:

- (1) Pursuant to the Service Agreements, Dr Che Fengsheng, Dr Guo Weicheng and Mr Meng Xianhui would be entitled to monthly salary, subject to annual review by the Board, and to an annual performance bonus based on a proportion to the Group's audited consolidated profit before tax and before payment of the performance in a financial year excluding any extraordinary and exceptional items. The salient terms of the Service Agreements is disclosed on Pages 161 and of the Company's Prospectus dated 13 March 2007 (the "Prospectus").
- (2) The remuneration in the form of Directors' fees is subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Except for the disclosures stated above, there are no other existing service agreements entered between the Company and any of the Company's Directors.

Remuneration of Key Executives

Details of remuneration paid to the top six (6) Executives (who are not Directors of the Company) of the Group for the financial year ended 31 December 2007 are set out below. For competitive reasons, the Company is only disclosing the bands of remuneration of each executive for the financial year ended 31 December 2007 under review as follows: -

Name of Key Executives	Remuneration Bands	
	Up to S\$250,000	S\$250,001 to S\$500,000
Mr Choi Yiau Chong	X	-
Mdm Gu Jin	X	-
Dr Huo Caixia	X	-
Mdm Jia Zhong Xin	X	-
Mr Xia Zhong Nin	X	-
Mdm Yuan Tingjin	X	-

Principle 10 : Accountability of the Board and Audit

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company and Group's performance, position and prospects. The Management will provide the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11 : Audit Committee

The Audit Committee ("AC") comprises three (3) members:-

Mr Ng Cher Yan (Chairman)
Mr Chong Teck Sin (Member)
Dr Zhang Jionglong (Member)

The AC members are all non-executive Directors. The members collectively have many years of experience in accounting, audit, business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.



Corporate Governance Report

The AC has written terms of reference. Specifically, the AC meets on a periodic basis to perform the following functions, among others,

- (a) to review the audit plans of the external auditors of the Company and, where applicable, the internal auditors, including the results of the Company's review and evaluation of the Company's system of internal controls.
- (b) to review the consolidated financial statements of the Company and the external auditors' reports on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval.
- (c) to review and discuss with auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the management's response.
- (d) to review the co-operation given by the Company's officers to the external auditors.
- (e) to nominate external auditors for appointment or re-appointment.
- (f) to review and approve internal control procedures and arrangements for all interested person transactions, and if during these periodic reviews, the AC believes that the procedures are not sufficient, the Company will revise the internal controls procedures.
- (g) to review and ratify all interested person transactions falling within the scope of Chapter 9 of the Listing Manual, if any.
- (h) to review any potential conflicts of interest.
- (i) to undertake such reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
- (j) to generally, perform such other functions and duties as may be required by the relevant laws or provisions of the Listing Manual (as may be amended from time to time).

The AC is also authorised to investigate any matter within its terms of reference. It has full access to and the co-operation of Management and the full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

On an annual basis, the AC meets with the internal and external auditors, without the presence of management, to review any matters that might be raised privately.

The AC has undertaken a review of all non-audit services provided by the auditors and in the AC's opinion, the provision of these services does not affect the independence of the auditors.

The Group is in the process of implementing a 'whistle-blowing' policy where staff of the Group can raise concerns on any possible improprieties in relation to financial reporting and other matters.



Corporate Governance Report

Principle 12 : Internal controls

Principle 13 : Internal audit

The Board understands the importance of maintaining sound internal controls to safeguard the shareholders' investments and the Company's assets. In view thereof, the Group had outsourced its internal audit function to an independent assurance service provider ("Internal Auditors") who will report directly to the members of the AC. The primary objective of the internal audit is to assure the AC and the Board that sound risk management processes and controls are in place and operating effectively.

The Group has also set up an Executive Committee ("EC") which comprises five (5) members as follow to carry out the daily operational activities such as budgeting, investment, acquisition and disposal of assets, etc including the significant business negotiation with external party(ies) for any transaction which does not exceed SGD 2million or RMB 10million:-

Dr Che Fengsheng	(Chairman)
Dr Guo Weicheng	(Member)
Mr Meng Xianhui	(Member)
Dr Zhang Jionglong	(Member)
Mr Choi Yiau Chong	(Member)

The EC also monitors every aspect of the Group's business on a continuing basis as well as analyses and draw up all business proposals in details for submission to the Board for consideration. The EC meets on a monthly basis and, as and when required.

Internal and external auditors would conduct regular reviews of the system of internal controls to assess its effectiveness. Any significant or material internal control deficiencies would be brought to the attention of the AC and senior management for remedial action.

Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

Principle 14 and 15 : Communications with the Shareholders

(a) Communications with Shareholders

In line with the continuous obligations of the Company pursuant to the Listing Manual of the SGX-ST, the Company's policy is to ensure that timely and adequate disclosure information on matters of material impact on the Company are made to shareholders of the Company. In this respect, the Company announces its results to shareholders on a quarterly basis. The Company does not practice selective disclosures.

Information is disseminated / made available to the shareholders through:-

- (i) SGXNET announcements and new releases;
- (ii) Annual Reports; and
- (iii) Company's website at www.sihuanpharm.com / www.sihuanpharm.com.cn

(b) Greater Shareholders Participation

At general meetings, shareholders of the Company are given the opportunity to air their views and ask Directors or Management questions regarding the Company.



Corporate Governance Report

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. Board members, Management as well as external auditors will be present at the meetings to address shareholders' queries.

The Articles allow a member of the Company to appoint not more than two (2) proxies to attend and vote at general meetings.

ADDITIONAL INFORMATION

DEALINGS IN SECURITIES

[SGX-ST's Listing Manual Rule 1207(18)]

In line with the Listing Rule 1207(18) of the Listing Manual, the Company has in place a policy prohibiting share dealings by the Directors and employees of the Company for the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before half year or financial year, as the case may be, and ending on the date of announcement of the relevant results.

The Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading time. In addition, the Directors, management and officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

RISK MANAGEMENT

[SGX-ST's Listing Manual Rule 1207(4)(d)]

The Company, with the assistance of the internal and external auditors, would regularly reviews and improves its business on operational level by taking into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company would review all significant control policies and procedures and highlights all significant matters to the AC.

INTERESTED PERSON TRANSACTIONS

[SGX-ST's Listing Manual Rule 907]

There were no interested person transactions for the financial year ended 31 December 2007.

MATERIAL CONTRACTS

[SGX-ST's Listing Manual Rule 1207(8)]

There are no material contracts of the Company or its subsidiaries involving the interest of the Executive Chairman, Chief Executive Officer, any Director or controlling shareholder subsisting at the end of the financial year.



Directors' Report

For the Financial year ended 31 December 2007

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company as at 31 December 2007.

DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Che Fengsheng
 Guo Weicheng
 Meng Xianhui
 Zhang Jionglong
 Chong Teck Sin (appointed on 8 February 2007)
 Ng Cher Yan (appointed on 8 February 2007)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2007	At 1.1.2007	At 31.12.2007	At 1.1.2007
Plenty Gold Enterprises Limited (immediate and ultimate holding company) <u>(Ordinary shares of US\$1 each)</u>				
Che Fengsheng	3,825,000	25,500	-	-
Guo Weicheng	1,875,000	12,500	-	-
Meng Xianhui	825,000	5,500	-	-
Zhang Jionglong	975,000	6,500	-	-



Directors' Report

For the Financial year ended 31 December 2007

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

Che Fengsheng and Guo Weicheng, who by virtue of their interest of not less than 20% each of the issued share capital of Plenty Gold Enterprises Limited, immediate and ultimate holding company, are deemed to have an interest in the entire issued share capital of the immediate and ultimate holding company's wholly owned subsidiaries and in the shares held by the immediate holding company in the following subsidiaries.

