



BROAD INTELLIGENCE

International Pharmaceutical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1149)

Interim Report 2009



The board of directors (the "Board") of Broad Intelligence International Pharmaceutical Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2009, together with the unaudited comparative figures for the corresponding period in 2008.

These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the six months ended	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
TURNOVER		65,075	277,060
COST OF SALES		(67,543)	(189,652)
GROSS (LOSS)/PROFIT		(2,468)	87,408
OTHER REVENUE		1	5,959
SELLING AND DISTRIBUTION EXPENSES		(24,882)	(24,316)
GENERAL AND ADMINISTRATIVE EXPENSES		(17,910)	(16,948)
OTHER OPERATING EXPENSES		(22,460)	–
		(67,719)	52,103
(LOSS)/PROFIT FROM OPERATION			
FINANCE COST		(1,510)	–
(LOSS)/PROFIT BEFORE TAXATION	5	(69,229)	52,103
INCOME TAX	6	–	(9,658)
(LOSS)/PROFIT FOR THE PERIOD		(69,229)	42,445
(LOSS)/EARNINGS PER SHARE			
– BASIC AND DILUTED	8	(HK14.92 cents)	HK9.21 cents

The notes on pages 6 to 13 form part of this interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(69,229)	42,445
OTHER COMPREHENSIVE (LOSS)/INCOME		
FOR THE PERIOD (AFTER TAX AND		
RECLASSIFICATION ADJUSTMENTS):		
EXCHANGE DIFFERENCES ON		
TRANSLATION OF FINANCIAL STATEMENTS		
OF OVERSEAS SUBSIDIARIES	<u>(2,814)</u>	<u>30,789</u>
TOTAL COMPREHENSIVE		
(LOSS)/INCOME FOR THE PERIOD	<u>(72,043)</u>	<u>73,234</u>
(LOSS)/PROFIT FOR THE PERIOD		
ATTRIBUTABLE TO:		
OWNERS OF THE COMPANY	<u>(72,043)</u>	<u>73,234</u>

The notes on pages 6 to 13 form part of this interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30th June, 2009 (Unaudited) <i>HK\$'000</i>	At 31st December, 2008 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	542,982	569,903
Prepaid lease payments		2,228	2,294
Prepayments		17,013	17,100
Intangible assets		83,344	91,904
		<u>645,567</u>	<u>681,201</u>
Total non-current assets			681,201
CURRENT ASSETS			
Inventories	10	19,391	60,113
Trade and other receivables	11	383	6,175
Tax recoverable		1,652	1,660
Cash and bank balances		1,949	3,314
		<u>23,375</u>	<u>71,262</u>
			71,262
CURRENT LIABILITIES			
Trade and other payables	12	43,574	57,422
		<u>43,574</u>	<u>57,422</u>
			57,422
NET CURRENT (LIABILITIES)/ASSET		(20,199)	13,840
		<u>(20,199)</u>	<u>13,840</u>
			13,840
NON CURRENT LIABILITIES			
Other payable		43,353	42,541
		<u>43,353</u>	<u>42,541</u>
			42,541
NET ASSETS		582,015	652,500
		<u>582,015</u>	<u>652,500</u>
			652,500
REPRESENTED BY:			
CAPITAL AND RESERVES			
Share capital	13	46,390	46,390
Reserves		535,625	606,110
		<u>582,015</u>	<u>652,500</u>
			652,500
Total equity attributable to owners of the Company		<u>582,015</u>	<u>652,500</u>

The notes on pages 6 to 13 form part of this interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2009