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2007	At 1.1.2007	At 31.12.2007	At 1.1.2007
Company				
(Ordinary shares)				
Che Fengsheng	-	-	375,000,000	375,000,000
Guo Weicheng	-	-	375,000,000	375,000,000
Interest in registered capital:				
Hainan Sihuan Pharmaceutical Co., Ltd	-	-	RMB 200,000,000	RMB50,000,000
Beijing Sihuan Pharmaceutical Co., Ltd	-	-	RMB 30,353,000	RMB 30,353,000
Hainan Sihuan Pharmaceutical Information Co., Ltd	-	-	RMB 1,000,000	RMB 1,000,000
Hainan Sihuan Technical Pharmaceutical Co., Ltd	-	-	RMB 1,000,000	RMB 1,000,000
Hainan Sihuan Cardiocerebral Vascular Drugs Research Institute Co., Ltd	-	-	RMB 6,000,000	-
Shenzhen Sihuan Pharmaceutical Co., Ltd	-	-	RMB 3,000,000	-

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

By virtue of Section 7 of the Singapore Companies Act, Dr Che Fengsheng and Dr Guo Weicheng are deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the ordinary shares of the Company as at 21 January 2008 were the same as those as at 31 December 2007.



Directors' Report

For the Financial year ended 31 December 2007

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of the options to take up unissued shares of the Company and its subsidiaries.

There were no unissued shares of the Company and its subsidiaries under option at the end of the financial year.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers, has expressed its willingness to accept re-appointment.

On behalf of the directors

CHE FENGSHENG
Director

31 March 2008

GUO WEICHENG
Director



Statement By Directors

For the financial year ended 31 December 2007

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 68 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

CHE FENGSHENG
Director

31 March 2008

GUO WEICHENG
Director



Independent Auditor's Report

To the Members of Sihuan Pharmaceutical Holdings Group Ltd.

We have audited the accompanying financial statements of Sihuan Pharmaceutical Holdings Group Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 68, which comprise the balance sheets of the Company and of the Group as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to present fairly, in all material aspects, the state of affairs of the Company and of the Group as at 31 December 2007, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers
Public Accountants and
Certified Public Accountants

Singapore, 31 March 2008



Consolidated Income Statement

For the financial year ended 31 December 2007

	Notes	Group	
		2007 RMB'000	2006 RMB'000
Sales	4	286,349	161,776
Cost of sales	5	(60,526)	(36,903)
Gross profit		225,823	124,873
Other gains (net)	4	21,323	11,877
Expenses			
- Selling and marketing	5	(23,662)	(16,266)
- Administrative	5	(38,856)	(11,630)
- Finance	7	(176)	(464)
Profit before income tax		184,452	108,390
Income tax expense	8	(5,626)	(18,217)
Net profit		178,826	90,173
Attributable to:			
Equity holders of the Company		179,266	90,453
Minority interest		(440)	(280)
		178,826	90,173
Earnings per share attributable to equity holders of the Company			
- Basic earnings per share (RMB cents)	9	39.93	24.12
- Diluted earnings per share (RMB cents)	9	39.93	24.12

The accompanying notes form an integral part of these financial statements



Balance Sheets

As at 31 December 2007

	Notes	Group		Company	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	10	262,380	41,788	82,244	30
Trade and other receivables	11	24,714	18,250	27,002	-
Inventories	12	22,953	7,180	-	-
		310,047	67,218	109,246	30
Non-current assets					
Investments in subsidiaries	13	-	-	208,617	58,617
Property, plant and equipment	14	78,675	52,992	-	-
Land lease rights	15	6,576	6,958	-	-
Other non-current assets	16	45,000	-	-	-
Intangible assets	17	190,248	71,063	-	-
		320,499	131,013	208,617	58,617
Total assets		630,546	198,231	317,863	58,647
LIABILITIES					
Current liabilities					
Trade and other payables	18	68,826	11,986	14,911	5,331
Current income tax liabilities		14,693	19,112	-	-
Borrowings	19	12,000	4,000	-	-
		95,519	35,098	14,911	5,331
Non-current liabilities					
Deferred income tax liabilities	20	10,214	683	-	-
Borrowings	19	-	12,000	-	-
		10,214	12,683	-	-
Total liabilities		105,733	47,781	14,911	5,331
NET ASSETS		524,813	150,450	302,952	53,316
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	69,262	54,413	69,262	54,413
Share premium	21	182,909	-	182,909	-
Other reserves	22	45,626	24,775	-	-
Retained earnings / (Accumulated losses)		227,016	68,601	50,781	(1,097)
		524,813	147,789	302,952	53,316
Minority interest		-	2,661	-	-
Total equity		524,813	150,450	302,952	53,316

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2007

	Notes	← Attributable to equity holders of the Company →					Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Minority interest RMB'000	
Balance as at 1 January 2007		54,413	-	24,775	68,601	2,661	150,450
Total recognised gains/(losses)							
- Net profit/(loss) for the financial year		-	-	-	179,266	(440)	178,826
Transfer to other reserves	22	-	-	20,851	(20,851)	-	-
Issue of shares	21	14,849	193,338	-	-	-	208,187
Share issue expense ⁽²⁾	21	-	(10,429)	-	-	-	(10,429)
Acquisition of additional interest in a subsidiary		-	-	-	-	(2,221)	(2,221)
Balance as at 31 December 2007		69,262	182,909	45,626	227,016	-	524,813
Balance as at 1 January 2006 ⁽¹⁾		58,617	-	10,673	16,250	300	85,840
Total recognised gains/(losses)							
- Net profit/(loss) for the financial period		-	-	-	90,453	(280)	90,173
Transfer to other reserves	22	-	-	14,102	(14,102)	-	-
Share issue expenses ⁽²⁾	21	(4,204)	-	-	-	-	(4,204)
Incorporation of a subsidiary		-	-	-	-	2,940	2,940
Disposal of a subsidiary		-	-	-	-	(219)	(219)
Acquisition of additional interest in a subsidiary		-	-	-	-	(80)	(80)
Dividend ⁽³⁾		-	-	-	(24,000)	-	(24,000)
Balance as at 31 December 2006		54,413	-	24,775	68,601	2,661	150,450

(1) The equity of the Group at 1 January 2006 is presented as if the combining entities of the Group had been combined since the date when they first came under common control of the controlling shareholders.

(2) Share issue expenses represent incremental costs which are directly attributable to the issuance of new shares pursuant to the initial public offering in Singapore.

(3) Dividend was declared by a subsidiary out of its retained earnings to its previous shareholders prior to the Group Restructuring Exercise. The Group Restructuring Exercise is described in Note 2.2.

The accompanying notes form an integral part of these financial statements



Consolidated Cash Flow Statement

For the financial year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Net profit		178,826	90,173
Adjustments for:			
- Income tax		5,626	18,217
- Depreciation of property, plant and equipment		5,362	4,582
- Amortisation of land lease rights		382	394
- Goodwill from purchase of minority interest written off		264	-
- Amortisation of intangible assets		8,648	5,256
- Impairment of intangible assets		930	-
- Loss on disposal of property, plant and equipment		-	250
- Gain on sale of equity investments		(13,252)	-
- Interest income		(1,271)	-
- Gain from disposal of subsidiary	10	-	(96)
Operating cash flow before working capital changes		185,515	118,776
Changes in working capital, net of effects from acquisition and disposal of subsidiaries:			
- Inventories		(9,535)	1,858
- Trade and other receivables		(1,427)	(21,151)
- Trade and other payables		18,860	(11,482)
Cash generated from operations		193,413	88,001
Income tax paid		(11,150)	(12,021)
Net cash generated from operating activities		182,263	75,980
Cash flows from investing activities			
Proceeds from disposal of a subsidiary	10	-	737
Proceeds from disposal of property, plant and equipment		302	-
Purchase of land lease rights		-	(1,826)
Proceeds from sale of equity investments		37,936	-
Acquisition of a subsidiary, net of cash acquired	10	(36,305)	-
Deposits for other non-current assets		(45,000)	-
Purchase of equity investments		(24,684)	-
Purchase of property, plant and equipment		(30,537)	(14,597)
Purchase of intangible assets		(55,927)	(33,346)
Acquisition of minority interest	10	(2,485)	-
Interest received		1,271	-
Net cash used in investing activities		(155,429)	(49,032)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		197,758	-
Amount due from shareholders		-	15,316
Repayment of borrowings		(4,000)	(18,000)
Net cash provided by / (used in) financing activities		193,758	(2,684)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		41,788	17,524
Cash and cash equivalents at the end of the year	10	262,380	41,788



Notes to The Financial Statements

For the financial year ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

The Company (registration number: 38317) is domiciled and was incorporated in Bermuda on 26 April 2006 under the Bermuda Companies Act as a private limited company.