	Share capital	Share premium	Statutory reserve	General reserve	Special reserve	Exchange reserve	Share option reserve	Warrant reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)										
As at 1st January, 2008	46,390	77,994	20,416	30,012	19,608	46,289	287	-	356,121	597,117
Total comprehensive income for the period	-	-	-	-	-	30,789	-	-	42,445	-
Transfer to reserve	-	-	4,501	-	-	-	-	-	(4,501)	-
As at 30th June, 2008	<u>46,390</u>	<u>77,994</u>	<u>24,917</u>	<u>30,012</u>	<u>19,608</u>	<u>77,078</u>	<u>287</u>	<u>-</u>	<u>394,065</u>	<u>670,351</u>
(Unaudited)										
As at 1st January, 2009	46,390	77,994	20,416	33,955	19,608	78,139	287	-	375,711	652,500
Total comprehensive loss for the period	-	-	-	-	-	(2,814)	-	-	(69,229)	(72,043)
Issue of warrants	-	-	-	-	-	-	-	1,558	-	1,558
Share option lapsed	-	-	-	-	-	-	(287)	-	287	-
As at 30th June, 2009	<u>46,390</u>	<u>77,994</u>	<u>20,416</u>	<u>33,955</u>	<u>19,608</u>	<u>75,325</u>	<u>-</u>	<u>1,558</u>	<u>306,769</u>	<u>582,015</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH (USE IN)/GENERATED FROM OPERATING ACTIVITIES	(3,278)	88,652
NET CASH GENERATED FROM/(USE IN) INVESTING ACTIVITIES	1	(196,379)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>1,341</u>	<u>—</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,936)	(107,727)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,314	123,827
EFFECT OF FOREIGN EXCHANGES RATES CHANGES, NET	<u>571</u>	<u>11,799</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>1,949</u></u>	<u><u>27,899</u></u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>1,949</u></u>	<u><u>27,899</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

1. GENERAL

The Company was incorporated in the Cayman Islands on 16th April, 2003 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) with effect from 24th November, 2003.

The principal activities of the Group are manufacture, sale, research and development of pharmaceutical products and investment holding. The address of the Company’s registered office is M&C Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of the Company’s principal place of business is 1903 Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong.

2. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 (“HKAS” 34) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 28 September 2009.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 except for as described in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new Hong Kong Financial Reporting Standard (“HKFRS”), a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised), Presentation of financial statements
- Improvements to HKFRSs (2008)

- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

The amendments to HKAS 23, HKAS 27 and HKFRS 2 and Improvements to HKFRSs (2008) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report as follows:

- a) HKFRS 8 Operating Segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chairman.
- b) As a result of the adoption of HKAS 1 (revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Chairman that are used to make strategic decisions.

The Group has one reportable segment in respect of manufacture, sales, research and development of pharmaceutical products and investment holding in the PRC. Accordingly, no further business segment information is required.

As the Group's revenue is mainly derived from operations carried out in the PRC, no further geographical segment information is provided.

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation are stated after charging the following:

	For the six months ended	
	30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	8,093	7,481
Amortisation of prepaid lease payments	55	54
Auditor's remuneration	–	–
Cost of inventories*	67,543	189,652
Depreciation of property, plant and equipment*	24,022	10,334
Research and development costs	61	27
Write down on inventories	22,460	–
Staff costs (including directors' remuneration)*		
Salaries and allowance	652	2,911
Contributions to retirement scheme	367	432
	3,019	3,343
Operating lease payment in respect of premises	530	545

Note:* Cost of inventories includes approximately HK\$22,890,000 (2008: HK\$7,303,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above.

6. INCOME TAX

	For the six months ended	
	30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current Tax – PRC enterprise income tax		
Provision for the period	–	9,658

- (i) Fujian Nanshaolin Pharmaceutical Co., Ltd., a wholly-foreign owned enterprise, was subject to PRC enterprise income tax at a rate of 15% (six months ended 30 June 2008: 18%) applicable to the company on the assessable profits for the period.

Pursuant to the “Circular on the Transitional Preferential Enterprise Income Tax (“EIT”) Rate” issued by the State Council, commencing on 1 January 2008, the enterprises which were entitled to a 15% EIT rate will be subjected to tax rate of 18% in 2008. However, Article 28 of the Corporate Income Tax Law of the PRC stipulates that effective from 1 January 2008, qualified High-Tech Enterprises would be entitled to a reduced EIT rate at 15%. Since Fujian Nanshaolin Pharmaceutical Co., Ltd. has renewed its High-Tech Enterprises Certificate during the year ended 2008, therefore it is subjected to EIT rate of 15% in 2009.

- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).
- (iii) The Group had no significant unprovided deferred taxation arising for the period and at 30th June, 2009 (six months ended 30 June 2008: Nil).

7. DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30th June, 2009 (six months ended 30 June 2008: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30th June, 2009 is based on the consolidated loss attributable to owners of the Company of approximately HK\$69,229,000 (six months ended 30 June 2008: a profit of approximately HK\$42,445,000) and the weighted average number of ordinary shares of 463,899,000 (2008: 460,899,137 shares) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share for the period ended 30 June 2009 as the exercise price of the company's outstanding warrants was higher than the average market price for shares for the period and therefore it is anticipated that no warrant to subscribe for the Company's shares will be exercised.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$Nil (30 June 2008: HK\$169,711,000) on acquisition of property, plant and equipment.

10. INVENTORIES

During six months ended 30 June 2009, HK\$22,460,000 (2008: HK\$Nil) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors with the following ageing analysis:

	At 30th June, 2009 (Unaudited) HK\$'000	At 31st December, 2008 (Audited) HK\$'000
Neither past due nor impaired	—	3,745
Trade debtors, net of allowance for doubtful debts	—	3,745
Other receivables	310	2,074
Loans and receivables	310	5,819
Deposits and prepayments	73	356
	383	6,175

Trade debtors are due within 90 days from the date of billing.

12. TRADE AND OTHER PAYABLES

Trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date

	At 30th June, 2009 (Unaudited) HK\$'000	At 31st December, 2008 (Audited) HK\$'000
Due within 1 month or on demand	–	3,432
Total creditors	–	3,432
Other creditors and accrued changes	43,574	53,988
Due to a director	–	2
Financial liabilities measured at amortised cost	<u>43,574</u>	<u>57,422</u>

13. SHARE CAPITAL

	Number of shares		Amount	
	2009 '000	2008 '000	2009 HK\$'000	2008 HK\$'000
Ordinary shares of HK\$0.1 each				
<i>Authorised</i>				
As at 30th June, 2009 and 31st December, 2008	<u>2,000,000</u>	<u>2,000,000</u>	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid</i>				
As at 30th June, 2009 and 31st December 2008	<u>463,899</u>	<u>463,899</u>	<u>46,390</u>	<u>46,390</u>

Note: On 21 April 2009, the Company and the Placing Agent entered into a warrant placing agreement, whereby the Company appointed the Placing Agent as the sole and exclusive placing agent to procure not less than six Placees to subscribe for up to 92,000,000 warrants, on a best effort basis, at the warrant issue price of HK\$0.02 per warrant. The warrants entitle the Placees to subscribe for a maximum of 92,000,000 new shares at an initial subscription price of HK\$0.415 per new share (subject to adjustment) for a period of 12 months commencing from (and inclusive of) the date of issue of the warrants. Each warrant initially carries the right to subscribe for one new share.

14. CAPITAL COMMITMENTS

	At	At
	30th June,	31st December,
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of intangible assets	5,671	5,700