On 23 March 2007, the Company was admitted to the main board of the Singapore Exchange.

The principal activity of the Company is that of investment holding. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The address of the principal place of business of the Group is 31st Floor, Xinda Commercial Plaza, No. 48 Guomao Avenue, Haikou City 570125, Hainan Province, People's Republic of China ("PRC").

The principal activities of its subsidiaries are disclosed in Note 30.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared based on accounting policies of the Group which are in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2007

On 1 January 2007, the Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS or INT FRS did not result in any substantial changes to the Group's accounting policies, or any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Group Restructuring Exercise

- (i) Prior to the Group Restructuring Exercise, Che Fengsheng, Guo Weicheng, Zhang Jionglong and Meng Xianhui (collectively as the "Shareholders") paid-in 51%, 25%, 13% and 11% respectively of the entire share capital of Hainan Sihuan Pharmaceutical Co., Ltd.
- (ii) The Group Restructuring Exercise involved the following:
 - (a) On 6 December 2006, the issued share capital of the Company was increased from US\$12,000 to US\$7,500,000, allotted entirely to Plenty Gold Enterprises Limited and fully paid as at 6 December 2006.
 - (b) On 22 May 2006, Hainan Sihuan Pharmaceutical Co. Ltd increased its equity interest in Hainan Sihuan Pharmaceutical Information Co., Ltd from 90% to 100% by acquiring the 10% of interest from Mr Che Fengxu, the brother of Che Fengsheng at a consideration of RMB100,000, which was fully settled in cash in May 2006. The consideration was determined based on the registered capital of Hainan Sihuan Pharmaceutical Information Co., Ltd as at 31 December 2005.
 - (c) On 19 June 2006, pursuant to a share transfer agreement, the Company agreed to acquire from Che Fengsheng, Guo Weicheng, Meng Xianhui and Zhang Jionglong, their entire registered capital interest of RMB50,000,000 in Hainan Sihuan Pharmaceutical Co. Ltd, at an aggregate consideration of RMB58,616,800, which was fully satisfied in cash in December 2006. The consideration was derived based on the valuation of Hainan Sihuan Pharmaceutical Co., Ltd as at 31 December 2005, as determined by an independent valuer, Haichang Accountants Co., Ltd ("海南海昌会计师事务所"). The transfer of the entire registered capital of Hainan Sihuan Pharmaceutical Co. Ltd was approved by the 海南省商务厅 (Commerce Department of the Hainan Province) on 23 June 2006. The change of shareholding was effected at the Hainan Yangpu Administration for Industry and Commerce and the new Business Licence was issued on 27 June 2006. On 27 November 2006, the 中国商务部 (Ministry of Commerce of PRC) accepted the approval of the Commerce Department of Hainan Province. The consideration was fully satisfied in cash in December 2006. Following the acquisition, Hainan Sihuan Pharmaceutical Co., Ltd. became a wholly owned foreign enterprise of the Company. Accordingly, subsidiaries held directly by Hainan Sihuan Pharmaceutical Co., Ltd. comprising Beijing Sihuan Pharmaceutical Co., Ltd, Hainan Sihuan Cardiocerebral Vascular Drugs Research Institute Co., Ltd, Hainan Sihuan Technical Pharmaceutical Co., Ltd. and Hainan Sihuan Pharmaceutical Information Co., Ltd. and Hainan Sanpu Pharmaceutical Development Co., Ltd also became part of the Group. The Company and these subsidiaries are collectively referred to as the "Group".
 - (d) On 5 September 2006, Hainan Sihuan Pharmaceutical Co., Ltd. disposed its 75% interests in the registered capital of Hainan Sanpu Pharmaceutical Development Co., Ltd to a third party at a consideration of RMB750,000 based on the registered capital of Hainan Sanpu Pharmaceutical Development Co., Ltd as at 31 December 2005. Hainan Sanpu Pharmaceutical Development Co., Ltd ceased to be a subsidiary of Hainan Sihuan Pharmaceutical Co., Ltd.
- (iii) The Group Restructuring has been accounted for using the "pooling-of-interest" method. Accordingly, the Group's consolidated financial statements for the financial year ended 31 December 2006 had been prepared as if the Group has been in existence prior to the Group Restructuring Exercise, and for which the consolidated results of the Group had been accounted for since 1 January 2003. The assets and liabilities were brought into the consolidated balance sheet at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group Restructuring Exercise. Subsequently, entities that were acquired from non common-control and third parties were accounted for using the purchase method (Note 2.5).



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

The Group manufactures and sells a range of pharmaceutical products in the wholesale market. Sales of goods are recognised when the products have been delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products, and the collectibility of the related receivable is reasonably assured.

Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.4 Government grants

Government grants are recognised at their fair value in the income statement, where there is a reasonable assurance that the grant will be received and the Group complies with all attached conditions.

2.5 Group accounting

(i) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisition of entities that are under common control have been consolidated using the pooling-of-interest method as set out in Note 2.2.

The purchase method of accounting is used to account for the acquisition of other subsidiaries from third parties, or entities that are not under common control, subsequent to the Group Restructuring Exercise in Note 2.2. The cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(i) Subsidiaries (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interests in the equity of that subsidiary.

In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses.

When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company have been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2.6 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Estimated useful lives
Leasehold buildings	10 - 20 years
Plant and equipment	5 - 10 years
Office equipment	5 - 10 years
Motor vehicles	10 years



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

Assets under construction are not depreciated. The residual values, estimated useful lives and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2.7 Land lease rights

Land lease rights are up-front payments to acquire long-term interests in land. These payments are stated at cost and amortised over the period of the leases of 50 years on a straight-line basis.

2.8 Intangible assets

(i) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is recognised as 'intangible assets' and carried at cost less accumulated impairment losses. Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

(ii) Trademarks and licences

Trademarks and licences have a finite useful life and are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 5 to 10 years.

(iii) Research and development

(a) Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities (relating to the design and testing of new or improved products) is capitalised under the category of "product development in progress" if the product or process is technically and commercially feasible, the Group has sufficient resources and the intention to complete development, and if the cost can be reliably measured. Upon the commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight-line basis over the period of its expected benefit. Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

(b) Deferred development costs that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(iii) Research and development (continued)

- (c) Subsequent expenditure on development activities after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.
- (d) Amortisation of deferred development costs is charged to the income statement on a straight-line basis over the estimated useful lives of 5 to 10 years.
- (e) Research costs are recognised as an expense when incurred.

(iv) Customer relationships

Customer relationships are initially recognised and measured at fair value. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the respective period of the estimated useful lives of 5 to 10 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

2.9 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.10 Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method.

2.11 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

2.12 Impairment of non-financial assets

(i) Goodwill

Goodwill is tested annually for impairment, and when there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies of the business combination.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets (continued)

(i) Goodwill (continued)

An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in a subsequent period.

(ii) Other non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.13 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

Financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Allowance for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.15 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their carrying amounts.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

2.16 Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Income taxes (continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

2.20 Employee benefits

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund (in Singapore) and the retirement insurance and medical insurance schemes organised by the social security bureau pursuant to the relevant provisions (in the PRC), on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

2.21 Currency translation

- (i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

- (ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.



Notes to The Financial Statements

For the financial year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.23 Cash and cash equivalents

For the purposes of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital and share premium accounts.

2.25 Dividends

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deferred development costs

The Group's management determines the estimated future cash flows of each pharmaceutical patent for capitalisation of development costs. This estimate is based on projected product lifecycles for the pharmaceutical industry.

It could change significantly as a result of medicine innovations and competitor actions in response to industry cycles. Management will recognise impairment loss on the capitalised development costs when future cash flows are less than expectation and fall below the amount of related development costs.

If the estimated future cash flows had been 10% lower than management's estimates as at 31 December 2007, the Group would have recognised an impairment loss of the development costs of approximately RMB95,000, and would need to reduce the carrying value of development costs by approximately RMB95,000.

Goodwill impairment test

Goodwill is tested for impairment annually in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of goodwill as at 31 December 2007 was RMB 12.1 million. Details of the estimates used to calculate the recoverable amounts are given in Note 17.

Notes to The Financial Statements

For the financial year ended 31 December 2007

4. REVENUE AND OTHER GAINS (NET)

	Group	
	2007 RMB'000	2006 RMB'000
Sale of goods	286,349	161,776
Gain on sale of equity investments	13,252	-
Government grants	6,969	7,977
Processing income – net	3,717	3,742
Gain on disposal of a subsidiary	-	96
Interest income	1,271	-
Loss on disposal of property, plant and equipment	-	(250)
Currency translation loss	(3,622)	-
Goodwill from purchase of minority interest written off	(264)	-
Others	-	312
Other gains (net)	21,323	11,877
	307,672	173,653

Processing income is net of costs amounting to RMB6,897,000 (2006: RMB7,908,000).

5. EXPENSES BY NATURE

	Group	
	2007 RMB'000	2006 RMB'000
Research and development expenses	4,394	1,138
Depreciation of property, plant and equipment	5,362	4,582
Amortisation of land lease rights	382	394
Amortisation of intangible assets	8,648	5,256
Purchase of inventories	67,402	27,307
Employee compensation (Note 6)	12,734	5,591
Travelling expenses	10,394	6,853
Office expenses	20,083	7,059
Advertising expense	2,973	2,030
Transportation expenses	2,399	1,447
Entertainment expenses	2,375	1,147
Changes in inventories	(15,773)	1,858
Allowance for impairment of intangible assets	930	-
Rental expense on operating leases	77	74
Others	664	63
	123,044	64,799



Notes to The Financial Statements

For the financial year ended 31 December 2007

6. EMPLOYEE COMPENSATION

	Group	
	2007	2006
	RMB'000	RMB'000
Wages and salaries	11,153	5,039
Contribution to defined contribution plans	771	305
Staff welfare	810	247
	12,734	5,591

7. FINANCE EXPENSES

	Group	
	2007	2006
	RMB'000	RMB'000
Bank charges	176	464

8. INCOME TAXES

The PRC enterprise income tax had been provided at the principal rate of 33% (2006:33%) on the estimated assessable profit for the year except for subsidiaries established in the "Hainan Special Economic Zone" and "Shenzhen Special Economic Zone" where the applicable enterprise income tax rate is 15% (2006:15%).

	Group	
	2007	2006
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Current tax	17,133	18,276
Deferred tax (Note 20)	(30)	(59)
	17,103	18,217
Over provision in prior financial year (Note 8(a))	(11,477)	-
	5,626	18,217

- (a) A subsidiary, Hainan Sihuan Pharmaceutical Co., Ltd obtained an approval from the relevant tax authorities in September 2006 with further confirmation in second quarter 2007 to be entitled to a 50% reduction in tax rate (from 15% to 7.5%) for 6 years from 2005. Income tax for this subsidiary for the period from 2005 to second quarter 2007 prior to the confirmed approval was provided at 15%. The related overprovision of income tax was reversed accordingly.

Notes to The Financial Statements

For the financial year ended 31 December 2007

8. INCOME TAXES (continued)

The tax on profit differs from the amount that would arise using the PRC income tax rate ranging from 15% to 33% due to the following:

	Group	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	184,452	108,390
Tax calculated at a tax rate applicable to the Company and its subsidiaries ranging from 15% to 33%	30,428	17,301
Effects of :		
- Income not subject to tax purposes	-	(93)
- Effect of tax reduction and exemption	(14,746)	-
- Expenses not deductible for tax purposes	868	786
- Deferred tax asset not recognised for tax losses	553	223
	17,103	18,217

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2007	2006
Net profit attributable to equity holders of the Company (RMB'000)	179,266	90,453
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	448,918*	375,000*
Basic earnings per share (RMB cents per share)	39.93	24.12

There is no dilution to earnings per share for the financial years ended 31 December 2007 and 2006 because there were no potential dilutive ordinary shares existing during the respective financial years. The diluted earnings per share equal the basic earnings per share.

* The earnings per share for the year ended 31 December 2007 has been computed based on the post initial public offering weighted average number of ordinary shares in issue of 448,918,000 shares. For comparative purposes, the earnings per share for the year ended 31 December 2006 has been computed based on the pre-invitation share capital of 375,000,000 shares.



Notes to The Financial Statements

For the financial year ended 31 December 2007

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Cash on hand	149	366	-	-
Cash at banks	262,231	41,422	82,244	30
	262,380	41,788	82,244	30

The weighted average effective interest rates for cash at bank for the Group and the Company are 0.64% (2006: 0.72%) and 0.48% (2006: nil) per annum respectively.

(a) Acquisition of a subsidiary

On 9 October 2007, the Group acquired 100% equity interest of Shenzhen Sihuan Pharmaceutical Co., Ltd ("Shenzhen Sihuan").

The aggregate effects of acquisition of this subsidiary on the cashflows of the Group were as follows:

	Group	
	At fair values RMB'000	Carrying amounts in acquiree's books RMB'000
<u>Identifiable assets and liabilities</u>		
Cash and cash equivalents	11,695	11,695
Trade and other receivables	5,067	5,067
Inventories	6,238	6,238
Property, plant and equipment (Note 14)	508	508
Intangible assets (Note 17)	61,000	16,114
Total assets	84,508	39,622
Trade and other payables	(25,678)	(25,678)
Deferred income tax liabilities (Note 20)	(9,561)	-
Current income tax liabilities	(1,105)	(1,105)
Total liabilities	(36,344)	(26,783)



Notes to The Financial Statements

For the financial year ended 31 December 2007

10. CASH AND CASH EQUIVALENTS (continued)

(a) Acquisition of a subsidiary (continued)

	Group	
	At fair values RMB'000	Carrying amounts in acquiree's books RMB'000
Identifiable net assets acquired	48,164	12,839
Percentage of equity acquired	100%	
Identifiable net assets acquired	48,164	
Goodwill (Note 17)	11,836	
Consideration	60,000	
Less: Cash and cash equivalents in subsidiary acquired	(11,695)	
Consideration unpaid and included in trade and other payables (Note 18)	(12,000)	
Net cash outflow on acquisition	<u>36,305</u>	

(b) Acquisition of minority interest

On 28 May 2007, the Company acquired 49% of equity interest in one of its subsidiaries, Hainan Sihuan Cardiocerebral Vascular Drugs Research Institute Co., Ltd ("Hainan CVD"), making it a wholly-owned subsidiary. The aggregate effect of the acquisition on the cash flows of the Group is as follows:

	Group RMB'000
<u>Identifiable assets and liabilities:</u>	
Cash and cash equivalents	49
Property, plant and equipment	134
Intangible assets	3,348
Trade and other receivables	1,372
Total assets	<u>4,903</u>
Trade and other payables	(370)
Total liabilities	<u>(370)</u>
Identifiable net assets	4,533
Percentage of minority interests	49%
Identifiable net assets acquired	<u>2,221</u>
Cash paid for acquisition	2,485
Less on acquisition - goodwill written off (Note 17)	<u>(264)</u>



Notes to The Financial Statements

For the financial year ended 31 December 2007

10. CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Disposal of a subsidiary

In 2006, the Company disposed of its 75% of equity interest in one of its subsidiaries, Hainan Sanpu Pharmaceutical Development Co., Ltd. The aggregate effect of the disposal on the cash flows of the Group is as follows:

	Group RMB,000
<u>Identifiable assets and liabilities:</u>	
Cash and cash equivalents	13
Trade and other receivables	922
Total assets	<u>935</u>
Trade and other payables	<u>(63)</u>
Total liabilities	<u>(63)</u>
Identifiable net assets	872
Less: Minority interests	<u>(218)</u>
Identifiable net assets disposed	654
Gain on disposal	<u>96</u>
Cash proceeds from disposal	750
Less: Cash and cash equivalents in the subsidiary disposed	<u>(13)</u>
Net cash inflow on disposal	<u>737</u>

11. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Trade receivables	3,119	7,800	-	-
Less: Allowance for impairment of trade receivables	(138)	(111)	-	-
Trade receivables - net	2,981	7,689	-	-
Prepayment to suppliers	6,289	7,481	-	-
Other receivables	15,444	3,080	-	-
Amount due from a subsidiary (non-trade)	-	-	27,002	-
	24,714	18,250	27,002	-

The non-trade amount due from a subsidiary, Hainan Sihuan, is unsecured, interest-free and repayable on demand.