15. POST BALANCE SHEET EVENT

- (i) On 31 August 2009 and 4 September 2009, the Company and a wholly owned subsidiary of the Company (the "Purchaser") has entered into the Share Transfer Agreement and the Supplemental Agreement, respectively, with Talent Eagle Holding Limited and Heroic Rich Limited, an independent third parties (collectively referred to as the "Vendor"), in relation to the possible acquisition of the entire issued share capital of Eagle Mascot Limited (the "Target Company") and Shareholder's Loan at a consideration of HK\$1,300 million (subject to adjustment). The Target Company owns indirectly the entire equity interest in Shenzhen Anxin Digital Development Co. Ltd. ("An-xin"). The businesses of An-xin include mainly production of system software and application software; provision of system solutions according to the client's needs; and provision of long term agency operation and maintenance services on system solutions. An-xin had made 5 applications patents in invention rights, application rights and outlook right in the PRC. This arrangement was proposed by the Company on 4 September 2009, which is subject to shareholders' approval.
- (ii) On 4 September 2009, the Company proposed to increase the authorised share capital from HK\$200,000,000 divided into 2,000,000,000 shares to HK\$400,000,000 divided into 4,000,000,000 shares by creating and additional 2,000,000,000 unissued shares. Such additional shares will rank pari passu in all respects with the exiting shares. This arrangement was proposed by the Company on 4 September 2009, which is subject to shareholders' approval.

16. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised), Presentation of financial statements, certain comparative figures have been provided to conform to the current period's presentation in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

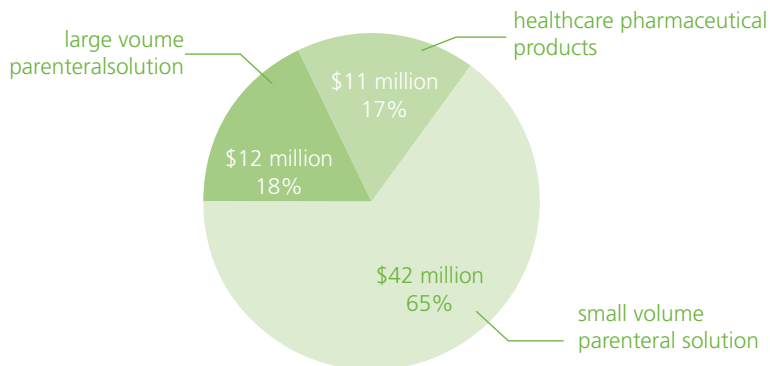
Business Highlights

The Group owns 17 production lines which were granted GMP certifications by the State Food And Drug Administration, namely two production lines for each of large volume parenteral solution and small volume parenteral solution, as well as another 15 production lines for various healthcare pharmaceutical products: pill, capsule, granule, powder, herbal tea, edible solution, syrup, suspension, nasal drop, eye drop, ear drop, tincture, solution, suppository and aerosol.

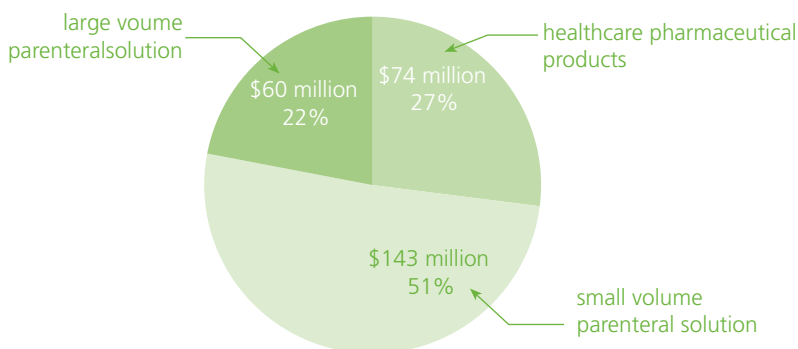
For the six months ended 30 June 2009, the consolidated turnover of the Group amounted to approximately HK\$65 million (for the six months ended 30 June 2008: HK\$277 million), representing a decrease of approximately 76.5% over the corresponding period last year. Gross profit margin was approximately (3.8%) (for the six months ended 30 June 2008: 31.5%). (Loss)/profit after tax was approximately HK\$(69.2) million, (for the six months ended 30 June 2008: HK\$42.4 million), representing a decrease of 263% over the corresponding period last year. Basic (loss)/earnings per share was HK(14.92) cents (2008: HK9.21 cents).