Notes to The Financial Statements

For the financial year ended 31 December 2007

12. INVENTORIES

	Group	
	2007 RMB'000	2006 RMB'000
Raw materials	8,267	2,602
Work-in-progress	936	340
Finished goods	13,750	4,238
	22,953	7,180

The cost of inventories recognised as expense and included in "cost of sales" for the year ended 31 December 2007 was RMB51,629,000 (31 December 2006: RMB 29,165,000).

13. INVESTMENT IN SUBSIDIARY

	Company	
	2007 RMB'000	2006 RMB'000
Equity investment at cost	208,617	58,617

Details of significant subsidiaries are included in Note 30.

Increase in share capital of a subsidiary

On 2 August 2007, Hainan Sihuan Pharmaceutical Co., Ltd ("Hainan Sihuan"), the Company's directly owned subsidiary up to 23 November 2007 (Note 13(b)), increased its registered and paid-up capital by RMB 150,000,000 by way of cash injection by the Company. This was verified by a PRC certified public accountant, and a capital verification report was issued. The total cost of equity investment in Hainan Sihuan became RMB 208,617,000.

Acquisition of subsidiaries

- (a) On 9 October 2007, the Group acquired 100% of the issued share capital of Shenzhen Sihuan for a cash consideration of RMB 60 million. The fair value of identifiable net assets at the date of acquisition amounted to RMB 48,164,000, resulting in goodwill on acquisition of RMB 11,836,000. Details of the identifiable net assets are discussed in Note 10. The goodwill was attributable to the distribution network of the acquired business and the synergies expected to arise after the acquisition.

The acquired subsidiary contributed revenue of RMB 26,385,000 and net profit of RMB 4,639,000 to the Group for the period from 9 October 2007 to 31 December 2007. The subsidiary's assets and liabilities at 31 December 2007 were RMB 40,731,000 and RMB 23,253,000 respectively. If the acquisition had occurred on 1 January 2007, Group revenue and net profit would have increased by RMB 91,026,000 and RMB 13,426,000 respectively.

- (b) On 23 November 2007, the Company acquired a new wholly-owned subsidiary, Sun Moral International (HK) Limited ("Sun Moral") in Hong Kong, PRC, with a share capital of 1 ordinary share of HK\$1 each for consideration of HK\$1. Sun Moral has no significant assets or liabilities. Following this, the Company's entire shareholdings in Hainan Sihuan were transferred to Sun Moral for the consideration of RMB 208,617,000, which represents the Company's cost of equity investment in Hainan Sihuan. This amount due from Sun Moral is included in the Company's investment in subsidiary for 2007 as it is not expected to be repaid by Sun Moral. As a result of the transfer, Hainan Sihuan became an indirectly owned subsidiary of the Company.



Notes to The Financial Statements

For the financial year ended 31 December 2007

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of minority interest

On 28 May 2007, the Group acquired an additional 49% of equity interest in Hainan CVD, making it a wholly-owned subsidiary, for a cash consideration of RMB 2,485,000. The fair value of identifiable net assets at the date of acquisition amounted to RMB 2,221,000, resulting in goodwill on acquisition of RMB 264,000. Details of the identifiable net assets are discussed in Note 10. The goodwill was written off as management was of the view that it was insignificant.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Plant and equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<i>Group</i>						
2007						
Cost						
At 1 January 2007	39,161	8,729	1,301	4,982	4,056	58,229
Acquisition of a subsidiary	80	-	335	93	-	508
Additions	1,150	4,761	593	1,534	22,801	30,839
Transfer from construction in progress	2,471	-	-	-	(2,471)	-
Disposals	-	-	-	(702)	-	(702)
At 31 December 2007	42,862	13,490	2,229	5,907	24,386	88,874
<i>Accumulated Depreciation</i>						
At 1 January 2007	2,990	1,357	517	373	-	5,237
Depreciation charge	2,733	1,699	327	603	-	5,362
Disposals	-	-	-	(400)	-	(400)
At 31 December 2007	5,723	3,056	844	576	-	10,199
Net book value						
At 31 December 2007	37,139	10,434	1,385	5,331	24,386	78,675
<i>Group</i>						
2006						
Cost						
At 1 January 2006	33,096	8,160	1,052	1,575	-	43,883
Additions	6,065	729	259	3,488	4,056	14,597
Disposals	-	(160)	(10)	(81)	-	(251)
At 31 December 2006	39,161	8,729	1,301	4,982	4,056	58,229
<i>Accumulated Depreciation</i>						
At 1 January 2006	226	25	298	106	-	655
Depreciation charge	2,764	1,332	219	267	-	4,582
Disposals	-	-	-	-	-	-
At 31 December 2006	2,990	1,357	517	373	-	5,237
Net book value						
At 31 December 2006	36,171	7,372	784	4,609	4,056	52,992



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For the financial year ended 31 December 2007

15. LAND LEASE RIGHTS

	Group RMB'000
2007	
<i>Cost</i>	
At 1 January 2007	7,352
At 31 December 2007	<u>7,352</u>
<i>Accumulated Amortisation</i>	
At 1 January 2007	394
Amortisation	382
At 31 December 2007	<u>776</u>
Net book value	
At 31 December 2007	<u>6,576</u>
2006	
<i>Cost</i>	
At 1 January 2006	5,526
Additions	1,826
At 31 December 2006	<u>7,352</u>
<i>Accumulated Amortisation</i>	
At 1 January 2006	-
Amortisation	394
At 31 December 2006	<u>394</u>
Net book value	
At 31 December 2006	<u>6,958</u>

Payments for land lease rights were made for the Group's land situated in the PRC and were granted by Town Planning and Land Administration Bureau of Beijing for a period of 50 years from dates of grant.

16. OTHER NON-CURRENT ASSETS

These amounts represent deposits made for proposed investments to be entered into by Hainan Sihuan with third parties.



Notes to The Financial Statements

For the financial year ended 31 December 2007

17. INTANGIBLE ASSETS

	Goodwill RMB'000	Trademark and licences RMB'000	Customer relationships RMB'000	Deferred development costs RMB'000	Product development in progress RMB'000	Total RMB'000
<u>Group</u>						
2007						
<i>Cost</i>						
At 1 January 2007	294	1,222	-	30,151	57,186	88,853
Acquisition of a subsidiary	11,836	-	28,000	33,000	-	72,836
Additions	264	230	-	-	55,697	56,191
Transfers	-	-	-	494	(494)	-
Write-off	(264)	-	-	-	-	(264)
At 31 December 2007	12,130	1,452	28,000	63,645	112,389	217,616
<i>Accumulated Amortisation</i>						
At 1 January 2007	-	146	-	17,644	-	17,790
Amortisation	-	98	1,400	7,150	-	8,648
At 31 December 2007	-	244	1,400	24,794	-	26,438
<i>Accumulated Impairment</i>						
At 1 January 2007	-	-	-	-	-	-
Additions	-	-	-	-	930	930
At 31 December 2007	-	-	-	-	930	930
Net book value						
At 31 December 2007	12,130	1,208	26,600	38,851	111,459	190,248
<u>Group</u>						
2006						
<i>Cost</i>						
At 1 January 2006	294	1,182	-	26,423	24,668	52,567
Additions	-	40	-	-	36,246	36,286
Transfers	-	-	-	3,728	(3,728)	-
At 31 December 2006	294	1,222	-	30,151	57,186	88,853
<i>Accumulated Amortisation</i>						
At 1 January 2006	-	52	-	12,482	-	12,534
Amortisation	-	94	-	5,162	-	5,256
At 31 December 2006	-	146	-	17,644	-	17,790
Net book value						
At 31 December 2006	294	1,076	-	12,507	57,186	71,063



Notes to The Financial Statements

For the financial year ended 31 December 2007

17. INTANGIBLE ASSETS (continued)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") which are the subsidiaries and a summary of the goodwill allocation is presented below.

	2007	2006
	RMB'000	RMB'000
Beijing Sihuan Pharmaceutical Co., Ltd.	294	294
Shenzhen Sihuan Pharmaceutical Co., Ltd.	11,836	-
	12,130	294

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	Beijing Sihuan	Shenzhen Sihuan
Gross margin (budgeted gross margin)	30%	36%
Growth rate (weighted average growth rate used to extrapolate cash flows beyond the budget period)	13%	35%
Discount rate (pre-tax discount rate applied to the cash flow projections)	13%	13%

These assumptions have been used for the analysis of each CGU.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The growth rates do not exceed the long-term average growth rate for the markets. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Management believes that any reasonable change to the key assumptions above of which the recoverable amounts are based would not cause the carrying amounts to exceed the recoverable amounts.



Notes to The Financial Statements

For the financial year ended 31 December 2007

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Trade payables - third parties	8,589	2,272	-	-
Accrued expenses	5,940	1,322	4,884	250
Advances from customers	13,671	529	-	-
Value added tax payable	3,959	4,434	-	-
Amount payable for the acquisition of Shenzhen Sihuan (Note 10(a))	12,000	-	-	-
Other payables	24,667	3,429	-	-
Amount due to a subsidiary (non-trade)	-	-	10,027	5,081
	68,826	11,986	14,911	5,331

The non-trade amount due to a subsidiary is unsecured, interest-free and repayable on demand.

19. BORROWINGS

	Group	
	2007 RMB'000	2006 RMB'000
<i>Current</i>		
Loan from third party (i)	12,000	4,000
	12,000	4,000
<i>Non-current</i>		
Loan from third party (ii)	-	12,000
	12,000	16,000

(i) The loan from third party is unsecured, interest free and repayable within one year.

(ii) The loan from third party is unsecured, interest free and repayable after one year.

The carrying amount of non-current borrowings approximated its fair value.



Notes to The Financial Statements

For the financial year ended 31 December 2007

20. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Deferred income tax liabilities:		
- to be settled within one year	8,474	623
- to be settled after one year	1,740	60
	10,214	683

The movement in the deferred income tax account is as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Beginning of financial year	683	742
Acquisition of a subsidiary	9,561	-
Tax credited to income statement (Note 8)	(30)	(59)
End of financial year	10,214	683

The movement in the deferred tax liabilities during the financial year is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation RMB'000
2007	
Beginning of financial year	683
Acquisition of a subsidiary	9,561
Credited to income statement	(30)
End of financial year	10,214
2006	
Beginning of financial year	742
Credited to income statement	(59)
End of financial year	683



Notes to The Financial Statements

For the financial year ended 31 December 2007

21. SHARE CAPITAL AND SHARE PREMIUM

The movements in the share capital and share premium accounts of the Group and the Company are set out below:

Group and Company	Share capital RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
2007			
Beginning of financial year	54,413	-	54,413
Share issue	14,849	193,338	208,187
Share issue expenses	-	(10,429)	(10,429)
End of financial year	69,262	182,909	252,171
2006			
Beginning of financial year	58,617	-	58,617
Share issue expenses	(4,204)	-	(4,204)
End of financial year	54,413	-	54,413

Authorised and issued share capital

The Company was incorporated in Bermuda on 26 April 2006 under the Bermuda Companies Act as an exempt private limited company with an authorised share capital of US\$12,000, comprising 12,000 ordinary shares of par value US\$1 each.

On 6 December 2006, the Company's shareholder at that time, and before its initial public offering ("IPO"), approved the increase in the authorised share capital of the Company to US\$12,000,000 comprising 12,000,000 ordinary shares of par value US\$1 each, as well as the allotment and issue of 7,488,000 ordinary shares of par value US\$1 each credited as fully paid. The existing nil-paid 12,000 ordinary shares were also approved to be credited as fully paid. At the same time, the existing nil-paid 12,000 ordinary shares were fully paid up by the Company's shareholder.

On 7 February 2007, the Company's shareholder at that time, and before its IPO, approved the sub-division of every one ordinary share of US\$1 each in the authorised and issued share capital of the Company into 50 shares. The resulting authorised share capital of the Company was US\$12,000,000 divided into 600,000,000 ordinary shares and the resulting issued share capital was US\$7,500,000 divided into 375,000,000 ordinary shares.

On 13 March 2007, the Company issued 95,000,000 ordinary shares for a total consideration of RMB 208,187,000 for cash as part of the IPO to provide funds for research and development activities, increasing the distribution network, marketing activities and production capabilities, as well as working capital. The newly issued shares rank pari passu in all respects with the previously issued shares. Upon this share issue, the resulting issued and fully paid-up share capital of the Company was US\$9,400,000 divided into 470,000,000 ordinary shares.

Notes to The Financial Statements

For the financial year ended 31 December 2007

22. OTHER RESERVES

	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Reserve fund RMB'000	Total RMB'000
<u>Group</u>				
2007				
Balance at 1 January 2007	-	-	24,775	24,775
Transfer from retained earning	-	-	20,851	20,851
Balance at 31 December 2007	-	-	45,626	45,626
<u>Group</u>				
2006				
Balance at 1 January 2007	7,116	3,557	-	10,673
Reclassification	(16,665)	(8,110)	24,775	-
Transfer from retained earning	9,549	4,553	-	14,102
Balance at 31 December 2007	-	-	24,775	24,775

One of the subsidiaries, Hainan Sihuan Pharmaceutical Co., Ltd was incorporated as a domestic limited liability company. According to the Company Law of the PRC and the Articles of Association of this subsidiary, it was required to provide the following statutory reserves which are appropriated from the net profit as reported in the PRC statutory financial statements:

(i) Statutory common reserve fund

Hainan Sihuan Pharmaceutical Co., Ltd is required each year to transfer 10% of the profit after tax as reported in the PRC statutory financial statements to the statutory common reserve fund, except where the fund has reached 50% of the Hainan Sihuan Pharmaceutical Co., Ltd's registered capital. This fund can be used to make up any losses incurred or be converted into paid-in capital, provided that the fund does not fall below 25% of the registered capital.

(ii) Statutory common welfare fund

Hainan Sihuan Pharmaceutical Co., Ltd is required each year to transfer 5% to 10% of the profit after tax as reported in the PRC statutory financial statements to the statutory common welfare fund. This fund is used for the collective welfare of the staff and workers of the Hainan Sihuan Pharmaceutical Co., Ltd.

The statutory common reserve fund and statutory common welfare fund are not distributable unless this subsidiary is liquidated.



Notes to The Financial Statements

For the financial year ended 31 December 2007

22. OTHER RESERVES (continued)

(iii) Reserve fund

Hainan Sihuan Pharmaceutical Co., Ltd has become a wholly owned foreign enterprise since 27 June 2007. In accordance with the "Law of the PRC on Enterprises Operated Exclusively with Foreign Capital" and Hainan Sihuan Pharmaceutical Co., Ltd. revised Articles of Association, appropriations from net profit, after offsetting prior years' accumulated losses, should be made to the reserve fund and the staff and workers' bonus and welfare fund, before profit distributions to the investors. The appropriation for the reserve fund must be no less than 10% of net profit. However, this is optional when the accumulated appropriation exceeds 50% of the registered capital. The percentages to be appropriated for the reserve fund and the staff and workers' bonus and welfare fund are determined by Hainan Sihuan Pharmaceutical Co., Ltd. The staff and workers' bonus and welfare fund, due to their nature, is classified as other liabilities in the balance sheet and correspondingly recognised as staff cost in the income statement.

For appropriations to statutory common reserve fund and statutory welfare fund, the profits for the period up to 26 June 2007 and those before are appropriated in accordance with the legislations and the Company's Articles of Association applicable to a domestic limited liability company and a wholly owned foreign enterprise respectively. Appropriations previously made to statutory common reserve fund and statutory welfare fund were transferred to the reserve fund on 27 June 2007.

All the above statutory reserves are not available for distribution to owners (except on liquidation of this subsidiary).

23. COMMITMENTS

(a) Operating lease commitments – where the Group is a lessee

The future minimum lease payable under non-cancellable operating leases in relation to office premises contracted for at the balance sheet date but not recognised as liabilities, are analysed as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Not later than one year	991	77	444	-
Later than one year but not later than five years	138	50	110	-
	1,129	127	554	-

These leases have varying terms, escalation clauses and renewal rights.