Among the consolidated turnover HK\$65 million for the first six months of 2009, the turnover of small volume parenteral solution, large volume parenteral solution and healthcare pharmaceutical products amounted to HK\$42 million, HK\$12 million and HK\$11 million respectively (for the six months ended 30 June 2008: HK\$143 million, HK\$60 million and HK\$74 million respectively). The sales of health pharmaceutical products constituted approximately 17% of the total sales.

Turnover Analysis for the six months ended 30 June, 2009



Turnover Analysis for the six months ended 30 June, 2008



Dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2009.

Business Review

The Board of Directors would like to take this opportunity to express a deep apology to all our shareholders for the poor financial results of the Group in 2009. The fall in the performance of the Group's financial results stems from the following highlighted factors:

- (1) Amid the rampage of the devastating global financial turmoil in 2008, the international financial crisis has placed the global economies in peril, and dampened spending sentiment amongst consumers who have turned to more cautious spending behavior. Accordingly, with the incipient slowdown in consumer spending in pharmaceuticals, the overall sales of pharmaceutical products during the period shrank dramatically.

- (2) The Group's sale performance was detrimentally crimped by the fierce competition in the domestic pharmaceutical markets and the decrease in prices of certain pharmaceuticals in the domestic pharmaceutical markets.
- (3) Due to improper application incidents concerning certain injection products produced by a number of pharmaceutical manufacturers at the end of 2008, the sales conditions in the injection markets were severely hit and shocked.
- (4) The deterioration of a kind of raw materials, namely "olive liquid extract" (橄欖流浸膏), due to an oversight of an employee of the Group has caused a loss of an inventory stock of RMB16 million in June 2009. The loss has been included in other operating expenses under the consolidated income statement.
- (5) During the first half of both 2007 and 2008, given the then favourable business environment, the Group invested heavily in plant equipments for enhancement in order to raise the oncoming turnover. However, meanwhile, depreciation of cost of sales per year increased substantially. Cost of sales surged in 2009 due to strong depreciation while sales declined significantly for the same year by adverse market environment. Thus, sales loss incurred as the turnover was lower than the cost of sales during 2009.

As our unsatisfactory business performance was brought to the notice of the Chairman, a profit warning was issued on the website of The Stock Exchange of Hong Kong Limited and the website of the Company respectively at the end of July 2009, in order for shareholders and potential investors to make informed investment decisions.

Products and Target Customers

The products sold by the Group can be divided into two major categories, namely injection products and healthcare pharmaceutical products. The injection products are intended for patients in hospitals or clinics, while healthcare pharmaceutical products with natural Chinese herbal extracts are intended for all health-conscious people in the PRC. All products are sold in China, and all selling prices of the products are denominated in Renminbi. The Group's products are targeted on the domestic customers, which mainly include registered medicine distributors, hospitals and clinics in the PRC.

Placing of non-listed warrants

The Group placed 92,000,000 warrants in April 2009. The issue price of the warrants was HK\$0.02 per warrant, whereas the subscription price was HK\$0.415 per new share. The net proceeds of approximately HK\$1.50 million from the placing of warrants will be used by the Group as general working capital, while the proceeds of approximately HK\$38 million from the issue of new shares upon the exercise of the subscription rights attached to the warrants in August 2009 will be used to fund the Group's general working capital, as well as to finance the Group's future development.

Outlook and Prospect

The Group expects there will be no significant improvement in the short-term international financial environment, and believes there will be no drastic turn in the economy of China, and hence, the purchasing power of the domestic customers of the pharmaceutical products will not be obviously enhanced. The medical pharmaceutical industry is believed to remain intensively competitive. Given the imminent introduction of the national essential catalogue of pharmaceuticals and the newly revised pricing policies of pharmaceuticals, the operating costs and profits of the pharmaceutical industry will be put under immense pressure. In the second half of 2009, the Group will endeavor to control costs and expenses in order to thrive and demonstrate a business turnaround in profitability.

To keep us ahead of the tough and challenging operating environment in the pharmaceutical industry, the Group has promoted a business diversification. In September 2009, the Group issued a very substantial acquisition announcement relating to the acquisition of a target company, which indirectly owns the entire equity interest in the An-xi. An-xin is an integrated solutions provider of high technology intelligent security warning systems in the PRC. The businesses of An-xin include mainly (i) production of system software and application software; (ii) provision of system solutions according to the client's needs; and (iii) provision of long term agency operation and maintenance services on system solutions. An-xin had made 5 application patents in invention rights, as well as application rights and outlook rights in the PRC. An-xin had also applied for more than 10 software copyrights. The Directors consider that the Acquisition represents a good opportunity for the Group to diversify the existing business into a new line of business with significant growth potential. For further details of the acquisition, please refer to the announcement published by the Group on the website of The Stock Exchange of Hong Kong Limited and the website of the Group, respectively.

CAPITAL AND OTHER INFORMATION OF THE GROUP

Financial Information

The Group had cash and bank balances amounting approximately HK\$1.9 million as at 30 June 2009. They were denominated in Renminbi and Hong Kong dollars. As the Group had no outstanding bank borrowings, our gearing ratio was nil (2008: 0%). As at 30 June 2009, the current ratio and quick ratio were 0.54 and 0.09 respectively (as at 31 December 2008: 1.24 and 0.19 respectively). As at 30 June 2009, debtors turnover period, inventory turnover period and creditors turnover period were 0 days, 54 days and 0 days respectively (as at 31 December 2008: 3 days, 52 days and 5 days respectively).

Contingent Liabilities

As at 30 June 2009, the Group and the Company did not have any significant contingent liabilities (2008: nil).

Employees and remuneration policy

As at 30 June 2009, the Group had a total of 114 employees (2008: 124 employees). The Group regularly reviews the remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including staff provident fund scheme and discretionary bonus scheme.

RETIREMENT SCHEME

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contribution paid for the six months ended 30 June 2009 and June 2008 was approximately HK\$471,000 and HK\$415,000 respectively. The Group has made adequate provision in the financial statements in respect of the benefit schemes. In addition, the Group also provides housing and food allowances to its staff. In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of the monthly wages of individual employees respectively (up to a maximum contribution of HK\$1,000 by each of the employee and the Group) on a monthly basis to the fund.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

DIRECTORS' INTEREST IN SHARE CAPITAL

As at 30 June 2009, the interests of the Directors in the Share Capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI were as follows:

Director	No. of Shares Held	Percentage of Interest <i>(Corporate interest (Note))</i>
Zhong Houtai	211,720,000	45.64%

Notes:

1. The shares are registered under the name of Elite Achieve Limited.
2. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.
3. Under the Securities and Futures Ordinance, Mr. Zhong Houtai is deemed to be interested in all the shares registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital or debt securities of the Company or any of its associated corporations as defined in the SDI.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the section headed "Directors' Interests in Share Capital" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the period ended 30 June 2009.

SHARE OPTION SCHEME

The share option scheme is effective for a term of ten years from 3 November 2003. The following table discloses movements in the Company's Share Option Scheme during the period:

Category of participant	Date of grant	Number of share options					Exercisable period	Market value per share	
		Outstanding as at 1 Jan 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 Jun 2009		Exercise price per share <i>HK\$</i>	at date of grant <i>HK\$</i>
Consultant	14 May 2007	1,000,000	-	-	1,000,000	-	14 May 2007 to 13 May 2009	1.048	1.03
Total		<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>			

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, persons interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure Of Interest) Ordinance were as follows:

Shareholder	Number of shares	Percentage hold
Elite Achieve Limited	211,720,000	45.64% (Note 1)
Zhong Houtai	211,720,000	45.64% (Note 1)
Katsomalos Nikolaos	122,112,000	26.32%

Note 1: The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.

Save as disclosed above, as at 30 June 2009, the Company is not aware of any person having interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Part XV of section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or is existing during the six months ended 30 June 2009.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2009, the Group had no transactions with related or connected parties.