(b) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements, are analysed as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Product development costs	59,662	29,712
	59,662	29,712

Notes to The Financial Statements

For the financial year ended 31 December 2007

24. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on financial performance of the Group. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) *Currency risk*

The Group's operations are in the PRC and the entities transact mostly in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2007, the only foreign currency denominated balance of the Group is Singapore Dollar cash and cash equivalents of approximately RMB 82.2 million. In the opinion of the directors, the Group does not have any significant currency exposure.

(b) *Price risk*

The Group is not exposed to any significant equity or commodity market price risk as the Group does not hold any available-for-sale or fair value through profit and loss investments.

(c) *Interest rate risk*

The Group has no significant exposure to interest rate risk. The financial assets and liabilities of the Group are non-interest bearing except for bank and cash balances as set out in the table below, categorised by the earlier of contractual repricing or maturity dates.

Group

	Interest bearing		
	Fixed rates		
	Less than 6 months RMB'000	Non-interest bearing RMB'000	Total RMB'000
At 31 December 2007			
Assets			
Cash and cash equivalents	262,231	149	262,380
Liabilities			
Borrowings	-	12,000	12,000
At 31 December 2006			
Assets			
Cash and cash equivalents	41,392	396	41,788
Liabilities			
Borrowings	-	16,000	16,000



Notes to The Financial Statements

For the financial year ended 31 December 2007

24. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk (continued)

Company

	Interest bearing Fixed rates Less than 6 months RMB'000	Non-interest bearing RMB'000	Total RMB'000
At 31 December 2007			
Assets			
Cash and cash equivalents	82,244	-	82,244
At 31 December 2006			
Assets			
Cash and cash equivalents	30	-	30

(d) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has no significant concentration of credit risk. Credit risk arises mainly from cash and cash equivalents, and trade and other receivables.

For cash and cash equivalents, the Group manages the credit risk by placing the bank deposits in large PRC state-controlled banks without significant credit risk.

For trade and other receivables, the credit quality of individual customers is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. The directors are of the opinion that the risk of default by counterparties is low.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amounts of cash and cash equivalents and trade and other receivables presented on the balance sheet.

The Group's key management analyses the credit risk for trade and other receivables based on respective individual customers of the whole Group.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits in large PRC state-controlled banks without significant credit risk. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Notes to The Financial Statements

For the financial year ended 31 December 2007

24. FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Past due 0 to 3 months	2,795	5,332
Past due 3 to 6 months	68	2,012
Past due over 6 months	118	345
	2,981	7,689

The Company has no trade receivables.

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Gross amount	138	111
Less: Allowance for impairment	(138)	(111)
	-	-
Beginning of financial year	(111)	-
Allowance made	(27)	(111)
End of financial year	(138)	(111)

The individually impaired trade receivables mainly relate to customers of the Group, which are pharmaceutical wholesalers, who are in unexpectedly difficult financial and economic situations.



Notes to The Financial Statements

For the financial year ended 31 December 2007

24. FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk

The Group applies prudent liquidity management by maintaining sufficient cash to meet its operational requirements. The directors are of the opinion that the Group maintains an adequate liquidity reserve.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000
<u>Group</u>		
At 31 December 2007		
Trade and other payables	68,826	-
Borrowings	12,000	-
	80,826	-
At 31 December 2006		
Trade and other payables	11,986	-
Borrowings	4,000	12,000
	15,986	12,000
<u>Company</u>		
At 31 December 2007		
Trade and other payables	14,911	-
	14,911	-
At 31 December 2006		
Trade and other payables	5,331	-
	5,331	-

(f) Capital risk

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practice, the Group monitors capital on the basis of the consolidated Group gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

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For the financial year ended 31 December 2007

24. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital risk (continued)

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain an operation with no capital risk. The gearing ratios at 31 December 2007 and 2006 were as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Total borrowings	12,000	16,000
Less: cash and cash equivalents	(262,380)	(41,788)
Net cash	(250,380)	(25,788)
Net debt	-	-
Total equity	524,813	150,450
Gearing ratio	NM	NM

NM: Not meaningful as there is no net debt.

25. RELATED PARTY TRANSACTIONS

In addition to related party information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at the terms agreed between the parties during the year:

(i) Purchases of goods

	Group	
	2007 RMB'000	2006 RMB'000
Shenzhen Sihuan Pharmaceutical Co., Ltd.	-	49

Shenzhen Sihuan was established in August 2003. Mr Guo Weicheng and Shenzhen Taian Investment Co., Ltd. ("Shenzhen Taian"), over which Mr. Zhang Jionglong has significant influence, owned 60% and 40% of the registered capital of Shenzhen Sihuan on its establishment respectively. Their interests in Shenzhen Sihuan were fully divested in March 2006 and Shenzhen Sihuan ceased to be a related party of the Group since then. On 28 September 2007, the Group acquired 100% equity interest of Shenzhen Sihuan and Shenzhen Sihuan became one of the subsidiaries of the Group (Note 13).



Notes to The Financial Statements

For the financial year ended 31 December 2007

25. RELATED PARTY TRANSACTIONS (continued)

- (ii) Sale of goods

	Group	
	2007	2006
	RMB'000	RMB'000
Shenzhen Sihuan Pharmaceutical Co., Ltd.	-	1,485

- (iii) Key management's remuneration

The key management's remuneration include fees, salary, bonus, commission and other short-term employee benefits (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits		
- Directors	5,010	339

26. SEGMENT INFORMATION

- (i) Business segment

The Group is engaged in only one business segment, the manufacture and sale of pharmaceutical products.

- (ii) Geographical segment

All assets and operations of the Group are located in the PRC. No geographical segment results are presented.

27. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Plenty Gold Enterprises Limited, incorporated in British Virgin Islands.



Notes to The Financial Statements

For the financial year ended 31 December 2007

28. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

- (a) FRS 108 Operating Segments (effective for annual periods beginning on or after 1 January 2009).

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group is still in the process of assessing the impact of the application of FRS 108.

- (b) Revised FRS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009).

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009 for qualifying assets, if any.

29. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 31 March 2008.



Notes to The Financial Statements

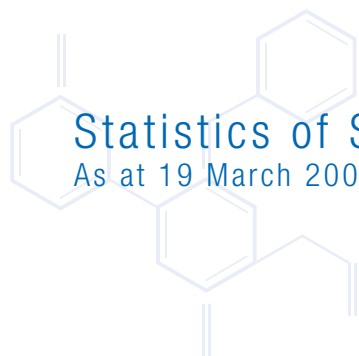
For the financial year ended 31 December 2007

30. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2007 %	2006 %
Significant subsidiaries held indirectly by the Company				
Hainan Sihuan Pharmaceutical Co., Ltd +	Marketing of pharmaceutical products	People's Republic of China	100	100
Beijing Sihuan Pharmaceutical Co., Ltd +	Manufacturing of pharmaceutical products	People's Republic of China	100	100
Hainan Sihuan Pharmaceutical Information Co., Ltd +	Information support services	People's Republic of China	100	100
Hainan Sihuan Technical Pharmaceutical Co., Ltd +	Cooperation with other research companies	People's Republic of China	100	100*
Hainan Sihuan Cardiocerebral Vascular Drugs Research Institute Co., Ltd +	Provision of research and development services	People's Republic of China	100	51*
Shenzhen Sihuan Pharmaceutical Co., Ltd +	Marketing of pharmaceutical products	People's Republic of China	100	-

* Subsidiaries incorporated in the financial year ended 31 December 2006.

+ Hainan Sihuan Pharmaceutical Co., Ltd. and its subsidiaries are audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company Shenzhen Branch.