CORPORATE GOVERNANCE

Corporate governance practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the period ended 30 June 2009, the Group has applied the principles and complied with most of the code provisions and recommended best practices prescribed in the Code on Corporate Governance Practices (“CG Code”) set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The following describes the Company’s corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors were not in compliance with the Model Code or the Code at any time for the period ended 30th June, 2009. In the opinion of the board, the Company had fully complied with the provisions as provided under the Corporate Governance Code during the interim period except as indicated below. In order to be in compliance with the provisions as provided under the Corporate Governance Code, the Company established an audit committee and a remuneration committee.

CODE Provision A2.1

According to the code provision A2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated. However, the Company has no chief executive officer currently. Mr. Zhong Houtai is the chairman and executive Director of the Company responsible for the Group's operations in the PRC. The responsibility of that of a chief executive officer is currently taken up by the chairman of the Company. If the Company can identify a suitable person with capable leadership, knowledge on medicines and relevant skills and experiences for the post from within the Group or outside, the Company may consider appointing a chief executive officer. Owing to the business nature and scope of the Company, a suitable person shall have profound understanding and experiences on medicines, therefore there is no definite timetable for the appointment of chief executive officer.

CODE Provision A4.1

According to the code provision A4.1 of the CG Code, independent non-executive directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company are not appointed for a specific term as required under the Code, but they are subject to retirement in rotation at the annual general meeting of the Company according to the bye-laws of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance of Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing over one-third of the Board of Directors. Amongst them, Mr. Cheung Chuen, who is currently a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has more than 9 years' experience in accounting and auditing, has the appropriate professional qualifications required under Rule 3.10(2).

The independent non-executive Directors have participated in Board meetings as well as its various Board committees, and have given their opinions on the decision making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. The Board considered that all non-executive Directors to be independent in character and judgement. None of the independent non-executive Directors have relationships or circumstances that are likely to effect their professional judgement and the independent non-executive Directors have made active contribution to protecting the interests of the Company as a whole and the legal rights of all of shareholders of the Company, as well as promoting the healthy development of the Company. Three independent non-executive Directors separately submitted their confirmation letters on their independence, confirming that they had strictly observed the requirements for independence as set out in rule 3.13 of the Listing Rules during the year under review. Independent non-executive Directors are independent persons of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company confirmed that in respect of the six months ended 30 June 2009, all Directors had complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The audit committee is established with written terms of reference in compliance with the CG Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming and Mr. Cheung Chuen. Mr. Cheung Chuen is the chairman of the committee. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflected in such reports and accounts and must give due consideration to any matter that has been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. Besides, the audit committee will make recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc. Every year, the audit committee meets with external auditors of the Company to discuss the annual audit plan. 3 meetings were held during the current period including to review the unaudited financial statements for the six months ended 30 June 2009.

NOMINATION COMMITTEE

According to the CG Code, the Company shall set up a nomination committee with a majority of the members thereof being independent non-executive directors. However, the Company did not establish a nomination committee. The process and criteria adopted by the Board to select and recommend candidates for directorship are based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. During the year, no Director has been newly appointed.

REMUNERATION COMMITTEE

The remuneration committee is established with a defined terms of reference in consistence with the CG Code and it is available from the Company Secretary at any time. The duties of the remuneration committee includes making recommendations with respect to the remuneration of the executive Directors for approval by the Board, reviewing and recommending salaries, bonuses, merit plans, reward and recognition strategies, including the appropriation of funds for incentive awards for Directors, and administering and making determinations with regard to the Company's share option scheme.

The remuneration committee is led by Mr. Li Kai Ming, an independent non-executive director. Member of the remuneration committee includes Mr. Pei Renjiu and Mr. Cheung Chuen, also an independent non-executive director.

PUBLIC FLOAT

As at the date of this report, the Company had maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

APPRECIATION

I would like to take this opportunity to extend my deepest gratitude to the directors and staff as a whole for their immense contribution, dedication and diligence during the year.

By order of the board

Zhong Houtai

Chairman

28 September, 2009