Statistics of Shareholdings

As at 19 March 2008

Class of shares - Ordinary shares
 Voting rights - 1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

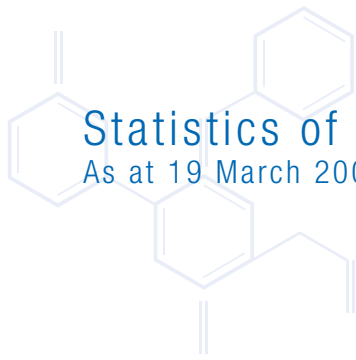
Based on information available to the Company as at 19 March 2008, 25.5% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is compiled with.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 19 MARCH 2008

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	5	0.31	1,190	0.00
1,000 - 10,000	1,087	66.81	6,381,000	1.36
10,001 - 1,000,000	521	32.02	31,011,000	6.60
1,000,001 and above	14	0.86	432,606,810	92.04
Total	1,627	100.00	470,000,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 19 MARCH 2008

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	PLENTY GOLD ENTERPRISES LIMITED	350,000,000	74.47
2	HSBC (SINGAPORE) NOMINEES PTE LTD	30,475,000	6.48
3	DBS NOMINEES PTE LTD	12,186,000	2.59
4	PHILLIP SECURITIES PTE LTD	7,100,810	1.51
5	KIM ENG SECURITIES PTE. LTD.	6,722,000	1.43
6	DAIWA SECURITIES SMBC SINGAPORE LIMITED	6,030,000	1.28
7	CITIBANK NOMINEES SINGAPORE PTE LTD	5,839,000	1.24
8	UOB KAY HIAN PTE LTD	3,121,000	0.66
9	KO WOON HONG	2,500,000	0.53
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,033,000	0.43
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,867,000	0.40
12	MERRILL LYNCH (SINGAPORE) PTE LTD	1,733,000	0.37
13	IPC CORPORATION LTD	1,600,000	0.34
14	CIMB-GK SECURITIES PTE. LTD.	1,400,000	0.30
15	TEO KOK KHENG	1,000,000	0.21
16	CHAN SOH HAR	950,000	0.20
17	OCBC SECURITIES PRIVATE LTD	947,000	0.20
18	ING NOMINEES (SINGAPORE) PTE LTD	800,000	0.17
19	KO OON JOO	745,000	0.16
20	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	649,000	0.14
	TOTAL:	437,697,810	93.11



Statistics of Shareholdings

As at 19 March 2008

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interests	No. of shares	
		Deemed Interests	%
Chartered Asset Management Pte. Ltd.*	-	31,146,000	6.63
Dr Che Fengsheng#	1,030,000	350,000,000	74.69
Dr Guo Weicheng#	-	350,000,000	74.47
Plenty Gold Enterprises Limited	350,000,000	-	74.47

* 31,146,000 shares held through nominees.

Deemed interest of Dr Che Fengsheng and Dr Guo Weicheng arising from their direct interests in Plenty Gold Enterprises Limited.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 205, Level 2, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 28 April 2008 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2007 and the Reports of Directors and Auditors thereon. **Resolution 1**
2. To declare a First and Final Dividend of RMB 13.0 cents per ordinary share, tax not applicable, for the financial year ended 31 December 2007. **Resolution 2**
3. (a) To approve the Directors' Fees of S\$80,000/- for the financial year ended 31 December 2007. **Resolution 3**
(b) To approve the Directors' Fees of S\$80,000/- for the financial year ending 31 December 2008 to be payable on a quarterly basis. **Resolution 4**
4. To re-elect Dr Che Fengsheng as a Director retiring pursuant to Bye-Law 104 of Bye-Laws of the Company. **Resolution 5**
(See Explanatory Note 1)
5. To re-elect the following Directors retiring pursuant to Bye-Law 107(A) of the Bye-Laws of the Company:-
(a) Mr Chong Teck Sin **Resolution 6**
(b) Mr Ng Cher Yan **Resolution 7**
(See Explanatory Note 2)
6. To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:-

7. Authority to Allot and Issue Shares

- "That in accordance with Rule 806 of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is given to the Directors to issue: **Resolution 9**
- (a) shares in the Company (whether by way of bonus, rights or otherwise); or
 - (b) convertibles securities; or
 - (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the events of rights, bonus or capitalisation issues; or



Notice of Annual General Meeting

(d) shares arising from the conversion of convertible securities,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:-

- (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued share capital of the Company, excluding treasury shares, or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the issued share capital of the Company, excluding treasury shares, or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued share capital shall be calculated based on the issued share capital of the Company, excluding treasury shares, as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent consolidation or subdivision of the Company's shares; and
- (iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier. "

(See Explanatory Note 3)

8. To transact any other business which may properly be transacted at an Annual General Meeting.



Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2008, for the purpose of determining members' entitlements to the First and Final Dividend of RMB 13.0 cents per ordinary share, tax not applicable, for the financial year ended 31 December 2007 to be proposed at the Annual General Meeting of the Company to be held on Monday, 28 April 2008.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 8 Cross Street #11-00, PWC Building, Singapore 048424, up to 5.00 p.m. on 7 May 2008 will be registered to determine Members' entitlement to such dividends.

Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 7 May 2008 will be entitled to such proposed dividend.

The payment of such dividends, if approved by members at the Company's Annual General Meeting to be held on Monday, 28 April 2008, will be paid on 20 May 2008.

Dated this 11th day of April 2008.

By Order of the Board

Eileen Koh
Company Secretary



Notice of Annual General Meeting

Explanatory Notes:-

1. The Ordinary Resolution in item 5 is to re-elect the retiring Director pursuant to Bye-Law 104 of Bye-Laws of the Company:-
 - Dr Che Fengsheng will, upon re-election as a Director of the Company, remain as the Executive Chairman, Chief Executive Officer and a member of the Nominating Committee of the Company.
2. The Ordinary Resolutions in item 6 & 7 are to re-elect the retiring Directors pursuant to Bye-Law 107(A) of Bye-Laws of the Company:-
 - Mr Chong Teck Sin will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
 - Mr Ng Cher Yan will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. The Ordinary Resolution no. 9 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company, excluding treasury shares, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company, excluding treasury shares, at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTES:

1. If a Member being a Depositor whose name appears in the Depository Register (as defined in Bye-laws of the Company) wishes to attend and vote at the Annual General Meeting (the "Meeting"), then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 8 Cross Street #11-00, PWC Building, Singapore 048424, at least forty-eight (48) hours before the time of the Annual General Meeting.
2. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be signed and deposited at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 8 Cross Street #11-00, PWC Building, Singapore 048424, at least forty-eight (48) hours before the time of the Annual General Meeting.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr Che Fengsheng (Executive Chairman and CEO)
Dr Guo Weicheng (Executive Deputy Chairman)
Mr Meng Xianhui (Executive Director)
Dr Zhang Jionglong (Non- Executive Director)

Independent Directors

Mr Chong Teck Sin (Lead Independent Director)
Mr Ng Cher Yan (Independent Director)

MANAGEMENT TEAM

Ms Gu Jin
Ms Jia Zhongxin
Mr Choi Yiau Chong
Ms Yuan Tingjun
Mr Xia Zhong Ning
Dr Huo Caixia

AUDIT COMMITTEE

Mr Ng Cher Yan (Chairman)
Mr Chong Teck Sin
Dr Zhang Jionglong

REMUNERATION COMMITTEE

Mr Chong Teck Sin (Chairman)
Mr Ng Cher Yan
Dr Zhang Jionglong

NOMINATING COMMITTEE

Mr Chong Teck Sin (Chairman)
Mr Ng Cher Yan
Dr Zhang Jionglong
Dr Che Fengsheng

BERMUDA RESIDENT REPRESENTATIVE

Appleby Corporate Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

COMPANY SECRETARY

Ms Eileen Koh, ACIS

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Audit Partner-in-charge: Ms Trillion So
(Since the financial year ended 31 December 2007)

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICES

Singapore
96 Robinson Road
#14-04 SIF Building
Singapore 068899

Haikou, Hainan

31st Floor, Xinda Commercial Plaza
No. 48 Guomao Avenue, Haikou City 570125
Hainan Province
PRC

Beijing

Sanjianfang Airport Yard,
Zhangjiawan Town
Tongzhou District Beijing 101114
PRC

Shenzhen

4th Floor, No.802 Building,
Sun Gang Warehouse,
North Bao'an Road,
Luo Hu District, Shenzhen City
PRC

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street
#11-00 PWC Building
Singapore 048424

CORPORATE DIRECTORY

Company Registration No: 38317
Corporate Website: www.sihuanpharm.com
www.sihuanpharm.com.cn



SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.

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SINGAPORE 068899